European Parliament

EU trade with Latin America and the Caribbean

Overview and figures

IN-DEPTH ANALYSIS

EPRS | European Parliamentary Research Service

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Members' Research Service

PE 644.219 – December 2019

EN

This publication provides an overview of trade relations between the EU and Latin American and Caribbean countries and groupings. It contains recent trade data, compares the main agreements governing trade relations that are already in place and looks into the results of recent implementation reports. It furthermore analyses the rationale behind the ongoing negotiations on a modernised trade pillar of the 2002 EU-Chile Association Agreement and the 'agreements in principle' on a modernised trade pillar of the 1997 EU-Mexico Global Agreement and on a trade pillar of the new EU-Mercosur Association Agreement reached in 2018 and 2019 respectively.

This paper has been drawn up by the Members' Research Service, within the Directorate-General for Parliamentary Research Services (EPRS) of the Secretariat of the European Parliament.

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Original manuscript, in English, completed in November 2019.

This is a revised and updated edition of a publication from September 2018 by Gisela Grieger and Roderick Harte.

The author thanks Giulio Sabbati for his assistance and contribution to the graphics in this document. Unless otherwise stated, all data in this publication are from Eurostat.

PE 644.219
ISBN: 978-92-846-6085-8
DOI:10.2861/466762
CAT: QA-04-19-765-EN-N

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Executive summary

The 33 countries forming the Community of Latin American and Caribbean States (CELAC) taken together have remained the EU's fifth largest trading partner and constitute a region with which the EU maintains close cooperation and political dialogue on account of its historical, cultural and economic ties. However, as a consequence of global power shifts and of Asian markets having become the drivers of global trade, in the past two decades the EU has lost significant market share in Latin America and the Caribbean (LAC), mainly to China.

As the rules-based multilateral trading system has come under severe strain in the face of an unpredictable US trade policy geared towards protectionist bilateralism and unilateralism, the EU's major LAC negotiating partners, such as Argentina and Brazil in the aftermath of the 2015 and 2018 presidential elections, have renewed their commitments to multilateralism and free and fair trade. This provided a window of opportunity for the EU to conclude an EU-Mercosur 'agreement in principle' in June 2019, and to reassert its geo-economic and geo-political interests in the region ahead of the October 2019 elections in Argentina, the outcome of which may jeopardise Mercosur's ambitious trade liberalisation agenda.

In 2018 and 2019, the EU has made major headway towards achieving three objectives of its 2015 Trade for All strategy as far as LAC is concerned: 1) in April 2018, an 'agreement in principle' on a modernised trade pillar of the EU-Mexico Global Agreement was reached; 2) in 2019, EU-Chile negotiations on a modernised trade pillar of the EU-Chile Association Agreement gained new impetus; and 3) on 28 June 2019, after 20 years of negotiations an 'agreement in principle' was reached with the four founding members of Mercosur – Argentina, Brazil, Paraguay and Uruguay – on the trade pillar of a broader EU-Mercosur Association Agreement. The latter may be seen as a breakthrough from a geopolitical and trade standpoint. However, it has sparked controversy between those rejecting it for the assumed adverse impact of its trade pillar on sustainable development, climate change, small-scale farming and the rights of indigenous peoples, and those advocating leveraging its trade pillar to foster sustainable policies in Mercosur countries so as to halt the massive deforestation of the Amazon and to push vigorously for decisive steps to be taken for large-scale reforestation.

The 'agreements in principle' and the ongoing talks with Chile build on an EU strategy pursued since the 1990s of promoting sub-regional integration within LAC and bi-regional integration between the EU and the four sub-regional LAC groupings (the Andean Community of Nations (CAN), Cariforum, the Central America group, and Mercosur), and bilateral integration with Chile and Mexico. This strategy resulted in agreements governing trade relations, including fully fledged agreements with two sub-regional groupings (Cariforum and Central America), a multiparty free trade agreement (FTA) with three countries of the Andean Community (Colombia, Ecuador, and Peru) and bilateral agreements with Mexico and Chile.

Overall, the EU's agreements governing trade relations with LAC differ considerably in terms of coverage and methodology, depending on the time at which they were concluded and the context of the negotiations. The trade pillars of the existing trade agreements are less comprehensive and advanced in terms of liberalisation compared with the EU-Canada Comprehensive Economic and Trade Agreement (CETA). They lack, inter alia, specific provisions on sustainable development (which are covered in softer political dialogues) and have limited World Trade Organization plus (WTO+) provisions on intellectual property rights (IPR), services, investment, public procurement and regulatory cooperation.

The 2019 resolutions of the European Parliament (EP) on the implementation of the EU's FTA with Colombia and Peru and of the trade pillar of the EU-Central America Association Agreement have stressed that much more work needs to be done to increase the uptake of preferential rules on both sides (notably by better supporting small and medium-sized enterprises (SMEs), and to ensure that civil society is empowered significantly to make a meaningful contribution to strengthening the enforceability of the commitments made in the trade and sustainable development (TSD) chapters. Unlike the policy pursued by the European Commission, the EP resolutions do not exclude the use of sanctions as a last resort.

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List of main acronyms used

APEC:	Asia-Pacific Economic Cooperation
BIT:	bilateral investment treaty
CAN:	Andean Community of Nations
CARICOM:	Caribbean Community
Cariforum:	Caribbean Forum of African, Caribbean and Pacific States
CELAC:	Community of Latin American and Caribbean States
CETA:	comprehensive economic and trade agreement
CJEU:	Court of Justice of the European Union
EFTA:	European Free Trade Association
EPA:	economic partnership agreement
EuroLat:	Euro-Latin American Parliamentary Assembly
FDI:	foreign direct investment
FTA:	free trade agreement
FTAA:	Free Trade Area of the Americas
GATS:	General Agreement on Trade in Services
GI:	geographical indication
GSP:	generalised scheme of preferences
ICS:	investment court system
ILO:	International Labour Organization
IPR:	intellectual property rights
LAC:	Latin America and the Caribbean
Mercosur:	Mercado del Sur (Common Southern Market)
MFN:	most-favoured nation
NAFTA:	North American Free Trade Agreement
OECD:	Organisation for Economic Co-operation and Development
PDCA:	Political Dialogue and Cooperation Agreement (EU-Cuba)
PTA:	preferential trade agreement
SME:	small and medium-sized enterprise
SPS:	sanitary and phytosanitary
TBT:	technical barriers to trade
TPP:	Trans-Pacific Partnership
TRIPS:	trade-related aspects of intellectual property rights
TRQ:	tariff rate quota
TSD:	trade and sustainable development
TTIP:	Transatlantic Trade and Investment Partnership
WTO:	World Trade Organization

1. Overview of EU trade relations with LAC sub-regional groupings and individual countries

The EU maintains close cooperation and political dialogue with Latin America and the Caribbean (LAC), given its historical, cultural and economic ties with the region. Bi-regional EU-LAC summits as an intergovernmental mechanism for political dialogue began in 1999 and have been held every two years since 2013, with the 33-member-strong Community of Latin American and Caribbean States (CELAC) as the EU's counterpart.[1] In 2006, meanwhile, the Euro-Latin American Parliamentary Assembly (EuroLat) was formed to be the parliamentary dimension of the bi-regional strategic partnership.[2]

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 groupings (the Andean Community of Nations, Cariforum, the Central America group, and Mercosur) as well as bilateral integration with Chile and Mexico. This strategy was rolled out at a time when the US was leading negotiations for the North American Free Trade Agreement (NAFTA) with Canada and Mexico, concluded in 1992, and the Free Trade Area of the Americas (FTAA) which stalled in 2005.[3] The EU strategy has also aimed to balance the dominant US footprint in LAC and to secure EU market access to the region. In the mid-2000s several Latin American countries experienced political shifts to left-wing governments seeking socialist alternatives to the free trade approach. As a result the EU's regional integration strategy for LAC did not develop as coherently as originally expected.

As of November 2019, the EU nevertheless has a fully fledged agreement as part of a interregional association agreement – including political dialogue, cooperation and a trade pillar – with one LAC grouping, the Central America group and an economic partnership agreement (EPA) with another LAC grouping, Cariforum. It has also concluded a multiparty trade agreement with three countries of the Andean Community (Colombia, Ecuador, and Peru), which Bolivia may join in the future, and bilateral agreements governing trade relations[4] with Mexico and Chile. Furthermore, the EU has bilateral framework agreements with Mercosur's founding members Argentina, Brazil, Paraguay and Uruguay.[5] An EU-Mercosur interregional framework agreement has been in force since 1999, and will be replaced by an EU-Mercosur association agreement once the 'agreement in principle' reached in June 2019 has completed its ratification process in Mercosur states and at EU and Member State levels.

Since the mid-1990s, the EU's market share in LAC trade has decreased significantly. Whereas in 1990

1 B. O'Boyle, Explainer: What Is CELAC?, Americas Society/Council of the Americas, 27 January 2015. For documents prior to 2017, please see ALCUE NET.

2 EuroLat is a joint multilateral parliamentary assembly composed of 150 members, 75 from the European Parliament and 75 from the Latin American component, including Parlatino (Latin-American Parliament), Parlandino (Andean Parliament), Parlacen (Central American Parliament), Parlasur (Mercosur Parliament), the Mexican Congress, and the Chilean Congress, the Euro-Latin American Parliamentary Assembly (EuroLat), and the European Parliament.

3 E. Pollio, What Kind of Interregionalism? The EU-Mercosur Relationship within the Emerging 'Transatlantic Triangle', Bruges Regional Integration & Global Governance Papers, 3/2010.

4 In this publication, the term 'agreement governing trade relations' signifies that the agreement at issue encompasses various areas of cooperation, including trade relations. If an agreement only governs trade relations, it will be referred to as a 'trade agreement'.

5 See Table 1 in Annex 1 for an overview of the agreements in place.

the EU accounted for 24.8 % of LAC trade, in 2011 its share had shrunk to 13.7 %.[6] This is the result of a combination of major geopolitical and policy shifts and the impact of the financial crisis.

Key developments include: i) the rise of emerging markets, notably China,[7] and their increasing prominence as new players in LAC; and ii) the creation in 2011 of the Pacific Alliance, a new very dynamic Latin American sub-regional integration initiative founded by the Pacific Rim countries Chile, Colombia, Mexico and Peru, which share a strong interest in engaging with dynamic Asian markets.

Table 1 – EU trade with LAC groups/states and ranking of LAC's trade partners in 2018[8]

LAC countries/sub-regional groupings	EU total trade (exports and imports) in goods, value in billion €	Ranking of LAC's trading partners		
		US	China	EU
Andean Community	28.0	1	2	3
Central America	12.1	1	3	2
Cariforum	9.1	1	3	2
Cuba	2.4	(lower ranking)	2	1
Mercosur	86.4	3	1	2
Mexico	64.9	1	2	3
Chile	18.0	2	1	3

Source: EPRS/Eurostat; Mercosur excludes data for Venezuela. Data extracted on 3 September 2019.

As can be seen from Table 1, the US has remained the first trading partner for most LAC groupings and individual countries. However, US trade policy changes – including the US withdrawal from the Trans-Pacific Partnership (TPP) (originally signed with 11 other Pacific Rim countries)[9] and the re-negotiation of NAFTA[10] – have created uncertainty in the region. This has also created opportunities for the EU to advance its interests, notably in respect to Mercosur, with regard to which the EU lost

[6] European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability, Economic Commission for Latin America and the Caribbean (ECLAC), October 2012, p. 52.

[7] Relaciones económicas entre América Latina y el Caribe y China. Oportunidades y desafíos, Comisión Económica para la América Latina y el Caribe (CEPAL), November 2016. The China-CELAC Forum, BRICS Policy Centre, 2016. During the past 10 years, competition between EU and Chinese exports to Latin America has become fiercer (key EU sectors, such as electrical machinery and road vehicles, have been particularly affected), indicating that China has successfully moved up the value-added chain. A. García-Herrero, T. Marbach, and X. Jianwei, European and Chinese Trade Competition in Third Markets: The Case of Latin America, , Working paper, Issue 06, Bruegel, 7 June 2018.

[8] The data presented in this publication are derived mainly from Eurostat, with some data also coming from the International Monetary Fund (IMF) and the European Commission's DG TRADE (which publishes regular overviews of EU trade statistics, including for specific LAC sub-regional groupings and countries). This publication primarily refers to Eurostat data, because it is in many instances the most up-to-date data available. References to both sources are avoided as much as possible, in particular when discrepancies exist between the data. Please note that the figures on FDI only provide a snapshot of available data; this data is regularly updated and therefore subject to frequent change.

[9] The TPP was reorganised into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership CPTPP or TPP-11. It was signed in March 2018 and entered into force in December 2018 for the first six countries: Canada, Australia, Japan, Mexico, New Zealand and Singapore.

[10] On 30 November 2018, the new United States-Mexico-Canada Agreement (USMCA) was signed to replace NAFTA. For critical analyses, see the Peterson Institute for International Economics (PIIE).

its long-standing rank of first trade partner to China in 2017.

Against the backdrop of ongoing geopolitical and trade policy shifts in the region, recent global and EU trade and investment policy developments, the EU is pursuing three priorities for LAC set out in the 2015 EU trade policy communication 'Trade for All'.[11] These priorities consist of modernising the two trade pillars of the agreements concluded earlier with Chile and Mexico and finalising the long-standing negotiations with Mercosur on an association agreement (as achieved in June 2019), to unlock untapped trade potential in the region.[12]

Since the Trade for All strategy moreover seeks to promote EU values, trade and sustainable development (TSD) chapters have been incorporated systematically into EU trade agreements since the EU-South Korea FTA. Keeping track of the effective implementation and meaningful enforceability of the commitments made in them has become an important task for the European Parliament. Yet, the different assessments of the implementation of the TSD chapters of existing EU trade agreements (Colombia/Peru and Central America as regards LAC) show that there is significant room for improvement beyond the European Commission's related 'non paper' of February 2018.[13]

Nullam mi sapien, congue at porta vel, vehicula vitae lectus. Nam mauris nisl, dictum eget venenatis at, tristique eget purus. Morbi id nisi nec enim maximus ultrices eget sed quam. Fusce at ante nec

1.1. Existing agreements governing trade relations

This section analyses existing fully fledged agreements between the EU and countries and sub-regional groupings in Latin America and the Caribbean that are not undergoing modernisation (for new agreements and agreements that are currently being modernised, see Section 1.2). The EU's agreement with Cuba, although not as comprehensive as some of the others, has also been included, as it may constitute a stepping stone for a future trade agreement.

1.1.1. EU-Andean Community

The Andean Pact was created in 1969 by the Cartagena Agreement and renamed Andean Community of Nations in 1996. Currently, it comprises four countries: Bolivia, Colombia, Ecuador, and Peru.[14] In 1993, the EU and the Andean Community concluded a framework agreement on cooperation, which entered into force in 1998. In 1996, political dialogue was institutionalised with the Declaration of Rome. In 2003, a political dialogue and cooperation agreement was signed, but it has not yet entered into force.

Negotiations on an interregional association agreement (AA) containing a political dialogue, cooperation and trade pillar were

[11] Trade for all. Towards a more responsible trade and investment policy, European Commission, 2015.

[12] For a monthly update of ongoing negotiations, see the EPRS legislative train schedule on international trade.

[13] Feedback and way forward on improving the implementation and enforcement of Trade and Sustainable Development chapters in EU Free Trade Agreements, non paper, European Commission, 26 February 2018. See, for instance, S. Lowe, The EU should reconsider its approach to trade and sustainable development, Centre for European Reform, 31 October 2019.

[14] Chile originally belonged to the founding members but withdrew in 1976. It is currently an associate member. Venezuela joined the Andean Community in 1973 but left in 2006 amid disarray within the CAN owing to divergent views on liberalisation and more generally on development policy, to become a full member of Mercosur in 2012.

launched in 2007.[15] However, the talks stalled in 2008 partly because the political landscape in Bolivia and Ecuador had changed with the arrival in power of left-wing President Evo Morales in Bolivia in 2006 and left-wing President Rafael Correa in Ecuador in 2007.[16] Both presidents preferred to pursue regional integration along the lines of the regional integration platform Bolivarian Alliance for the Peoples of our America (ALBA), which also includes Cuba and Venezuela. As a result, a new negotiation format was defined.[17] Bloc-to-bloc negotiations continued on political dialogue and cooperation, while multiparty trade negotiations on a World Trade Organization Plus (WTO+) format[18] were pursued with those Andean Community countries willing to embark upon them, i.e. Colombia, Ecuador and Peru.

Ultimately, in 2012, an ambitious and comprehensive trade agreement on progressive and reciprocal liberalisation was signed only with Colombia and Peru, both of which had signed a FTA with the US in 2006. The agreement was thus strategically important for the EU to ensure a similar level of access to the markets of these two trading partners. It has been provisionally applied since 2013 and provides for the total liberalisation of trade in industrial products and fisheries over 10 years (with most tariffs eliminated at its entry into force) and increased market access for agricultural products (85 % are to be liberalised within 17 years). It also liberalises services and public procurement, and contains provisions on IPR, human rights and labour and environmental standards.[19] From the perspective of the Andean countries, the EU concessions on import tariffs for bananas have been crucial.[20]

The rationale for Ecuador's decision to re-enter negotiations with the EU in 2013 in order to join the EU-Colombia-Peru trade agreement, was to secure improved market access to the EU.[21] Following the overhaul of the EU's generalised scheme of preferences (GSP)[22] Ecuador would have lost its GSP eligibility and would have faced most-favoured nation (MFN) tariffs instead.[23] In July 2014, the EU and Ecuador reached an agreement on Ecuador's accession protocol to the EU-Colombia-Peru trade agreement. The accession protocol was signed in November 2016.[24] On 1 January 2017, Ecuador formally joined the trade agreement.[25] As for Bolivia, it has retained its GSP status and has an option

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15 SICE: trade policy developments: Andean countries – EU, Organisation of American States (OAS).

16 S. Ellner, 'Latin America's new left in power: the governments of Hugo Chavez, Evo Morales and Rafael Correa', Latin American Perspectives, Vol. 39(1), January 2012, pp. 96-114.

17 Peru, Colombia to negotiate bilateral deals with EU, Andina.com, 11 November 2008.

18 Deep Provision in Regional Trade Agreements: How Multilateral Friendly?, Organisation for Economic Co-operation and Development (OECD), February 2015, p. 2.

19 European Union: 'Trade Agreement' with Colombia and Peru, study commissioned by the Policy Department for External Policies, European Parliament, 20 March 2012.

20 The EU agreed to gradually lower its import tariff on bananas from these countries to a preferential tariff by 1 January 2020. Between the entry into force of the trade part of the agreement and 2020 a safeguard clause applies to prevent larger than anticipated increases in EU banana imports. If the country-specific trigger import volume (TIV) is exceeded, the EU can revert to MFN tariffs for three months. This scheme is also applicable to the EU's association agreement with Central America. G. Anania, The implications for bananas of the recent trade agreements between the EU and Andean and Central American countries, International Centre for Trade and Sustainable Development (ICTSD), Policy Brief Number 5, September 2010.

21 Assessing the economic impact of the trade agreement between the European Union and Ecuador, European Commission, June 2016.

22 Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008, which unilaterally grants preferential market access to developing countries from 2014 to 2023.

23 The EU's Generalised Scheme of Preferences (GSP), European Commission, August 2015.

24 Ecuador joins EU-Colombia/Peru trade agreement, European Commission, press release, 11 November 2016.

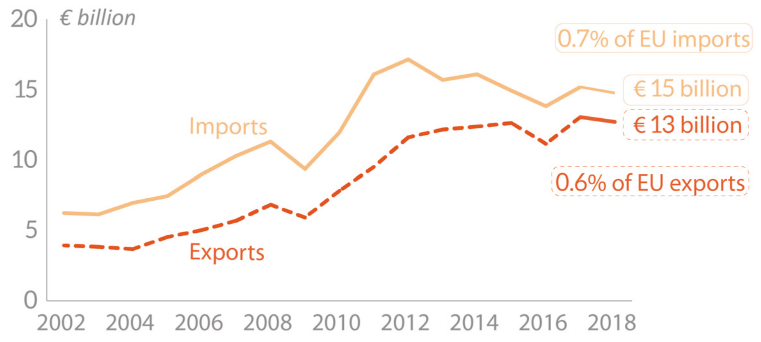
25 European Union, Countries and regions, Andean Community, DG Trade, European Commission.

to join the multiparty trade agreement in the future. The EU's trade with Bolivia amounted to €1.5 billion in 2018.[26]

In 2018, total EU trade in goods with the three other members of the Andean Community decreased by 2.4 % partly due to a 9 % drop in exports from Colombia to the EU related to a decline in international commodity prices for major export items.[27] Moreover, EU non-agricultural exports both to Colombia and to Peru decreased, with machinery and mechanical appliances being particularly affected.[28] Since 2013, both EU exports to and EU imports from Colombia and Peru have remained limited to a very small group of EU Member States.

The low degree of diversification of Colombia's and Peru's exports to the EU continues to be in contrast with the high degree of diversification of EU exports to these countries.[29] However, the number of Colombian export companies involved in the FTA with the EU increased from 1 606 in 2012 to 2 178 in 2018 (+35.6 %), which compares with a lower increase – from 3 102 to 3 653 firms (+17.8 %) – for its FTA (2012) with the US.[30] Trade in goods with Ecuador continued to mark a positive trend for both parties.

Figure 1 – EU trade in goods with the Andean Community



Source: Eurostat

According to the 2019 Commission FTA implementation report,[31] in 2018 preference utilisation rates remained high for EU imports from Colombia (98 %), Ecuador (99 %) and Peru (96 %), while those for EU exports to Colombia (74 %), Ecuador (68 %) and Peru (56 %) were significantly lower. The largely diverging utilisation rates of tariff rate quotas (TRQs) suggest that there is still some unexploited growth potential. Outstanding market access issues concern discriminatory treatment of EU exports to the Andean Community in several sectors, as well as a long-standing import ban on EU cattle and beef based on BSE (bovine spongiform encephalopathy) concerns.[32] The report

26 European Union, Trade in goods with Bolivia, DG Trade, European Commission; Agri-food trade statistical factsheet: European Union – Bolivia, European Commission, 15 March 2019.

27 Reported decline of exports: coal (-27 %), coffee (-12 %) and bananas (-9 %). Informe sobre los acuerdos comerciales vigentes de Colombia, Ministro de Comercio, Industria y Turismo (MINCIT), 2019, p. 46. The report shows that the surplus Colombia ran with the EU in 2013 has turned into a deficit (graph 21, p. 45) – the same occurred with the US (Table 2, p. 16). The sharp decline in Colombian exports of minerals to the EU since 2013 has not been offset by growth in exports of other non-mineral items (graph 22, p. 48); Statistical factsheets on EU agri-food trade with Colombia, Ecuador and Peru, European Commission, 15 March 2019; Comments from Colombia's industry sector to the 2018 report paint a bleak picture of the overall impact of Colombia's FTAs on the domestic economy; See also TLC con la Unión Europea: 5 años de deterioro comercial, Observatorio TLC, August 2018.

28 Commission Staff Working Document. Individual reports and info sheets on implementation of EU Free Trade Agreements, SWD(2019) 370 final, European Commission, 14 October 2019.

29 Trade agreement between the European Union and Columbia and Peru – European Implementation Assessment, A. Zygierewicz: part I, external experts: part II, EPRS, July 2018.

30 Informe sobre los acuerdos comerciales vigentes de Colombia, op. cit., Table 6, p. 22.

31 Report on the Implementation of Free Trade Agreements. 1 January 2018 - 31 December 2019, COM(2019) 455 final, European Commission, 14 October 2019.

32 For details, see the entries in the EU Market Access Database for Columbia, Ecuador and Peru.

highlights progress in the implementation of the TSD chapter through 'closer partnership' between the parties and 'greater involvement of civil society',[33] while acknowledging persisting challenges in labour and environmental protection.[34] In this context, it is worthwhile recalling the dimensions of child labour[35] and deforestation through illegal logging in Peru.[36] However, in 2018-2019 US enforcement action under the very specific provisions of its FTA with Peru resulted in the reversal of a Peruvian government decision that had weakened the independence of the Peruvian Agency for Supervision of Forest Resources and Wildlife (Osinfor), and in a ban of the second Peruvian exporter of illegally harvested timber from the US market.[37] Ecuador reportedly has made progress in halting deforestation and pursues a certification approach for its palm oil sector.[38]

In a 2018 EPRS study, external experts evaluating the implementation of the TSD chapter raised concerns about 'a trend towards more flexible environmental standards and rules' in Peru, which may be at odds with the chapter's non-regression clause that prohibits backsliding on environmental standards to attract trade and FDI.[39] They regret that the TSD chapter does not condition trade benefits on compliance with environmental, labour and human rights standards like the GSP+ does (for market access granted unilaterally by the EU).[40] In respect to human rights, a 2019 EPRS study on Colombia states that 'without binding mechanisms to guarantee their protection, they risk being reduced to mere declaratory principles'.[41]

33 Minutes of the fifth meeting of the sub-committee on trade and sustainable development of December 2018, European Commission.

34 Complaint against the Peruvian Government for failing to fulfil its labour and environmental commitments under the Trade Agreement between Peru and the European Union, Plataforma Europa Perú and European civil society organisations, 19 October 2017; Repercussions in Colombia of the free trade agreement with three years of implementation, Transnational Institute and The International Office for Human Rights – Action Colombia (OIDHACO), September 2016.

35 A. Vale, Breaking the Cycle of Child Labor in Peru, 28 June 2018. UNESCO data for 2018 show that 21.8 % of Peruvian children aged 5 to 14 (about 1.3 million) work, of whom 63.8 % in agriculture. The corresponding figure for the same year stands at 3.9 % (about 332 000 children) in Colombia, and at 4.9 % (about 170 000 children) in Ecuador.

36 Authorized to Steal: Organized Crime Networks Launder Illegal Timber from the Peruvian Amazon, Center for International Environmental Law, July 2019; Weakening environmental protection in Colombia, Social Watch, September 2018; Deforestation impacts 4 protected areas in the Colombian Amazon, Monitoring of the Andean Amazon Project, August 2019.

37 Alert: The Peruvian Government backs down in the fight against illegal logging, Environmental Investigation Agency, December 2018; Peru: Report reveals high rates of illegality in timber extraction, Mongabay.com, 14 February 2019. Peru corrects course in fight against illegal logging, Center for International Environmental Law, April 2019; USTR Announces Enforcement Action to Block Illegal Timber Imports from Peru, Office of the United States Trade Representative, July 2019.

38 Ecuador receives US$ 18.5 million for having reduced its deforestation, United Nations Development Programme, July 2019; The Chain: Ecuador's Palm Oil Exports May Expose International Firms to Deforestation Risks, Chainreactionresearch, August 2019.

39 Trade agreement between the European Union and Columbia and Peru, op. cit., p. 27.

40 'The Agreement lays down minimal environmental regulations compared with the Generalised Scheme of Preferences (GSP+), due to the lack of an obligation to fulfil environmental agreements. On the contrary, GSP+ makes the validity of commercial benefits dependent on meeting environmental, labour and human rights standards. The FTA therefore represents an environmental setback (...). The evidence here shows that as the result of eagerness to attract investment in the country's strategic sectors, environmental controls have become more lax, as have the main regulations on the matter.' Trade agreement between the European Union and Columbia and Peru, op. cit., p. 72.

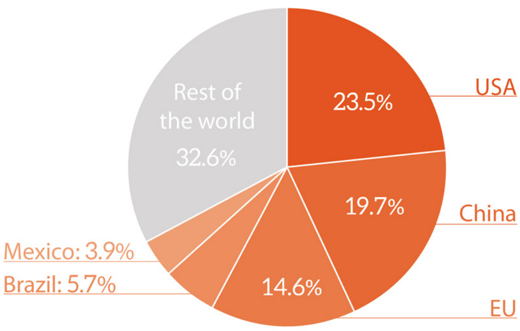
41 'Despite consistent EU engagement through the consultation mechanisms available in the EU-Colombia trade agreement, evidence shows that the social effects of the agreement have been limited. One of the biggest constraints to obtaining more positive results has been the fact that mechanisms to guarantee the protection of human rights (i.e. the dialogue under the TSD title) are not binding. This means that discussions and commitments made in the framework risk remaining at a declaratory level.' I. Ioannides, Peace and Security in 2019. Evaluating EU efforts to support peace in Colombia, study, EPRS, European Parliament, May 2019, p. 27.

In its resolution on the implementation of the EU-Colombia and Peru trade agreement, the EP calls for more steps to be taken to support the diversification of the exports of the three countries to the EU. It stresses that contact points and a dedicated website could be used to empower SMEs to increase their preference utilisation rate of the agreement.[42] It supports the creation of a working group for regulatory issues regarding services and e-commerce. In addition, it suggests that the agreement's revision clause be used to add chapters on SMEs, trade and gender equality, the fight against corruption, as well as a 'suitable dispute settlement mechanism for the TSD chapter including, among various enforcement methods, the possibility of considering sanctions as a deterrent measure to be used, as last resort, in the case of serious and persistent breaches'.[43]

Meanwhile, the Commission has launched an external ex-post evaluation on the five years of implementation of the agreement; focusing on Colombia and Peru, the evaluation is scheduled to be completed in the second half of 2020.[44]

Figure 2 – Andean Community: top 5 trade partners

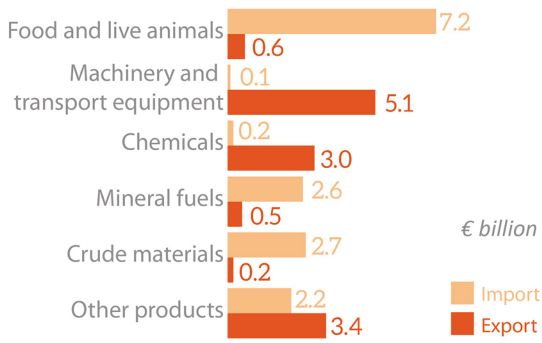
Trade in goods (exports plus imports, 2018)



Source: the IMF.

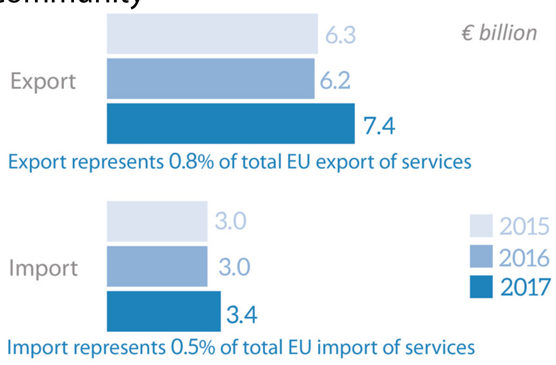
Figure 3 – Main trade products

EU trade in goods with the Andean Community (2018)



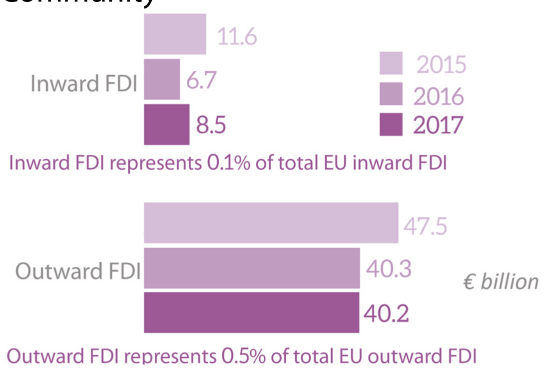
Source: Eurostat.

Figure 4 – EU trade in services with the Andean Community



Source: Eurostat.

Figure 5 – EU FDI stocks with the Andean Community



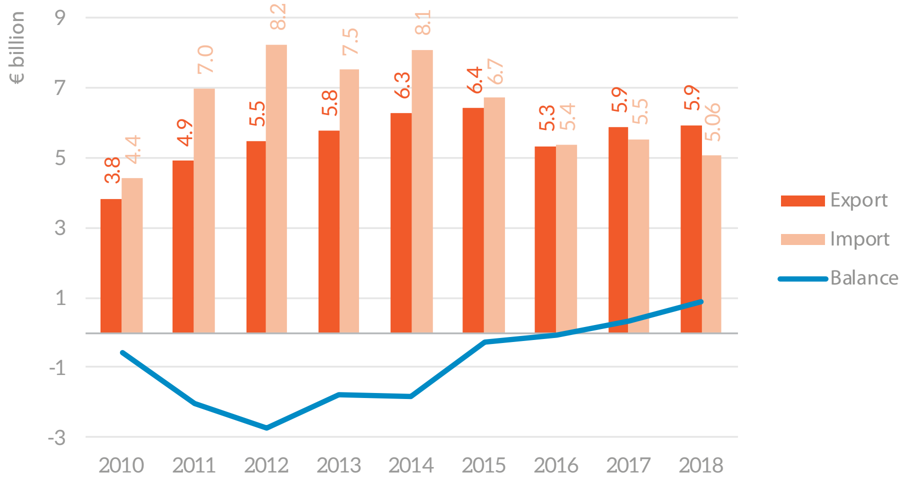
Source: Eurostat.

[42] Resolution of 16 January 2019 on the implementation of the EU-Colombia and Peru Trade Agreement, European Parliament, rapporteur: Santiago Fisas Ayxelà (EPP, Spain).

[43] For a discussion of the different approaches to labour clauses in Colombia's FTAs with Canada, the EU and the US, see E. Schmieg, Labour Clauses for Sustainability?, German Institute for International and Security Affairs, April 2018.

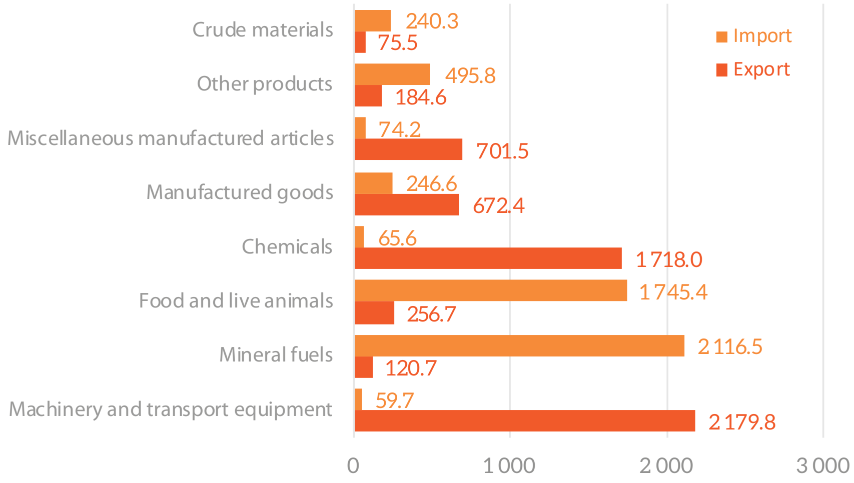
[44] Ex post evaluation on the implementation of the EU-Colombia/Ecuador/Peru Trade Agreement. Evaluation Roadmap, European Commission, 26 February 2019.

Figure 6 – EU trade in goods with Colombia (2010-2018)



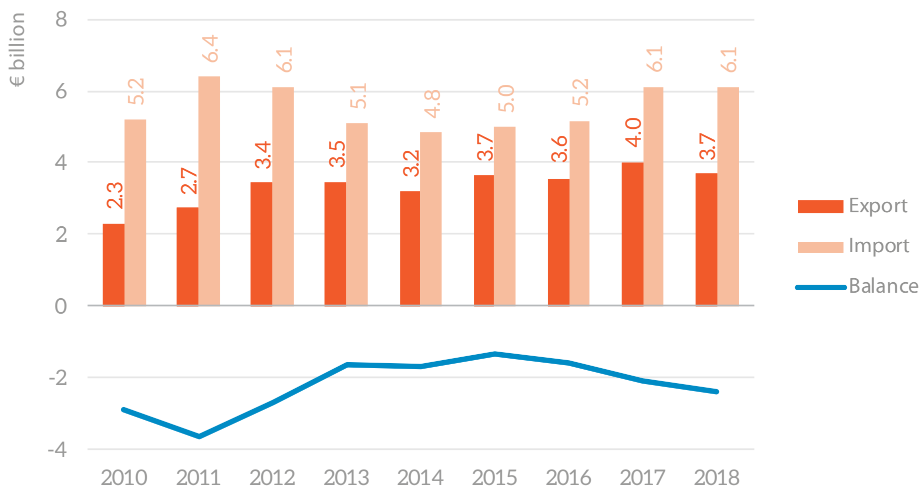
Source: Eurostat.

Figure 7 – EU trade with Colombia: main products (2018, € million)



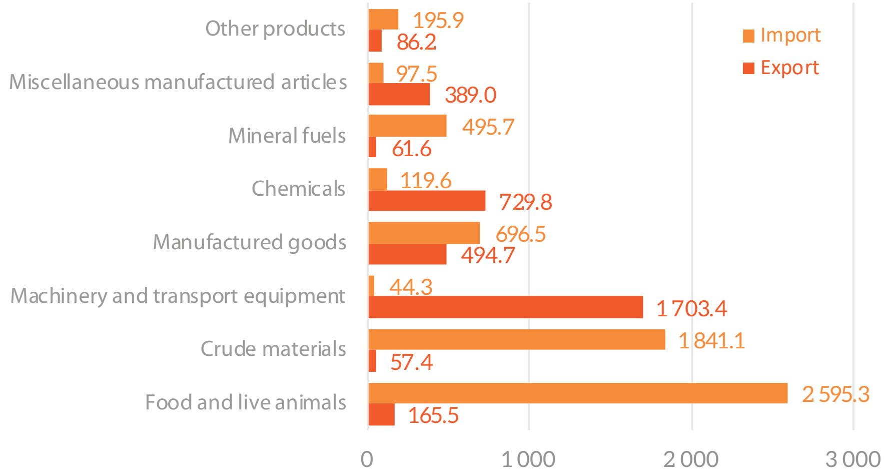
Source: Eurostat.

Figure 8 – EU trade in goods with Peru (2010-2018)



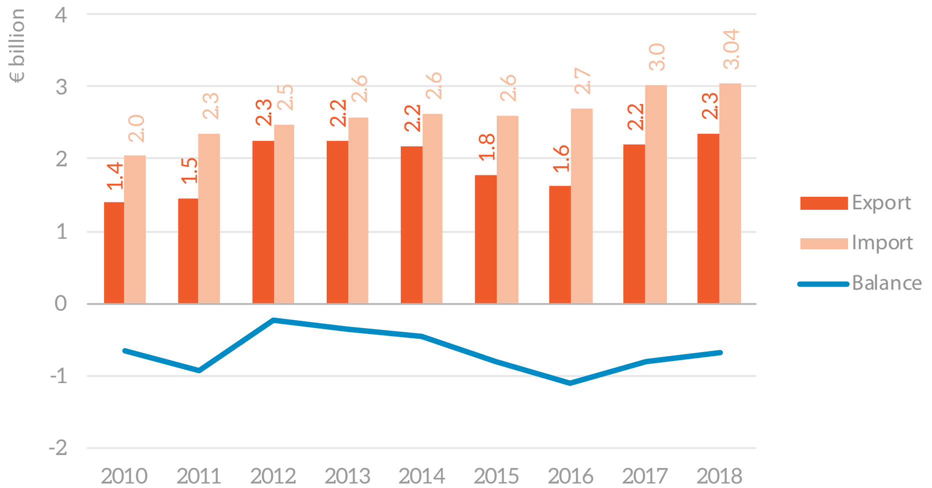
Source: Eurostat.

Figure 9 – EU trade with Peru: main products (2018, € million)



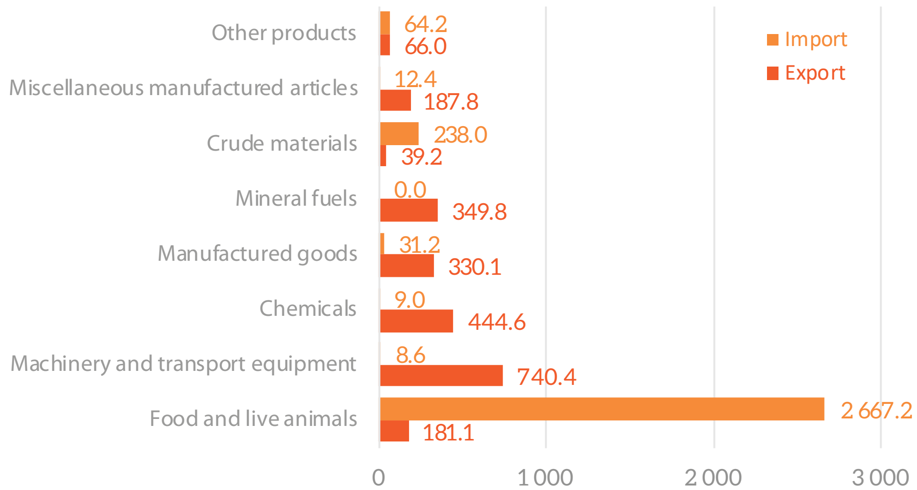
Source: Eurostat.

Figure 10 – EU trade in goods with Ecuador (2010-2018)



Source: Eurostat.

Figure 11 – EU trade with Ecuador: main products (2018, € million)



Source: Eurostat.

1.1.2. EU-Central America

The Central America group is composed of six countries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Close relations between the EU and Central America have their roots in the 1980s when the EU supported the region's successful peace process in the framework of the San Jose Dialogue. In 1993, the EU concluded the EU-Central America Framework Cooperation Agreement, in force since 1998.[45] In 2003, the parties signed the EU-Central America Political Dialogue and Cooperation Agreement, which entered into force in 2014.

In 2007, negotiations started on an interregional association agreement. These were concluded in 2010. The EU's first region-to-region agreement in Latin America was signed in June 2012 and has three pillars: political dialogue, cooperation and trade. Pending the agreement's ratification, the trade provisions have been provisionally applied since 2013.[46] The trade pillar of the association agreement (AA) replaces the unilateral preferential access to its market that was granted to Central America under the EU's GSP.

The AA was designed to eliminate the majority of tariffs for manufactured goods and fisheries with complete liberalisation at the end of the tariff phase-out period, for most products within 10 years and with respect to only a small number (4 %) of products after 15 years.[47] Upon the entry into force of the agreement, Central American countries were set to liberalise 68 % of their existing trade with the EU. The agreement has been seen as a means both to diversify Central America's exports and its regional integration. Moreover, the agreement contains WTO+ provisions on, amongst other things, services, sanitary and phytosanitary measures (SPSs), technical barriers to trade (TBTs), geographical indications (GIs), and public procurement. An ambitious TSD chapter requires compliance with a list of core ILO labour conventions and multilateral environmental agreements (MEAs).

In 2018, EU overall trade with Central America increased moderately, with EU non-agricultural exports expanding by 11 %.[48] Central American exports of bananas to the EU – their major export commodity which is subject to a stabilisation mechanism until the end of 2019 – have not exceeded collectively the threshold of the monitoring mechanism, although Guatemala and Nicaragua did so individually. Preference utilisation rates of Central American exporters varied between 82 % and 96 %, while those of EU exporters ranged from 33 % to 59 %. TRQs have on average been

Figure 12 – EU trade in goods with Central America

Source: Eurostat.

45 SICE: Trade policy developments: Central America-European Union, Foreign Trade Information System, OAS.

46 Countries and regions, Central America, European Commission. As of November 2019, Belgium and Greece have not yet ratified the agreement.

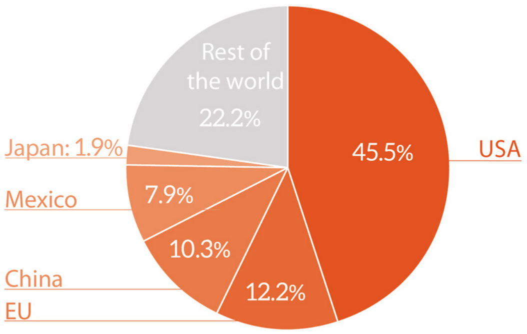
47 EU-Central America: Trade relations under the Association Agreement, European Commission, 2012.

48 Report on the Implementation of Free Trade Agreements. 1 January 2018 - 31 December 2019, COM(2019) 455 final, European Commission, 14 October 2019.

largely under-utilised (33 % for Central America and 26 % for the EU).[49] The 4th EU-Central America TSD Board held a meeting in June 2018 and the 5th EU-Central America joint meeting of civil society Advisory Groups and Civil Society Dialogue Forum took place in June 2019.[50] A 2018 EPRS ex-post evaluation of the implementation of the TSD chapter reviews criticism and sets out options to enhance its enforceability in the future.[51]

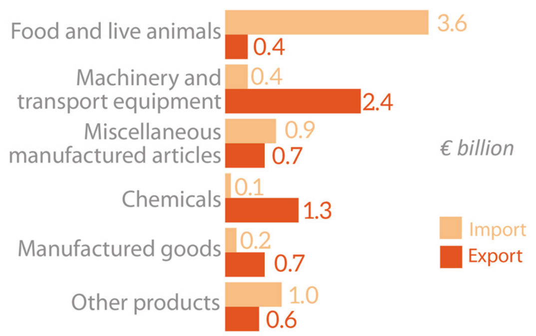
In its resolution on the implementation report on the trade pillar of the EU-Central America AA, the EP suggests adding chapters on SMEs and on gender equality in a future review of the agreement. As for an effective enforcement mechanism for the TSD chapter, it calls for a 'suitable and effective dispute settlement mechanism, including the consideration of, among various enforcement methods, sanctions as a deterrent to be used, as last resort, in the case of serious breaches.'[52] The European Commission has launched an ex-post evaluation of the AA's trade pillar scheduled for the last quarter of 2020 or in the first quarter of 2021.[53]

Figure 13 – Central America: top 5 trade partners
Trade in goods (exports plus imports) (2018)



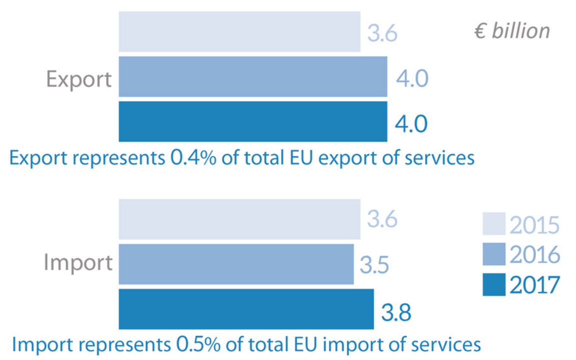
Source: the IMF.

Figure 14 – Main trade products
EU trade in goods with Central America (2018)



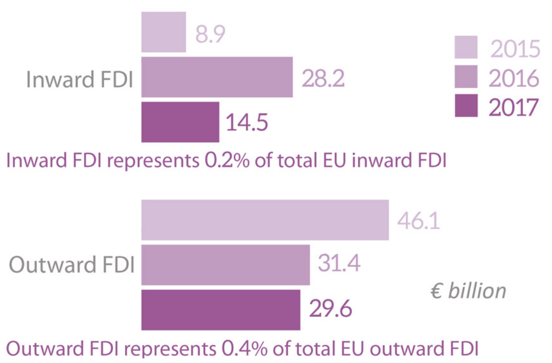
Source: Eurostat.

Figure 15 – EU trade in services with Central America



Source: Eurostat.

Figure 16 – EU FDI stocks with Central America



Source: Eurostat.

49 Commission Staff Working Document. Individual reports and info sheets on implementation of EU Free Trade Agreements, SWD(2019) 370 final, European Commission, 14 October 2019.

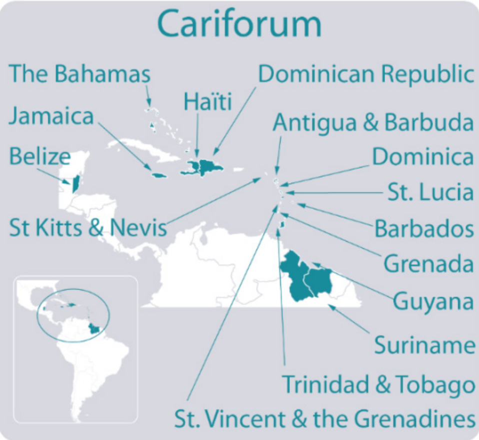
50 Report to the Civil Society Forum of the Fourth Meeting of the Board of Trade and Sustainable Development Association Agreement Between Central America and the European Union, 13 June 2018. Joint declaration of the 5th EU-Central America joint meeting of civil society Advisory Groups and Civil Society Dialogue Forum, 24 June 2019.

51 I. Ioannides, The Trade Pillar in the EU-Central America Association Agreement, European Implementation Assessment, EPRS, European Parliament, October 2018.

52 European Parliament resolution of 16 January 2019 on the implementation report on the trade pillar of the Association Agreement with Central America, rapporteur Reimer Böge (EPP, Germany).

53 Evaluation of the EU-Central America Association Agreement, European Commission, 13 May 2019.

1.1.3. EU-Cariforum

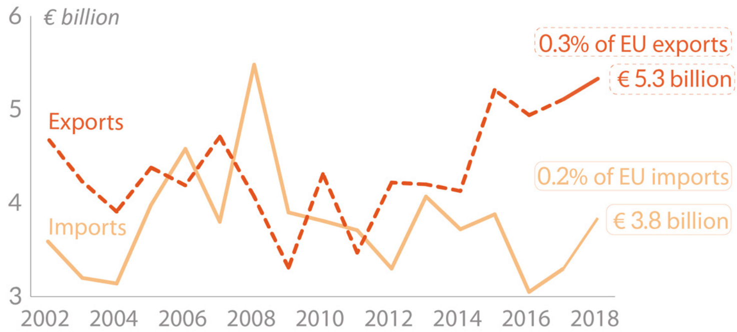


EU relations with the Caribbean countries were initially organised in the framework of the Group of African, Caribbean and Pacific States (ACP) which is currently governed by the 2000 Cotonou Agreement. The Caribbean countries are small, middle-income countries, with the exception of Haiti, and most of them are islands.[54] They account for only a small share of EU trade. The Caribbean is, however, important to the EU in geopolitical terms, since British, Dutch, and French overseas countries and territories are part of its immediate neighbourhood.

The EU's first regional counterpart in the Caribbean was the Caribbean Community (CARICOM) which was created in 1973. In 1992 the Caribbean Forum of African, Caribbean and Pacific States (Cariforum) was formed, encompassing CARICOM and the Dominican Republic. It subsequently became the EU's dialogue partner.

Negotiations on an EU-Cariforum Economic Partnership Agreement (EPA)[55] began in 2004. The agreement entered into force in 2008.[56] A key goal of the EU-Cariforum EPA has been to replace the EU's non-reciprocal trade preferences and to introduce the principle of reciprocity into the EU's trade relations with the ACP countries.[57] Market liberalisation between the EU and the Caribbean countries is asymmetrical in order to take into account the partners' different levels of economic development. Therefore a long transitional period of 25 years was agreed to expand current market liberalisation for 51 % of Caribbean imports from the EU to eventually reach 86.9 %. The EU grants the Caribbean countries complete free market access. However, agricultural and fishery products and a number of industrial goods are excluded from free market access.[58] The EU-Cariforum EPA also seeks to foster sustainable development, promote interregional integration, and connect trade policy with development instruments. It incorporates sustainable development provisions, such as commitments on social and environmental dialogue, an obligation not to lower

Figure 17 – EU trade in goods with Cariforum



Source: Eurostat.

54 Cuba is the only Caribbean country not to have signed the Cotonou Agreement.

55 EPAs are the main instrument for promoting trade between the EU and the African, Caribbean and Pacific (ACP) regions under the 2000 Cotonou Agreement. They constitute key elements of EU-ACP trade relations, designed to be WTO-compatible. They are set to progressively replace the EU preferential trade regime. Fact Sheets on the European Union, Trade regimes applicable to developing countries, European Union.

56 Cuba is part of Cariforum, but it is not a signatory of the EU-Cariforum EPA.

57 E. Schmieg, Trade and Investment Agreements for Sustainable Development? Lessons from the EU's Economic Partnership Agreement with the Caribbean, German Institute for International and Security Affairs, July 2015.

58 Cariforum–EU Economic Partnership Agreement: An overview. Information Paper, European Commission, July 2008.

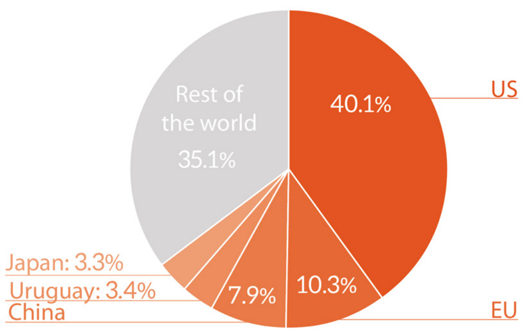
environmental, labour and other social standards ('non-regression clause') in order to attract FDI and a monitoring provision. However, it does not include a separate TSD chapter.

In 2018, EU-Cariforum trade in goods grew by 7 % to €9.1 billion, with EU imports of mineral oil and chemicals from Cariforum accounting for the main drivers of this positive trend, while EU imports of some agricultural goods like sugar and bananas decreased. Although the EPA has been in operation for more than 10 years, it has not enabled Cariforum countries to diversify their exports to the EU, as these continue to be concentrated in very few commodities. In 2018, the average preference utilisation rate of Cariforum countries deteriorated to 86 %.[59]

In line with Article 5 of the EU-Cariforum EPA, a first five-year review of the EPA's implementation was conducted in 2014 for the 2008 to 2013 period.[60] The review established that although the EU-Cariforum EPA's aid for trade component to support the implementation of the agreement had a positive impact, there was still room for improvement as regards the EPA's joint institutions and the dissemination of information on the agreement among other things. Following the EPA's ten years' operation, the European Commission in February 2019 launched an external ex-post evaluation of the level of implementation during the period 2013 to 2018 and the impact on sustainable development that will feed into the EU-Cariforum joint review of the EPA scheduled for 2020.[61]

Figure 18 – Cariforum: top 5 trade partners

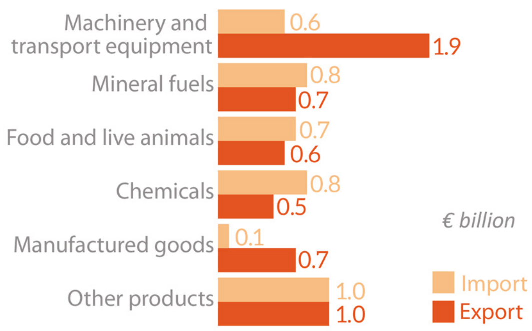
Trade in goods (exports plus imports) (2018)



Source: the IMF.

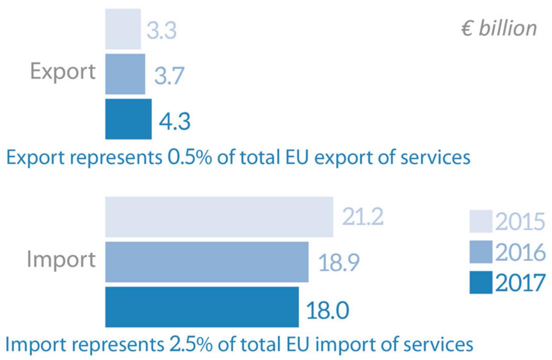
Figure 19 – Main trade products

EU trade in goods with Cariforum (2018)



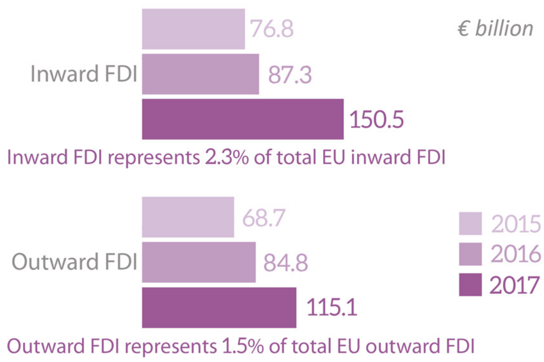
Source: Eurostat.

Figure 20 – EU trade in services with Cariforum



Source: Eurostat.

Figure 21 – EU FDI stocks with Cariforum



Source: Eurostat.

[59] Report on the Implementation of Free Trade Agreements. 1 January 2018 - 31 December 2019, COM(2019) 455 final, European Commission, 14 October 2019.

[60] R. H. Singh et al, Monitoring the implementation and results of the Cariforum–EU EPA Agreement, September 2014.

[61] Evaluation of the CARIFORUM Economic Partnership Agreement, European Commission, 19 July 2018. Ex-post evaluation of the EPA between the EU and its Member States and the CARIFORUM Member States. inception report, Ecorys, June 2019.

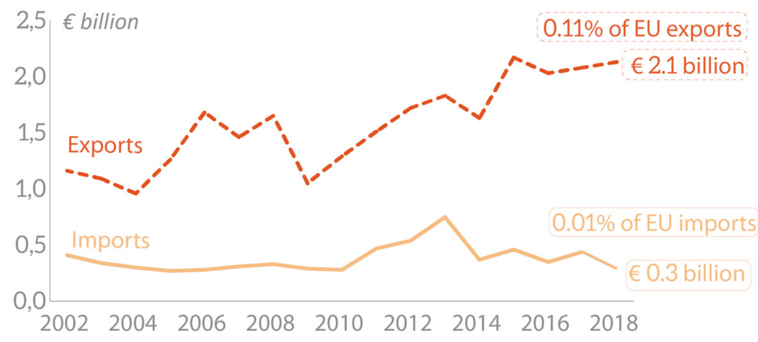
1.1.4. EU-Cuba

Until November 2017, EU-Cuba relations were governed by the Common Position of 2 December 1996, which made full cooperation with Cuba conditional on progress on human rights and political liberties but did not exclude economic cooperation.[62] In July 2017, the European Parliament gave its consent to the conclusion of the EU-Cuba Political Dialogue and Cooperation Agreement, signed in December 2016.[63]

As a mixed agreement, most parts have been applied provisionally since November 2017, until the PDCA's ratification by all Member States.[64] A second EU-Cuba Joint Council meeting took place on 9 September 2019.[65]

The PDCA provides an initial legal and institutional framework to normalise EU-Cuba ties and may constitute a stepping stone towards a more ambitious trade agreement in the future.[66]

Figure 22 – EU trade in goods with Cuba



Source: Eurostat.

Part IV of the PDCA contains provisions on trade and trade cooperation that codify general WTO principles, such as the MFN, and national treatment principles for EU-Cuba trade. The MFN is excluded from application to third countries through preferential agreements concluded between Cuba and third countries. In addition, the PDCA includes provisions on trade facilitation and cooperation in areas such as TBTs and standards, with a view to improving prospects for deeper economic relations. It includes a clause envisaging the future development of a stronger framework for investment.[67] The first year of the PDCA has not yet made a difference in terms of trade in goods flows.

1.2. Ongoing negotiations on agreements governing trade relations

This section analyses ongoing trade negotiations between the EU and Latin American countries and sub-regional groupings. These negotiations cover both 'new' agreements (EU-Mercosur) and modernisations of existing fully fledged agreements (EU-Mexico and EU-Chile).

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62 Common Position of 2 December 1996 defined by the Council on the basis of Article J.2 of the Treaty on European Union, on Cuba, 96/697/CFSP.

63 E. Gómez Ramírez, EU-Cuba Political Dialogue and Cooperation Agreement, EPRS, European Parliament, June 2017; G. Grieger, EU-Cuba Agreement, EPRS, European Parliament, July 2017.

64 J. Tvevad, EU-Cuba relations: a new chapter begins, Policy Department for External Policies, European Parliament, 11 July 2017. EU-Cuba relations, factsheet, European External Action Service, 7 May 2018.

65 EU-Cuba Joint Council meeting, Council of the European Union, 9 September 2019.

66 In 2018, total EU-Cuba in goods trade stood at €2.4 billion, with the EU exporting goods worth €2.1 billion and importing goods worth €0.3 billion. Trade with Cuba, European Commission, 3 June 2019. Agri-food trade statistical factsheet for Cuba, European Commission, 15 March 2019.

67 Political Dialogue and Cooperation Agreement, Council of the EU, 12504/16, 25 November 2016. For more information, see also: E. Schmieg, Cuba 'updates' its economic model. Perspectives for cooperation with the European Union, German Institute for International and Security Affairs, April 2017.

1.2.1. Negotiations of the trade pillar of the new EU-Mercosur Association Agreement

Mercosur, the 'southern common market', was founded in 1991 when Argentina, Brazil, Paraguay, and Uruguay signed the Treaty of Asunción. In 2012, Venezuela formally joined Mercosur as a fifth member, but in December 2016 the country was suspended temporarily for failure to transpose Mercosur rules into Venezuelan law.[68] In August 2017, the suspension was prolonged indefinitely, on the basis of Mercosur's democracy clause, until democracy is restored in Venezuela. Bolivia, which is one of Mercosur's five associate members (together with Chile, Colombia, Ecuador, Peru and Suriname), is in the process of joining the bloc, with its accession protocol pending ratification by all Mercosur parliaments.[69]

With a combined gross domestic product (GDP) of nearly US$2.5 trillion in 2018, Mercosur is LAC's biggest market.[70] Considerable asymmetries exist among Mercosur countries because of the large differences in size and structure of their economies. While Argentina and Brazil have comparatively low involvement in global trade as reflected in their low trade-to-GDP ratio, Paraguay and Uruguay – given their small markets – have been more dependent on international and regional trade.[71] Following significant growth of trade within Mercosur, as initial integration dynamics unfolded, trade flows have, however, slowed down as a result of the financial crisis in the big Mercosur members and their weakened purchasing power. Since the mid-2000s, new external actors like China have imported large volumes of commodities from Mercosur countries and have gradually absorbed market share of Mercosur's traditional trading partners. Mercosur countries have reaped the benefits of the commodities boom cycle, but at the same time have become more exposed to fluctuating global commodity prices and the risk of de-industrialisation.[72]

Although Mercosur countries have been inspired by the EU's supranational integration model, Mercosur's institutional structure has remained rather weak and decisions are taken at the intergovernmental level by consensus, as member states have been unwilling to cede sovereignty to supranational organs.[73] According to Article 1 of Mercosur's founding treaty, the aim is to create a common market,[74] yet the bloc is still far from achieving this goal. A customs union with a common external tariff (CET) was established as a stepping stone to a common market, although the car and sugar industries were not included in it. The CET has not been applied consistently, since policies to shield domestic industries have often prevailed over Mercosur's integration process.[75] While

68 Le Venezuela qualifie de « coup d'Etat » sa suspension du Mercosur, Le Monde, 2 December 2016; Venezuela suspended indefinitely: 'Without democracy, you can't be part of Mercosur', MercoPress, 6 August 2017.

69 Bolivia, a un paso de ingresar al MERCOSUR, International Centre for Trade and Development, 2018.

70 World Bank database.

71 Non-Tariff Measures in Mercosur: Deepening Regional Integration and Looking Beyond, UNCTAD, May 2017.

72 C. Felter and D. Renwick, Mercosur: South America's Fractious Trade Bloc, Council on Foreign Relations, 5 October 2016.

73 C. R. Caichioloü, 'The Mercosur experience and theories of regional integration', Contexto Internacional, Vol. 39(1) January/April 2017, pp. 117-134.

74 M. Toscano Franca Filho, L. Lixinski, M. Belén Olmos Giupponi (eds.), The Law of Mercosur, Bloomsbury Publishing, 2010.

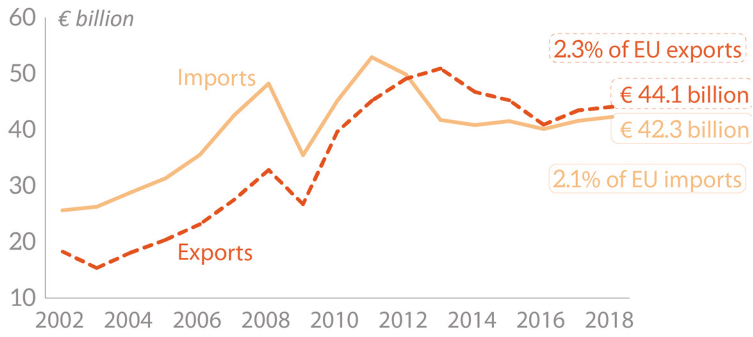
75 F.E. Bakker, Economic asymmetry and institutional shortfall in Mercosur: predictions for deepening Mercosur integration, Master's thesis June 2013; C. P. Bown, Peterson Institute for International Economics, and P. Tovar, Pontificia Universidad Católica del Perú, Mercosur is not really a free trade agreement, let alone a customs union, 17 September 2016.

Mercosur countries have failed to implement their full harmonisation agenda including in competition policy and technical regulations,[76] considerable political willingness has been displayed in 2019 to revive integration dynamics.[77] However, owing to a lack of consensus and to Mercosur Decision 32/00 of 2000, which prevents Mercosur members from individually negotiating and concluding trade agreements including tariff liberalisation with third countries, the bloc has entered only into a few preferential trade agreements (PTA) and FTAs with rather small economies.[78]

In the absence of a preferential trade agreement, EU-Mercosur trade relations are presently largely based on MFN tariffs, as all Mercosur countries have lost their eligibility to unilateral preferential access to the EU market under the EU's GSP[79] or GSP+. Next to high tariff peaks for each party's sensitive agricultural and industrial products, significant non-tariff barriers exist that leave considerable trade growth potential unexploited.[80]

In 2018, EU-Mercosur trade in goods increased to €86.4 billion (up from €85 billion in 2017). This positive trend is mainly due to the EU's expanding trade with Brazil (EU exports grew by 4.2 % and EU imports increased by 1.9 %).[81] This has offset the decline in trade with Argentina (EU exports fell by 5.7 %, with both exports of agricultural goods and manufacturing and transport equipment declining by 11 %), with Uruguay (EU exports of the same export items declined by 11.7 % and by 1.5 % respectively) and with Paraguay (EU exports of the same items decreased by 4.4 % and by 0.8 % respectively). EU imports of agricultural products from Argentina and Paraguay shrunk by 8.7 % and by 39 % respectively, while they increased from Brazil by 4.4 % and from Uruguay by 15 %.[82]

Figure 23 – EU trade in goods with Mercosur-4



Source: Eurostat.

EU bilateral trade relations with the four founding members of Mercosur go back to the beginning of the 1990s.[83] The EU concluded framework trade and cooperation agreements with Argentina in 1990, with Paraguay in 1992, with Uruguay in 1994, and with Brazil in 1995. In parallel, a first inter-regional cooperation agreement was signed in 1992 but was replaced by the 1995 inter-regional

76 M. Mota Prado and V. Bertrand, 'Regulatory Cooperation in Latin America: The Case of Mercosur', Law and Contemporary Problems, Vol. 78, 2015, pp. 205-230.

77 Brazil has become the driving force behind the proposal to lower the average CET of 13.6 % to 6.4 % in order to enhance the global competitiveness of Mercosur countries. Brasil busca acelerar la apertura y propone bajar aranceles al Mercosur, Clarín, 22 October 2019.

78 Legal Framework of the Common Market of the Southern Cone, Foreign Trade International System, Organisation of American States (OAS).

79 Generalised Scheme of Preferences in a nutshell, European Commission.

80 For details, see the entries in the European Commission Market Access Database for Argentina, Brazil, Paraguay and Uruguay.

81 Since 2007, Brazil has had a strategic partnership with the EU that includes the Mercosur integration process, climate change, the fight against poverty, and sustainable energies. Brazil and the EU, European External Action Service, 11 May 2016. In 2011, a joint action plan was adopted for the 2012-2014 period. The most recent EU-Brazil summit took place in 2014. A. Ayuso and S. Gratius, The Economic Agenda between Brazil and the EU: Prospects for a Bilateral and Global Upgrading, Istituto Affari Internationali, Istituto Affari Internationali (IAI) Papers 18, 8 April 2018.

82 EU trade in goods with Argentina, Brazil, Paraguay and Uruguay, European Commission, 3 June 2019.

83 Bilateral framework agreements for cooperation with the Mercosur countries, summaries of EU legislation, Eur-Lex.

framework cooperation agreement which entered into force in 1999.[84] It covers political dialogue, trade and economic cooperation and currently governs the relations between the two trading blocs, but was originally conceived as a stepping stone to an ambitious bi-regional EU-Mercosur AA liberalising trade between the two parties in a comprehensive way.[85]

In 1999, EU-Mercosur negotiations on a bi-regional AA (excluding Venezuela), including an FTA but also a political and a cooperation pillar, were launched.[86] They gridlocked in 2004, as the parties failed to agree on each other's final offers on account of differing levels of ambition regarding the liberalisation of trade in agriculture, services and public procurement markets.

Talks were suspended until the 2010 EU-LAC summit in Madrid, when they resumed, only to stall again in 2012, the year of Venezuela's formal accession to Mercosur.[87]

Negotiations gained momentum following the arrival in office of two pro-business presidents, Mauricio Macri in Argentina and Michel Temer in Brazil, in 2015 and in 2016.[88] However, agriculture, including geographical indications (GIs), has remained a big stumbling block. Mercosur is a major producer of agricultural products, such as beef and soybeans, which currently make up a large part of Mercosur's exports to the EU.[89]

According to a 2016 European Commission study on the cumulative impact on EU agriculture of 12 trade agreements then under negotiation, EU beef, poultry and sugar markets[90] would face significant increases of imports from Mercosur. The study therefore suggests that for these sensitive products market access be carefully calibrated by TRQs.[91]

As regards industrial sectors, in particular the automotive, pharmaceutical, chemical and textile sectors, financial and maritime shipping services, telecommunications, and public procurement, the EU's offensive interests have contrasted with Mercosur's defensive interests.

Negotiation dynamics accelerated particularly after Brazilian far-right President, Jair Bolsonaro, took office in January 2019. Growing concerns that a Peronist comeback in Argentina after the October 2019 elections would potentially paralyse Mercosur's internal reforms and its negotiations with

84 Press release, Memo/94/62, European Commission, October 1994.

85 Communication from the Commission to the Council and the European Parliament, The European Community and Mercosur – An enhanced policy, 19 October 1994.

86 The Council's negotiating directives were adopted in September 1999, when the EU Member States had the exclusive competence for FDI. Therefore, the future trade pillar of the EU-Mercosur AA will contain some market access provisions for FDI but no investment protection provisions. Press release 199910621/99, European Commission, 13 September 1999.

87 Venezuela has not been a party to the EU-Mercosur negotiations on the AA. Bilateral relations between the EU and Venezuela are not governed by a bilateral legal framework. European Commission, Countries and Regions, Venezuela. EU-Venezuela total trade in goods shrunk to an all-time low of €2.3 billion in 2018, Trade in goods with Venezuela, European Commission, 3 June 2019.

88 P. Millard, Brazil's economic policy lurches right, Bloomberg, 1 September 2016; J. Cruz Díaz and H. Lough, Viewpoint: Argentina's pro-business president delivers on politics over economics, Americas Society/Council of the Americas, 12 December 2016.

89 Statistical factsheets on EU agri-food trade with Argentina, Brazil, Paraguay, and Uruguay, European Commission, 15 March 2019.

90 Poultry market situation, European Commission. Sugar market situation, European Commission.

91 Cumulative economic impact of future trade agreements on EU agriculture, Joint Research Centre, European Commission, 2016.

trading partners, such as the EU, provided incentives for the EU and Mercosur to speed up negotiations and broker a political agreement.[92]

Table 2 – EU imports of beef and live animals from major partners (tonnes - cwe)

	2015		2016		2017		2018		Jan - Aug 2019		Compared to Jan - Aug 2018
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	
Brazil	136 858	42.4%	140 319	42.0%	115 392	37.7%	140 243	41.1%	86 937	40.2%	-2.8%
Argentina	42 149	13.0%	43 542	13.0%	49 890	16.3%	69 996	20.5%	46 885	21.7%	1.8%
Uruguay	46 287	14.3%	56 747	17.0%	57 985	18.9%	52 462	15.4%	32 338	15.0%	-13.7%
Australia	30 884	9.6%	27 850	8.3%	21 990	7.2%	20 868	6.1%	13 457	6.2%	-10.5%
USA	24 132	7.5%	20 499	6.1%	21 624	7.1%	19 319	5.7%	12 451	5.8%	-8.7%
New Zealand	11 380	3.5%	9 869	3.0%	8 093	2.6%	8 669	2.5%	5 296	2.5%	-13.1%
Paraguay	1 915	0.6%	5 979	1.8%	6 915	2.3%	6 287	1.8%	3 446	1.6%	-22.1%
Canada	428	0.1%	421	0.1%	513	0.2%	1 343	0.4%	1 518	0.7%	-
Japan	359	0.1%	579	0.2%	693	0.2%	859	0.3%	610	0.3%	18.7%

Source: COMEXT, Beef & veal market situation, European Commission, October 2019, p. 28; cwe = carcass weight

On 28 June 2019, an 'agreement in principle' was reached.[93] The agreed text is currently undergoing legal revision before it can be formally signed by the Council and passed on to the European Parliament for consent. Being a mixed agreement,[94] it needs to be ratified by all national and regional parliaments of the EU as well.[95] If ratified, the EU-Mercosur agreement would be the EU's most important trade agreement in terms of the population covered (773 million) and the estimated gains from tariff cuts (over €4 billion for the EU).[96] The EU would strengthen its geopolitical position in LAC based on comprehensive agreements governing trade with almost all LAC countries (with the exception of Cuba, Bolivia and Venezuela).[97]

However, while a broad range of EU industries and agricultural sectors would considerably benefit from the agreement, the ratification of the EU-Mercosur AA faces severe challenges in the EU and possibly also in Argentina. Several EU Member States with sizable EU agricultural interest groups with defensive interests have voiced strong opposition to the agreement.[98] Opponents take the view that by importing more agricultural goods from Mercosur, the EU would boost unsustainable

92 On 24 August 2019, Mercosur reached a political agreement with the European Free Trade Association (EFTA), which includes Iceland, Liechtenstein, Norway and Switzerland. Mercosur and EFTA countries reach a free trade agreement, MercoPress, 24 August 2019. The bloc is in FTA talks with Canada, Singapore and South Korea; Canada will continue trade negotiations with Mercosur, despite the current Amazon policy of Brazil, MercoPress, 28 August 2019; Mercosur expects to conclude trade deals with Singapore and South Korea next year, MercoPress, 16 October 2019.

93 On 12 July 2019, the European Commission published a summary of the agreement as well as a yet incomplete list of negotiated chapters, which are currently undergoing legal revision.

94 Council conclusions on the negotiation and conclusion of EU trade agreements, Council of the European Union, 9180/18, 22 May 2018, p. 3.

95 For further developments, see the EPRS legislative train schedule.

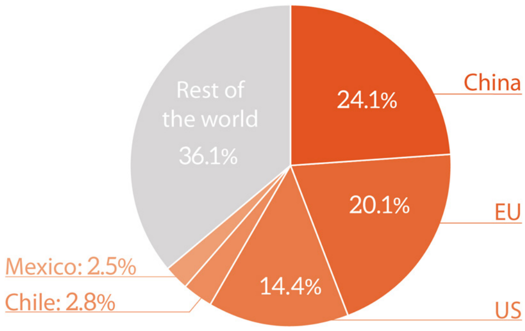
96 EU and Mercosur reach agreement on trade, European Commission press release, 28 June 2019.

97 The October 2019 draft interim report of the sustainability impact assessment was presented at a Civil Society Dialogue meeting with the European Commission on 15 October 2019.

98 Austria rejects EU-Mercosur trade deal over Amazon fires, The Guardian, 19 September 2019; France will not sign Mercosur deal under current conditions: minister Borne, Reuters, 8 October 2019; Dáil rejects EU-Mercosur trade deal in symbolic vote, The Journal, 11 July 2019.

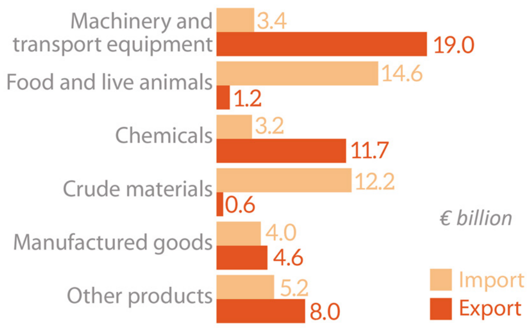
development, notably the use of pesticides and hormones that are prohibited in the EU, accelerate the deforestation of the Amazon for the expansion of agricultural land, and jeopardise the human rights of indigenous peoples resident in these areas.[99] Since the Peronist candidate running on a populist centre-left platform won the October 2019 presidential elections in Argentina, it remains to be seen whether this will mean a return to past protectionist policies and a challenge to the EU-Mercosur deal.[100]

Figure 24 – Mercosur-4: top 5 trade partners
Trade in goods (exports plus imports, 2018)



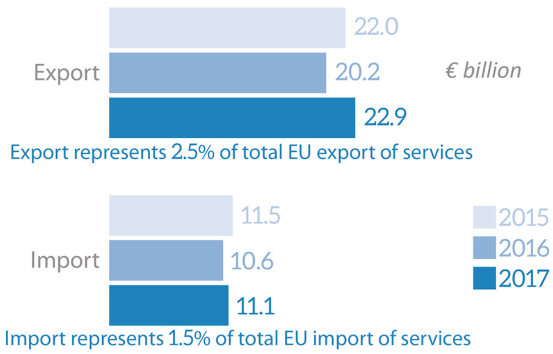
Source: the IMF.

Figure 25 – Main trade products
EU trade in goods with Mercosur-4 (2018)



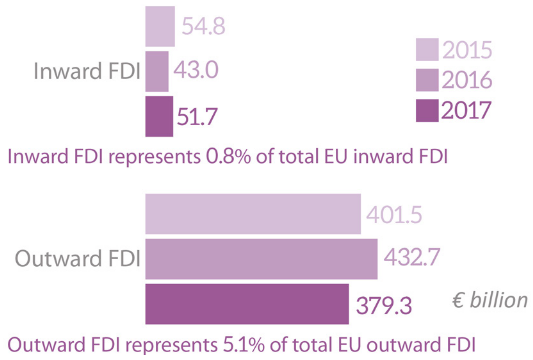
Source: Eurostat.

Figure 26 – EU trade in services with Mercosur-4



Source: Eurostat.

Figure 27 – EU FDI stocks with Mercosur-4

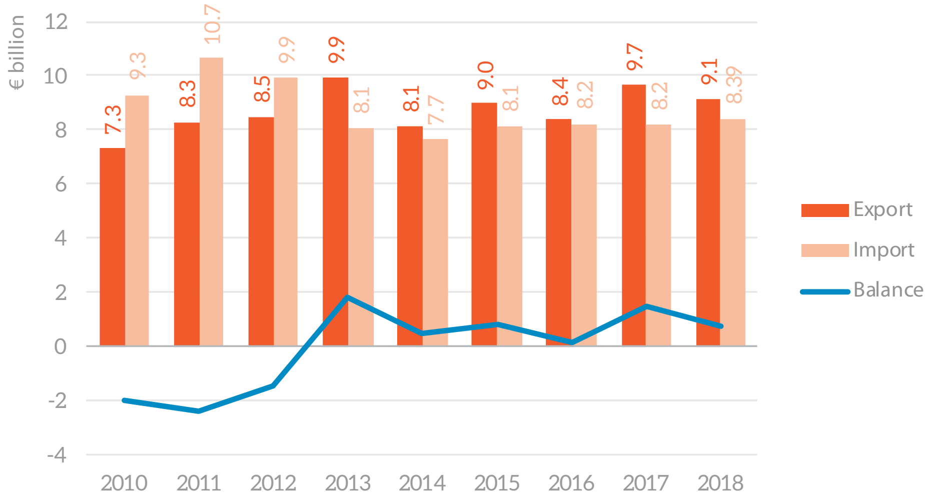


Source: Eurostat.

99 Further information on trade barriers and stakeholder positions can be found in the briefing by G. Grieger, The trade pillar of the EU-Mercosur Association Agreement, [ES] [PT], EPRS, European Parliament, August 2019. For the expected impact of agricultural provisions on ACP countries, see EPA Monitoring, The EU-Mercosur Agreement Part 1, and Part 2 of 22 August 2019 and 5 September 2019 respectively.

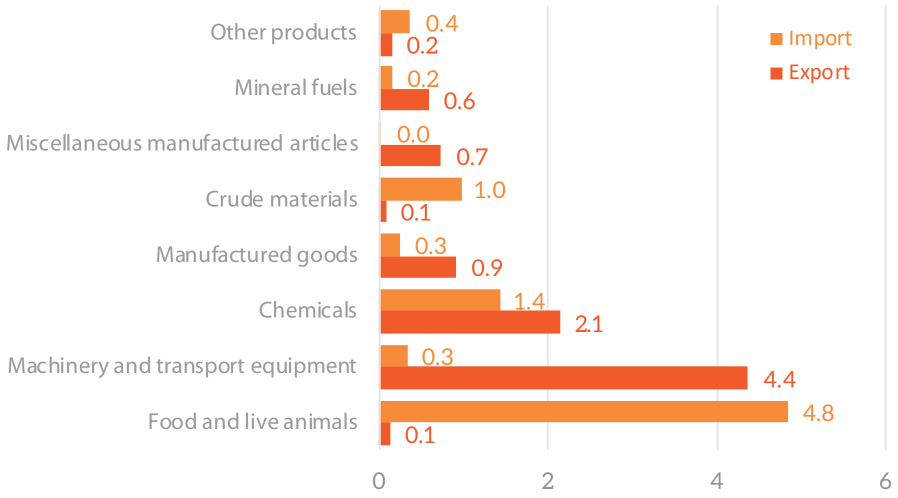
100 O. Stuenkel, The Trouble Ahead for Argentina-Brazil Ties, Americas Quarterly, 28 October 2019. F. Fróes, Argentina's election: The international implications of a Fernández government, Atlantic Council, 1 November 2019.

Figure 28 – EU trade in goods with Argentina (2010-2018)



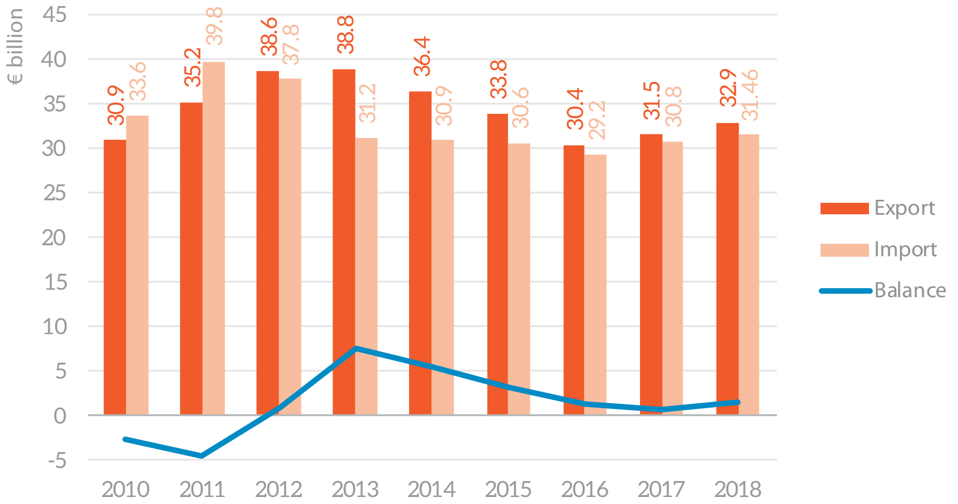
Source: Eurostat.

Figure 29 – EU trade with Argentina: main products (2018, € billion)



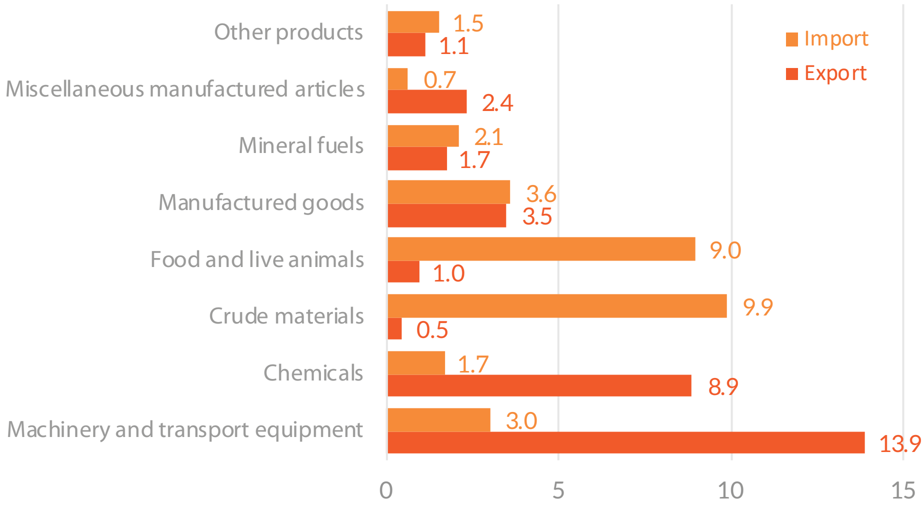
Source: Eurostat.

Figure 30 – EU trade in goods with Brazil (2010-2018)



Source: Eurostat.

Figure 31 – EU trade with Brazil: main products (2018, € billion)



Source: Eurostat.

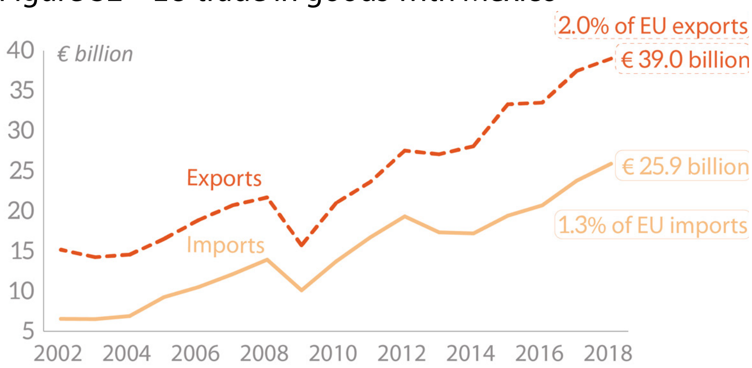
1.2.2. Modernisation of the trade pillar of the EU-Mexico Global Agreement

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).[101] 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.[102] 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.[103] The partnership is an indicative strategy that facilitates wider dialogue and deeper (political) cooperation between the parties. It contains only limited objectives with respect to bilateral trade relations.

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 has pushed for the introduction of mechanisms to facilitate investment flows in infrastructure.[104] This provides opportunities for EU firms looking for greater access to the Mexican market.

Figure 32 – EU trade in goods with Mexico



Source: Eurostat.

Mexico is the EU's second largest trading partner in LAC after Brazil. In 2018, total EU-Mexico trade in goods stood at €65 billion, up 5.8 % from 2017, with EU exports growing faster than Mexican exports. Unlike in the case of exports from other LAC economies, Mexican exports are predominantly industrial goods, with transport equipment and machinery and appliances accounting for about half of total exports. The same product categories make up about 29 % of EU exports to Mexico. Standing at €2.8 billion, overall agricultural trade between the partners plays a rather marginal role,[105] with beverages and spirits accounting for 10-14 % of agricultural trade of both partners respectively.[106] Currently, a total of 11 market access barriers are registered for Mexico, including customs procedures and SPS and IPR issues.[107]

Since 2013, the EU and Mexico have been working on the modernisation of the Global Agreement's

101 Mexico: economic indicators and trade with the EU, EPRS and Globalstat, European Parliament, March 2017.

102 Economic Partnership, Political Coordination and Cooperation Agreement, 28 October 2000.

103 Strategic Partnership, 15 July 2008.

104 Estudios económicos de la OCDE: México, OECD, January 2015.

105 Statistical factsheet on EU agri-food trade with Mexico, European Commission, 15 March 2019.

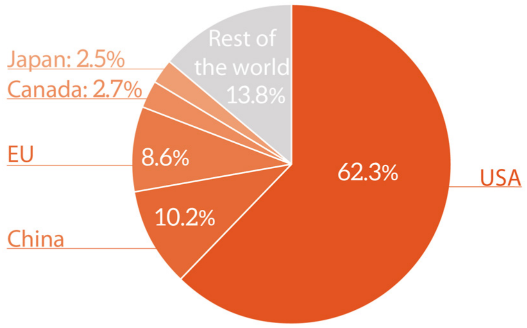
106 Commission Staff Working Document. Individual reports and info sheets on implementation of EU Free Trade Agreements, SWD(2019) 370 final, European Commission, 14 October 2019.

107 For details, see the entries in the European Commission Market Access Database for Mexico.

trade pillar.[108] 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 TSD). 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 well over 100 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.[109]

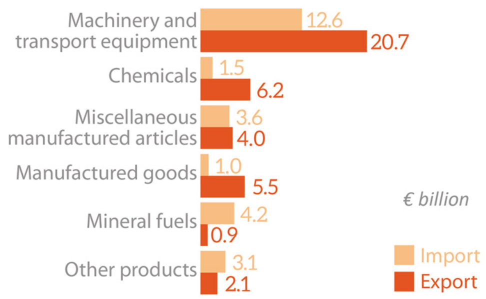
On 21 April 2018, the EU and Mexico announced an 'agreement in principle' on the trade pillar's modernisation.[110] Currently, the agreed text is undergoing legal review before the agreement can be signed formally.[111] As a mixed agreement, it has subsequently to be ratified at both EU and Member State levels.[112] The draft final sustainability impact assessment report on the trade pillar was presented at a Civil Society Dialogue with the European Commission on 4 July 2019.[113]

Figure 33 – Mexico: top 5 trade partners
Trade in goods (exports plus imports) (2018)



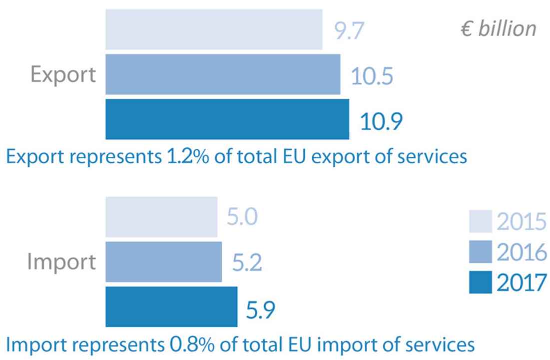
Source: The IMF.

Figure 34 – Main trade products
EU trade in goods with Mexico (2018)



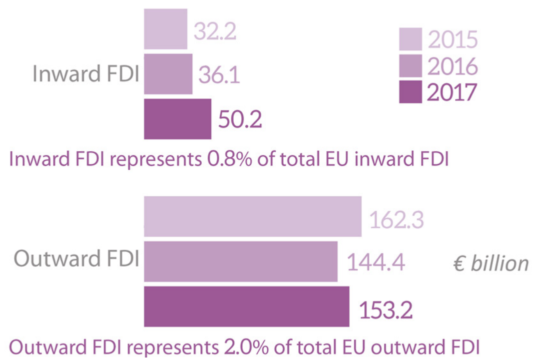
Source: Eurostat.

Figure 35 – EU trade in services with Mexico



Source: Eurostat.

Figure 36 – EU FDI stocks with Mexico



Source: Eurostat.

108 R. Harte, Modernisation of the trade pillar of the EU-Mexico Global Agreement, EPRS, European Parliament, September 2017.

109 The EU-Latin American Strategic Partnership: state of play and ways forward, Policy Department for External Policies, European Parliament, July 2017.

110 New EU-Mexico agreement: The Agreement in Principle and its texts, European Commission.

111 For further developments, please see the EPRS legislative train schedule.

112 The EU-Mexico Trade agreement explained, DG TRADE, European Commission.

113 Civil Society Dialogue on EU-Mexico Sustainability Impact Assessment, 4 July 2019, Draft Final Report of 1 May 2019, LSE Consulting, presentation.

1.2.3. Modernisation of the trade pillar of the EU-Chile Association Agreement

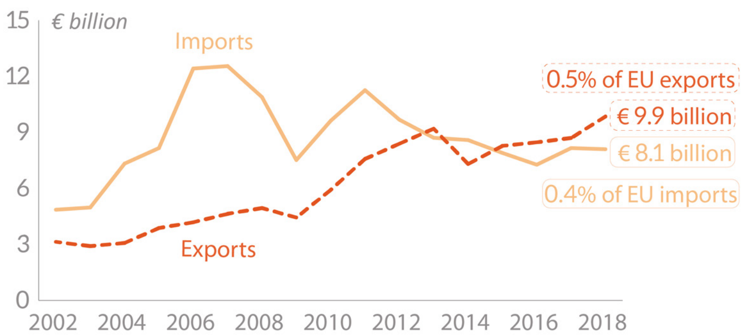
Chile, an OECD member, a founding member of the Pacific Alliance and an associate member of the Andean Community and Mercosur, has developed a broad web of free trade agreements that underpin its openness to foreign trade.[114]

EU-Chile relations were initially governed by the 1996 Framework Cooperation Agreement, which was replaced by the 2002 EU-Chile Association Agreement (AA) (in force in its entirety since 2005). The latter provides a comprehensive framework for political dialogue, trade and cooperation. The EU has also signed agreements on science and technology, regional policy and mutual recognition of organic products with Chile. The latter entered into force in January 2018.[115]

In operation since 2003, the trade pillar of the EU-Chile AA is partly outdated (obsolete rules of origin, incomplete elimination of non-tariff barriers[116] and limited IPRs), on account of global trade policy developments. The preferential trade rules it contains have been superseded by the large number of ambitious and comprehensive FTAs Chile and the EU have meanwhile concluded with third countries. A 2017 study shows that an erosion of bilateral trade in relative terms has occurred in favour of third parties, such as China.[117]

This trend continued in 2018, , although in absolute terms overall EU-Chile trade in goods almost again reached the peak level of €18.9 billion attained in 2011. EU exports of machinery and appliances and transport equipment to Chile grew by 14 % and 27 % compared with 2017. While EU imports of mineral products, base metals and plastics from Chile dropped by 6.7 %, 21.8 % and 16.6 % respectively, those of wood, pulp of wood and animal or vegetable fats and oils increased by 12.6 %, 15.7 % and 30.3 % respectively.[118] In 2018, the EU ran a trade surplus of €1.5 billion with Chile.[119] According to the trade

Figure 37 – EU trade in goods with Chile



Source: Eurostat.

[114] Information on Chile, Free Trade Agreements in Force, Foreign Trade Information System, OAS.

[115] Agreement between the European Union and the Republic of Chile on trade in organic products, Council of the European Union, 15 February 2017. Under this agreement, the EU and Chile mutually recognise the equivalence of their rules and controls on organic food production. MEPs weigh in to revamp EU-Chile trade deal, press release, European Parliament 14 September 2017.

[116] The European Commission's Market Access Database currently contains six entries for Chile.

[117] Ex-ante study of a possible modernisation of the EU-Chile Association Agreement, Final report, Ecorys, February 2017. See also the European Commission impact assessment, SWD(2017) 173 final, 24 May 2017.

[118] For further details on EU-Chile agri-food trade, see the statistical factsheet on Chile, European Commission, 15 March 2019.

[119] European Union, Trade in goods with Chile, European Commission, 3 June 2019; Commission Staff Working Document. Individual reports and info sheets on implementation of EU Free Trade Agreements, SWD(2019) 370 final, European Commission, 14 October 2019.

barrier database, some IPR and public procurement issues still create hurdles for EU-Chile trade.[120]

At the 2013 EU-CELAC Summit in Santiago (Chile), against the backdrop of remaining market access barriers in agriculture, services and public procurement, the EU and Chile agreed to explore the agreement's modernisation.[121] The update of the trade pillar is an opportunity to take account of the evolution of trade disciplines, the developments in EU trade and investment policy as well as the new EU competence for FDI – partly exclusive and partly shared with EU Member States – under the 2009 Lisbon Treaty. The AA's untapped potential is to be unlocked by upgrading existing trade preferences and adding new disciplines to the trade pillar, including a single set of rules on investment replacing the existing bilateral investment treaties (BIT) between Chile and various Member States. In an attempt to make EU trade policy more responsive to citizens' concerns, the European Commission also seeks to have trade- and investment-related anti-corruption provisions included for the first time in the modernised trade pillar. A dedicated trade and gender equality chapter is another proposed novelty.[122]

In preparation for the Council's negotiating mandate, in September 2017 the European Parliament suggested[123] including separate chapters in the trade pillar to cover micro- and also small and medium-sized enterprises (SMEs), investment, TSD, and trade and gender equality. It also advocated the use of the new investment court system (ICS).[124] It backed the conclusion of two separate agreements distinguishing between a trade and investment deal under the EU's exclusive competence and a second one for issues where the EU and Member States shared competences in accordance with the recent opinion of the Court of Justice of the European Union (CJEU) on the EU-Singapore Agreement.[125]

The Foreign Affairs Council of 13 November 2017 approved the mandate for the Commission's negotiations of a modernised EU-Chile AA. On 22 January 2018, the Council decided for the first time ever to make public the entire negotiating guidelines covering political dialogue, cooperation and trade aspects.[126]

A first round of talks was held on 16 November 2017, followed by a second one in January 2018 and a third one in May-June 2018.[127] By June 2018, the Commission had published 18 negotiating text proposals.[128] After stalling for several months, talks regained momentum and the parties held a

[120] For details, see the European Commission Market Access Database for Chile.

[121] Public online consultation on a possible modernisation of the trade part of the EU-Chile Association Agreement, DG Trade, European Commission.

[122] Report on the implementation of the trade policy strategy Trade for All Delivering a Progressive Trade Policy to Harness Globalisation (COM(2017) 491), European Commission, May 2017, p. 10.

[123] G. Grieger, Modernising EU-Chile trade relations, EPRS, European Parliament, September 2017.

[124] L. Puccio and R. Harte, From arbitration to the investment court system (ICS): The evolution of CETA rules, EPRS, European Parliament, June 2017.

[125] L. Puccio, CJEU Opinion on the EU-Singapore Agreement, EPRS, European Parliament, May 2017; CJEU Opinion 2/15 of 16 May 2017.

[126] EU-Chile association agreement: negotiating directives made public, Council of the European Union, 22 January 2018.

[127] Report on the 2nd round of negotiations, European Commission, 15-19 January 2018; Report on the 3rd round of negotiations, European Commission, 28 May to 1 June 2018.

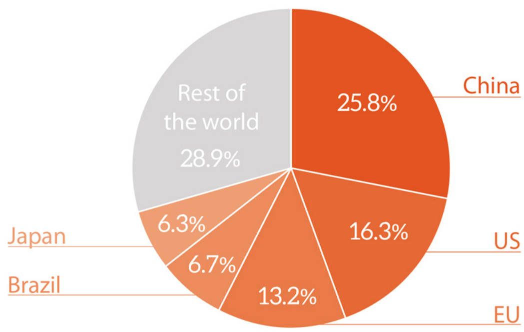
[128] EU-Chile trade talks: Commission releases its proposals and reports about progress, European Commission, 6 February 2018.

fourth and a fifth negotiation round in April 2019 and July 2019, where significant progress was achieved.[129]

A sustainability impact assessment, which analyses the trade pillar's potential economic, social, environmental and human rights implications, was discussed at a Civil Society Dialogue with the European Commission on 10 April 2019.[130] It recommends including specific targets and commitments related to the implementation of specific policies and regulations in the TSD chapter. The presentation of the report revealed that both Chilean and EU stakeholders ranked stronger rules for environmental protection and labour and social standards as the fourth most important suggestion for the negotiations after strict anti-corruption and competition rules and more flexible rules of origin.

Figure 38 – Chile: top 5 trade partners

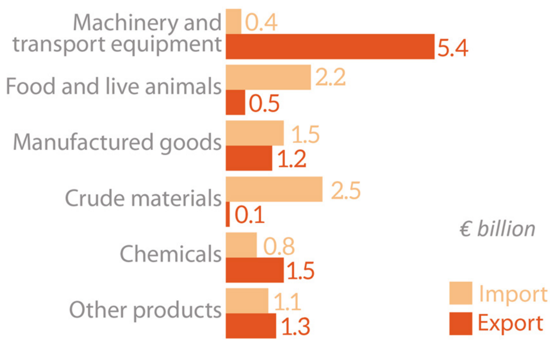
Trade in goods (exports plus imports) (2018)



Source: the IMF.

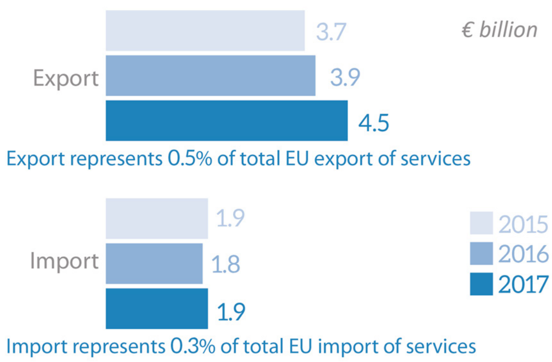
Figure 39 – Main trade products

EU trade in goods with Chile (2018)



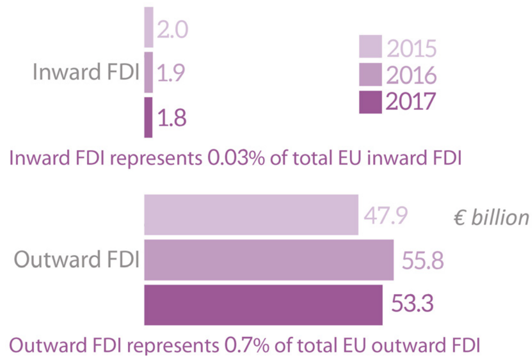
Source: Eurostat.

Figure 40 – EU trade in services with Chile



Source: Eurostat.

Figure 41 – EU FDI stocks with Chile



Source: Eurostat.

[129] Report on the 4th round of negotiations between the EU and Chile for modernising the trade part of the EU-Chile Association Agreement, European Commission, Santiago de Chile, 1–5 April 2019; Report on the 5th round of negotiations between the EU and Chile for the modernisation of the trade part of the EU Chile Association Agreement, European Commission, Brussels, 15-19 July 2019; For further developments, see the EPRS legislative train schedule.

[130] Civil society dialogue on State of Play of the EU-Chile Trade Negotiations and the Sustainability Impact Assessment, European Commission, 10 April 2019. Sustainability Impact Assessment in Support of the Negotiations for the Modernisation of the Trade Part of the Association Agreement with Chile, Draft final report of 13 March 2019, presentation, BKP Development Research Consulting, and meeting report.

2. Comparative overview of existing EU agreements governing trade relations with LAC sub-regional groupings and individual countries

The EU has a wide range of agreements governing trade relations with Latin America and the Caribbean. These include:

- a multi-party free trade agreement with three countries of the Andean Community (Colombia, Ecuador and Peru);
- two agreements with sub-regional groupings (Cariforum and Central America);
- agreements with Mercosur and its individual members that are intended to be replaced with an agreement with Mercosur;
- bilateral agreements with Mexico and Chile (both currently in the process of being modernised) as well as a new agreement with Cuba.

These agreements differ considerably in terms of coverage and methodology depending on the time at which they were concluded and the backdrop to the negotiations.[131]

2.1. Different negotiation methodologies

Each of the negotiations has proceeded along its own paths according to the particular circumstances of each case.

The recently concluded EU-Mercosur negotiations build on an existing legal framework that dates back to the 1990s. At that time, the EU first concluded bilateral framework agreements for cooperation with Argentina, Paraguay, Uruguay and Brazil followed by an interregional framework cooperation agreement with Mercosur. These agreements, in particular the latter, were considered interim stages in the process towards the conclusion of a fully fledged EU-Mercosur agreement governing trade relations. As described in Section 1.2.1, the negotiations for this agreement have proven to be very complicated and have even been suspended at various times. The latest attempt, through a re-launch in 2010, has the added benefit, however, that it is now immediately able to tackle the majority of trade issues in a modern and comprehensive way. This is in contrast to the EU's existing agreements with Mexico and Chile that are now considered outdated and therefore require modernisation.

The procedure to conclude the negotiations on the trade pillar of the EU-Mexico Global Agreement was rather unique, in the sense that this pillar was not concluded at once (like most agreements) but instead in different stages as a 'living agreement'. First, in December 1997, the Global Agreement was concluded as a general framework agreement that laid down the basis for further negotiations on liberalising trade. This agreement came into force in November 2000. At the same time as the Global Agreement, in December 1997, an interim agreement on trade and trade-related aspects ('Interim Agreement'),[132] which was derived from the Global Agreement, was also signed. It entered into force in July 1998, well before the Global Agreement. Together, the Interim Agreement and the trade part of the Global Agreement constituted the trade pillar of the Global Agreement.

[131] For an overview, see Annex 1. Since the EU-Cuba PDCA is not as ambitious in the area of trade as the other agreements, it will not be included in the analysis in this section.

[132] Interim Agreement on trade and trade related aspects, 13 August 1998.

At the time of signing, however, both agreements set only broad objectives with respect to specific trade disciplines. A Joint Council was therefore created to implement these objectives through detailed decisions. This Joint Council was composed of the Members of the Council of the EU and Members of the European Commission, on the one hand, and members of the Government of Mexico, on the other. It was also assisted by a joint committee, effectively to continue negotiations on implementing rules. Within this institutional set-up, several rounds of negotiation were held from November 1998 onwards to develop the trade pillar of the Global Agreement. The resulting decisions of the EU-Mexico Joint Council (partially) liberalised trade in goods in July 2000 (Decision No 2/2000)[133] and trade in services in March 2001 (Decision No 2/2001).[134] The reason for this particular approach was the entry into force of NAFTA in 1994; the EU quickly needed to conclude an agreement with Mexico so as not to lose ground in the emerging Mexican market. From the Mexican point of view, strong dependence on the US market also made it necessary to reach out to other partners and start a diversification process (in addition to the EU, Mexico concluded FTAs in those years with Chile, the EFTA countries, Israel, Japan and Uruguay).[135] Moving forward to the present day, it will again be interesting to see how the EU's present efforts to modernise its trade relations with Mexico (and capitalise on economic opportunities in that market) will play out in the light of a renegotiated NAFTA (at least between Mexico and the US).

The structure of the EU's trade agreement with Peru and Colombia (with Ecuador joining later) also derives from the particular circumstances of its negotiation. The negotiations were first started as a regional agreement between the EU and the Andean Community. However, Ecuador and Bolivia dropped out of the negotiations, which then continued bilaterally with Peru and Colombia. The result was the conclusion of an umbrella trade agreement with distinct schedules for Peru and Colombia. Ecuador subsequently successfully negotiated its accession to the trade agreement in response to the imminent loss of its status as a GSP beneficiary.

The EU-Cariforum negotiations had a strong focus on development. This objective translated into differentiated schedules for Cariforum members in order to account for their specific development needs. Some differential treatment was also introduced in the EU's agreement with Central America.

Flexibility to adjust to various partners' needs has accordingly been a particular trait of the EU trade negotiation approach with Latin American countries in contrast to the US, which relied more on the NAFTA model.

2.2. Differences in content between 'old' and 'new' generation agreements

The earliest bilateral and interregional EU-Mercosur agreements are naturally the least advanced in terms of content as they date from the 1990s and were intended to act as an interim stage in the process towards a fully fledged interregional agreement. Subsequent agreements with trade pillars concluded in the early 2000s, namely with Mexico and Chile, also reflect, from a content point of view, the time of their conclusion and differ significantly from later agreements. For example, issues such as regulatory cooperation and TSD provisions are much less developed in the former than those found in the latter. While the EU-Mexico and EU-Chile agreements already have WTO+ provisions for TBT and SPS provisions, including regulatory cooperation frameworks (as well as

133 Decision No 2/2000 of the EC-Mexico Joint Council of 23 March 2000.

134 Decision No 2/2001 of the EU-Mexico Joint Council of 27 February 2001.

135 SICE: Countries: Mexico: Trade Policy Documents, Foreign Trade Information System, OAS.

provisions establishing cooperation to achieve mutual recognition), such rules are more advanced in later agreements. For example, in the EU's agreement with Colombia, Ecuador and Peru, the TBT chapter includes an obligation to use international standards[136] unless those are ineffective or insufficient for achieving legitimate objectives. They also include a series of commitments regarding, among other things, marking and labelling standards, transparency requirements, conformity assessments, and exchange of information on standards.

TSD provisions form an important part of more recent agreements. Reflecting its developmental aim, the Cariforum EPA, for example, begins with a partnership on sustainable development and a clear commitment that the agreement should be applied in conformity with sustainable development principles.[137] Specific titles were also dedicated to TSD issues in the EU agreement with Colombia, Ecuador and Peru as well as in the agreement with Central America. In contrast, in the existing EU-Chile and EU-Mexico agreements, there are no specific chapters dedicated to sustainable development, although this issue was partly covered by political dialogues.[138] The ongoing modernisation negotiations, however, are in both cases expected to lead to comprehensive TSD chapters[139] (and in the case of Chile also to a novel chapter on trade and gender equality)[140].

The IPR-provisions in the EU-Chile and EU-Mexico agreements are also less developed than the trade-related aspects of intellectual property rights plus (TRIPS+) provisions included in the EU's more recent agreements. When geographical indications (GIs) were introduced in the EU-Chile and EU-Mexico agreements, they focused essentially on wines and spirits. GI provisions in other agreements, however, have encompassed food too, such as in the EU-Central America agreement and the EU-Colombia-Ecuador-Peru trade agreement. Moreover, in the EU-Cariforum agreement, a *rendez-vous* clause[141] was included to allow the countries to establish a domestic regulatory framework for geographical indications before negotiating an agreement on GIs. Again, the ongoing modernisations of the trade pillars of the agreements with Chile and Mexico are likely to result in state-of-the-art IPR-provisions that cover a significant number of GIs.[142]

In contrast to the Euro-Mediterranean association agreements, which merely confirmed General Agreement on Trade in Services (GATS) commitments in services, the EU-Mexico and EU-Chile agreement incorporate some GATS+ features. However, more recently negotiated agreements have gone further in ensuring GATS+ commitments and have further developed the areas of regulatory issues to be tackled under the services provisions (including data protection provisions).

Finally, none of the EU's existing agreements with LAC countries include investment protection provisions; these provisions are instead in some instances covered by BITs with individual EU

[136] Article 76 of the EU-Colombia, Ecuador and Peru Trade Agreement.

[137] See Part 1 and in particular Article 3 of the EU-Cariforum EPA.

[138] For the evolution of EU TSD chapters, see: K. Binder and L. Puccio, Trade and sustainable development chapters in CETA, EPRS, European Parliament, January 2017.

[139] For the text of the TSD chapter that was part of the 'agreement in principle' between the EU and Mexico, see: Modernisation of the Trade part of the EU-Mexico Global Agreement: Trade and Sustainable Development, European Commission, April 2018.

[140] EU proposal: Draft provisions on Trade and Gender Equality in the context of the Modernisation of the EU-Chile Association Agreement, European Commission, 22 June 2018.

[141] Article 145 of the EU-Cariforum EPA.

[142] According to the Commission, 340 GIs will be protected under the modernised EU-Mexico agreement. See: EU-Mexico trade agreement. Factsheet – Overview, European Commission, 28 May 2018.

Member States. This will likely change following the successful negotiation of modernised trade pillars with Chile and Mexico.[143]

2.3. Further deepening and widening of EU-LAC trade agreements

The above comparative analysis itself shows the relevance of the modernisations launched by the Commission as regards the EU-Mexico and EU-Chile agreements in order to align them to its new 'Trade for All' agenda. There is at the same time a geopolitical rationale for these modernisations. The trade pillar of the EU-Mexico Global Agreement was already less advanced than NAFTA[144] (not to mention the expected renegotiated NAFTA) and the TPP-11 (without the US),[145] to which both Chile and Mexico are party, would widen the gap further. Moreover, it is in the EU's interests to align the EU-Mexico Global Agreement to the more comprehensive and recent EU-Canada CETA,[146] as that would not least establish a certain degree of homogeny for parties covered by both agreements.

Finally, the successful ratification of an agreement with Mercosur would ensure that the EU has comprehensive agreements governing trade relations with almost all Latin American countries (except Bolivia, Cuba[147] and Venezuela). As pointed out before, the EU has in recent decades lost market share in Latin America, owing in particular to the rise of China (and Asia more generally). Many Latin American countries are at the same time highly dependent on the US market and are therefore vulnerable to possible spill-overs from changes in US trade policies.[148]

In addition, LAC countries are recovering from a regional recession in 2016,[149] which comes on top of the negative effects of the last global slowdown which affected Latin America particularly harshly.[150] Latin American countries (and in particular Mercosur members) are also less open to trade[151] compared with other emerging market regions.[152] The existing EU-LAC agreements governing trade relations and ongoing negotiations therefore provide an opportunity for both sides to strengthen their trade ties in a rapidly changing international environment.[153]

143 For the text of the chapter on investment that was part of the 'agreement in principle' between the EU and Mexico, see: Modernisation of the Trade part of the EU-Mexico Global Agreement: Investment, European Commission, April 2018.

144 Evaluation of the implementation of the EU-Mexico FTA and an assessment of the possible modernisation of this agreement, Report of the Stakeholder Consultation Workshop, 9 July 2015, ECORYS.

145 Also known as 'Comprehensive and Progressive Agreement for the Trans-Pacific Partnership'.

146 EU-Canada Comprehensive Economic and Trade Agreement, DG Trade, European Commission.

147 As mentioned before, the new EU-Cuba PDCA is not very ambitious in the area of trade.

148 Regional economic outlook – Western Hemisphere: A tale of two adjustments, the IMF, May 2017.

149 Ibid.

150 Latin American and the Caribbean – Trade trend estimates 2016, IDB, 2015 (1Q).

151 Regional economic outlook – Western Hemisphere adjusting under pressure, IMF, October 2015.

152 International trade and market access data, World Trade Organization.

153 Outlook for Latin America and the Caribbean: A Stalling Recovery, IMF, 29 July 2019.

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Annex:
Overview of EU trade relations with LAC sub-regional groupings and individual countries

The EU has a wide range of agreements governing trade relations with LAC sub-regional groupings and individual countries. The table below provides an overview.

Table 3 – Overview of main EU-LAC agreements governing trade relations

Trade partner(s)	Agreement containing a trade pillar / Trade agreement	Year of entry into force	(Related) political agreement
Argentina	Framework Agreement for trade and economic cooperation between the EU and Argentina	1990	N/A
Paraguay	Framework Agreement for cooperation between the EU and Paraguay	1992	N/A
Uruguay	Framework Agreement for cooperation between the EU and Uruguay	1994	N/A
Brazil	Framework Agreement for cooperation between the EU and Brazil	1995	N/A
Mercosur	Interregional Framework Cooperation Agreement between the EU and Mercosur	1999	N/A
Mexico	Economic Partnership, Political Coordination and Cooperation Agreement between the EU and Mexico (the 'Global Agreement')	2000	N/A
Chile	Association Agreement between the EU and Chile	2003	N/A
Cariforum	Economic and Partnership Agreement between Cariforum and the EU	2008 (except Haiti)	Cotonou Agreement
Central America	EU-Central America Association Agreement	2013	N/A
Andean Community (Peru, Colombia, Ecuador)	Trade Agreement between the EU and Colombia and Peru + Protocol of Accession to the Trade Agreement to take account of the accession of Ecuador)	Provisional application: Peru, Colombia (2013), Ecuador (2017)	Joint Declaration political dialogue (1996); to be replaced by the Political Dialogue and Cooperation Agreement (2003, not yet in force)
Cuba	Political Dialogue and Cooperation Agreement	Provisional application (2017)	N/A

Source: EPRS.

Collectively, the 33 countries forming the Community of Latin American and Caribbean States (CELAC) are the EU's fifth largest trading partner. The EU has fully fledged agreements with two Latin American groupings (Cariforum and the Central America group), a multiparty trade agreement with three countries of the Andean Community (Colombia, Ecuador, and Peru), and agreements with Mexico and Chile that are in the process of being modernised. Furthermore, the EU has inter-regional and bilateral framework agreements with both Mercosur and its individual members.

The EU's agreements governing trade relations with Latin American and Caribbean subgroupings and individual countries differ considerably in terms of coverage and methodology, depending on the time at which they were concluded and the backdrop to the negotiations. The EU is currently modernising the trade pillars of its agreements with Mexico (an 'agreement in principle' was reached in April 2018) and Chile (negotiations are still ongoing) in order to align them to the current standards of EU FTAs. If the EU-Mercosur Association Agreement, which includes a trade pillar for which a political agreement was reached in June 2019, is successfully ratified, the EU would then have comprehensive agreements governing trade relations with nearly all of Latin America and the Caribbean (with the exception of Bolivia, Cuba and Venezuela).

QA-04-19-765-EN-N

This is a publication of the Members' Research Service
EPRS | European Parliamentary Research Service

PE 644.219
ISBN 978-92-846-6085-8
doi:10.2861/466762