
EU trade with Latin America and the Caribbean

Overview and figures



IN-DEPTH ANALYSIS

This publication provides an overview of trade relations between the EU and Latin American and Caribbean countries and groupings. The EU has concluded fully fledged agreements with two Latin American groupings (Cariforum and the Central America group), a multiparty trade agreement with three members of the Andean Community (Colombia, Ecuador, and Peru), and bilateral agreements with Chile and Mexico. It is currently also modernising its agreement with Mexico and intends soon to start negotiations on modernising its agreement with Chile. The EU has also concluded framework agreements with Mercosur and its individual members (Argentina, Brazil, Paraguay, and Uruguay). The agreement with the former will be replaced, once the on-going negotiations on an EU-Mercosur association agreement have been completed. This publication provides recent data on trade relations between the EU and Latin American and Caribbean countries and groupings, compares the agreements governing trade relations that have already been concluded, and analyses the reasons behind the ongoing and planned negotiations on the EU-Mercosur, EU-Mexico and EU-Chile agreements.

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EXECUTIVE SUMMARY

The EU maintains close cooperation and political dialogue with Latin America and the Caribbean (LAC) on account of its historical, cultural and economic ties with the region. The 33 countries forming the Community of Latin American and Caribbean States (CELAC) are jointly the EU's fifth largest trading partner.

Since the 1990s, the EU has pursued a strategy of promoting sub-regional integration initiatives within LAC and bi-regional integration between the EU and the then existing four sub-regional LAC groupings (the Andean Community of Nations (CAN), Cariforum, the Central America group, and Mercosur) as well as bilateral integration with Chile and Mexico. This has resulted in a number of agreements governing trade relations, including fully fledged agreements with two sub-regional groupings (Cariforum and Central America), a multiparty free trade agreement with three countries of the Andean Community (Colombia, Ecuador, and Peru; Bolivia may join at a later stage) and bilateral agreements with Mexico and Chile. In addition, the EU has an inter-regional framework agreement with Mercosur as well as bilateral framework agreements with its founding members (Argentina, Brazil, Paraguay, and Uruguay). Since 1999, the EU and Mercosur (excluding Venezuela) have been negotiating a fully fledged bi-regional agreement governing trade relations. Negotiations have gained momentum since 2016, with both parties aiming at a political agreement by the end of 2017.

Alongside the ongoing EU-Mercosur negotiations, the EU is also in the process of modernising its 2000 Global Agreement with Mexico (ongoing negotiations) and its 2003 association agreement with Chile (preparatory phase). The trade pillars of these agreements are less comprehensive and advanced in terms of liberalisation compared with recently negotiated trade agreements such as the EU-Canada Comprehensive Economic and Trade Agreement (CETA). They lack among other things specific provisions on sustainable development (which are covered in softer political dialogue frameworks) and have limited WTO+ provisions on intellectual property rights (IPR), services, investment, public procurement and regulatory provisions.

In July 2017, the European Parliament also gave its consent to the conclusion of the EU-Cuba Political Dialogue and Cooperation Agreement (PDCA). It constitutes an initial legal and institutional framework to normalise EU-Cuba ties and may provide a stepping stone to a more ambitious trade agreement in the future.

Overall, the EU's agreements governing trade relations with Latin America and the Caribbean differ considerably in terms of coverage and methodology, depending on the time at which they were concluded and the context of the negotiations.

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1.2.2. Ongoing modernisation of the EU-Mexico Global Agreement

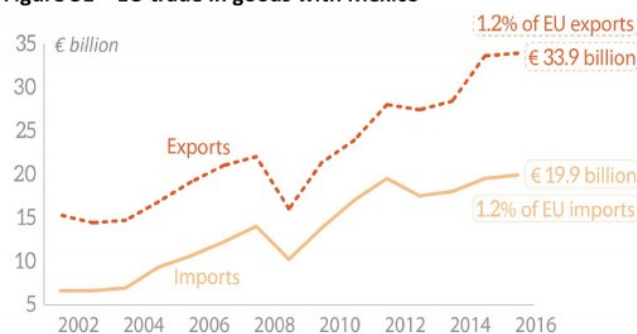


Mexico (formally known as the United Mexican States) has the 14th largest economy in the world in terms of GDP and the second largest in Latin America (after Brazil).⁷⁵ It belongs to the G20, the OECD, the Pacific Alliance and APEC.

Mexico was the first Latin American country to sign an economic partnership, political coordination and cooperation agreement (the 'Global Agreement') with the EU in 1997.⁷⁶ The Global Agreement has been in force since 2000 and consists of three pillars, namely political dialogue, trade and cooperation. Under the Global Agreement's trade pillar, trade in goods and trade in services between the EU and Mexico has been (partially) liberalised and various other trade disciplines have to some extent been established. Mexico also has a strategic partnership with the EU (Brazil is the EU's other strategic partner in Latin America).⁷⁷ This is unique in the sense that Mexico is the only country that has both a strategic partnership and a global agreement (or association agreement) with the EU. The partnership is an indicative strategy that facilitates a wider dialogue and deeper (political) cooperation between both parties. It contains only limited objectives with respect to bilateral trade relations.

The EU is Mexico's third largest trade partner, while Mexico is the 13th largest trade partner of the EU. The EU is also Mexico's second biggest export market after the USA, and Mexico's third largest source of imports after the USA and China. In 2016,

Figure 31 – EU trade in goods with Mexico



Source: Eurostat.

EU exports in goods to Mexico amounted to €33.9 billion, while EU imports in goods from Mexico amounted to €19.9 billion. Since the entry into force of the Global Agreement's trade pillar, bilateral trade in goods has grown from €21.6 billion in 2000 to €53.8 billion in 2016. This represented 8.1 % of Mexico's total external trade in 2016, while US-Mexico trade represented 63.0 % and US-China trade 10.1 %. However, as a result of the ongoing shifts in US trade policy towards NAFTA, Mexico is looking to (further) diversify its trade relations and that provides a good opportunity for the EU to increase its share in Mexico's total external trade.

⁷⁵ [Mexico: economic indicators and trade with the EU](#), EPRS and Globalstat, European Parliament, March 2017.

⁷⁶ [Economic Partnership, Political Coordination and Cooperation Agreement](#), 28 October 2000.

⁷⁷ [Strategic Partnership](#), 15 July 2008.

The EU's main exports to Mexico in 2016 were machinery and appliances, transport equipment, and chemical products.⁷⁸ Mexico's main exports to the EU were machinery and electrical equipment, mineral products (mainly crude oil), transport equipment and optical and photographic instruments. Unlike most other Latin American economies, which are primarily commodity providers, Mexico is mainly a provider of manufactured goods. Total trade in services increased from €9.5 billion in 2010 to €14.4 billion in 2016.⁷⁹ Mexico is a net importer of services from the EU, in particular transport services, and telecommunications, computer and information services. The EU, on the other hand, mostly imports travel services and transport services from Mexico.

The EU is an important provider of capital goods and intermediate products that enter the processes of Mexican assembling companies that export to the USA. In 2015, FDI flows from the EU to Mexico amounted to €18.3 billion and from Mexico to the EU to €2.7 billion.⁸⁰ FDI stocks of the EU in Mexico amounted to €161.6 billion while Mexico had FDI stocks in the EU worth €36.5 billion. Total FDI flows between the EU and Mexico increased from €5 billion in 2012 to €21 billion in 2015 and total FDI stocks increased from €103.8 billion to €198.1 billion in that same period. Although the USA has been the main foreign investor in Mexico over the past 15 years (49 % of total FDI), the EU follows quite closely with 37.8 % and was even the main investor in 2010 and 2013.⁸¹ Mexico has in recent years undertaken an ambitious set of internal structural reforms, agreed in the 'Pact for Mexico' (including tax, energy/telecoms and education reforms) and pushed for the introduction of mechanisms to facilitate investment flows in infrastructure.⁸² This provides opportunities for EU firms looking for greater access to the Mexican market.

Since 2013, the EU and Mexico have been working on the modernisation of the Global Agreement's trade pillar.⁸³ The objective is to unlock unfulfilled bilateral trade and investment potential by expanding the trade pillar's scope to include new trade issues (such as investment protection, regulatory cooperation, and trade and sustainable development). In addition, the modernisation seeks to adapt the trade pillar to political and economic changes that have occurred in both the EU and Mexico since 2000. Apart from gaining improved access to a market of 122 million consumers, the economic reforms carried out by Mexico in 2013 (in particular in the energy and telecom sectors) also form an important incentive for the EU to pursue this modernisation.⁸⁴ So far, five rounds of negotiations have taken place and both sides are committed to concluding talks before the end of the year.

⁷⁸ [European Union, Trade in goods with Mexico](#), European Commission, DG Trade; [Mexico](#), European Commission, DG Trade.

⁷⁹ [Mexico: Main indicators](#), European Commission, DG Trade.

⁸⁰ [Mexico: Main indicators](#), European Commission, DG Trade.

⁸¹ [Trade: EU-Mexico trade relations](#), European External Action Service, Delegation of the European Union to Mexico.

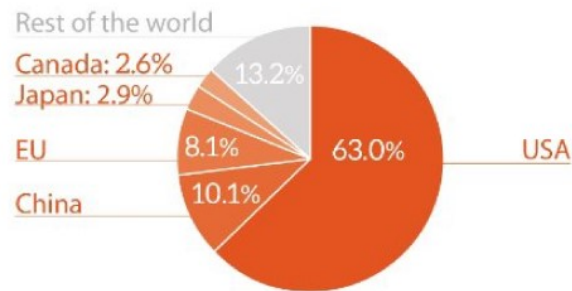
⁸² [Estudios económicos de la OCDE: México](#), OECD, January 2015.

⁸³ See: [Modernisation of the trade pillar of the EU-Mexico Global Agreement](#), EPRS, European Parliament, September 2017.

⁸⁴ [The EU-Latin American Strategic Partnership: state of play and ways forward](#), Policy Department for External Policies, European Parliament, July 2017.

Figure 32 – Mexico: Top 5 trade partners

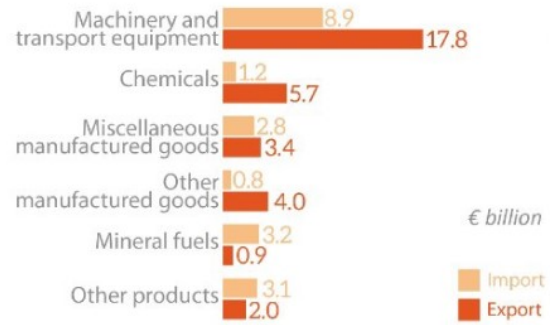
Trade in goods (exports plus imports) (2016)



Source: IMF.

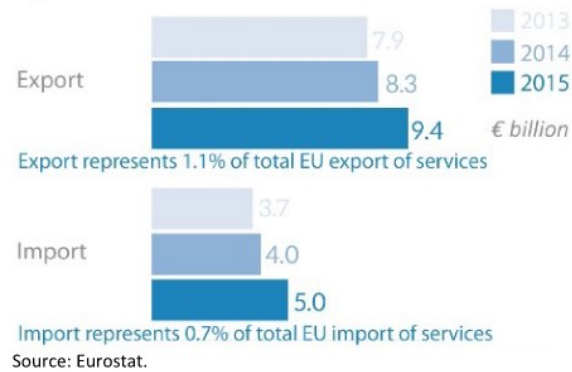
Figure 33 – Main trade products

EU trade in goods with Mexico (2016)



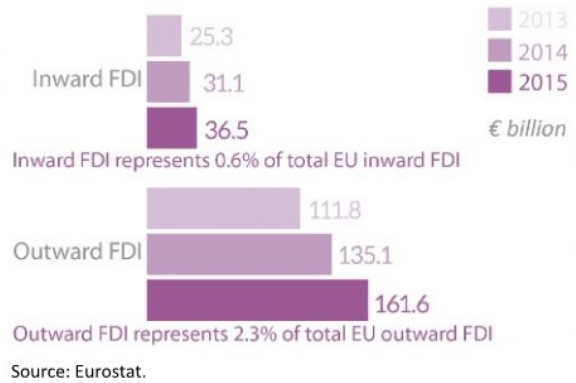
Source: Eurostat.

Figure 34 – EU trade in services with Mexico



Source: Eurostat.

Figure 35 – EU FDI stocks with Mexico



Source: Eurostat.