

## THE EU AND LATIN AMERICA

# A Solid Partnership

The EU's trade and investment relationship with the Latin America region is strong. Total trade in goods between the EU and Latin American Countries (LAC) more than doubled over the last decade, reaching €221.6 billion in 2017. While the EU is Latin America's third trade partner, after the US and China, it is the number one source of Foreign Direct Investment in the region.

The cornerstone of this strong partnership is the extensive network of trade agreements with countries of the region, of which two – Mexico and Chile – are in the process of modernisation. With the conclusion of negotiation of the EU-Mercosur Association Agreement the EU will have trade agreements with almost all countries in the region. The Mercosur agreement is extremely significant as it will give EU companies first mover advantage in what has been one of the most protected markets in the world with an annual GDP of over €2 trillion.

It will create a unique bi-regional political and economic partnership between the EU and a major Latin American region. With this agreement, the EU and Mercosur have sent a strong joint signal in support of rules-based international trade and stable and predictable international relations.

This is an important and very big agreement in terms of facilitating trade and investment

It is a real improvement to the current situation not only on market access, but also in terms of engaging Mercosur on our values agenda and standards in relation to multilateralism, trade and sustainable development, animal welfare, the precautionary principle, climate change and deforestation.

Mercosur and our other trade agreements not only provide lower tariffs for businesses trading on both sides of the Atlantic, but also encourage investment by ensuring long term and stable access to each other's markets. They also contribute to a predictable business environment by setting out common principles to be applied when making rules in areas such as intellectual property or public procurement.

Trade is, of course, also about people – in fact it is mostly about people! Shared languages of Spanish and Portuguese and shared values contribute to that magic ingredient which allows businesses to cooperate across borders – trust. EU trade agreements help in this regard by allowing businesses to provide services in each other's territories, for instance through access to business visas.

Amongst the values that the EU shares with Latin America is a commitment to the rules-based global economic order. Latin American countries are key partners for the EU in our attempts to reform the WTO and help it adjust to the new realities of the 21st century. As an example, half of the WTO members that signed an EU-backed statement in Davos supporting reform of the Appellate Body and an interim WTO appeals mechanism were from Latin America. This commitment to multilateralism is, of course, not limited to WTO – the EU and Latin American countries collaborate in many other fora of relevance to trade, such as the Paris climate change agreement. The EU is also engaging with Latin American and other countries for the development of a global alliance in support of the multilateral reform of investment dispute settlement and the creation of a multilateral court for the resolution of investment disputes.

Trade is of course not an end in itself – it is a means of generating economic activity that in turn creates jobs, provides returns for investors and helps to generate revenue for governments. EU Commission studies show that every €1 billion in exports supports 14,000 high quality European jobs. The European Commission also works hard to ensure that EU trade agreements benefit SMEs as much as possible. For instance, recent trade agreements include specific provisions to increase transparency and facilitate access to information on product requirements in partner markets, allowing SMEs to export with a greater level of understanding.

The two regions must work together to maximise trade's contribution to our shared objective of sustainable development. Amongst the many means to achieve this is work on Corporate Social Responsibility, also known as Responsible Business Conduct, where the European Commission promotes work by the OECD, International Labour Organisation and Office of the UN High Commissioner for Human Rights to implement internationally agreed guidelines in Latin America. Companies on both sides of the Atlantic have much to learn from each other in this area.

The EU and LAC should continue to assess and monitor the results of our trade agreements. To this end, the EU will shortly launch an independent evaluation of the EU-Colombia/Ecuador/Peru Agreement, with an evaluation of the trade part of the EU-Central America Association Agreement to follow soon after. These evaluations will cover the three dimensions of sustainable development: economic, social and environmental.

Over the last few years, the role of China in the Latin America region has fundamentally changed. While trade and investment between the two blocs was negligible until the late 1990's China has become the first or second trade partner for most countries in the region, and an important source of foreign direct investment.

China's emergence as a major external economic partner, alongside the European Union and the United States, presents challenges and opportunities both for the region and for the EU. The EU retains the advantage of having the broadest FTA network with Latin America, but China is deepening its institutional relations throughout the region. The rivalry between US and Chinese interests is very apparent. For the EU, as for our Latin American partners, our key objective must be to ensure fairness in the trade and investment relationship.

The priorities of the new EU Commission will of course be felt in the future EU – Latin America trade relationship. We have a lot to talk about on the multi-faceted European Green Deal as well as on the digital agenda. This dialogue should not only involve governments but also the private sector and civil society actors. A transition to a more sustainable low carbon economy, in which technology serves our citizens, will not be easy, but it is a challenge we must face together, and all ideas and initiatives are welcome.

The new Commission is also committed to ensuring that EU companies are able to compete on a level playing field, within and outside the EU. As the network of bilateral deals is consolidated the emphasis inevitably shifts towards implementation rather than negotiation – including in Latin America. A key development will be the appointment of a new Chief Trade Enforcement Officer in DG Trade, whose job will be to make sure that the rules set out in our trade agreements are respected.

In conclusion, EU trade relations with Latin America are built on a solid foundation. The network of trade agreements are only one expression of a deep and comprehensive relationship between the two regions. This relationship will bear fruit in economic terms, but it must also meet societal expectations on environment and social development. It will be put to the test in the 2020s as we adapt to new geopolitical and environmental realities. Commitment, hard work and imagination will be needed – but we can be confident on this point, because these are abundant resources in both the EU and Latin America. •



**Phil Hogan**  
Commissioner