EU trade with Latin America and the Caribbean

Overview and figures

STUDY

EPRS | European Parliamentary Research Service

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Members' Research Service
PE 751.413 – July 2023
Collectively, the 33 countries forming the Community of Latin American and Caribbean States (CELAC) are the EU’s fifth largest trading partner. Offering an overview of trade relations between the EU and Latin American and Caribbean countries (Chile, Cuba and Mexico) and groupings (the Andean Community, Cariforum, the Central American group (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama), and the founding members of Mercosur (Argentina, Brazil, Paraguay and Uruguay), this study contains recent trade data available as of May 2023, describes key features of the agreements governing trade relations already in force and takes stock of the results of recent external ex-post evaluations of the implementation of trade agreements concluded with Cariforum, Central America and Colombia/Ecuador/Peru.

The study also looks at the state of play on modernisation of the trade pillars of the 2002 EU Chile Association Agreement and the 1997 EU-Mexico Global Agreement (on which negotiations concluded with agreements in principle in 2022 and 2020 respectively), and the latest developments regarding the trade pillar of the new EU-Mercosur Association Agreement on which an agreement in principle was reached in 2019.
Executive summary

The 33 countries that form the Community of Latin American and Caribbean States (CELAC) taken together are the EU’s fifth largest trading partner, based on 2022 merchandise trade data.\(^1\) They constitute a region with which the EU maintains close cooperation and political dialogue on account of historical, cultural and economic ties. However, with global power shifts and with Asian markets having become the drivers of global trade, over the past two decades the EU has lost a significant market share, notably in trade in goods, in Latin America and the Caribbean (LAC), mainly to China.\(^2\) This has an impact on the EU’s overall footprint in LAC. The trade-related post-pandemic recovery of the LAC countries is accelerating this process, as exports to China continue to play a major role in LAC countries’ exports of raw materials and processed natural resources, ahead of exports to other LAC countries and exports to the EU-27 and the United States (US).\(^3\) The process is further compounded by the implications of Russia’s war of aggression against Ukraine for LAC’s food and energy security and for high inflation.\(^4\)

Against the backdrop of rising geopolitical tensions and geo-economic challenges, including threats to the multilateral trading system, the region has re-emerged as a vital and like-minded partner with which the EU can pursue its sustainability agenda, the green and digital transitions and its open strategic autonomy, by de-risking critical supplies and building resilient supply chains. On 27 October 2022, EU-CELAC foreign ministers laid out a 2022-2023 roadmap for renewing the bi-regional partnership to strengthen peace and sustainable development.\(^5\) The EU’s joint communication of 7 June 2023 on a new agenda for LAC, which follows on from the 2019 joint communication on joining hands for a common future,\(^6\) could prepare the ground for progress at the EU-CELAC Summit on 17 and 18 July 2023 on three pending agreements – on trade, political dialogue and cooperation – between the EU and Chile, the EU and Mercosur (Argentina, Brazil, Paraguay and Uruguay) and the EU and Mexico.

The three agreements were major deliverables set out in the EU’s 2015 ‘trade for all’ strategy.\(^6\) Moreover, they 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 the EU-Cariforum Economic Partnership Agreement and the EU-Central America Association Agreement, which include a trade pillar, a multiparty free trade agreement (FTA) with three countries of the Andean Community (Colombia, Ecuador, and Peru), and bilateral association agreements with a trade pillar with Chile and Mexico.

Recent external ex-post evaluations to assess the economic, social, environmental and human rights impacts of the EU-Cariforum, EU-Central America and EU-Colombia-Ecuador-Peru trade

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\(^1\) EU-CELAC merchandise trade in 2022 was worth almost €300 billion ranking behind the US and China that accounted for €1084 billion and €496 billion respectively based on IMF data extracted by EPRS in May 2023. In 2022, CELAC thus ranked as the EU’s fifth trade partner behind the US, China, the United Kingdom and Switzerland and before Russia and Norway.

\(^2\) International Trade Outlook for Latin America and the Caribbean, Pursuing a resilient and sustainable recovery, Economic Commission for Latin America and the Caribbean (ECLAC), 2021, p. 18.

\(^3\) Lights and Shadows of the War in Ukraine: Economic and Social Effects on Latin America and the Caribbean, ECLAC, 2023.

\(^4\) CELAC-EU Bi-Regional Roadmap 2022 – 2023, Renewing the bi-regional partnership to strengthen peace and sustainable development, EEAS, 27 October 2022.

\(^5\) European Commission, Joint communication on a new agenda for Latin America and the Caribbean, 7 June 2023; European Commission, Joint Communication on joining forces for a common future, 16 April 2019.

\(^6\) European Commission, Trade for All, Towards a more responsible trade and investment policy, 2015.
agreements in line with the agreements' review clauses and the 2021 EU trade policy review, which stressed the importance of the implementation and enforcement of trade agreements, have shown moderately positive economic outcomes, small or no social, environmental and human rights impacts – which could be seen as a success – and shortcomings in liberalisation, regulatory and institutional implementation.

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7 The European Commission’s ex-post evaluation process consists of an external evaluation report, the different stages of which are presented in civil society dialogues hosted by the European Commission and in the European Commission’s position on the final report, European Commission, Ex-post evaluations.

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

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

The EU has a long tradition of maintaining 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 were held every two years since 2013, with the 33-member-strong Community of Latin American and Caribbean States (CELAC)\(^9\), launched in December 2011, that became the EU’s counterpart.\(^{10}\) Since 2006, the Euro-Latin American Parliamentary Assembly (EuroLat) has operated as the parliamentary dimension of the bi-regional strategic partnership and organised the EuroLat plenary meeting close to the EU-CELAC summits.\(^{11}\) Although the EU's engagement with CELAC is part of a multi-pronged approach to its relations with LAC, bringing to bear the regional, sub-regional and bilateral levels that complement and reinforce each other, it is noteworthy that no bi-regional EU-CELAC summit has taken place since 2015, reflecting in particular diverging views regarding the pertinent response to the political and human rights situation in Venezuela.\(^{12}\) While meetings at ministerial level have continued,\(^{13}\) both sides have turned their attention increasingly to the buoyant markets in the Indo-Pacific for drivers of trade and growth, with on the one hand the EU striking FTA deals with Canada, Japan, Singapore and Vietnam and on the other hand individual LAC countries or LAC groupings entering into FTAs with Asian partners such as the Comprehensive and progressive transpacific partnership agreement (CPTPP).

It is widely agreed that during the last few years, the EU has not given the LAC region the political attention it deserves – the EU and LAC represent almost one third of the votes at the UN – engendering a sense of neglect in LAC.\(^{14}\) As a result, the EU has lost ground to other players and notably to China, which has made large in-roads into the region, including through the competing China-CELAC-Forum summits launched in 2016.\(^{15}\) China moreover has deployed its physical and digital Belt and Road Initiative (BRI) to attract Latin American countries geopolitically into its 'community of common destiny for mankind'.\(^{16}\) While the EU initially considered the BRI as an opportunity to cooperate with China under the 2015 EU-China Connectivity Platform, it now looks at the BRI more in terms of geopolitical competition to be taken up through targeted Global

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\(^{9}\) Brazil left CELAC in 2020 under former president Jair Bolsonaro, re-entered CELAC in January 2023 and participated in the XII CELAC Summit in Argentina. Return of Brazil to CELAC, Ministério das Relações Exteriores, 5 January 2023.

\(^{10}\) 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.

\(^{11}\) EuroLat is a joint multilateral parliamentary assembly composed of 150 members, 75 from the European Parliament and 75 from the Latin American component, including Parlalino (Latin-American Parliament), Parlandro (Andean Parliament), Parlacen (Central American Parliament), Parlaur (Mercosur Parliament), the Mexican Congress, and the Chilean Congress, the Euro-Latin American Parliamentary Assembly (EuroLat), and the European Parliament.

\(^{12}\) D. Nolte, The European Union and Latin America: Renewing the Partnership after Drifting Apart, German Institute for Global and Area Studies (GIGA), GIGA Focus on Latin America, Number 2, 2023.

\(^{13}\) Council of the European Union, EU-CELAC ministerial meeting: Declaration, 26 October 2016; EU-CELAC Ministerial meeting, 16-17 July 2018.

\(^{14}\) J. Borrell, Latin America-Europe: the ‘other’ transatlantic relationship, 19 October 2020.

\(^{15}\) S. Wintgens, China’s footprint in Latin America, Recent developments and challenges ahead, European Union Institute for Security Studies, 2022. For more information on China-CELAC relations see the China-CELAC-Forum’s website.

\(^{16}\) S. Chen, Community of Common Destiny for Mankind, China Media Project dictionary, 25 August 2021.
Gateway projects.\textsuperscript{17} China's vaccine diplomacy during the COVID-19 pandemic deepened its relations with the region.\textsuperscript{18} The EU's legislative initiatives under the Green Deal, by contrast, have been perceived by some stakeholders in Latin America as unilateral, protectionist WTO-inconsistent trade barriers that raise trade costs for Latin American exporters.\textsuperscript{19} These elements taken together may have contributed to the profound shifts in how Latin Americans regard the EU as compared to China and the US in several policy areas. A 2022 survey reveals that China is perceived as a better partner than the EU in digital technology, infrastructure, trade and investment and the US is deemed a better partner than the EU in the fight against drug trafficking and in the area of health and vaccines.\textsuperscript{20} In those fields the EU ranks only second or third but it leads by far on the environment,\textsuperscript{21} the fight against poverty and inequality, culture and education, and strengthening democracy. Moreover, the EU has remained by far (48\%) the most favoured region for Latin American countries to have links with, when no specific policy area is mentioned, followed by North America (19\%) and the Pacific Area (8\%).

Some experts argue\textsuperscript{22} that the growing distance between the EU and LAC is partly due to the fact that parts of the LAC leadership perceive the war in Ukraine as a foreign conflict that has spurred high inflation and jeopardised food and energy security in LAC. The war is seen as the result of the dynamics between NATO and Russia, and thus while most LAC countries condemn the war at the UN, they oppose sanctions against Russia and do not provide direct support for Ukraine.\textsuperscript{23} Experts emphasise that LAC countries regard their relations with developing countries and rising powers as

\begin{figure}[h]
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\includegraphics[width=\textwidth]{figure1.png}
\caption{Best partners for Latin America in selected fields}
\end{figure}

Data source: Latinobarómetro et al., 2022.

\textsuperscript{17} European Commission, EU-China Connectivity Platform; European Commission, Global Gateway 2023 Flagship projects - Infographics, factsheet, Latin America, 1 March 2023.

\textsuperscript{18} D. Nolte, Relativizing the success of China’s 'vaccine diplomacy', German Council on Foreign Relations, February 2022.

\textsuperscript{19} Letter of 27 July 2022 sent to leading representatives of the European institutions and signed by a large number of LAC ambassadors taking issue with the proposal for an EU regulation on deforestation-free products. See also V. Thorstensen et al., Vanguardismo ambiental e protecionismo comercial na Uniã o Europeia e nos Estados Unidos, Instituto de Pesquisa Econômica Aplicada (IPEA), January 2022.

\textsuperscript{20} Latin America – European Union: views, agendas and expectations, Latinobarómetro, Nueva Sociedad and Friedrich-Ebert-Stiftung, [DE], [EN], [ES], [PT], 2022.

\textsuperscript{21} Reviving relations in these preferred areas is likely to face few challenges. European Commission, EU, Latin America and Caribbean step up cooperation on environment and climate action policies, 5 May 2023.


a means of global integration ‘through multiple alliances and variable geometry that make up a multipolar vision of the world’. From their perspective, a position of non-alignment provides them with autonomy in the international arena. Moreover, in the same vein, these experts point to LAC’s different understanding of multilateralism, stressing that while the EU remains attached to the values of the liberal world order, in many LAC countries’ alternative positions favouring a multipolar world order are gaining traction.24 The growing interest of countries of the ‘global south’ in becoming members of regional development banks created as alternatives to the Western-led World Bank, including the New Development Bank of the BRICS (Brazil, Russia, India, China and South Africa) and the Asian Infrastructure Investment Bank (AIIB), is a testament to this trend.25

Against this complex backdrop, the EU-CELAC foreign ministers meeting on 27 October 2022 laid out a roadmap for renewing the bi-regional partnership26 and the EU announced a new agenda for LAC27 ahead of the EU-CELAC Summit on 17–18 July 2023, which will be followed by the EuroLat plenary meeting in Madrid from 24 to 27 July. The roadmap 2023, together with the EU’s 2023 joint communication on LAC, is a crucial instrument for re-centring the EU’s attention on LAC and for reinforcing the political dialogue between the EU and CELAC countries.28 It should also revitalise relations with a region that is rich not only in traditional raw materials, such as iron and oil, but also in lithium and copper, which are required to implement the EU’s green and digital transition.29 Meanwhile, in March 2023, the EU entered into a digital alliance with LAC, the first digital coalition at regional level.30 The undersea cable connection between the EU and Latin America, completed in 2019, was a key foundation to build on.31 The roadmap also seeks to revive the long-standing trade relationship and to speed up the ratification of the pending association agreements.

Since the 1990s, the EU’s strategy has been to promote sub-regional integration initiatives within LAC and bi-regional integration between the EU and the 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 2005.32 The EU

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26 Council of the European Union, EU-CELAC Ministerial meeting, 27 October 2022; HR-VP Josep Borrell’s op-ed on the re-launching the partnership between the EU and Latin America and the Caribbean, 28 October 2022. The EU’s ‘Road to 2023’ strategy was presented to the European Parliament’s Committee on Foreign Affairs (AFET) during its meeting on 12 September 2022.

27 M. Jütten, Strengthening ties: A new agenda for the EU’s relations with Latin America and the Caribbean, EPRS, June 2023. New Agenda for Latin America and the Caribbean, EPRS Legislative Train Schedule.

28 On 6 July 2023, the European Parliament’s Committee on Foreign Affairs (AFET) held an exchange of views on the New Agenda with the EEAS (recording). On 24 May 2023, AFET organised a public hearing on EU-Latin America relations (recording).

29 ‘Wrangling over white gold – The green revolution will stall without Latin America’s lithium’, The Economist, 2 May 2023.

30 European Commission, Global Gateway: EU, Latin America and Caribbean partners launch in Colombia the EU-LAC Digital Alliance, 16 March 2023.

31 Byting back: The EU’s digital alliance with Latin America and the Caribbean, European Council on Foreign Relations, 24 October 2022.

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.

Nevertheless, the EU has a fully fledged trade agreement as part of an 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 with Mexico and Chile. Furthermore, the EU has bilateral framework agreements with each of Mercosur’s founding members Argentina, Brazil, Paraguay and Uruguay. An EU-Mercosur interregional framework agreement has been in force since 1999, and could be replaced by an EU-Mercosur association agreement, if the agreement in principle reached in 2019 can be turned into a final agreement and ratified.

Since the mid-1990s, the EU’s market share in LAC trade has decreased significantly. Whereas in 1990 the EU accounted for 24.8% of LAC trade, in 2011 its share had shrunk to 13.7%. This is the result of a combination of major geopolitical and policy shifts and the manifold impact of the 2008 financial crisis. Key developments include: i) the rise of emerging markets, notably China, and their increasing prominence as new players in LAC to the detriment of the region’s traditional partners; 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; iii) the attractiveness of the CPTPP and former TPP that was originally signed by 12 Pacific Rim countries and already includes Chile, Mexico and Peru, with Costa Rica, Ecuador and Uruguay having submitted their applications for accession between 2021 and 2022; iv) several EU enlargements that have increased the EU’s diversity and have exposed a consistently low level of engagement of new EU Member States with

33 See Table 2 in the Annex for an overview of the agreements in place. Data for Mercosur in this publication do not include data for Venezuela.
34 European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability, ECLAC, October 2012, p. 52. See also the experts’ presentations underscoring the significant decline in the EU’s trade footprint in LAC at the public hearing during the European Parliament’s Committee on International Trade (INTA) meeting of 26 April 2023 (recording).
35 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. Over 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.
36 Between 2002 and 2018 Latin American imports to the US lost market share to China, notably with respect to imports with the greatest similarities, i.e. manufactured goods and machinery and transport equipment. In 2018, China’s share in the US import market (20%) surpassed Latin America’s (18.6%). United States-Latin America and the Caribbean Trade Developments 2022, ECLAC, 2023.
37 After the departure of the US, 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 as of June 2023 is in force for all original parties except Brunei. In March 2023, the UK reached an agreement in principle with CPTPP parties for its accession. Conclusion of Negotiations on the Accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Trans-Pacific Partnership, policy paper, UK government, 31 March 2023.
LAC, the ideological fragmentation of LAC and its regional organisations, weakening regional integration dynamics and stability; vi) economic crises in the EU and vii) a decade of low growth in LAC (growth in 2023 is expected to be 1.3 %) resulting in growing poverty, sluggish domestic demand and the comparatively lower attractiveness of the region for foreign direct investment.

Figure 2 shows that the US, which has traditionally considered LAC as its natural backyard, has remained the most important trading partner for the Andean Community, Cariforum, Central America and Mexico, benefiting not least from geographical proximity. The EU’s trade position in the LAC region, by contrast, has dramatically declined over time in relative terms compared with the positions of China and the US. While the US withdrawal from the former TPP has diminished its economic footprint in the Indo-Pacific compared to China, existing US FTAs with LAC countries

39 EU FDI providers to LAC countries are consistently from ‘old’ EU Member States, reflecting the comparatively low level of attention ‘new’ EU Member States devote to this region. Foreign Direct Investment in Latin America and the Caribbean, ECLAC, 2022, Table I.A1.3, pp. 80-82.

40 Current state of the art of the EU-CELAC relations, EULAC Focus website.


42 The data presented in this publication are derived mainly from Eurostat, with some data 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 refers primarily 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.

43 In line with the Monroe doctrine of 1823 articulated in former US President James Monroe’s seventh annual message to Congress on 2 December 1823. According to Monore, the European powers were obliged ‘to respect the Western Hemisphere as the United States’ sphere of interest’, US National Archives.

44 The 2022 data for EU trade in goods show a considerable increase in terms of value for almost all EU trade relationships, including LAC. There are a number of reasons for this, including the economic implications of the war in Ukraine, such as drastically increased energy prices and persistent high inflation. Recently published growth rates for EU-trade in goods with Latin American groupings or countries should therefore be understood against this background and seen in the context of the growth rates of the EU’s main competitors. European Commission, factsheet included in the press release on the New Agenda to strengthen EU’s partnership with Latin America and the Caribbean, 7 June 2023.

and the successful re-negotiation of NAFTA have consolidated the US position in LAC and notably in Mexico, which the Biden administration can use to pursue a policy of ‘friendshoring’ to diversify imports in strategic sectors away from China and of building new, regionalised supply chains. Even without the advantage of geographical proximity but with the strong gravitational pull effect of its huge market, China has clearly surpassed the EU as the first or second trading partner of all LAC groupings or countries, except for Cuba (see Figure 2). However, the EU, like the US, has remained a vital, if not the first investor in the region and an important partner in trade for LAC, which currently on average exposes higher trade in services costs than the EU and the US and so far has a comparatively low degree of participation in global trade in services, with huge untapped potential in Mercosur and specifically in Brazil.

The EU pursued three priorities for LAC in the 2015 EU trade policy communication ‘Trade for All’: modernising the two trade pillars of the association agreements concluded with Chile and Mexico and finalising the long-standing negotiations with Mercosur on an association agreement to unlock untapped trade potential. These three agreements have still not crossed the finish line however.

The external ex-post evaluations of the trade agreements (provisionally) in force with Cariforum, Colombia, Peru, Ecuador and Central American countries, carried out in line with their review clauses and the 2021 EU trade policy review, which emphasises the importance of implementing and enforcing existing trade agreements, provide a mixed picture. They stress major implementation shortcomings for the EU-Cariforum agreement, and a moderately positive but limited economic impact for the two other agreements (compared to the absence of an agreement). If the perspective is broadened to include the trade position of the EU’s main competitors in LAC, China and the US, as reflected in Figure 2, a less positive trend emerges.

The existing trade agreements have to varying degrees contributed to the stability and predictability of the trade and investment environment and to the diversification of trade and investment flows and have created forums for discussion and exchange, allowing the EU to promote a value-based trade policy. Nevertheless, the current state of play of the implementation of the evaluated trade deals leaves much room for improvement. Improvements could be made for instance in respect to: a) the often low preference utilisation rates (PUR) observed with EU exporters and unfilled tariff rate quotas (TRQs) on both sides, that undermine the relevance of these trade deals; b) action to promote meaningful civil society involvement where it is still restricted; c) often ambitious trade provisions (for instance on public procurement) that have so far hardly contributed

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46 On 30 November 2018, the new United States-Mexico-Canada Agreement (USMCA) was signed to replace the 1994 North American Free Trade Agreement (NAFTA) and entered into force on 1 July 2020. For critical analyses, see the Peterson Institute for International Economics (PIIE).
48 Foreign Direct Investment in Latin America and the Caribbean, ECLAC, 2022, Chapter I, p. 35.
49 Trade in Services in Latin America and the Caribbean: An Overview of Trends, Costs, and Policies, Inter-American Development Bank, November 2021, see specifically pages 20 and 28.
50 PURs are used to measure the extent to which tariff preferences were used during the reporting period, providing a rough indication of the uptake of EU trade agreements by companies from the EU and partner countries. TRQs allow a pre-determined quantity of a product to be imported at lower import duty rates (in-quota duty) than the duty rate normally applicable to that product (mostly the most-favoured nation (MFN) tariff). The respective PUR and TRQ data are accessible to the public: European Commission, Preference utilisation on EU imports, Preference utilisation and duty savings on EU exports, Utilisation rate of TRQs opened by the EU to third countries, Utilisation rate of TRQs opened by third countries to the EU, last updates of October 2022 as of June 2023.
to unlocking trade; d) the need for the EU to respond to the growing concerns of Latin American partners regarding their future access to the EU market, against the backdrop of rapidly evolving EU legislation under its Green Deal; e) finalisation of long outstanding ratifications by EU Member States; and f) the strengthening of the sustainability provisions and their enforcement in line with the new Commission approach, in the context of the potential updating of the existing agreements to align them with new policy developments.51

51 Some of these points are outlined in the EU’s New Agenda for Relations between the EU and Latin America and the Caribbean, European Commission, 7 June 2023, pp. 4 to 5.
2. Existing agreements governing trade relations

This section analyses existing fully fledged agreements between the EU and countries and sub-regional groupings in LAC that are not undergoing modernisation (for new agreements and agreements that are currently being modernised, see Section 3). The EU’s non-preferential 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.

2.1. EU-Andean Community

The Andean Pact was created in 1969 by the Cartagena Agreement and renamed Andean Community of Nations in 1996.\(^{52}\) Currently, it comprises four countries: Bolivia, Colombia, Ecuador, and Peru.\(^{53}\) 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 20 years on it has not yet entered into force.\(^{54}\)

Negotiations on an interregional (region-to-region) association agreement (AA) containing a political dialogue, cooperation and trade pillar were launched in 2007.\(^{55}\) 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.\(^{56}\) 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.\(^{57}\) Bloc-to-bloc negotiations continued on political dialogue and cooperation,\(^{58}\) while multiparty trade negotiations on a World

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\(^{53}\) Chile originally belonged to the founding members but withdrew in 1976. It is currently an associate member.

\(^{54}\) Twenty years after the agreement’s signature, it is in force for 14 EU Member States and for the CAN’s member states, but ratification is pending for 13 EU Member States, according to the Council treaties and agreements database, accessed in June 2023.

\(^{55}\) Organisation of American States (OAS), SICE: trade policy developments: Andean countries – EU.


\(^{57}\) Peru, Colombia to negotiate bilateral deals with EU, Andina.com, 11 November 2008.

\(^{58}\) As these bloc-to-bloc negotiations have not produced a result to date, meanwhile, the EU has strengthened its bilateral relations with Colombia and Peru. An EU-Colombia Memorandum of Understanding (MoU) identifying five priorities for the years to come was signed in September 2021. European Commission, Colombia: EU and Colombia today open a new chapter to strengthen bilateral relations, 21. September 2021. An EU-Colombia Framework Participation Agreement on Colombia’s participation in EU-led crisis management operations was signed in 2014 and entered into force in 2020. Marcello Di Filippo, The EU’s Engagement with Latin America: The Case of Colombia, Istituto Affari Internazionali, May 2022. In October 2022, an EU-Peru MoU on an agenda of cooperation and reinforced political-sectoral dialogue for the next decade and a Participation Framework Agreement of Peru in EU crisis management operations were signed. Peru, EU jointly open new chapter to strengthen bilateral relations, Andina.com, 14 October 2022.
Trade Organization Plus (WTO+) format\(^{59}\) were pursued with those Andean Community countries willing to embark upon them, i.e. Colombia, Ecuador and Peru. In June 2012, the EU signed an ambitious and comprehensive trade agreement on progressive and reciprocal liberalisation\(^{60}\) only with Colombia and Peru, both of which had signed an FTA with the US in 2006.\(^{61}\) The multiparty trade agreement was thus strategically important for the EU to ensure a similar level of access to the markets of these two trading partners. It was ratified by the European Parliament in December 2012 after its request\(^{62}\) for the addition of a binding roadmap on human, environmental and labour rights from Colombia and Peru was fulfilled. The agreement has been provisionally applied by Colombia and Peru since August and March 2013 respectively.\(^{63}\) It 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% were to be liberalised within 17 years). It also contains provisions on services, investment and public procurement, intellectual property rights (IPR), human rights and labour and environmental standards.\(^{65}\)

From the perspective of the Andean countries, the EU concessions on import tariffs for bananas have been crucial.\(^{66}\) The EU agreed to gradually lower its import tariff on bananas from the three Andean countries to a preferential tariff by 1 January 2020. Until December 2019, a safeguard clause applied to prevent larger than anticipated increases in EU banana imports that could have affect the banana production of the EU’s outermost regions. If the country-specific trigger import volume (TIV) was

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60 European Commission, *EU trade agreement with Colombia, Peru and Ecuador*, as of 30 June 2021.


63 As of June 2023, the agreement has not been ratified by Belgium, Council Treaty and Agreement data base.[6](https://europa.eu/legislation_summaries/external_relations/etp/2015-09-16_en)


65 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. European Commission, *Feedback and way forward on improving the implementation and enforcement of Trade and Sustainable Development chapters in EU Free Trade Agreements*, non paper, 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. In June 2022, the European Commission issued a communication entitled *The power of trade partnerships: together for green and just economic growth* which sees trade sanctions as a last resort in instances of serious violations of core TSD commitments, i.e. the ILO fundamental principles and rights at work or the Paris Agreement on Climate Change, that may be applied to new trade agreements rather than to those for which negotiations are closed.

exceeded, the EU could revert to MFN tariffs for 3 months.\textsuperscript{67} 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.\textsuperscript{68} After the overhaul of the EU’s generalised scheme of preferences (GSP)\textsuperscript{69} Ecuador would have lost its GSP eligibility and would have faced most-favoured nation (MFN) tariffs instead.\textsuperscript{70} 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.\textsuperscript{71} In January 2017, Ecuador joined the trade agreement.\textsuperscript{72} Bolivia has retained its GSP status and has an option to join the agreement in the future.\textsuperscript{73}

2.1.1. The ex-post evaluation of the EU-Colombia-Ecuador-Peru agreement

Following a first review of the multiparty agreement after 5 years of implementation, in 2019 the European Commission launched a second review by commissioning an external ex-post evaluation to assess the agreement’s economic, social, environmental and human rights impact, as well as its effectiveness and efficiency in achieving its objectives, its relevance and its policy coherence.\textsuperscript{74} The Commission held several civil society dialogues\textsuperscript{75} before the final report\textsuperscript{76} was published in January 2022.\textsuperscript{77}

67 This scheme was also applicable to the trade pillar of the EU’s association agreement with Central America (see next section). A 2022 European Commission report on the situation of the EU market for bananas and EU banana producers after the expiry of the stabilisation mechanism for bananas that investigates the evolution of the EU market for bananas from 2012 to 2021 finds that in 2021, ‘EU production represented around 11% of total supply, while imports were mainly from Latin American countries (74%) followed by ACP countries (15%).’ In terms of volume, the market share of EU bananas went down from 15% to 11%, while ACP bananas increased from 13% to 15%, and Latin American bananas from 72% to 74%.’ ... ‘The market share in terms of value shows a different picture than in terms of volume. While the ACP’s market share has increased significantly from 14% to 18%, EU bananas remained almost stable at around 15% and 16% for most of the years whereas Latin American bananas decreased to 68% (from 70%). This is mainly due to the different price dynamics of the three origins’.

68 European Commission, \textit{Assessing the economic impact of the trade agreement between the European Union and Ecuador}, June 2016.


70 European Commission, \textit{The EU’s Generalised Scheme of Preferences (GSP)}, as of June 2023.


72 European Commission, \textit{EU trade relations with the Andean Community}. Facts, figures and latest developments. As of June 2023, the Ecuador’s accession has not been ratified by Belgium and Luxembourg, Council treaties and agreements data base.

73 Bolivia makes considerable use of the preferences granted under the EU’s GSP+. More than 84% of eligible EU imports from Bolivia utilise GSP+ duties, European Commission, \textit{GSP Hub}, Bolivia.


75 3 July 2020; 20 April 2021; 15 November 2021 followed up with meeting reports.


77 The European Parliament’s Committee on International Trade (INTA) discussed the state of play of the agreement (\textit{item 14 on the agenda}) on 1 December 2022. In its \textit{resolution} of 16 January 2019 on the implementation of the EU-Colombia and Peru Trade Agreement, Parliament called for more steps to be taken to support the diversification of the exports of the three countries to the EU. It supported the creation of a working group for regulatory issues
The report compares a scenario with the multiparty agreement with a scenario without it and considers data up to 2019. Since Colombia, Ecuador, and Peru would have lost their GSP+ access to the EU and would have traded with the EU on the basis of less advantageous MFN tariffs in the absence of an FTA, the scenario with the trade agreement generates almost inevitably better results for both sides than the scenario without it, while benefits accrued to the EU must be bigger, since it gains ’new’ market access. In essence, the agreement has stabilised a trade relationship that may otherwise have deteriorated. The report assesses the agreement’s economic impact overall as positive, but limited in scope. It finds that the parties have benefited in sectors in which they have a comparative advantage, i.e. Colombia and Peru mainly in agri-food sectors and the EU in industrial sectors. The agreement has had a limited effect on export diversification in Colombia and Peru where a shift from extractive industries to agriculture and diversification within the agricultural sector has occurred. Moreover, the number of exporting micro, small and medium-sized enterprises (MSMEs) has increased. However, these findings are somewhat qualified by the figures of Andean countries’ reports. They reveal for example the low survival rate of new Peruvian export firms/goods. They also highlight with respect to the TSD chapter differences between the FTA with the EU on the one side and the FTAs with the US and Canada on the other side in terms of additional commitments to working conditions. They suggest negotiating an update of the FTA with the EU and boosting the ratification of International Labour Organization (ILO) conventions 129 (labour inspection in agriculture), 154 (collective bargaining), and 169 (indigenous and tribal peoples convention). Lastly, there is disappointment regarding the outcome of the 2017 complaint against the Peruvian government as regards the implementation of the TSD chapter.

regarding services and e-commerce. In addition, it suggested 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’.

Of 185 new products exported from Peru to the EU during the first year of the provisional application of the trade agreement, only 8 were exported in the ninth year. Of the 553 newly registered Peruvian exporting firms in the first year, only 42 were still exporting to the EU in the ninth year. Estudio de aprovechamiento del TLC Perú–Unión Europea (Sin Reino Unido), Dirección General de Investigación y Estudios sobre Comercio Exterior Dirección de Estudios Económicos, June 2022. Reports on new exporters/products exported thus do not reveal whether they will be exported in the long run. Acuerdo comercial con la UE permitió exportar 200 productos nuevos, El Comercio, 15 September 2022. For more reports: El Tratado de Libre Comercio Perú – Unión Europea y su impacto socio económico en la agricultura familiar, Grupo de Análisis para el Desarrollo, 30 July 2020; D. Vinueza, Análisis de las exportaciones de Ecuador a la Unión Europea y sus efectos en la balanza comercial periodo 2016 – 2018, 2021; Informe sobre los acuerdos comerciales vigentes de Colombia, Ministerio de Comercio, Industria y Turismo, 2022.

The US Department of Labor regularly publishes child labour and forced labour reports. For 2021, it notes ‘moderate advancement’ with respect to Peru, ‘significant advancement’ for Colombia and Ecuador and ‘minimal advancement’ for Bolivia. 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.

Acuerdos comerciales y estándares laborales, Brechas de cumplimiento en el Acuerdo Comercial de la Unión Europea con Colombia, Ecuador y Perú, Centro de Políticas Públicas y Derechos Humanos et al., November 2021.

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.

'Lo cierto es que el Acuerdo Comercial con Unión Europea no tiene un mecanismo claro para atender estas quejas y tampoco una obligación para que esto se traduzca en un Plan de Acción, con metas y un cronograma de trabajo que viabilice el cumplimiento de los estándares comprometidos en el Acuerdo, como lo propuso inicialmente Malmström y fue negado inmediatamente por el gobierno peruano por no ser parte del AC’. A. Romero Cano, Impactos del TLC entre Perú y la UE, Red Peruana por una Globalización con Equidad-RedGE commissioned by PowerShift e.V., no date.
In non-economic areas, the ex-post evaluation report in many instances regrets the lack of data and the impossibility of quantifying impacts or of attributing impacts to the trade agreement. In terms of social implications, the report for instance points to an expansion of corporate social responsibility (CSR) practices and to positive effects in Colombia and Peru in the vegetable, fruit and nuts sector and other agri-food sectors, while stressing that working conditions and labour rights issues have remained. The report finds the agreement’s environmental impact to be very small in line with its small economic impact, with no effect on deforestation in Ecuador and Peru, and a small contribution to deforestation arising from agricultural activity in Colombia. The report states that the agreement’s impact on the human rights situation in the Andean countries with respect to the right to freedom of assembly and association, children’s rights and the right to water has been limited. In terms of coherence with EU trade policy objectives and priorities, the report notes a lack of ‘positive coherence’ with new trade issues, such as resilient global value chains or the green and digital transitions.

The report also flags shortcomings in the meaningful involvement of domestic advisory groups (DAGs), arguing that unlike other EU FTAs, ‘the agreement does not include a commitment by the parties to follow-up to civil society views’. The report’s criticism is echoed by the EU-Colombia-Ecuador-Peru DAG’s Declaration of October 2022, which calls for a response by the respective authorities to labour issues raised and for an individualised roadmap for each issue, for the establishment of a database of enterprises active in EU partner countries which respect human rights, environmental and labour standards, for the annual joint meetings of the four parties’ DAGs to be formally recognised and for their conclusions and declaration to be included in the minutes of the meeting, for the DAGs to be regularly informed on measures taken under the TSD chapter and for a formal response to the issues raised in the declaration. The declaration concludes with the EU DAG recognising ‘that specific, concrete, time-bound roadmaps mutually agreed with the trading partner can become a key tool to increase adherence to the TSD chapter commitments’. The declaration followed on an October 2021 non-paper drafted by EU trade domestic advisory groups that lists 28 recommendations and that emerged from the first ‘All DAGs’ meeting in July 2021. In April 2023, the first complaint by trade unions was lodged through the European Commission’s single entry point in respect to alleged violations of labour rights in Colombia and Peru.

In trade committee meetings under the agreement in 2021 and 2022, the counterparts from Colombia and Peru expressed concerns about the impact of the EU’s Green Deal, the farm to fork strategy, and future deforestation, due diligence and forced labour rules on trade flows and about the need for them to adapt in order to ensure their continued access to the EU market.

83 Declaration of the Domestic Advisory Group under the EU trade agreement with Colombia, Ecuador and Peru, 26 October 2022.
84 Non-paper: Strengthening and Improving the Functioning of EU Trade Domestic Advisory Groups, EU DAGs, October 2021.
85 The ETUC Human Rights, Legal and Strategic Litigation Network, New complaint against Colombia and Peru presented by trade union organisations before the Single Entry Point (SEP) of the European Commission, 3 April 2023.
86 European Commission, Joint statement of the ninth meeting of the Trade Committee of the trade agreement between the European Union and its Member States, of the one part, and Colombia, Ecuador and Peru, of the other part, Quito, 16 November 2022. Joint statement of the eighth meeting of the Trade Committee of December 2021.
2.1.2. Current trade picture

In 2022, total EU trade with the Andean Community reached €38.2 billion, up from €28.0 billion in 2021 (Figure 3). This significant increase in total merchandise trade was to a large extent due to the unusual spikes in fuel and mineral prices and was driven in particular by exports from Colombia, which soared from €1.3 billion in 2021 to €5.2 billion in 2022. Historically, Andean Community exports to the EU have exceeded EU exports to these countries. This was no different in 2022, when the EU ran a trade deficit of €5.2 billion. Agri-food dominated the Andean countries’ exports in terms of value, at €9.0 billion (Figure 4). All agri-food sub-categories have shown an upward trend over the last few years, with vegetable products having turned into an important export item particularly for Peru. Peruvian exports of vegetable products to the EU grew from €1.7 billion in 2019 to €2.7 billion in 2022. Further opportunities may arise from the recognition of 10 new geographical indications (GIs) from Colombia, Ecuador and Peru in the EU in 2022. These are added to the 10 Andean GIs and 116 EU GIs already covered by the trade agreement. Mineral fuels ranked second in the Andean countries’ export basket, and crude materials third. In 2022, EU exports of mechanical appliances and electrical equipment to the Andean Community ranked first representing €3.7 billion worth of exports. Second were chemicals, with pharmaceuticals accounting for €2.0 billion in 2022. Bilateral trade in services recovered to €9.3 billion in 2021, but not to the level of €11 billion reached in 2019 (see Figure 3), whereas the EU FDI stock in the Andean Community in 2021 surpassed the pre-pandemic level (see Figure 5).

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87 Economic Commission for Latin America and the Caribbean (ECLAC), Developments in the prices of natural resources for export in Latin America and the Caribbean (Spanish version), 29 April 2022.
88 European Commission, Trade with Colombia, as of 19 April 2023.
89 In 2022, the dominant export items from the ‘Andean 3’ (excluding Bolivia) to the EU were fruit and nuts (48 %) and coffee, tea, cacao and spices (24 %). European Commission, Agri-food trade statistical factsheet, EU – Andean Community 3, as of 18 April 2023. For bilateral agri-food trade see EU-Bolivia, EU-Colombia, EU-Ecuador, EU-Peru as of 18 April 2023.
90 European Commission, Trade with Peru, as of 19 April 2023. For bilateral trade data with Bolivia and Ecuador see European Commission, Trade with Bolivia, Trade with Ecuador, as of 19 April 2023.
91 European Commission, The EU protects 10 new geographical indications from Colombia, Peru and Ecuador, 17 November 2022.
European Commission data\(^2\) suggest that EU exporters tend to use the trade preferences offered to them under the multiparty agreement less than do their Andean counterparts, as appears from the very high preferential utilisation rates (PUR) on Andean exports to the EU contrasting with much lower PUR on EU exports to the Andean counterparts. In 2021, the average PUR on EU imports was 97 % from Colombia, 99 % from Ecuador, and 95 % from Peru. These levels have remained fairly constant since 2018, when the PUR on EU imports from Colombia was 98 %, from Ecuador was 99 % and from Peru was 96 %. This contrasts with much lower PUR on EU exports to the Andean countries. In 2018, the PUR on EU exports was 74 % to Colombia, 68 % to Ecuador and 56 % to Peru. These results saw a slight improvement by 2021, when the PUR on EU exports was 78 % to Colombia, 70 % to Ecuador and 62 % to Peru.

There are significant differences in the use of tariff rate quotas (TRQs)\(^3\) between countries and products, with TRQs usually being either completely filled or not filled at all, with only few TRQ situations ranging in the middle. The non-use of TRQs may signal that the respective TRQ is too small to incentivise companies to engage in exports in the first place. As regards the use of TRQs opened by the EU for Colombia, only the biggest quota relating to sugar was filled between 95 and 100 % from 2019 to 2021. Ecuador did not fill any of its TRQs entirely. Its TRQ for sweetcorn filled at 21 % was the highest rate in 2020. From 2019 to 2021, Peru filled only its sweetcorn TRQ ranging from 95 % to 100 % and its sugar TRQ from 17 to 18 %. When it comes to the TRQs opened by Colombia for the EU, EU exporters filled some consistently at 100 %, e.g. ice creams, milk powder, sweetcorn, and mushrooms, with a decline from 100 % in 2019 to 80 % for milk formula in 2020 and 2021. The TRQ for cheese doubled from 17 % in 2019 to 34 % in 2021. All other TRQs have remained unfilled. As regards TRQs opened by Peru, EU exporters filled the TRQ for ice cream between 86 %

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\(^2\) European Commission, *Report on the Implementation of Free Trade Agreements*, 1 January 2018 - 31 December 2018, COM(2019)455final, 14 October 2019, pp. 39/40; Preference utilisation on EU imports; Preference utilisation and duty savings on EU exports; Utilisation rate of TRQs opened by the EU to third countries; Utilisation rate of TRQs opened by third countries to the EU.

\(^3\) European Commission, *Utilisation rate of TRQs opened by the EU to third countries; Utilisation rate of TRQs opened by third countries to the EU.*
and 100% between 2019 and 2021. While the milk powder TRQ was filled at only 52% in 2019, it was filled at 100% in 2021. Conversely, the TRQ for rum was filled at 100% in 2019 and 2020, but only at 51% in 2021. All other TRQs have not been filled at all or only at a low rate. No data were available for Ecuador.

In terms of market access barriers, sanitary and phytosanitary (SPS) measures, internal taxation, IPR and public procurement issues were pending as of June 2023.94

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94 European Commission, Access2Markets, Trade barriers, Bolivia (1), Colombia (5), Ecuador (2) and Peru (5).
Figure 8 – EU trade in goods with Peru (2008-2022)


Data source: Eurostat.

Figure 9 – EU trade with Peru: Main products (2022)

Data source: Eurostat.
Figure 10 – EU trade in goods with Ecuador (2008-2022)

Data source: Eurostat.

Figure 11 – EU trade with Ecuador: Main products (2022)

Data source: Eurostat.
2.2. 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. 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.

The trade pillar of the association agreement (AA) replaces the unilateral preferential access to the EU market that was granted to Central America under the EU’s GSP. At the same time, the trade pillar is a comprehensive ‘new generation’ trade agreement that 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. 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, among other things, services, SPS measures, 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).

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95 European Commission, Communication on on the renewal of the San Jose dialogue between the European Union and Central America, 29 November 1995.
97 These negotiations were launched against the backdrop of the US having signed in 2004 the Dominican Republic-Central America–United States Free Trade Agreement (CAFTA-DR) with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic and a separate one with Panama in 2007. There is significant overlap in the interest of the EU and the US for instance in improving the labour conditions in the Central American partner countries. 2023 Trade Policy Agenda and 2022 Annual Report of the President of the United States on the Trade Agreements Program, Central America and the Dominican Republic, pp. 5-10. Panama, pp. 19-20.
98 As of June 2023, Belgium has not yet ratified the agreement. Council treaties and agreements database. Therefore, the political dialogue and cooperation pillars have not entered into force. The EU has nonetheless strengthened its relations with the region through support of the inclusive and sustainable development in Central America with a strong green and digital focus as well as through humanitarian aid to respond to urgent relief needs. EEAS, Fact sheet: Central America, May 2022.
99 European Commission, EU trade relations with Central America. Facts, figures and latest developments, as of June 2023.
100 European Commission EU-Central America Association Agreement, Access2Markets, as of June 2023.
2.2.1. Ex-post evaluation of the trade pillar of the EU-Central America association agreement

In May 2019, the European Commission published a roadmap\textsuperscript{101} for the ex-post evaluation of the trade pillar of the EU-Central America association agreement. It commissioned an external ex-post evaluation, the final report of which\textsuperscript{102} was published in January 2022.\textsuperscript{103} In February 2022, the European Commission hosted the last civil society dialogue meeting on the ex-post evaluation report.\textsuperscript{104} The report focuses on a comparison of the biregional trade situation before and after the provisional application of the trade pillar, considering data until 2019.

It states that the trade pillar’s economic impact on the partner countries has been positive, but limited in scope given that the Central American countries had been GSP/GSP+ beneficiaries before, thus enjoying unilateral preferential access to the EU market already prior to the trade pillar’s entry into force. The report furthermore indicates that the increase in merchandise exports occurred in sectors in which the respective party had a comparative advantage (Central American countries in fruits, including bananas, vegetables and sugar, the EU in machinery, vehicles and medicines). The EU’s exports rose from €5.3 billion in 2010 to €7.4 billion in 2019. Central America’s exports grew from €5.1 billion in 2010 to €6.7 billion in 2019. The report states that the trade pillar helped to diversify exports, since not only have trade flows increased in terms of value but the number of products subject to trade has also risen. However, according to the report, the trade pillar did not boost Central America’s integration into global value chains (GVCs), as bilateral trade did not involve products that are part of GVCs. The report indicates that a growing number of MSMEs from the EU were engaged in trade with the Central American countries. For lack of data, no findings exist for MSMEs from Central America.

The report emphasises that the social impacts resulting from the trade pillar are limited but positive. Given the difficulty in establishing a causal link, the positive impact is, however, framed as a likelihood. The report states that Central American exports to the EU are ‘likely’ to have contributed to creating or maintaining formal jobs in agricultural sectors that are often the only or one of few opportunities for low-skilled workers to generate income, thus the trade pillar is likely to have contributed to poverty reduction. The report claims that measures taken and progress achieved in Central American countries in respect to the freedom of association, collective bargaining, or child labour in most cases predate the entry into force of the trade pillar and can therefore not be attributed to it.\textsuperscript{105} The report nonetheless suggests that the trade pillar has encouraged the use of certification schemes and created a positive momentum for workers’ rights and working conditions.


\textsuperscript{103} The European Parliament’s Committee on International Trade (INTA) discussed the state of play of the agreement (item 13 on the agenda) on 1 December 2022. In its resolution of 16 January 2019 on the implementation report on the trade pillar of the Association Agreement with Central America the European Parliament suggested 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 called 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’.

\textsuperscript{104} European Commission, \textit{Report on the civil society dialogue} – ex-post evaluation of the implementation of the trade pillar of the EU-Central America Association Agreement, 15 February 2022.

\textsuperscript{105} The US Child Labor and Forced Labor Report 2021 finds ‘significant advancement’ for Costa Rica, Guatemala and Honduras, ‘moderate advancement’ for El Salvador and Panama and ‘minimal advancement’ for Nicaragua.
As regards the trade pillar’s environmental impact, it is reported to have been small, in line with the limited economic impact. Finally, the report states that the trade pillar’s impact on the human rights situation in the Central American countries has been limited as well.\textsuperscript{106}

With respect to currently pending implementation issues, the European Commission has identified key principles of the SPS chapter of the agreement (the regionalisation principle\textsuperscript{107} in Panama, and the lack of the recognition of the EU as a single entity in all six countries) that have still to be addressed.\textsuperscript{108} In terms of IPR protection, while the enforcement of the 116 EU GIs in Central America could be enhanced, in 2022 the EU recognised 1 new GI from Costa Rica and 10 GIs from El Salvador and added them to the 9 GIs that were already covered by the trade pillar.\textsuperscript{109} As regards the environmental facets of the TSD chapter, the two partners in 2021 discussed the prospects for organic agricultural production in the EU and in Central America, and on labour issues they focused on freedom of association and collective bargaining, social dialogue, child labour and forced labour.\textsuperscript{110} In addition to the 2021 non-paper listing 28 recommendations,\textsuperscript{111} which emerged from a first meeting of all DAGs in 2021, the EU-Central America DAG in its 2022 Joint Declaration\textsuperscript{112} draws attention to the serious weaknesses in the formal establishment of the DAG, highlighting the need to use ‘representativeness and independence criteria when appointing members of the Advisory Groups in each country’.

\subsection*{2.2.2. Current trade picture}

In 2022, total trade between the EU and the six Central American countries took a big leap to €17.9 billion from €12.9 billion in 2021 (see Figure 12). EU imports from Central American countries grew by 36\% to €9.5 billion, while EU exports to Central American partners increased by 41\% to €8.4 billion.\textsuperscript{113} The EU in 2022 ran a trade deficit of about €1 billion with Central America. Central America’s most important category in exports to the EU was agri-food, worth over €5.4 billion (see Figure 13). In 2022, the three main Central American agri-food export items to the EU were fruit and nuts (30\%), coffee, tea, cacao and spices (25\%) and vegetable oils (oilseeds and palm) (24\%). The

\begin{itemize}
\item \textsuperscript{106} Latin America expert Pedro Caldentey del Pozo concluded: ‘... que el AA tiene un efecto netamente positivo para ambas regiones, pero de una intensidad menor a lo previsto y deseado. No parece haber transformado significativamente la relación birregional más allá de su consolidación formal y política. Es relevante en términos comerciales para Centroamérica, pero no ha cambiado la relevancia de la zona como socia de la UE en ningún ámbito ni para ningún país’. P. Caldentey del Pozo, ‘El acuerdo de asociación entre la Unión Europea y Centroamérica: Un potencial por explotar’, Chapter 3, pp. 49-82, in A. Bonilla and J. A. Sanahuja, eds, \textit{Unión Europea, América Latina y el Caribe: Cartografía de los Acuerdos de Asociación}, EU-LAC Foundation, October 2022.
\item \textsuperscript{107} The regionalisation concept seeks ‘to ensure that safe trade occurs from disease-free regions/zones within the exporting countries and that trade is not the cause of the spread of diseases in the importing countries. In the EU internal market and equally for exports to non-EU countries, the European Commission, EU Member States and business operators apply the principle of regionalisation very seriously as a means to support trade while protecting the livestock from contagious animal diseases’, European Commission, \textit{Access2Markets}, Trade barriers, The application of regionalisation in the meat trade: why the reluctance? ECLAC, September 2006.
\item \textsuperscript{109} European Commission, \textit{The EU protects 11 new geographical indications from Central America}, 23 June 2022.
\item \textsuperscript{110} European Commission, \textit{Individual information sheets on implementation of EU FTAs}, Commission Staff Working Document (SWD(2022) 730 final) accompanying the report on implementation and enforcement of EU trade agreements (COM(2022) 730 final), 11 October 2022, p. 38.
\item \textsuperscript{111} European Union DAGs, \textit{Non-paper: Strengthening and Improving the Functioning of EU Trade Domestic Advisory Groups}, October 2021.
\item \textsuperscript{112} Central American and European Union Advisory Groups, \textit{Joint Declaration}, 24 May 2022.
\item \textsuperscript{113} European Union, \textit{Trade with Central America 6}, as of 19 April 2023.
\end{itemize}
EU's agri-food exports include mixed food preparations (12%) and preparations of fruit, nuts and vegetables (11%). The second largest Central American export category in 2022 was optical and photographic instruments, worth €1.5 billion, up from €871 million in 2019. Latin American exports of integrated circuits and electronic components were worth €631 million in 2022, up from €86 million in 2021. While the EU's two most valuable export categories to Central America in 2022, mechanical appliances – worth €1.4 billion – and pharmaceutical products – worth €1.1 billion, trended upwards, exports of transport equipment – worth €585 million were down from €1.3 billion in 2019. Figure 14 shows that EU FDI in Central America has risen once more, following a low in 2020.

In 2021, the average PUR on Central American exports to the EU were much higher than those on EU exports to Central America and the PUR on EU exports to Central America varied significantly. The PUR on EU exports to Panama was 75%, to El Salvador 42.2% and to Guatemala 40%, with no data available for Costa Rica, Honduras and Nicaragua. The average PUR on EU imports from Central America was more homogeneous. EU imports from Costa Rica had a PUR of 95%, from El Salvador of 91%, from Guatemala of 93%, from Honduras of 87%, from Nicaragua of 93%, and from Panama of 80%. Overall, this is progress compared to 2018, when the PUR on Central American exports varied between 82% and 96%, while those of EU exports ranged from 33% to 59%.

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114 European Commission, Agri-food trade statistical factsheet – Central America, Costa Rica, El Salvador, Guatemala, Honduras, Panama, Nicaragua as of 18 April 2023.

115 European Commission, Report on the Implementation of Free Trade Agreements, 1 January 2018 - 31 December 2018, COM(2019)455final, 14 October 2019, pp. 39/40; Preference utilisation on EU imports; Preference utilisation and duty savings on EU exports; Utilisation rate of TRQs opened by the EU to third countries; Utilisation rate of TRQs opened by third countries to the EU.
In recent years, both parties largely underutilised their respective TRQs. Central American exporters filled to a large extent only their sugar and rum TRQs and in 2021 the TRQ for Manioc starch was filled at 39% for the first time. In 2021, EU exporters filled their TRQs for cheese and milk powder only at 43% and 44% respectively and for prepared meat between 27% and 36%. In 2018, TRQs were on average similarly under-utilised: 33% for Central America and 26% for the EU.

Figure 14 – EU FDI stocks with Central America

Data source: Eurostat.

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116 European Commission, Utilisation rate of TRQs opened by the EU to third countries; Utilisation rate of TRQs opened by third countries to the EU.
2.3. EU-Cariforum

EU relations with the Caribbean was initially organised in the framework of the African, Caribbean and Pacific (ACP) country grouping, which is still governed by the 2000 Cotonou Partnership Agreement. The Caribbean countries are small, middle-income countries, with the exception of Haiti, and most of them are islands. They account for only a small share of EU total external trade, but are an important voting bloc at the UN and in other international forums. The Caribbean also is relevant 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 between the EU and 15 Cariforum countries on an EU-Cariforum Economic Partnership Agreement (EPA) began in 2004. Since 2008, the regional trade and development agreement has been provisionally applied by the EU, its 27 EU Member States and 14 Cariforum countries. The EPA currently is not applied to Haiti, since in line with its domestic legal requirements the country has to ratify the agreement in parliament before applying it. As of June 2023, Hungary and five Cariforum countries have not yet ratified the EPA.

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. Market liberalisation between the EU and the Caribbean countries is asymmetrical in order to take into account the partners' different levels of economic development. A long transitional period of 25 years (until 2033) was therefore agreed to expand current market liberalisation for 51% of Caribbean imports from the EU to eventually reach about 87%. The EU grants the Caribbean countries complete free market access. However, Cariforum has excluded from liberalisation most agricultural and fishery products and a number of industrial goods considered sensitive or was

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117 The Cotonou agreement was set to end in February 2020. The EU reached a political deal on a new agreement ('post-Cotonou') with the Organisation of African, Caribbean and Pacific States (OACPS) in December 2020 after 2 years of negotiations. However, as of June 2023 the negotiated agreement has not been endorsed by all EU Member States. For further information see the EPRS Legislative Train Schedule. E. Pichon, International Agreements in Progress - After Cotonou: Towards a new agreement with the African, Caribbean and Pacific states, EPRS, European Parliament, April 2023.

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

119 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, updated as of September 2022.

120 Treaties and Agreements database of the Council of the European Union as of May 2023.

granted long phase in periods for them. The EU-Cariforum EPA is comprehensive in the sense that it covers a wide range of trade issues, including services, IPR and public procurement (limited to transparency) and seeks to foster sustainable development, promote interregional integration, and connect trade policy with development instruments. It is the first EU trade agreement that incorporates sustainable development provisions, with the rules on social and environmental dialogues having been reinforced into fully fledged commitments. Article 73 introduces an obligation not to lower environmental, labour and other social standards ('non-regression clause') to attract FDI and Article 195 a monitoring provision.

2.3.1. Ex-post evaluation of the EU-Cariforum EPA

In line with Article 5 of the EU-Cariforum EPA and following a first 5-year review in 2014 for the 2008 to 2013 period, in 2019 the European Commission launched a second review for the 2008 to 2018 period. It commissioned an external ex-post evaluation of the level of implementation and the impact on sustainable development to feed into the joint EU-Cariforum review of the EPA. The final report of the external ex-post evaluation was published in 2021 and sparked a strong response from Cariforum. The report lists significant shortcomings in the liberalisation, regulatory and institutional implementation of the EPA. Based on the data available and stakeholder consultations the report reveals that the EPA had had a limited economic impact. However, given that without the EPA, Cariforum exporters would have faced MFN tariffs, the agreement has helped to sustain the economic and trade relations with the EU.

The report notes inter alia that Cariforum’s goods exports to the EU decreased from €9.5 billion in 2008 to €9.0 billion in 2018. The EU share in total Cariforum imports declined from 18% in 2007 to 12% in 2018, thus reflecting a loss of EU relevance. The EU deficit of €280 million in trade with Cariforum in 2008 reverted to an EU surplus of €1.2 billion in 2018. The report nonetheless finds some diversification of Cariforum exports away from fossil fuels to agri-food and manufactured goods; a duplication of EU services exports to Cariforum from €3.2 billion in 2010 to €5.9 billion in 2018; and an increase in EU investment in tax havens such as the Bahamas and Barbados, while it remains unclear whether these flows benefit the region or merely transit it.

The limited economic outcome is attributed not only to shortcomings in implementation but also to challenges in the business environment that make it difficult for companies to compete (e.g. small markets that limit scale, logistical constraints, and bureaucracy). The report points to a lack of transparency that affects exporters' costs, a very low level of awareness of the EPA even among

125 R. H. Singh et al, Monitoring the implementation and results of the Cariforum-EU EPA, final report, September 2014.
127 Ecorys & Appleton Luff, Ex-post evaluation of the EPA between the EU and its Member States and the CARIFORUM Member States, final report, Executive Summary of the Final Report (ES), 2021.
128 The ex-post evaluation sparked strong criticism from the Cariforum side, see the Statement of the Council of Ministers of Cariforum on the ex-post evaluation of the Cariforum-EU EPA, 12 November 2021.
major investors and a scarcity of practical information on the opportunities it offers. Allegedly, few Cariforum firms consider the EU to be a priority market, as local exporters focus on geographically close markets. Companies interested in exporting to the EU allegedly still face barriers. The report also states that the effectiveness of reaching the EPA’s objectives was limited and that the relevance of the EPA is impeded by factors outside the agreement, e.g. existing FTAs with competitors such as the US requiring quicker tariff and quota reductions that put EU exporters at a disadvantage. The European Commission has recognised various implementation challenges with respect to the EU-Cariforum agreement and among its implementation activities notes efforts to create an annual joint monitoring mechanism, ongoing negotiations of GIs, the creation of a special committee on services and the launch of a process to modernise the current rules of origin.\textsuperscript{129}

### 2.3.2. Current trade picture

In 2022, total EU-Cariforum merchandise trade took a big leap to €17.8 billion, up from €8.9 billion in 2021 and €8.4 billion in 2008, the first year of the EPA’s application. In a stark reversal of historic trends, in 2022 EU imports from Cariforum – worth €11.6 billion – surpassed EU exports to Cariforum – worth €6.2 billion – with the EU running a deficit with Cariforum of €5.4 billion (see Figure 15).\textsuperscript{130} In 2022, exports from Caribbean countries to the EU consisted overwhelmingly of mineral fuels worth €7.7 billion (out of €11.6 billion) and to a lesser extent of agri-food (bananas, sugar and rum) and chemicals (fertilisers). Exports from the EU to Caribbean countries were mainly mechanical appliances and transport equipment (boats, ships, cars, constructions vehicles and engine parts), agri-food and manufactured goods (see Figure 16).

In 2022, agri-food exports from Cariforum were mainly fruit and nuts (35 %), spirits and liqueurs (18 %) and coffee, tea, cacao and spices (13 %), while exports of the EU consisted of dairy products (25 %) and preparations of fruit, nuts and vegetables (10 %).\textsuperscript{131} Trade in services, notably exports of tourism services typically account for a significant share of Cariforum countries’ overall trade and has seen important fluctuations in recent years on account of the COVID-19 pandemic and weather events (see Figure 15).\textsuperscript{132} The EU FDI stocks with Cariforum (Figure 17) have to be read against the

\textsuperscript{129} European Commission, \textit{Individual information sheets on implementation of EU Trade Agreements} accompanying the report on Implementation and Enforcement of EU Trade Agreements, SWD(2022)730, 11 October 2022.

\textsuperscript{130} European Commission, \textit{EU trade relations with Caribbean countries}, Facts, figures and latest developments.

\textsuperscript{131} European Commission, Agri-food trade statistical factsheet, European Union - EPA Cariforum, as of 18 April 2023.

\textsuperscript{132} While it is commonly known that the Caribbean region has particularly suffered from the lack of tourists during the Covid-19 pandemic and a series of weather anomalies which have seriously impacted their services exports, the lack of disaggregated service trade data, notably for the different categories of services for individual Cariforum countries, does not allow to draw more specific conclusions. K. Cox, \textit{Small Caribbean islands with big COVID-19 impacts}, World
backdrop of Barbados and the Bahamas being important offshore financial centres through which FDI passes, often without their being the final destination.

Figure 16 – EU trade in goods with Cariforum: Main products (2022)

<table>
<thead>
<tr>
<th>Product</th>
<th>€ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil, gas, coal</td>
<td>7.7</td>
</tr>
<tr>
<td>Agri-food</td>
<td>0.9</td>
</tr>
<tr>
<td>Mechanical appliances and electrical equipment</td>
<td>1.2</td>
</tr>
<tr>
<td>Chemicals</td>
<td>0.7</td>
</tr>
<tr>
<td>Ships and boats</td>
<td>0.4</td>
</tr>
<tr>
<td>Other products</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Data source: Eurostat.

Figure 17 – EU FDI stocks with Cariforum

<table>
<thead>
<tr>
<th>Year</th>
<th>Inward FDI</th>
<th>Outward FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>92.3</td>
<td>88.0</td>
</tr>
<tr>
<td>2020</td>
<td>78.1</td>
<td>54.6</td>
</tr>
<tr>
<td>2021</td>
<td>41.1</td>
<td>2019</td>
</tr>
</tbody>
</table>

Data source: Eurostat.

Bank blog, 31 January 2022. In 2019, tourism accounted for roughly 70% or 80% of total exports of goods and services of Barbados and Bahamas respectively. N. Mulder, The impact of the COVID-19 pandemic on the tourism sector in Latin America and the Caribbean, and options for a sustainable and resilient recovery, ECLAC, 2020, p. 10. See also the service trade related comments in the external ex-post evaluation.
2.4. 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. In July 2017, the European Parliament gave its consent to the conclusion of the EU-Cuba Political Dialogue and Cooperation Agreement (PDCA), signed in December 2016. As a mixed agreement, most parts have been applied provisionally since November 2017 in line with Article 86 of the agreement, pending the PDCA’s ratification by all Member States. The EU-Cuba Joint Council, the ministerial-level meeting that steers the PDCA’s implementation, engages in five structured dialogues. These encompass human rights, non-proliferation of weapons of mass destruction, conventional arms control, unilateral restrictive measures, and the 2030 sustainable development agenda – including energy and environment and climate change. The third EU-Cuba Joint Council meeting took place in May 2023.

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. 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 trade provisions therefore do not provide preferential market access to the EU. Cuba lost its GSP status in 2015. The MFN is excluded from application to third countries through preferential agreements concluded between Cuba and third countries (Article 62(2)). 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.

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133 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.
135 Provisional application under Article 218(5) Treaty on the Functioning of the EU (TFEU) can only be granted for provisions relating to EU exclusive competence and cannot include Member State competences (shared or concurrent) competences unless all the Member States have agreed to it separately. For details see L. Puccio, A guide to EU procedures for the conclusion of international trade agreements, EPRS, European Parliament, October 2016.
136 Answer given by High Representative/Vice-President Borrell on behalf of the European Commission to parliamentary question E-001489/2021 of 18 March 2021 on the validity of the PDCA with Cuba.
139 F. Romero Gómez, El acuerdo de diálogo político y cooperación y las relaciones entre la Unión Europea y Cuba, Chapter 5, pp. 116-149 in: A. Bonilla and J. A. Sanahuja, eds, Unión Europea, América Latina y el Caribe: Cartografía de los Acuerdos de Asociación, English version, EU-LAC Foundation, October 2022
2.4.1. Current trade picture

In 2022, total EU-Cuba trade in goods stood at €2 billion, down from a peak of €2.6 billion in 2015, with the EU exporting goods to Cuba worth €1.6 billion and importing goods from there worth €0.4 billion (Figure 18). Cuba's exports to the EU consisted mainly of beverages and tobacco (34.6 % of the total), food and live animals (23.2 %) and crude minerals (18.6 %). Mineral fuel as a share of Cuba's exports dropped from 18.5 % in 2021 to 4.7 % in 2022. The EU's exports to Cuba, by contrast, are concentrated on agri-food and mechanical appliances. In 2022, the EU's agri-food imports from Cuba were predominantly comprised of tobacco, cigars and cigarettes (39 %), spirits and liqueurs (32 %), and sugar and isoglucose (16 %). The EU agri-food exports to Cuba consisted of beer, cider and other beverages (26 %), cereals (22 %) and dairy products (12 %).

In November 2022, all EU Member States voted with 158 UN members in favour of a General Assembly resolution on the 'Necessity of ending the economic, commercial and financial embargo imposed by the United States of America against Cuba'. The EU argued that the US activation of Title III and IV of the the Cuban Liberty and Democratic Solidarity Act of 1996 also known as the Helms-Burton Act in April 2019 breaches the commitments made by the US in the US-EU agreements of 1997 and 1998 and acts to the detriment of Cuba's development and is contrary to the EU's economic interests. In response to US sanctions, the EU adopted the blocking statute, Council Regulation (EC) No 2271/96, that protects EU operators engaged in lawful international trade and/or movement of capital, as well as related commercial activities, against the effects of the extra-territorial legislation.

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140 European Commission, European Union, Trade in goods with Cuba, as of 19 April 2023.
142 EU Explanation of Vote: UN General Assembly Resolution on the embargo imposed by the USA against Cuba, EEAS, press release, 3 November 2022.
143 H.R.927 – Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996, Garrigues, Helms-Burton act: what does it involve and what defense and reaction mechanisms do the European individuals and companies have, 3 May 2019.
144 ‘The European Union does not recognise the extra-territorial application of laws adopted by third countries and considers such effects to be contrary to international law’, Extraterritoriality (blocking statute), European Commission.
3. Pending agreements governing trade relations

This section analyses pending agreements governing trade relations between the EU and Latin American countries and sub-regional groupings. It covers both ‘new’ agreements (EU-Mercosur) and the modernisation of existing fully fledged agreements (EU-Mexico and EU-Chile).

3.1. EU-Mercosur

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. 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), has initiated the process of joining the bloc; its accession protocol is still pending ratification by the Brazilian Congress.

With a combined gross domestic product (GDP) of nearly US$2.2 trillion in 2021, Mercosur is LAC’s biggest market. 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. 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 at the end of the 1990s 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. They 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.

Although Mercosur countries were initially 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. According to Article 1 of Mercosur’s founding treaty, the aim is to create a common market, yet the bloc is still far from achieving this goal. A customs union with a

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146 Bolivia – Mercosur membership likely to be fast-tracked during upcoming regional meeting, Torchlight, 7 November 2022. ‘Lula to expedite full Mercosur membership for Bolivia if elected, ex-FM says’, La Prensa Latina, 5 September 2022.
147 World Bank database.
The common external tariff (CET) was established as a stepping stone to a common market, but 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. While Mercosur countries have failed to implement their full harmonisation agenda including in competition policy and technical regulations, a reduction of CET tariffs occurred in 2022 to boost the bloc’s competitiveness and to revive integration dynamics. Thirty years into its existence, in 2021, intra-Mercosur trade was at a low 12 to 15%, with Mercosur countries continuing to sell primary goods to the world rather than trading more manufactured goods with each other.

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 mostly with small and middle-sized economies. These agreements usually focus on liberalising merchandise trade with the notable absence of provisions to liberalise services, investment and public procurement. Negotiations were also launched with Canada, South Korea, Lebanon and the Gulf Cooperation Council but persistent internal disagreements have hampered progress. In 2020, for example, Argentina announced that it would no longer participate in any new FTA negotiations, only to realign its approach with Mercosur members later to lift the impasse. In 2022, FTA negotiations with Singapore were concluded, but Uruguay announced it would submit a request to join the CPTPP and start FTA negotiations with China, challenging the respective Mercosur rules on moving on together as a bloc.

EU bilateral trade relations with the four founding members of Mercosur go back to the beginning of the 1990s. 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 framework cooperation agreement, which entered into force in 1999. It covers political dialogue,
trade and economic cooperation and currently governs 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.163

3.1.1. The long and winding road towards an EU-Mercosur association agreement

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.164 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.165 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.166 Negotiations gained momentum after the arrival in office of two pro-business presidents, Mauricio Macri in Argentina and Michel Temer in Brazil, in 2015 and in 2016 respectively.167 However, agriculture, including geographical indications (GIs), remained big stumbling blocs.

Mercosur is a major producer of agricultural products. 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 markets168 would face significant increases of imports from Mercosur. The study therefore suggests that for these sensitive products market access be carefully calibrated by TRQs.169 Table 1 shows that in terms of volume the Mercosur-4 have consistently accounted for about 50% of total EU beef and live animal imports. However, live animals accounted only for 4.7% of total EU imports from Mercosur-4 in 2022. Overall, oilcakes, soyabeans, coffee and tea are their predominant exports to the EU.170

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164 The Council’s negotiating directives were adopted in September 1999, when the EU Member States had the exclusive competence for FDI. The future trade pillar of the EU-Mercosur AA will contain some market access provisions for FDI but no investment protection provisions. European Commission, Press release 199910621/99, 13 September 1999.
165 Since 2007, Brazil has had a strategic partnership with the EU that includes some 30 sectoral dialogues in areas such as political relations, human rights, trade, energy, cyber, research and innovation, information society and climate change. However, the most recent EU-Brazil summit took place in 2014. The European Union and Brazil, European Delegation to Brazil, 2 August 2021. Brazil: EU Relations at the Best and Worst of Times, Oliver Stünkel, Carnegie Europe, 29 June 2022.
166 Venezuela has not been a party to the EU-Mercosur negotiations on the AA. There are no preferential trade arrangements between Venezuela and the EU. EU-Venezuela trade is based on WTO rules and tariffs. In 2022, bilateral trade stood at €1.7 billion, up from 906 million in 2021, largely due to a rise in the value of EU fuel imports from Venezuela, which accounted for almost 50% of imports. In 2012, bilateral trade still amounted to €12 billion. European Commission, Trade with Venezuela, accessed 19 April 2023. Bilateral trade in services stood at €0.8 billion in 2021. European Commission, Venezuela.
168 European Commission, Poultry market situation and Sugar market situation.
Table 1 – EU imports of beef and live animals from selected partners (carcass weight in tonnes)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>%</td>
<td>Tonnes</td>
<td>%</td>
</tr>
<tr>
<td>UK</td>
<td>150 838</td>
<td>35.6%</td>
<td>120 733</td>
<td>35.1%</td>
</tr>
<tr>
<td>Brazil</td>
<td>99 569</td>
<td>23.5%</td>
<td>84 139</td>
<td>24.4%</td>
</tr>
<tr>
<td>Argentina</td>
<td>65 324</td>
<td>15.4%</td>
<td>56 421</td>
<td>16.4%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>40 483</td>
<td>9.5%</td>
<td>34 611</td>
<td>10.0%</td>
</tr>
<tr>
<td>US</td>
<td>16 852</td>
<td>4.0%</td>
<td>16 532</td>
<td>4.8%</td>
</tr>
<tr>
<td>Australia</td>
<td>16 432</td>
<td>3.9%</td>
<td>11 058</td>
<td>3.2%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>6 712</td>
<td>1.6%</td>
<td>6 116</td>
<td>1.8%</td>
</tr>
<tr>
<td>Paraguay</td>
<td>5 203</td>
<td>1.2%</td>
<td>4 234</td>
<td>1.2%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4 393</td>
<td>1.0%</td>
<td>4 187</td>
<td>1.2%</td>
</tr>
<tr>
<td>Canada</td>
<td>2 518</td>
<td>0.6%</td>
<td>1 550</td>
<td>0.5%</td>
</tr>
<tr>
<td>Chile</td>
<td>392</td>
<td>0.1%</td>
<td>168</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Data source: COMEXT, Beef and veal market situation, European Commission, 20 April 2023, p. 28.

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. In June 2019, an ‘agreement in principle’ on the trade pillar was reached. An agreement on the political and cooperation part followed in June 2020. Only afterwards, in December 2020, the sustainable impact assessment (SIA) report was published, after the European Commission held a civil society dialogue on the draft SIA report. The European Commission’s position paper on the SIA was issued in March 2021.

If ratified, the trade pillar of the EU-Mercosur AA would be the EU’s most important trade agreement in terms of the population covered (717 million in 2022) and the estimated gains from tariff cuts – over €4 billion for the EU. 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). However, while a broad range of EU industries and agricultural sectors would benefit from the agreement, the ratification of the EU-Mercosur AA has faced severe

171 On 28 June 2019, the European Commission announced the agreement and published a summary of its key elements. The Velben Institute criticised the outdated data used for the SIA report and together with other NGOs filed a complaint against the European Commission with the Ombudsman on 15 June 2020.


challenges in the EU. Several EU Member States with sizable EU agricultural interest groups with defensive interests have voiced strong opposition to the agreement. Opponents take the view that by importing more agricultural goods from Mercosur, the EU would boost unsustainable development, notably the use of pesticides and growth-promoting 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.

In its resolution of 7 October 2020 on the implementation of the common commercial policy – annual report 2018, the European Parliament emphasised ‘that the EU-Mercosur agreement cannot be ratified as it stands’. It nonetheless recognised that the EU-Mercosur association agreement ‘represents the largest “bloc to bloc” deal of its kind and has the potential to create a mutually beneficial open market area encompassing approximately 800 million citizens’. It pointed out ‘that this agreement, like all EU trade agreements, must ensure fair competition and guarantee that European production standards and methods are upheld’. It added ‘that the agreement contains a binding chapter on sustainable development that must be applied, implemented and fully assessed, as well as specific commitments on labour rights and environmental protection, including the implementation of the Paris climate agreement and the relevant implementing rules’. In its resolution of 16 February 2023 on an EU strategy to boost industrial competitiveness, trade and quality jobs, the European Parliament stressed that an EU strategy to boost industrial competitiveness, trade and quality jobs ‘also includes ratifying the outstanding bilateral agreement with Mercosur, provided that pre-ratification commitments on climate change, deforestation and other concerns are satisfactory’.

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176 A February 2021 Institut du développement durable et des relations internationales (IDDRi) report titled The Future of EU Free Trade Agreements: European dialogue in light of the EU-Mercosur Association Agreement takes stock of selected early EU and Mercosur positions on the agreement in principle.

177 ‘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; Dail rejects EU-Mercosur trade deal in symbolic vote, The Journal, 11 July 2019, La Wallonie vent debout contre le Mercosur, L’Echo, 20 January 2020. Dutch parliament votes against EU-Mercosur free trade agreement, lede News, 3 June 2020. The German Parliament held a debate on the EU-Mercosur association agreement on 26 January 2023 which revealed far-right criticism in support of domestic farmers and far-left criticism of big companies identified as the major beneficiaries, but other parties recognising the importance of the deal for a geopolitically important partnership with like-minded countries supporting sustainable development, including the EU’s Green Deal, against the backdrop of multiple crises and the need to diversify trade relations away from dependencies on few actors for key inputs. On 19 April 2023, its committee on economic affairs held a public expert hearing which featured among others an intervention by German law professor Dr Till Patrik Holterhus from Lüneburg University, the author of a recent study commissioned by the German Greens. The study proposes to complement the EU-Mercosur agreement in principle with a forest protection instrument and to ensure its enforcement either by applying to it the general dispute settlement mechanism of the trade pillar that may result in trade sanctions for violations of commitments or by introducing an innovative incentive mechanism that makes the gradual granting of tariff reductions conditional on the non-violation of commitments over different periods of time to be assessed by a new forest protection committee. In his speech entitled ‘Europe must turn its attention to the rest of the world’ to the European Parliament in Strasbourg on 9 May 2023, German Chancellor Olaf Scholz is quoted to have stated it is ‘more than reasonable to swiftly enter into new and fair free trade agreements, with partners such as Mercosur’.

178 A toxic Cocktail: the EU-Mercosur Deal. Limes reveal how European Pesticides travel around the World (and back), Greenpeace study, 23 April 2023.


180 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.

181 European Parliament, resolution of 7 October 2020 on the implementation of the common commercial policy – annual report 2018.

182 European Parliament, resolution of 16 February 2023 on an EU strategy to boost industrial competitiveness, trade and quality jobs.
Former Brazilian president Bolsonaro appeared to facilitate the agreement in principle in 2019, given his advocacy of opening up Brazil's economy for trade. However his encouragement of the unsustainable use of the Amazon to foster economic growth and his undermining of Brazil’s environmental and law enforcement agencies’ fight against deforestation and violations of the rights of indigenous peoples, were major obstacles for the EU to move on with the deal, up until the end of his term in December 2022.\(^{183}\)

The victory of left-wing Luiz Inácio Lula da Silva (or short Lula) in the 2022 Brazilian presidential elections, who nominated Marina Silva, 2003-2008 minister for the environment during Lula’s first and part of his second presidency, as head of the Ministry of the Environment and Climate Change,\(^{184}\) has opened a window of opportunity\(^{185}\) for the parties of the EU-Mercosur association agreement to enter a pathway of convergence regarding the trade pillar.\(^{186}\) Lula ran on an environmentally friendly platform and during his two former presidential terms the deforestation of the Amazon\(^{187}\) was curbed significantly. During the first months of his third term, Lula has taken several steps to translate his pledge of zero deforestation by 2030 into a whole of government horizontal priority. He re-instituted the action plan for the prevention and control of the deforestation of the Amazon, whose first phase he launched during his first term in 2004, and presented its fifth phase (2023-2027) on the International Day of the Environment on 5 June 2023.\(^{188}\)

The plan envisages actions around four pillars including the launch of a traceability system for products derived from crop and livestock farming in the Amazon and the reinforcement of law enforcement measures by joining existing and new technological tools to fill monitoring gaps and by adding human resources to enhance enforcement capabilities.

Lula’s policies are however facing challenges, both from the conservative majority in the Brazilian Congress, which includes the strong agri-lobby (bancada ruralista), and from potential contradictions regarding the need to reconcile climate change measures with economic policies to

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183 Brazilian Amazon deforestation up 150% in Bolsonaro’s last month, Aljazeera, 7 January 2023. Analysis: Bolsonaro election loss could cut Brazilian Amazon deforestation by 89%, Carbon Brief, 23 September 2022. Inside the fight against illegal mining in the Amazon, Greenpeace, 10 April 2023. The Austrian NGO AllRise filed a complaint with the International Criminal Court (ICC) against Brazil’s former president Jair Bolsonaro for ‘crimes against humanity’ related to his role in the deforestation of the Amazon region and its expected impact on human life and health worldwide, Brussels Times, 14 October 2021. EU seeks Amazon protections pledge from Bolsonaro in push to ratify trade deal, The Guardian, 20 October 2020.

184 Marina Silva as Brazil’s Environmental Minister shows commitment to retake a leading role in the socio-environmental agenda, WWF, 29 December 2023. Marina Silva takes over Brazil’s Ministry of Environment with a new structure and a department to combat deforestation, WWF, 5 January 2023. Brazil: Environment Minister announces National Authority for Climate Security, Mercopress, 5 January 2023.


186 'Mercosur y UE quieren “tomarse su tiempo” para concluir acuerdo’, según ministro francés, La Nación, 5 June 2023.

187 C. Silva-Junior et al., 'Brazilian Amazon indigenous territories under deforestation pressure', Scientific Reports, Vol. 13, 10 April 2023. ‘… about 59% of carbon dioxide (CO2) emissions within [indigenous territories] ITs in 2013–2021 (96 million tons) occurred in the last three years of analyzed years [2019-2021], revealing the magnitude of increasing deforestation to climate impacts’.

188 Governo lança plano de combate ao desmatamento na Amazônia e anuncia atos ambientais, Ministry for the Environment and Climate Change, 5 June 2023.
boost economic growth, that may involve large-scale infrastructure projects in the Amazon that are very likely to increase the risk of deforestation.189

The EU side aspires190 to achieve consensus with the Mercosur partners on a joint instrument on sustainability issues191 for the agreement in principle. This could merely reaffirm the commitments made under the TSD chapter and their binding nature192 or also integrate new commitments. Both Argentina193 and Brazil194 have been quoted as seeking a re-opening of the deal to re-balance it against what is perceived at their end as ‘unilateral EU measures’ that create market barriers for Mercosur agri-food exports to the EU. Examples of these measures include the adoption of the EU’s Green Deal and related legislation (on the carbon border adjustment mechanism (CBAM), deforestation, due diligence, and forced labour).195 They are also seeking to secure more flexibility for Mercosur countries to favour domestic industries in public procurement, among others.196 It is unclear whether the strong Mercosur agri-lobby in their respective parliaments would accept the EU’s sustainability rules.197 On 3 May 2022, an opinion piece published in the Argentinian newspaper Clarin gives a sense of how attractive Mercosur exports of agri-food products have become to the Indo-Pacific region since the beginning of bloc-to-bloc talks more than 20 years ago, and how this new outlook may shape the outcome of the EU-Mercosur negotiation.198
On the EU side, Russia’s war of aggression against Ukraine and the supply chain-related implications of the COVID-19 pandemic have consolidated the understanding in the EU that its green and digital transitions have to be accelerated and supply chains diversified. Their implementation requires access to critical raw materials for which the EU’s current supply chain dependencies appear to be at odds with the open strategic autonomy that should be at the heart of EU trade policy. As the Mercosur countries have significant reserves of several critical raw materials, they have become particularly attractive as the EU’s like-minded trading partners. European Commission President Ursula von der Leyen’s tour of four Latin American countries in June 2023 saw the signature of an EU-Argentina memorandum of understanding on a strategic partnership on sustainable raw materials supply chains and the launch of similar bilateral strategic partnership with Brazil.

On the Mercosur side, Uruguay’s ambitions to enter into an FTA with China, including bilaterally rather than with Mercosur as a bloc are exerting pressure on the other three Mercosur countries to envisage a Mercosur-China FTA as a next step following the signing of the EU-Mercosur deal. However, in April 2023, China made known its preference for negotiating an FTA with the whole of Mercosur rather than only with Uruguay. A China-Mercosur FTA would be a huge political win for China because it would require Paraguay to establish diplomatic ties with mainland China. However, Paraguay currently does not seem intent on following other Latin American countries in severing diplomatic ties with the democratic island of Taiwan. Divisions within Mercosur at the Mercosur Summit in July 2023, where Brazil took over the presidency of Mercosur until the end of 2023, do not make a common position on the EU-Mercosur deal any easier.

India y Vietnam (como socios fundamentales) nos permiten crecer cinco veces en granos, oleaginosas, carnes, frutas y hortalizas, y tener toda nuestra producción vendida sin cuotas ni restricciones de ningún tipo en esos mercados. Hoy, los capítulos centrales de nuestra vinculación con Europa son inversiones y financiamiento aplicados en especial a los nuevos retos que plantea la área energética: D. R. Guelar, former Argentinian ambassador to the EU, the US and China and D. G. Montamat, Relanzando el acuerdo Mercosur-Unión Europea, Clarín, 3 May 2022.

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199 Ukraine war is ‘a wake-up call’ for faster transition to green energy, Euronews, 17 May 2022.
200 European Commission, Commission presents an updated in-depth review of Europe’s strategic dependencies, 23 February 2022.
201 The European Council of 23 March 2023 called for a reduction of strategic dependencies, among others, and held a strategic discussion on the geopolitical aspects of trade. European Council, 23 March 2023.
202 Nonetheless, it should be noted that unlike the modernisation of the EU-Chile and EU-Mexico trade agreements, the EU-Mercosur agreement in principle does not include a dedicated energy and raw materials chapter, with only some general elements of the EU text proposal having been incorporated into the deal.
203 European Commission, Global Gateway: EU and Argentina step up cooperation on raw materials, 13 June 2023.
204 European Commission, Statement by President von der Leyen at the joint press conference with Brazilian President Lula da Silva, 12 June 2023.
205 Crisis en Mercosur por la negociación unilateral de Uruguay con China, Euronews, 22 July 2022.
207 Explained: Why the EU-Mercosur trade deal could finally be ratified this year, (Spanish version) Euronews.com, 1 February 2023.
208 China sobrevuela un Mercosur embarcado en compleja negociación con la UE, Swissinfo, 1 July 2023.
209 Paraguay president-elect says will strengthen ties with Taiwan, Al Jazeera, 5 May 2023.
210 Mercosur summit ends without Uruguay’s support for joint communiqué, Agência Brasil, 6 July 2023.
As negotiators met in early March 2023\(^\text{211}\), an EU draft\(^\text{212}\) of an EU-Mercosur joint instrument on sustainability as of February 2023 was leaked. This draft suggested that, along with the reaffirmation of existing provisions and the clarification of their legal meaning, the EU is proposing new commitments. These include, for instance, a 50% reduction in deforestation by 2025 and a review clause to enhance enforcement of the TSD chapter, including with trade sanctions. The draft was criticised by several EU stakeholders as ‘blatant greenwashing’\(^\text{213}\) and as ‘hard’ and ‘unbalanced’ by the Mercosur negotiators.\(^\text{214}\) It moreover appears that at least part of the Brazilian civil society does not approve of the EU deal, which attracted labels such as ‘neoliberal’ and ‘neocolonial’.\(^\text{215}\) Argentina has taken the view that the draft includes new commitments in the fields of climate change, deforestation and biodiversity that go beyond commitments made in multilateral forums and that the text is silent about the means of implementation necessary to fulfil the commitments.\(^\text{216}\) Brazil has made several times known that it finds the additional instrument unacceptable and it has sought to reopen the deal and alter tariff concessions and other trade liberalisation provisions, notably on public procurement to leverage the latter as a tool in its industrial policy.\(^\text{217}\) The Brazilian industry federation CNI, by contrast, has asked the Brazilian government to sign the deal as soon as possible.\(^\text{218}\) Brazil, whose government appears to be divided in its assessment of the deal,\(^\text{219}\) has taken the lead in drafting a counterproposal,\(^\text{220}\) which was expected to go beyond environmental issues to include economic and social ones,\(^\text{221}\) but had yet to be published as of early July 2023.

It remains to be seen whether the originally envisaged legal architecture of the deal\(^\text{222}\) will be kept and whether its trade part will be provisionally applied after the European Parliament’s consent has been given and pending the agreement’s ratification by all national and regional parliaments.\(^\text{223}\) Preparations by the Swedish Presidency of the Council in the first half of 2023 were expected to be

\(^{211}\) European Commission, Meeting of the European Union-Mercosur chief negotiators, Joint communiqué of the European Union and Mercosur, 8 March 2023.

\(^{212}\) European Commission, Draft EU-Mercosur Joint Instrument as of February 2023, leaked by Friends of the Earth.


\(^{214}\) Mercosul vê proposta da UE para avançar em acordo como ‘dura’ e ‘desequilibrada’, CNN, 8 March 2023.

\(^{215}\) Cumbre Sánchez-Lula: la sociedad civil de Brasil califica el tratado de libre comercio con la UE de ‘colonial’, El Salto, 27 April 2023. Communities from Argentina, Brazil and Paraguay give their views on the EU-Mercosur Trade Agreement. Not just about trade, IPAM Amazônia, February 2023.

\(^{216}\) Ministro argentino critica desigualdade em acordo comercial com a União Europeia, Exame, 3 July 2023.

\(^{217}\) Lula raises tone on EU, pledges other trade deals, The Brazilian Report, 4 July 2023.

\(^{218}\) Lula rechazó nuevas exigencias de la UE para firmar acuerdo con Mercosur, Baenegocios, 12 June 2023; Mercosur calls for update to EU trade agreement, LBCgroup TV, 4 July 2023; La industria brasileña reclama concluir ya el acuerdo entre el Mercosur y la Unión Europea, Swissinfo, 3 July 2023.


\(^{222}\) Council of the European Union, Council conclusions on the negotiation and conclusion of EU trade agreements, 9180/18, 22 May 2018, p. 3.

\(^{223}\) For further developments, see the EPRS legislative train schedule.
vital to prepare the EU-CELAC meeting on 17-18 July 2023.\textsuperscript{224} This will take place under the Spanish Presidency and could be an opportunity to announce progress on the deal.\textsuperscript{225}

### 3.1.2. Current trade picture

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\textsuperscript{226} 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.\textsuperscript{227}

In 2022, EU-Mercosur trade in goods reached €118.9 billion, up from €88 billion in 2021, with the EU running a deficit of €7.3 billion (see Figure 19). Mercosur’s exports to the EU increased by almost €20 billion, with notable growth rates for base metals (92%), wood (87%), transport equipment (74%) and mineral fuels (61.2%). EU exports to Mercosur grew by €11 billion, owing to increases in exports of chemicals from €11.7 billion in 2021 to €15.1 billion in 2022, machinery and appliances from €12.3 billion in 2021 to €14.1 billion in 2022 and transport equipment from €4.6 billion in 2021 to €6.1 billion in 2022.\textsuperscript{228} The biggest increase in Mercosur’s agri-food exports occurred in vegetable products (from €6.2 billion in 2019 to €13.4 billion in 2022) as well as in foodstuffs, beverages and tobacco (from €7.5 billion in 2019 to €11.3 billion in 2022).\textsuperscript{229} EU exports of services to Mercosur in 2021 were roughly twice as high as EU

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\textsuperscript{224} Council of the European Union. EU-CELAC summit, 17-18 July 2023.

\textsuperscript{225} On 5 June 2023, the European Parliament’s delegation for Mercosur held an interparliamentary meeting with an incoming delegation of Parlasur members. Some Parlasur members questioned the feasibility of ‘zero deforestation’ in the Amazon and suggested that MEPs travel to the Amazon to gain insights into the situation on the ground (recording).

\textsuperscript{226} European Commission. Generalised scheme of preferences in a nutshell.

\textsuperscript{227} For details, see the trade barrier entries in the European Commission Access2Markets database for Argentina (8), Brazil (20), Paraguay (5), and Uruguay (4) as of June 2023.

\textsuperscript{228} European Commission, Trade in goods with Mercosur, as of 19 April 2023. Bilateral trade: Argentina, Brazil, Paraguay, Uruguay, and Venezuela. In 2022, bilateral trade with Venezuela reached €1.7 billion, up from an all-time low in 2021 of €906 million but down from €10 billion in 2012, as Venezuela’s total trade with the world stood at merely €18 billion. In 2022, the EU was Venezuela’s fourth trading partner after China, the US and Brazil, accounting for 8% of its trade.

\textsuperscript{229} For more details on agri-food: European Commission, Agri-food trade statistical factsheet, European Union – Mercosur and bilateral agri-food trade: Argentina, Brazil, Paraguay, Uruguay, Venezuela as of 18 April 2023.
imports from Mercosur, with business services and transport services ranking far ahead of travel and ICT.\textsuperscript{230} Figure 21 shows the vital role the EU plays for Mercosur as a provider of FDI.

Figure 20 – EU trade in goods with Mercosur-4: Main products (2022)

<table>
<thead>
<tr>
<th>Product</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agri-food</td>
<td>2.9</td>
<td>28.2</td>
</tr>
<tr>
<td>Mechanical appliances and electrical equipment</td>
<td>1.9</td>
<td>14.1</td>
</tr>
<tr>
<td>Oil, gas, coal</td>
<td>3.7</td>
<td>10.2</td>
</tr>
<tr>
<td>Vehicles and aircraft</td>
<td>5.9</td>
<td>€ billion</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>0.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Other products</td>
<td>21.4</td>
<td>23.1</td>
</tr>
</tbody>
</table>

Data source: Eurostat.

Figure 21 – EU FDI stocks with Mercosur-4

<table>
<thead>
<tr>
<th>Year</th>
<th>€ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>18.5</td>
</tr>
<tr>
<td>2020</td>
<td>-22.4</td>
</tr>
<tr>
<td>2021</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Inward FDI

Outward FDI

394.4

322.2

340.3

Data source: Eurostat.

Figure 22 – EU trade in goods with Argentina (2008-2022)

Source: Eurostat.

\textsuperscript{230} For the breakdown for 2020 trade in services see G. Mácsai and I. Tkalec \textit{Mercosur: Economic indicators and trade with EU}, EPRS and Globalstat infographic, December 2022.
Figure 23 – EU trade with Argentina: Main products (2022)

<table>
<thead>
<tr>
<th>Product</th>
<th>€ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agri-food</td>
<td>7.0</td>
</tr>
<tr>
<td>Mechanical appliances and electrical equipment</td>
<td>2.7</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1.5</td>
</tr>
<tr>
<td>Oil, gas, coal</td>
<td>1.4</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>1.3</td>
</tr>
<tr>
<td>Other products</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Source: Eurostat.

Figure 24 – EU trade in goods with Brazil (2008-2022)

Data source: Eurostat.

Figure 25 – EU trade with Brazil: Main products (2022)

<table>
<thead>
<tr>
<th>Product</th>
<th>€ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agri-food</td>
<td>20.2</td>
</tr>
<tr>
<td>Mechanical appliances and electrical equipment</td>
<td>10.8</td>
</tr>
<tr>
<td>Oil, gas, coal</td>
<td>9.8</td>
</tr>
<tr>
<td>Vehicles and aircraft</td>
<td>4.9</td>
</tr>
<tr>
<td>Ores, slag and ash</td>
<td>5.0</td>
</tr>
<tr>
<td>Other products</td>
<td>22.6</td>
</tr>
</tbody>
</table>

Source: Eurostat.
3.2. EU-Mexico

Mexico, had the 15th largest economy in the world in terms of GDP in 2022 and was the second largest in Latin America after Brazil. It is a member of the G20, the OECD, the Pacific Alliance and APEC, the CPTPP and the USMCA.

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. 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 services between the EU and Mexico has been partially liberalised and various other trade disciplines have to some extent been established. Since 2008, Mexico has also had a strategic partnership with the EU.

3.2.1. Towards modernisation of the EU-Mexico Global Agreement

Since 2013, the EU and Mexico have been working on the modernisation of the Global Agreement’s trade pillar. The objective has been 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 has sought to adapt the trade pillar to political and economic changes that have occurred in both the EU and Mexico since 2000. Important incentives for the EU to pursue this modernisation, in addition to gaining improved access to a market of well over 100 million consumers, were an ambitious set of internal structural reforms (including tax, energy/telecoms and education reforms) agreed in 2012 in the ‘Pact for Mexico’ under former President Enrique Peña Nieto and the introduction of mechanisms to facilitate investment flows in infrastructure. However, the reform pledges do not seem to have been followed by the results hoped for.

Mexico’s current President, Andrés Manuel López Obrador (AMLO for short) is advocating for Mexico’s ‘fourth transformation’ and has notably reverted his predecessor’s efforts to restructure Mexico’s state-owned energy companies, the power utility Comisión Federal de Electricidad (CFE) and the public oil company, Petróleos Mexicanos (PEMEX),

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231 The World Bank in Mexico. Mexico Overview, as of 4 April 2023.
232 OAS, Foreign Trade Information System, Information on Mexico, Free Trade Agreements in Force.
237 OECD, Estudios económicos de la OCDE: México, January 2015.
to ensure energy sovereignty. This has limited investment opportunities for foreign investors, including from the EU but first and foremost from the US.

In May 2016, the Council approved an unpublished mandate for the Commission to start the negotiations. Between June 2016 and February 2018, nine negotiating rounds took place, with the Commission usually publishing a report on the progress achieved. On 21 April 2018, the EU and Mexico announced an ‘agreement in principle’ on the trade pillar’s modernisation. However, the precise scope of the reciprocal opening of public procurement markets and a high level of predictability and transparency in public procurement processes was only agreed upon on 28 April 2020. The agreed text has since undergone legal review as the step preceding the formal signature of the agreement. In September 2019, the SIA report commissioned by the European Commission was published. As the modernised Global Agreement was supposed to be a mixed agreement, it would subsequently have to be ratified at both EU and Member State levels. However, as of June 2023 the legal architecture of the future agreement still remains to be determined by the parties. Negotiations are ongoing and the deal is currently expected to be signed before the end of 2023.

3.2.2. Current trade picture

In 2022, total EU-Mexico trade in goods stood at €78.1 billion, up from €61.2 billion in 2021 (see Figure 26). The EU ran a significant trade surplus with Mexico worth €21.5 billion. Unlike with other LAC partners, the EU and Mexico mainly trade in industrial goods. Trade in agricultural goods plays only a minor role. In 2022 again, the EU’s main import categories from Mexico were mechanical appliances (worth €7.8 billion) and vehicles and aircraft (worth €5.9 billion) (see Figure 27). EU exports to Mexico are focused on mechanical appliances (€16.2 billion), vehicles and aircraft (€7.7 billion), and chemicals (€7.8 billion). In 2022, EU imports of Mexican agri-food consisted chiefly

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241 The US government has taken action under NAFTA 2.0 or the US-Mexico-Canada free trade agreement (USMCA). US is ready to escalate Mexico energy dispute, Argus, 24 March 2023. L. Melgar, Mexico at the crossroads: The golden opportunity of nearshoring and energy policy as its Achilles’ heel under USMCA, Brookings, 28 February 2023. The US has also carefully monitored labour issues in Mexico and has repeatedly raised cases at company-level under the USMCA’s Rapid Response Labor Mechanism. In alignment with the USMCA, Mexico in February 2023 introduced a ban on imports made with forced labour. The US Department of Labor in its 2021 Child Labor and Forced Labor Report on Mexico finds ‘moderate advancement’.
243 European Commission, EU-Mexico agreement: The agreement in principle.
244 European Commission, EU and Mexico conclude negotiations for new trade agreement, press release, 28 April 2020.
245 For further developments, please see the EPRS legislative train schedule.
248 European Commission, The EU-Mexico Trade agreement explained.
249 The Committee on Foreign Affairs (AFET) of the European Parliament debated the state of play of the modernised GA in its meeting of 9 March 2023 (recording). According to the EEAS, Mexico’s response to the EU proposal for the legal architecture of the agreement then was still outstanding. The European Parliament on 27/28 April 2023, held the 29th meeting of the Joint Parliamentary Committee EU-Mexico which featured the modernised GA on its agenda as well.
250 European Commission, Joint press release on the meeting between President of the European Commission Ursula von der Leyen and President of Mexico Andrés Manuel López Obrador, 16 June 2023.
251 European Commission, European Union, Trade in goods with Mexico, as of 19 April 2023.
of spirits and liqueurs (18%), coffee, tea, cacao and spices (15%), fruit and nuts (13%), while EU exports to Mexico were mainly dairy products (11%), vegetables (10%) and mixed food preparations (10%). In 2021, EU-Mexico trade in services stood at €16.8 billion, with business services and transport services ranking above ICT and travel services for both partners. Figure 28 shows the recent downward trend in the EU’s outward FDI stocks in Mexico.

In 2021, the average PUR on EU exports to Mexico was 70% as in 2018, while the PUR on EU imports from Mexico was 65%, down from 74% in 2018. However, for animal and animal products the latter was 98% as well as for animal and vegetable fats. For machinery and mechanical appliances only 24%, but 80% for transport equipment, the two most important Mexican export categories in terms of value.

As regards the utilisation of TRQs opened by the EU for Mexico, from 2019 to 2021 Mexican exporters made a fairly constant use of their TRQs for honey (62% to 70%), asparagus (100%), bananas (99%-100%), orange juice (100%), orange juice frozen (61% to 69%). The other TRQs mostly remained completely unfilled. No data were available for TRQs opened by Mexico for the EU.

As of June 2023, a total of 13 market access barriers were registered for Mexico in the European Commission trade barrier database, including customs procedures, public procurement, SPS and IPR issues.

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Figure 26 – EU trade in goods and services with Mexico

Data source: Eurostat.

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252 European Commission, Agri-food trade statistical factsheet European Union – Mexico, as of 18 April 2023.

253 For a breakdown of the services categories for 2021 see: G Mácsai and M Manini Tiwari, Mexico: Economic indicators and trade with EU, EPRS and Globalstat infographic, May 2023.

254 European Commission, Report on the Implementation of Free Trade Agreements, 1 January 2018 - 31 December 2018, COM(2019)455final, 14 October 2019, pp. 39/40; Preference utilisation on EU imports; Preference utilisation and duty savings on EU exports; Utilisation rate of TRQs opened by the EU to third countries; Utilisation rate of TRQs opened by third countries to the EU.

255 European Commission, Utilisation rate of TRQs opened by the EU to third countries; Utilisation rate of TRQs opened by third countries to the EU.

256 European Commission, Access2Markets, Trade barriers, Barrier fiches, Mexico, as of June 2023. For more information on SPS issues see European Commission, Individual information sheets on implementation of EU FTAs, Commission Staff Working Document (SWD(2022)730 final) accompanying the report on implementation and enforcement of EU trade agreements (COM(2022)730 final), 11 October 2022, pp. 46-49.
Figure 27 – EU trade in goods with Mexico: Main products (2022)

<table>
<thead>
<tr>
<th>Product</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanical appliances</td>
<td>7.8</td>
<td>16.2</td>
</tr>
<tr>
<td>and electrical equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles and aircraft</td>
<td>5.9</td>
<td>7.7</td>
</tr>
<tr>
<td>Optical instruments</td>
<td>4.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Oil, gas, coal</td>
<td>3.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Agri-food</td>
<td>1.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Other products</td>
<td>5.5</td>
<td>19.5</td>
</tr>
</tbody>
</table>

Data source: Eurostat.

Figure 28 – EU FDI stocks with Mexico

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inward FDI</td>
<td>74.6</td>
<td>45.5</td>
<td>28.9</td>
</tr>
<tr>
<td>Outward FDI</td>
<td>193.8</td>
<td>176.8</td>
<td>170.0</td>
</tr>
</tbody>
</table>

Data source: Eurostat.
EU trade with Latin America and the Caribbean

3.3. EU-Chile

Chile, an OECD member, a founding member of the Pacific Alliance and the CPTPP 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.\(^{257}\)

EU-Chile relations were initially governed by the 1996 Framework Cooperation Agreement, which was replaced by the 2002 EU-Chile 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.\(^{258}\) In June 2023, two new cooperation initiatives relating to the production of renewable hydrogen were launched in the framework of the EU’s ‘Global Gateway’ investment and connectivity strategy.\(^{259}\)

3.3.1. Towards the modernisation of the EU-Chile association agreement

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\(^{260}\) 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.\(^{261}\)

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\(^{262}\) to explore the agreement’s modernisation.\(^{263}\) The update of the trade pillar has been an opportunity to take account of the evolution of trade disciplines, developments in EU trade and investment policy, and 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

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257 OAS, Foreign Trade Information System, Information on Chile, Free Trade Agreements in Force.
258 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.
259 European Commission, Statement by President von der Leyen with Chilean President Boric, 14 June 2023. Furthermore two new bilateral dialogues were launched on security and defence and on climate change and sustainable development, with the EU interested in concluding a strategic partnership on raw materials with Chile to deepen cooperation and build sustainable value chains. EU delegation to Chile, President of the European Commission, Ursula von der Leyen, concludes first visit to Chile in a key year for the EU-Chile Advanced Framework Agreement, 15 June 2023.
260 European Commission, Access2Markets, Trade barriers, Barrier fiches, Chile, as of June 2023.
261 Ecorys, Ex-ante study of a possible modernisation of the EU-Chile Association Agreement, Final report, February 2017.
263 B. Hernández, La modernización del acuerdo de asociación UE-Chile: El fortalecimiento de una alianza para la inclusión social y la sustentabilidad ambiental, Chapter 4, pp. 83-115 in: A. Bonilla and J. A. Sanahuja, eds, Unión Europea, América Latina y el Caribe: Cartografía de los Acuerdos de Asociación, EU-LAC Foundation, October 2022.
preferences and adding new disciplines to the trade pillar, including a single set of rules on investment, to replace 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 has also sought 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 novelty.264

The Foreign Affairs Council approved the mandate for the Commission to negotiate a modernised EU-Chile AA on 13 November 2017. On 22 January 2018, the Council decided for the first time ever to publish the full negotiating guidelines, covering political dialogue, cooperation and trade aspects.265 In line with the Council mandate, the European Commission held 10 negotiation rounds with Chile between November 2017 and May 2021 based on text proposals that were published on the Commission website.266 In May 2019, the final SIA report, which analyses the trade pillar’s potential economic, social, environmental and human rights implications, was published. This was followed in June 2020 by the European Commission’s position paper on the report.267

In preparation for the Council’s negotiating mandate, in September 2017, the European Parliament recommended268 including separate chapters in the trade pillar to cover micro- and also small and medium-sized enterprises (MSMEs), investment, TSD, and trade and gender equality. It also advocated the use of the new investment court system (ICS).269 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.270 In its resolution of 18 January 2023 on the implementation of the common foreign and security policy – annual report 2022, Parliament welcomed the conclusion of negotiations on the EU-Chile Advanced Framework Agreement and urged ‘the Commission, in this regard, after more than two years of negotiation of the additional instrument to deliver a final agreement as soon as possible’.

In October 2021, the negotiations were concluded at technical level. Owing to the arrival of a new government in Chile in March 2022 and the subsequent bilateral discussions on a number of sensitive issues, including energy and raw materials, investment and IPRs, the EU and Chile reached an agreement in principle only on 9 December 2022. A summary of the trade pillar and the text of its chapters were published on the same day.271 Since the agreement comprises provisions falling under the EU’s exclusive competence and shared competence with EU Member States, an EU-Chile interim free trade agreement will be extracted from the comprehensive agreement and undergo an

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266 European Commission, EU-Chile agreement: Documents, including text proposals and reports on the 10 negotiation rounds.
268 European Parliament recommendation of 14 September 2017 to the Council, the Commission and the European External Action Service on the negotiations of the modernisation of the trade pillar of the EU-Chile Association Agreement.
271 EU-Chile: Text of the agreement, EU-Chile Advanced Framework Agreement. European Commission.
EU-only ratification process. The EU-Chile Advanced Framework Agreement as a whole will also have to be ratified by all EU Member States in accordance with their constitutional requirements. The former will expire once the latter has entered into force.272 Meanwhile, the agreed text of the EU-Chile Advanced Framework Agreement has undergone legal scrubbing and has been translated into the EU’s official languages, as a precondition for its formal signature and ratification.273 On 5 July 2023, the modernised EU-Chile agreement took a step towards ratification, with the European Commission sending the Advanced Framework Agreement (AFA) and the Interim Trade Agreement (ITA) to the Council to authorise signature.274

3.3.2. Current trade picture

In 2022, EU-Chile trade in goods reached €18.5 billion, up from €17 billion in 2021,275 with the EU running a trade in goods surplus of €2.9 billion (see Figure 29). The EU’s major imports from Chile in terms of value are agri-food ($2.3 billion), cooper ($1.7 billion) and mineral products ($1.5 billion) (see Figure 30). In 2022, Chilean exports of chemicals to the EU almost doubled to €1.2 billion. The EU’s exports to Chile in 2022 were predominantly mechanical appliances ($3.1 billion) and transport equipment ($1.9 billion, still below $2.6 billion in 2019). In 2022, fruit and nuts (54 %), wine and wine-based products (18 %) dominated EU agri-food imports from Chile.276 In 2022, EU agri-food exports to Chile included beer, cider and other beverages (14 %), preparations of fruit, nuts and vegetables (12 %) and cereal preparations and milling products (10 %). EU-Chile trade in services in 2021 amounted to €6 billion. The most important service categories were transport and business services ranking ahead of travel and ICT services.277 Figure 31 shows the significant EU FDI stock in Chile which recently has followed a downward trend.

For more information on the substance of the agreement, see G. Grieger, Modernisation of the trade pillar of the EU-Chile Association Agreement, 21 January 2023. Although the agreement does not yet apply the new Commission approach to TSD chapters (trade sanctions), a joint statement on upgrading the enforcement of the TSD chapter during a review at a later stage was attached to the deal. Based on US criteria, the US Department of Labor 2021 Child Labor and Forced Labor on Chile finds only ‘modest improvement’.

For further developments see the EPRS legislative train schedule on the Modernisation of the trade pillar of the EU-Chile Association Agreement.

European Commission, Commission presents EU-Chile agreement to Council for signature authorisation, 5 July 2023.

European Commission, Trade in goods with Chile, as of 19 April 2023.

European Commission, Agri-food trade statistical factsheet European Union – Chile, as of 18 April 2023.

For a breakdown of the services categories for 2020 see : G. Mácsei, and I. Tkalec, Chile: Economic indicators and trade with EU, EPRS and Globalstat infographic, May 2022.
In 2021, the PUR on EU exports to Chile was 77%, down from 85% in 2018, while the PUR on EU imports from Chile was 94%, unchanged from 2018. As regards the utilisation of TRQs opened by the EU for Chile, a diverse picture emerges. Chile increasingly filled its TRQ for garlic (100% in 2021), while it has increasingly less filled its TRQ for poultry meat (100% in 2019 and 9% in 2021). Chile’s TRQs for beef, pigmeat and meat of sheep have declined from 13% to 4%, 28% to 17%, and 18% to 0% from 2019 to 2021 respectively. All other TRQs were not used at all. No data were available for the TRQs opened by Chile for the EU.

As of June 2023, a total of six market access barriers were registered for Chile in the European Commission trade barrier database, including customs procedures, public procurement, technical requirements and IPR issues.

Figure 30 – EU trade in goods with Chile: Main products (2022)

Figure 31 – EU FDI stocks with Chile

Data source: Eurostat.

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278 European Commission, Report on the Implementation of Free Trade Agreements, 1 January 2018 - 31 December 2018, COM(2019)455final, 14 October 2019, pp. 39/40; Preference utilisation on EU imports; Preference utilisation and duty savings on EU exports; Utilisation rate of TRQs opened by the EU to third countries; Utilisation rate of TRQs opened by third countries to the EU.

279 European Commission, Utilisation rate of TRQs opened by the EU to third countries; Utilisation rate of TRQs opened by third countries to the EU.

280 European Commission, Access2Markets, Trade barriers, Barrier fiches, Chile, as of June 2023. For more information on SPS issues see European Commission, Individual information sheets on implementation of EU FTAs, Commission Staff Working Document (SWD(2022)730 final) accompanying the report on implementation and enforcement of EU trade agreements (COM(2022)730 final), 11 October 2022, pp. 42-45.
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European Commission, Assessing the economic impact of the trade agreement between the European Union and Ecuador, June 2016.

European Union DAGs, Non-paper: Strengthening and Improving the Functioning of EU Trade Domestic Advisory Groups, October 2021.


Hagemejer J. et al., Trade aspects of the EU-Mercosur Association Agreement, study commissioned by the Policy Department for External Relations of the European Parliament, 30 November 2021.


Singh R.H. et al., Monitoring the implementation and results of the Cariforum–EU EPA Agreement, September 2014.
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 2 – Overview of main EU-LAC agreements governing trade relations

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

Source: EPRS, as of June 2023.
Collectively, the 33 countries forming the Community of Latin American and Caribbean States (CELAC) are the EU's fifth largest trading partner. Offering an overview of trade relations between the EU and Latin American and Caribbean countries (Chile, Cuba and Mexico) and groupings (the Andean Community, Cariforum, the Central American group (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama), and the founding members of Mercosur (Argentina, Brazil, Paraguay and Uruguay), this study contains recent trade data available as of May 2023, describes key features of the agreements governing trade relations already in force and takes stock of the results of recent external ex-post evaluations of the implementation of trade agreements concluded with Cariforum, Central America and Colombia/Ecuador/Peru.

The study also looks at the state of play on modernisation of the trade pillars of the 2002 EU Chile Association Agreement and the 1997 EU-Mexico Global Agreement (on which negotiations concluded with agreements in principle in 2022 and 2020 respectively), and the latest developments regarding the trade pillar of the new EU-Mercosur Association Agreement on which an agreement in principle was reached in 2019.

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PE 751.413
ISBN 978-92-848-0883-0
doi:10.2861/026323