



European Economic and Social Committee

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EU-Chile relations

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OPINION

of the

European Economic and Social Committee

on

The role of civil society in relations between the European Union and Chile

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In a letter dated 1 August 2011, the European Parliament asked the European Economic and Social Committee (hereinafter the "EESC"), under Article 304 of the Treaty on the Functioning of the European Union, to draw up an exploratory opinion on

The role of civil society in relations between the European Union and Chile.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, arranged a study visit to Chile in September 2011 and adopted its opinion on 24 January 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the EESC adopted the following opinion by 138 votes to none, with 7 abstentions:

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1. Recommendations

- 1.1 The European Parliament asked the EESC to draw up the present opinion in order to analyse, in the context of relations between the EU and Chile, the role of Chilean civil society and the state of progress on Article 10 of the Association Agreement (AA) between the EU and Chile, which was signed in 2002. Under this article, an EESC-Chile civil society Joint Consultative Committee (JCC) is to be established, but this has not come about due to the lack of a counterpart institution in Chile.
- 1.2 The EESC welcomes the good political relations between the EU and Chile, which have certainly been facilitated by the AA. The EESC would support a review of the AA to include a chapter on sustainable development, support measures for the effective recognition and implementation of the fundamental ILO conventions, and a realignment of cooperation to strengthen civil society and projects of common interest, such as innovation, sustainable development, consumer protection and education.
- 1.3 The EESC calls on the parties to the AA and the relevant international organisations based in Chile to provide all the institutional, political, operational and economic support that Chilean civil society organisations need to build up their strength and skills, so that they can become valid partners in both social and civil dialogue at national level, and a counterpart for European civil society at the bilateral level.
- 1.4 The EESC emphasises the fundamental importance of social dialogue between employers and trade unions as the foundation for the economic and social consensus that is crucial to development accompanied by social cohesion, and as a starting point for fostering a broader

civil dialogue between the political authorities and economic and social actors. This should lead to better distribution of wealth, with a more open policy and an expanded role for the social partners and civil society organisations.

- 1.5 The EESC underlines the importance of setting up an economic and social council (ESC) or equivalent body in Chile: this would boost opportunities for consolidating dialogue between different social stakeholders, and between them and the competent authorities, as well as making it possible to implement Article 10 of the Association Agreement as quickly as possible. The EESC is willing to contribute to these efforts, using its experience in similar activities with other countries.
- 1.6 As agreed with the Chilean organisations during its fact-finding mission to Chile in September 2011, the EESC will, with the support of the Chilean government and the EU, hold a seminar bringing together the most representative Chilean civil society actors, in conjunction with the Seventh Meeting of EU-Latin America and Caribbean Organised Civil Society (Santiago de Chile, 2012). The seminar will look at the interest in, and means for, setting up a Chilean civil society consultative body that could serve as a counterpart for the EESC under the terms of Article 10 of the AA.
- 1.7 Other issues of general interest to civil society stakeholders will also be discussed, as will possibilities for capacity-building, the need for ongoing, and improved, exchanges of information, and the possibility of organising other regular joint activities. This cooperation will need financial support from the signatories to the AA.

2. **Political, economic and social situation of Chile**

2.1 *Political situation*

- 2.1.1 Chile is one of South America's most stable and prosperous nations, and a benchmark for sustained economic growth, which has been driven by raw materials prices, the arrival in power of representative political parties, the country's growing international role, and an approach to trade that is increasingly directed towards the Pacific basin.
- 2.1.2 Following two decades of government by the centre-left *Concertación* [Consultation] coalition led, since 2006, by Michelle Bachelet, President Sebastián Piñera took office on 11 March 2010 for a term of four years following his electoral victory at the head of the centre-right *Coalición por el Cambio* [Coalition for Change].
- 2.1.3 Chile's political situation in recent months has been affected by major social protest movements, spearheaded by students and supported by the trade unions. Top issues on the current political scene include social inequalities and the government's backing for the controversial HidroAysén project, which could see five hydro-electric dams constructed in Chilean Patagonia. Attention is drawn in particular to the demonstrations and school

occupations calling for educational reform in order to give people throughout Chile, from all social categories, access to high-quality public education.

2.1.4 Chilean civil society itself sees these protests as examples of civic unease, requiring better redistribution of wealth, greater social participation and more open politics. Social organisations are aware of the significance of this juncture in Chilean politics, which they hope will lead to reform of a Pinochet-influenced constitution, an electoral system that hinders political renewal and the current socio-economic system that promotes growth based on the export capacity of a small number of raw materials, which contributes to the insufficient distribution of wealth.

2.2 *Economic situation*

2.2.1 Chile is an upper middle-income country. Growth stood at 5.2% in Chile in 2010.

2.2.2 Chile is by far the world's largest producer of copper, accounting for 60% of Chile's exports. The banking sector is very strong, amassing large profits due, in part, to very high interest rates and its management of pension funds. However, in contrast with this strong economic sector, Chile's high growth rate has not reduced the fragmentation of other sectors such as the food and fisheries industries. The consequences of the global economic crisis in 2008 had an impact on the Chilean economy, but to a lesser extent than on many other economies around the world, as is the case with virtually all the Latin American economies.

2.3 *Social situation*

2.3.1 Chile is one of the countries displaying high levels of inequality in relation to its per capita income. Data released in mid-2010 suggested that between 2006 and 2009, poverty in Chile increased to 15.1% and extreme poverty to 3.7%, compared to 13.7% and 3.2% respectively in 2006.

2.3.2 Unemployment rose to around 9.6% in 2010, largely due to the impact of the global crisis that affected Chile over the previous two years, and mostly affects young people and women. Many of the jobs created recently have been in services and there is a high percentage of informal employment.

2.3.3 Chile comes 45th out of 169 countries in the UNDP's 2010 Human Development Index, making it Latin America's leading country. The country has improved standards in housing, education and health. But income inequality has grown. The wealthiest 5% of households have per capita incomes 830 times higher than those of the poorest 5%. 75% of workers earn approximately USD 1 000, compared to per capita GDP of USD 16 000 – in other words, the labour market does nothing to redistribute income. Pension plans are rare. Children, young

people, women and indigenous Chileans¹ represent the population groups most affected by poverty and social exclusion. Statistics reveal a link between poverty and school attendance rates, poverty and unemployment, and poverty and female unemployment². There is significant inequality between men and women, putting Chile 75th out of 109 countries in terms of gender inequality. Labour legislation is generally weak: there are constraints on collective bargaining and the right to strike; the percentage of workers covered by collective agreements is no more than 6%; and there are no legal provisions at national level for collective bargaining. The tax burden is low and structured regressively.

2.3.4 The debate on the educational model is currently absolutely crucial to the situation in Chile. Not only because many families are heavily indebted due to the cost of educating their children, but also because the demand for education to be seen as a right that the state must guarantee to provide opportunities for all stands at the heart of national debate and has mobilised Chilean society as a whole. One fundamental problem is that education is administered at municipal level. The authorities have launched negotiations with the parties involved in the current protests on reform of the education system.

2.4 *Chile in the current international context*

2.4.1 Since its 1990 return to democracy, Chile has been an active participant in the multilateral arena, playing a constructive role in the UN and its agencies and participating in UN and EU peacekeeping activities. Chile is the regional seat of a number of important international bodies: the ILO, Consumers International, the UN and ECLAC.

2.4.2 At the international level, Chile is an active and constructive member of the UN Human Rights Council. Chile ratified the Statute establishing the International Criminal Court (ICC) and the UN Convention on Enforced Disappearances in 2009. Chileans hold a number of important international positions such as Executive Director of UN Women, ILO Director General and OAS Secretary General³. In January 2010, Chile was the first country in South America to be approved as a member of the OECD.

2.4.3 The country is a member of Asia-Pacific Economic Cooperation (APEC) and an associate member of Mercosur and the Andean Community. It currently holds the presidency of the Rio Group and the Latin America and Caribbean Group and also the co-presidency with Venezuela of the Community of Latin American and Caribbean States (CELAC).

2.4.4 Chile's trade policy has traditionally focused on signing as many free trade agreements as possible. Where energy is concerned, Chile depends on imports to meet three quarters of its needs: it has no nuclear energy and buys liquefied gas from Pacific and North Sea countries.

¹ Approximately 4.6% of the population, mostly Mapuche.

² Figures from the OECD and the 2009 national socio-economic survey – www.ministeriodesarrollosocial.gob.cl.

³ Michelle Bachelet, Juan Somavia and José Miguel Insulza respectively.

Its fossil fuel resources are limited, and Chilean energy policy is based on coal, with the ensuing environmental repercussions. In strategic terms, the long-term vision of Chile's energy policy needs to be enhanced and diversified.

- 2.4.5 Compared to most other Latin American countries, Chile's infrastructure is now developed, not least where the new technologies are concerned.

3. **EU-Chile relations**

- 3.1 The relationship between the EU and Chile is based on the Association Agreement of 2002, and is generally excellent, entailing a wide range of contacts and coordination in the political, trade and cooperation areas. The current EU-Chile sectoral dialogues cover the following issues: regional policy, disaster preparedness, the future of bilateral cooperation, employment policy and the human rights dialogue.

- 3.2 The EU is one of Chile's largest trading partners, and its greatest source of Foreign Direct Investment. The EU-Chile Free Trade Agreement, which has spurred a major increase in the bilateral trade flow over the last decade, covers trade in goods and services, investment, government procurement and competition. The EU is the main destination for Chilean exports, and the balance of trade is in Chile's favour with a surplus of EUR 45 billion. The AA, however, is failing to meet the expectations raised in terms of employment, cooperation and sustainable development.

- 3.3 The European market absorbs significant volumes of exports from sectors such as agriculture and food, wines and tobacco, wood industries and copper, among others. Europe is a major source of intermediate and capital goods for the Chilean economy. The Agreement stipulates that both parties will further liberalise trade in agricultural goods and services.

- 3.4 A total of EUR 41 million is earmarked for EU cooperation with Chile in 2007-13. The Mid-Term Review, concluded in July 2010, confirmed the continuing pertinence of the main priority sectors, namely Social Cohesion and Innovation and Competitiveness, Higher Education and the Environment. Given its sound economic position, however, development cooperation with Chile should aim at other objectives. Chile is itself calling for efforts to be made to develop a strategic partnership, more geared to areas of common interest. The EU is also considering the possibility of introducing elements more in keeping with shared values in the review of the Agreement in 2012.

- 3.5 Chilean civil society's assessment of the results of the AA is not overly positive. Trade unions, SMEs, NGOs and third sector organisations such as consumer organisations see the AA as little more than a free trade agreement, and regret they have derived no benefit from it, not even in the area of development projects, where they accuse the government of intervening directly, without consulting the supposed beneficiary organisations beforehand. These organisations are calling for greater attention to be focused on projects to strengthen

civil society over the long term, to combat inequality, to boost social cohesion and consumption, and to promote associations within individual sectors (there are 12 000 company-based trade unions and 39 000 employers in the transport sector alone). It would also be better for European funds to be channelled not only to NGOs but also to third sector organisations such as consumers and small businesses. Alongside Article 10 of the AA, there are also a number of articles on cooperation, such as Articles 41 and 48, to the content of which civil society stakeholders can make constructive contributions.

- 3.6 Under Article 11, the EU has consulted Chilean civil society on the implementation of the AA, e.g. at the first social forum in 2006 and at the second social forum in September 2011. Chilean stakeholders have expressed considerable interest in increasing the exchange of information with European stakeholders, and in implementing Article 10 of the AA. The European Commission and the EEAS appear to have made a conscious effort to continue consultations and to boost the influence of civil society.

4. **Civil society in Chile: current situation and prospects for cooperation**

- 4.1 The Chilean civil society organisations' analysis of dialogue and participation is bleak. In their opinion, the political will to set up a consultative civil society body is lacking in Chile, partly on political and ideological grounds, and partly due to the fear that such a body would become a third legislative chamber in competition with the existing ones. Although there appear to be various levels and kinds of contact with civil society during the development of new legislation, they seem very unstructured. More generally, there is an absence of national-level public participation mechanisms to channel social conflict and defuse social explosions such as those occurring at the moment. Regional and local authorities clearly lack representativeness, as they are appointed directly by the central government.
- 4.2 Chile has three main trade union confederations. The CUT (United Workers Federation) has the most members, and from which the CAT (Independent Workers Federation) and the UNT (United Workers Union) emerged as offshoots. Internal disputes prevent a concerted dialogue between them, and between all of them and the employers. They all however agree on the serious shortcomings regarding social dialogue in Chile, on the creation of effective social dialogue mechanisms and a Chilean ESC, and on the need for the AA to be equipped with a mechanism for social dialogue with European civil society.
- 4.3 The rate of trade union membership in Chile stands at 12-13%, with very high figures in mining, banking and trade, and a very large number of trade unions (some 12 000), mostly based on single businesses. Social dialogue in Chile is in consequence highly fragmented. Trade unions lack negotiating capacity, particularly at sectoral level, and the lack of unity among trade union federations stands in the way of the coordination that is needed upstream of dialogue. The dual dialogues with the CUT and CPC launched by the ILO have failed to generate sufficient trust to turn them into a sustained process.

- 4.4 The leading employers' federation in Chile is the CPC (Confederation of Production and Commerce), covering all the main economic sectors in the country. The CPC cooperates with the trade unions via one-off dialogues, and with the ILO on a tripartite body on decent work. However, it has never talked to the trade unions about the possibility of setting up an ESC or establishing a structured dialogue on industrial relations. Small and medium-sized businesses are represented by CONUPIA.
- 4.5 Small-scale industry in Chile is underdeveloped and poorly organised, uncompetitive and insecure, pays low wages and is excluded from the export sector. However, it accounts for 80% of employment between the formal and informal sectors. In contrast, Chile displays a high level of concentration among a small number of very large, poorly-regulated economic actors with considerable sway over public life, such as the banking sector.
- 4.6 CONADECUS and ODECU are the main organisations for consumers, but they have very little influence or impact on society. They are both demanding greater involvement in EU cooperation projects under the AA.

5. **Conclusions**

- 5.1 The EESC considers that although the application of the AA does not raise any major problems, it must be brought up to date, not least in order to include a chapter on sustainable development within the Agreement's trade chapter, in keeping with more recent trade agreements. Civil society involvement is an essential element in monitoring relations based on respect for economic, social, labour, environmental and consumer rights. The cooperation chapter should help socio-economic actors to become stronger and participate, and should shift its objectives away from conventional development cooperation and aim at objectives of greater mutual interest, such as education, innovation and developing the economic fabric. It is necessary, in the EESC's view, to involve Chilean civil society organisations in the AA evaluation processes.
- 5.2 The EESC is ready and willing to work with the EU in the sectoral dialogues with Chile on relevant matters such as education, corporate social responsibility, sustainable development, social dialogue, employment, consumer protection and information, and social cohesion.
- 5.3 The EESC welcomes the acknowledgement by the Chilean government and parliament that Chile has not complied with Article 10, and fact that they have publicly declared their intention to do so. Similarly, it has taken note of the Chilean government's recent plans to systematically set up civil society information and consultation mechanisms in all areas of government. The EESC welcomes this intention, but – with all due caution – has some reservations regarding a number of proposals which appear to indicate a proliferation of ad hoc, one-off thematic or sectoral mechanisms rather than the construction of a fully-fledged, single consultative body which would complement the partial bodies.

- 5.4 The EESC is of the view that Chilean civil society requires a huge effort to provide political support and internal work aimed at strengthening the relevant organisations and building up their capacity, and at securing their recognition as constructive partners in terms of both general institutional consultation (civil dialogue) and of labour relations (social dialogue).
- 5.5 The EESC supports the establishment of an official Chilean civil society participation body reflecting the pluralism of Chilean society. Like the EESC, it should be based on the principles of representativeness, independence and legitimacy of the organisations represented therein. The EESC's experience has shown that in order to successfully set up this type of institution, there must be a concerted effort by the different civil society sectors involved. The EESC is willing and able to contribute to the efforts involved, based on its experiences from similar activities with other countries. Positive examples of this in Latin America include cooperation with civil society consultative bodies such as the CDES in Brazil, the Central American CC-SICA and Mercosur's FCES.
- 5.6 The EESC believes that the existence of social inequalities and the protest movement currently underway in Chile represent a further reason for creating major channels for dialogue and civil society consultative involvement in decision-making and in public policy.
- 5.7 A consultative body would also facilitate the development of relations between the European and Chilean civil society organisations, and would be a positive step towards stronger EU-Chilean relations through the creation, as soon as possible, of the JCC provided for in Article 10 of the AA.
- 5.8 The EU-Chile JCC should contribute to the development, monitoring and application of the AA. It would issue opinions on the basis of referrals from the Association Committee or Association Council, on all issues covered by the Agreement. It could also issue own-initiative opinions or recommendations on matters relating to the Agreement. The JCC would hold annual meetings for this purpose with the EU-Chile Joint Committee.
- 5.9 The EESC is grateful for the interest and support of the EU-Chile Joint Parliamentary Committee set up under Article 10 of the Association Agreement. The JPC and the future JCC should maintain a fluid and regular relationship in which they can exchange points of view on the follow-up to the Agreement.

Brussels, 22 February 2012.

The President
of the
European Economic and Social Committee

Staffan Nilsson
