

EU launches major new trade relationship with Latin America

The EU is stepping up its economic engagement with Latin America and the Caribbean through a range of trade deals on the table at the EU, Latin America and the Caribbean Summit in Madrid on 18th May. Leaders will decide to re-launch negotiations for an EU-Mercosur Free Trade Agreement, to give political approval to the conclusion of a comprehensive trade agreement between the EU, Peru and Colombia. Finally, leaders also endorsed the conclusion of the negotiations between the EU and Central America.

"In the week that marks the 'first one hundred days' of the new European Commission mandate, I am delighted that we can show so clearly how the EU Trade agenda continues to break new ground and is key to our economic recovery. These latest trade deals with Latin America will translate into much needed jobs and growth for both sides." said EU Trade Commissioner Karel De Gucht. "And it's precisely because we face challenging times that we must stand ready to do more business together to ensure increased regional and economic stability".

The EU, Latin American and Caribbean Summit is being held in Madrid on 17-18th May and agreed on the need to conclude the Doha Round as soon as possible and fight protectionism. The leaders also expressed deep satisfaction regarding the progress on the regional trade negotiations.

On 17th May, EU Trade Commissioner De Gucht and Caribbean leaders held the first meeting of the Joint Council of the EU-CARIFORUM Economic Partnership Agreement.

Background

EU-Latin American Trade

In 2009, trade in goods with Latin-America amounted to €71 billion for imports and €63.4 billion for exports (6% of total EU trade). Trade in services were worth €19 billion for imports and €28 billion for exports representing 4.35% and 5.44% of worlds flows respectively, while EU direct investment in Latin America was worth €275.4 billion.

The volume of trade with Latin America has more than doubled since the beginning of the decade. The trade balance is negative for the EU in the area of goods, but positive with respect to services.

As regards structure of trade, the EU imports from Latin America mainly primary products (70%), while it exports machinery and transport equipment (85%).

Although trade figures have been negatively impacted and trade volume has decreased in 2009 in line with general trade patterns, the overall positive trend has not been seriously disrupted by the financial crisis.

Mercosur (Argentina, Brazil, Paraguay and Uruguay)

The EU and Mercosur have decided to re-launch the negotiations for a trade agreement.

In 2009, EU-Mercosur trade represented nearly as much as EU trade with the rest of Latin America taken together. In 2008, the EU was Mercosur's first largest trading partner, representing 20.7% of total Mercosur trade. In 2008, the EU was the largest investor in Mercosur. Mercosur ranks 8th among EU trading partners, accounting for 2.7% of total EU trade in 2009.

The EU is Mercosur's first market for its agricultural exports, accounting for 19.8% of total EU agricultural imports in 2009. EU goods exports to Mercosur focus largely on industrial products including machinery, transport equipment and chemicals. The EU is the largest investor in Mercosur. It currently has more FDI stock in Mercosur than in Russia, China and India taken together.

- EU goods exports to the Mercosur Region 2009: €27.2billion
- EU goods imports from the Mercosur Region 2009: €35.1billion
- EU investment stock in the Mercosur Region 2008: €167.2billion

More information on bilateral relations with Mercosur:

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/mercosur/>

Andean countries (Peru and Colombia)

In the margins of the Summit, the European Commission and the governments of Colombia and Peru will approve a comprehensive Trade Agreement covering in particular manufactured products, agriculture goods, services, investment, and trade rules.

This deal offers extensive new market access prospects for economic operators on both sides. The trade agreement also takes into account the different levels of development of the signatory countries by foreseeing a cooperation chapter aimed at promoting competitiveness and innovation as well as facilitating trade and technology transfers. Finally, it also contains the commitment of all Parties to respect human rights and develop sustainable economies based on the protection and the promotion of labour and environmental rights.

- EU goods exports to Colombia 2009: €4.9 billion
- EU goods imports from Colombia 2009: €7.9 billion
- EU goods exports to Peru 2009: €1.5 billion
- EU goods imports from Peru 2009: €3.2 billion

More information on bilateral relations with Andean countries:

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/andean/>

Central America (Costa Rica, Guatemala, Honduras, Nicaragua, Panamá and El Salvador)

The EU has announced the conclusion of negotiations with Central America on an Association Agreement including a balanced and ambitious trade component. Focusing on a region to region approach the EU began association talks with Central America in 2007 and resumed negotiations in February 2010 after an interruption due to the Honduran crisis.

The conclusion of this Association Agreement sets the appropriate framework for the further development of bi-regional relations through political dialogue, cooperation and trade.

In 2008, the EU was the 2nd major trade partner of the region after the United States with a stable market share - over the last decade - of approximately 10%. Central American exports to the EU are dominated by agricultural products, especially coffee, bananas and other fruits, which together accounted for 36% of exports to the EU in 2007. The most important exports from the EU to Central America are machinery, chemicals, ships, boats, vehicles and fuels.

- EU goods exports to Central America 2009: €4.2 billion
- EU goods imports from Central America 2009: €4.6 billion

More information on bilateral relations with the Central American countries:

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/central-america/>

CARIFORUM (Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Suriname, and Trinidad and Tobago)

EU trade Commissioner De Gucht and CARIFORUM Ministers held the inaugural meeting of the Joint Council of the EU-CARIFORUM Economic Partnership Agreement on 17th May. The EU will also welcome the signature of Haiti to the EPA.

Total EU trade with the Caribbean region amounts to more than €8.5 billion per year. EU exports to the Caribbean include chemicals and machinery and transport equipment. Caribbean exports to the EU include agricultural products, fuels and chemicals.

More information on the Cariforum EPA:

http://ec.europa.eu/trade/wider-agenda/development/economic-partnerships/negotiations/#_caribbean

Mexico and Chile

These two countries were the first in Latin America to be covered by a Free Trade Agreement with the EU. The EU-Mexico Global Agreement was agreed in 1998 (the trade provisions entered into force in 2000 and 2001) and the EU-Chile Association Agreement was signed in 2002 (trade provisions entering into force in 2003).

Both Free Trade Agreements have provided a framework to significantly improve bilateral trade relation. Trade has increased in excess of 100% since inception of the FTA, even taking into account the negative impact of the economic crisis of 2008-2009. The agreements foresee a further liberalisation of trade relations.

- EU goods exports to Mexico 2009: € 15.9 billion
- EU goods imports from Mexico 2009: € 9.9 billion
- EU investment stock in the Mexico 2008: € 49.0 billion

- EU goods exports to Chile 2009: € 4.5 billion
- EU goods imports from Chile 2009: € 7.4 billion
- EU investment stock in Chile 2008: €12.3billion

More information on bilateral relations with Mexico:

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/mexico/>

More information on bilateral relations with Chile:

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/chile/>