

Mapping the EU LAC Trade Diplomacy through crises

Eleonora Poli, Andre Wolf, Emily Bertollini

Policy Brief 3/2025

February 10, 2025

This policy brief is realized with the support of the Policy Planning Unit of the Ministry of Foreign Affairs and International Cooperation pursuant art 23-bis of Presidential Decree 18/1967. The opinions contained in this policy brief are solely those of the panelists and do not necessarily reflect the opinions of the Ministry of Foreign Affairs and International Cooperation.

Mapping the EU LAC Trade Diplomacy through crises

Eleonora Poli, Andre Wolf, Emily Bertollini

(This paper is the first part of a mapping analysis on the EU trade diplomacy vis à vis Latin America, Africa and North America. The paper is part of a LUISS-cep project financed by the Italian Ministry of Foreign Affairs)

Introduction

Trade relations between the European Union (EU) and the 33 countries of Latin America and the Caribbean (LAC) region are based on the coexistence of partnerships with regional and interregional organizations, as well as individual countries (see Annex I).¹ The EU and LAC strategic partnership began with a bi-regional Summit in Rio de Janeiro in 1999. Since then, the EU has little by little become the third largest trading partner of LAC countries, after the US and China, while the LAC countries are currently the EU fifth largest trading partner.² Although China has managed to become the LAC countries' second largest trading partner, over the last 20 years the EU still represents a reliable counterpart, playing a strategic role within the LAC countries' plans for trade diversification.³ To date, European trade agreements with the LAC region cover 27 of the 33 LAC member countries.⁴

Against this backdrop, the aim of this policy brief is to map the evolution of trade relations between the EU and Latin America since the early 2000s by considering internal geopolitical trends and external crises along two main horizontal and vertical axes. Horizontally, factors related to internal geopolitical trends within the two regions include, for example, the EU's enlargement towards Eastern Europe, which required the EU to manage increasing internal diversity, with new member states often paying less attention to Latin America. In parallel, Latin American countries experienced growing political and ideological fragmentation, making the EU's regional approach less effective. For instance, no bi-regional EU-CELAC Summit took place between 2015 and 2023, mostly due to diverging views regarding the political and humanitarian crisis in Venezuela. It was only in July 2023, under the Spanish Presidency, that the summit took place to present also the EU Global Gateway investments plan in Latin America and the Caribbean.⁵ Vertically, external crises such as the 2008 financial downturn, the COVID-19 pandemic, and the current war in Ukraine can be considered critical phenomena of international reach that fragmented the global market, affecting the relationship and trade dynamics between the EU and Latin America in distinct ways.

¹ Luciano, B. T. (2022). EU-LAC Inter-regionalism during the COVID-19 Pandemic. *Contexto Internacional*, 44(2), e20210004.

Fierro L. (2022). [Economic Relations between the European Union and Latin America and the Caribbean](#), EU- LAC Foundation

Grieger, G. (2023). [EU trade with Latin America and the Caribbean](#), European Parliament.

ECLAC. (2013). [European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability](#). pp 52

² European Parliament (2024) [Latin America and the Caribbean](#)

³ Raza W., Grohs H. (2022). [Trade aspects of China's presence in Latin America and the Caribbean](#)

⁴ EPRS (2018) [EU trade with Latin America and the Caribbean: Overview and figures](#)

⁵ European Parliament (2023). [Strengthening ties: A new agenda for the EU's relations with Latin America and the Caribbean](#)

1. EU-LAC Trade relations in the context of the 2008 financial crisis

The 2008 global financial crisis, stemming from several weaknesses in the multilateral surveillance system, undermined the traditional economic order, resulting in an unprecedented contraction of world trade volume.⁶ The crisis also exposed a problem of countries' excessive dependence on the US economic and financial system, which was the centre of the downturn. For instance, LAC countries experienced severe social, economic and political consequences, leading some governments, Brazil in particular, to advance a 'new developmentalist' approach, which combined protectionist measures with forms of state aid and public investments.⁷ Similarly, Argentina, under President Cristina Fernandez de Kirchner, adopted protectionist measures by introducing non-tariff barriers to incentivize national productions and diminish imports.⁸ At the same time, Asian partners started to be increasingly seen as more reliable and competitive counterparts than the US and Europe. Projects such as the physical and digital Chinese Belt and Road Initiative (BRI) began to attract Latin American countries and in 2011, Chile, Colombia, Mexico and Peru launched a new sub-regional integration platform named the Pacific Alliance to boost political, economic and commercial relations.⁹ Free Trade Agreements were developed with Asian countries such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)¹⁰ involving the Indo-Pacific region, namely Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, with Costa Rica, Ecuador and Uruguay applying for accession between 2021 and 2022. This contributed to an increasing trend, starting in the early 2000s, of the deindustrialization of LAC countries due to a growing export of primary goods led by high Chinese demand.¹¹

Against this backdrop, the EU attempted to overcome the consequence of the crisis as well as the need to boost its trade relations with external partners, beating Chinese competition, by intensifying agreements with some LAC countries. Of importance were the EU-Cariforum Economic Partnership Agreement signed in October 2008 (see Annex I), which included trade in goods but provided commitments on trade in services, competition policy and sustainable development aspects¹², and the EU-Central America Association Agreement of 2013, which reduced tariffs and increased the efficiency of customs procedures.¹³ Moreover, as part of the EU-Andean Community multiparty free trade agreement (FTA), the EU signed a comprehensive trade agreement with Colombia, Ecuador and Peru in 2013.¹⁴ The aim of the agreements for the LAC countries was to stabilise their economies, while reducing dependencies on the US and Asia. For the EU, the goal was to secure member countries with access to the alternative regional market, reducing its trade deficits for goods, while increasing its exports. In particular, in the years before the Great Recession, the challenges represented by the big bang European enlargement pushed the EU to prioritize internal integration against the consolidation of external trade partnership. This contributed to a rising trade deficit with LAC countries, due

⁶ Fierro L. (2022). [Economic Relations between the European Union and Latin America and the Caribbean](#), EU- LAC Foundation

Henn, C., McDonald B. J. (2010) [After the Crisis: Avoiding Protectionism: So far the world has resisted widespread resort to trade measures, but the hardest part may be yet to come](#), IMF, Volume 47: Issue 001

⁷ Bresser-Pereira, L. C. (2009). [From old to new developmentalism in Latin America](#).

⁸ Bendini R. (2012) [Protectionism in Argentina: Old habits die hard](#)

⁹ See: [Pacific Alliance](#)

¹⁰ See: [CPTPP](#)

¹¹ Schincariol, V. E., Barbosa, M. S., & Yeros, P. (2017). Labour trends in Latin America and the Caribbean in the current crisis (2008–2016). *Agrarian South: Journal of Political Economy*, 6(1), 113-141.

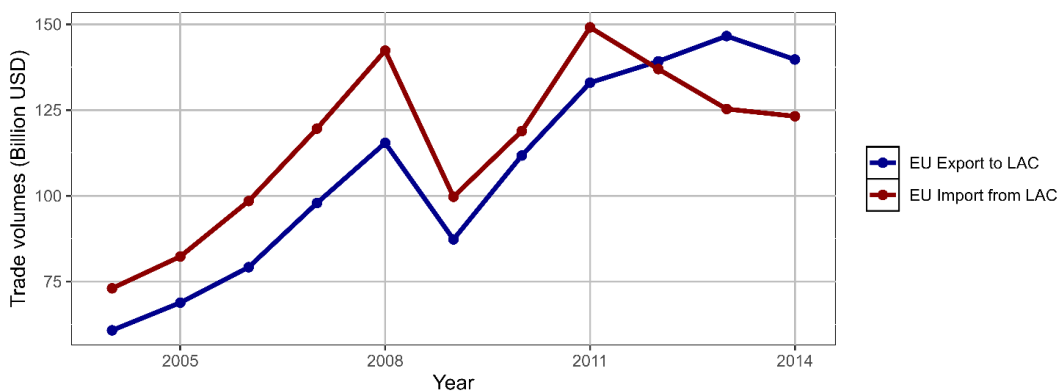
¹² See: [The EU-CARIFORUM Economic Partnership Agreement](#)

¹³ See: [EU-Central America Association Agreement](#)

¹⁴ See [Andean Community](#)

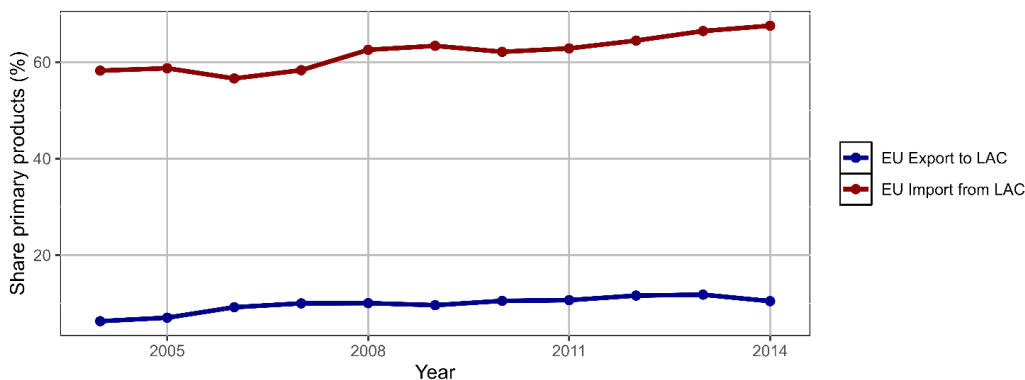
to high internal consumption as well as an appreciation of the Euro. The downturn of the global demand resulted in the EU attempting to reduce its external dependencies via economic policies favouring austerity measures and lower consumption. The depreciation of the Euro, together with the ratification of several agreements, favoured European exports in the region, resulting in a shift in the trade balance. From a negative trade balance in 2008 of 13,408 million euro, the EU reached a positive one already in 2012 and the value of its exports in the region kept growing in the following year (see Figure 1). During this period, trade patterns became even more asymmetric. The share of primary products (agricultural and forestry products, mineral and fossil resources) in EU imports from LAC countries rose to a level of more than two-thirds of total imports (see Figure 2). By contrast, primary products only made up about 10% of EU exports to the LAC region.

Figure 1: EU trade with LAC countries 2004-2014 in Billion USD



Source: UN Comtrade (2024)¹⁵

Figure 2: Share of primary products¹⁶ in EU trade with LAC 2004-2014



Source: UN Comtrade (2024); own calculations

2. EU-LAC Trade relations in the context of the COVID-19 Pandemic

Since 2010, trade relations between the EU and the LAC region have started to grow again, even though the COVID-19 pandemic challenged the resilience of the multilateral trade system, causing a severe economic

¹⁵ UN Comtrade (2024). [UN Comtrade Database](#).

¹⁶ Primary products are delineated by the following codes in the SITC product classification scheme: Food and live animals (0), Beverages and tobacco (1), Crude materials, inedible, except fuels (2), Mineral fuels, lubricants and related materials (3), Animal and vegetable oils, fats and waxes (4).

downturn in both the EU and LAC countries (-2.4% GDP in the LAC region and -1.4% GDP in the EU).¹⁷ In the case of LAC, the rate of extreme poverty rose from 13.1% of the population in 2020 to 13.8% in 2021, representing a regression of 27 years.¹⁸ The interruption of global supply chains, which led to an increase in unemployment in both regions, China's slowing growth, the decline of the commodity markets and the immediate need for health products resulted in the EU and LAC reinforcing their relations to facilitate trade, while including measures for boosting health cooperation to overcome the effects of the pandemic.¹⁹ This was also a reaction to growing protectionist trends that started to be registered in the US under Trump's first administration (2017-2021) and to a general fear that new trade barriers could be imposed.²⁰ Against this backdrop, in March 2020, the Co-Presidents of the Euro-Latin American Parliamentary Assembly (EuroLat) stressed the need to boost global trade and investments through all available legal, institutional, political, economic and social means as the unique way to achieve forms of economic recovery.²¹ In this context, the modernisation of the trade agreement with Mexico, politically concluded in 2020, and the EU-Chile Advanced Framework Agreement of 2022, represent critical steps in strengthening trade relations between the two regions. Additionally, the recently updated EU-Mercosur Trade Agreement is another important achievement in the promotion of trade relations between the two regions. As the EU-Mercosur deal still needs to be ratified and implemented, the EU can count on several bilateral framework agreements for economic or trade cooperation with Mercosur's founding members such as Argentina (1990), Brazil (1992), Paraguay (1992) and Uruguay (1992) (See Annex I). In this respect, trade diplomacy and the continuous efforts in updating or negotiating trade pacts have allowed the EU to maintain positive trade with the LAC region even in the periods surrounding the pandemic (see Figure 3). Indeed, apart from the trend in 2020, there was little change in trade patterns. Primary products continued to dominate the EU's imports from the region, with no signs of a long-term shift so far (see Figure 4).

¹⁷ Bianculli, A. C., & Pascullo, M. (2022). Regional and Interregional Relations Between EU and South America: Weathering the COVID-19 Storm? 1. In *Regional and International Cooperation in South America After COVID* (pp. 63-79). Routledge. See [World Bank GDP Growth](#)

¹⁸ United Nations (2022). [Extreme Poverty in the Region Rises to 86 Million in 2021 due to the Deepening of the Social and Health Crisis Prompted by the COVID-19 Pandemic](#)

Fierro L. (2022). [Economic Relations between the European Union and Latin America and the Caribbean](#), EU- LAC Foundation
Timm Bauer A. and Thoma L.S. (2020) [EU-LAC Webinars on COVID-19](#)

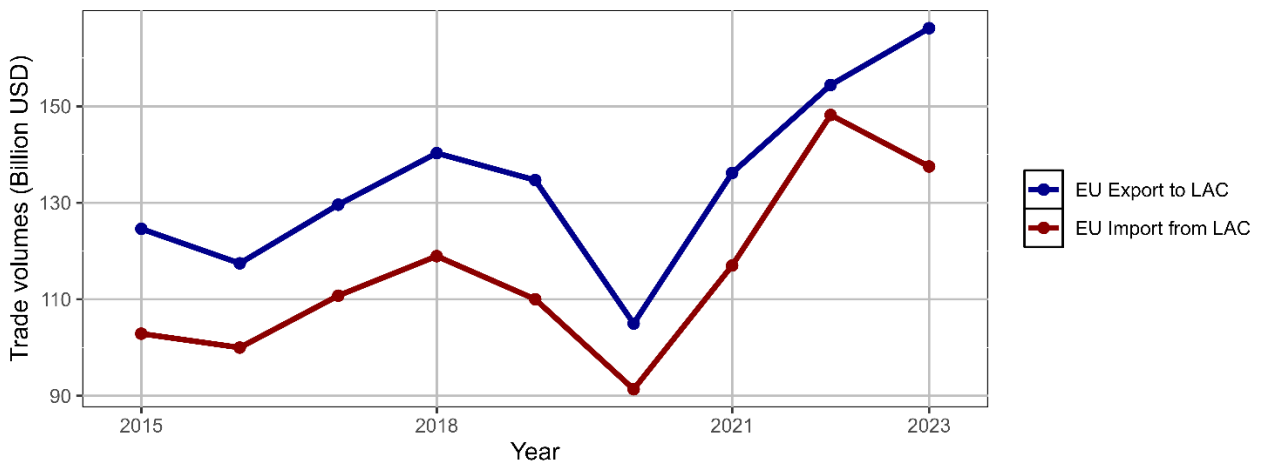
¹⁹ Albright Z. C., Ray R., LI Y., (2023) [China Latin America and the Caribbean Economic Bulletin](#), Global Development Policy Centre

²⁰ Tayar, V. (2020). 'The EU and Latin America: Results and Prospects of Interregional Cooperation'. In Haider, W and I Clemente (eds). *Revisiting bi-regional relations: The EU-Latin American dialogue and diversification of interregional cooperation*. Hamburg: EU-LAC Foundation, pp. 41-52. Luciano, B. T. (2022).

EU-LAC Inter-regionalism during the COVID-19 Pandemic. *Contexto Internacional*, 44(2), e20210004.

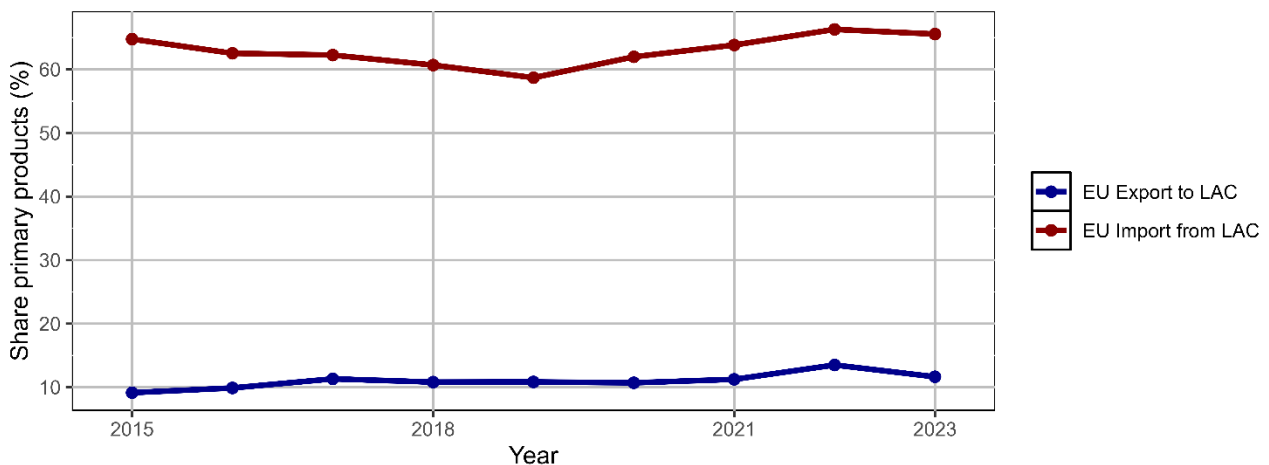
²¹ [Declaration of 30 March 2020 by the Co-Presidents of the Euro-Latin American Parliamentary Assembly \(EuroLat\) on the COVID-19 pandemic](#)

Figure 3: EU trade with LAC countries 2015-2023 in Billion USD



Source: UN Comtrade (2024)

Figure 4: Share of primary products in EU trade with LAC 2015-2023



Source: UN Comtrade (2024); own calculations.

3. EU-LAC Trade relations in the context of the war in Ukraine and an unsettled international arena

While global trade began to recover after the pandemic, the unjustified Russian invasion of Ukraine, which led to an unprecedented war in the European neighbourhood, had a significant impact on both LAC and EU markets in terms of food and energy supplies, as well as rising inflation.²² Moreover, the war had political consequences on EU-LAC relations. While condemning Russia’s aggression, many governments in the LAC region adopted a non-aligned stance, opposing sanctions against Moscow and refusing direct military or economic support to Ukraine. This trend reflects the fragmentation of the world order in favour of a more

²² Albright Z. C., Ray R., LI Y., (2023) [China Latin America and the Caribbean Economic Bulletin](#), Global Development Policy Centre

regionalized approach whereby the so called "Global South" aims to play a major role.²³ For the EU, instead, while the war in Ukraine seemed to have somehow revitalised the Atlantic partnership, mainly through renewed NATO cooperation and the EU's relations with the US, the European Union is far from being a US priority and the second Trump administration has made clear that Brussels is a US economic competitor more than a reliable partner. In this respect, the launch of the European Global Gateway initiative in 2021 is indeed part of the EU's quest for more strategic autonomy, for safeguarding its own interests, dealing with increasing global competition and strengthening global trade relations beyond the US.²⁴

The Global Gateway is practically an EU global investment strategy to finance infrastructure development in third countries. Within this initiative, the EU has developed an ambitious programme for the LAC region, with a focus on digitalization, climate action and energy, transportation, healthcare, education and research to foster smarter, cleaner, and more secure connections between the two regions.²⁵ Generally, the aim of the EU's actions in LAC is to boost trade connections as well as to realize the Union's geopolitical aspirations in terms of international alliances to counter competition in the region, diversify its value chains, reduce energy and critical raw materials dependencies, while pushing forward credible actions in the fight against climate change by implementing actions for the green transition. In this respect, while China is still perceived by the LAC countries as a more convenient partner than the EU (with Panama and Ecuador recently negotiating Free Trade Agreements (FTAs) with China; Uruguay and Colombia initiating feasibility studies; and Chile, Costa Rica, and Peru having concluded such agreements over a decade ago), Brussels remains one of the favoured counterparts for political and institutional relations.²⁶ In particular, the EU achieved a major milestone in December 2024 by reaching a new political agreement on the trade pillar of the EU-Mercosur deal, following more than two decades of negotiations.²⁷ The new agreement surpassed the deal reached in 2019 by prioritizing clean energy, sustainable industrial development and the fight against climate change as it refers to the Paris Agreement's goal.²⁸ The new agreement still needs to be ratified and implemented, but the process could unfortunately be delayed by some European member states (i.e. France, Italy and Poland), which fear possible negative impacts on their agricultural sectors.²⁹ Yet, the recent decision by the Trump administration to impose tariffs on Canada, Mexico, China and possibly the EU might accelerate the ratification process.

²³ An example of such a trend is the rise of new regional developmental banks such as the New Development Bank (NDB) for the BRICS countries or the Asian Infrastructure Investment Bank (AIIB), which after years of Western dominated international finance are challenging the status quo.

Wang, H. (2019). The new development Bank and the Asian infrastructure investment Bank: China's ambiguous approach to global financial governance. *Development and Change*, 50(1), 221-244.

Grieger, G. (2023). [EU trade with Latin America and the Caribbean](#), European Parliament.

²⁴ European Commission (2021). The Global Gateway. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. JOIN(2021) 30 final.

²⁵ Borrell J., (2023) A new EU agenda with Latin America and the Caribbean, available at https://www.eeas.europa.eu/eeas/new-eu-agenda-latin-america-and-caribbean_en

Znojek B., (2023), EU Advances Engagement with Latin America and the Caribbean, PISM Bulletin no 84 (2203).

Hobbs C., Melguizo A., Muñoz V., Torreblanca J., (2023), The EU and Latin America, Convergences and divergences, EUISS, Brief 12.

Maihold, G., & Zilla, C. (2023). Eyes to the West: Latin America and the Caribbean in the sights of Germany and the EU. (SWP Comment, 35/2023). Berlin: Stiftung Wissenschaft und Politik -SWP- Deutsches Institut für Internationale

Politik und Sicherheit. <https://doi.org/10.18449/2023C35>

²⁶ Albright Z. C., Ray R., Li Y., (2023) [China Latin America and the Caribbean Economic Bulletin](#), Global Development Policy Centre
Grieger, G. (2023). [EU trade with Latin America and the Caribbean](#), European Parliament

²⁷ European Commission (2024). [Mercosur. EU trade relations with Mercosur. Facts, figures and latest developments.](#)

²⁸ Escribano G. (2025) [The Mercosur-EU agreement as a model for open decarbonisation.](#)

European Parliament (2024). [2024 EU-MERCOSUR SUMMARY](#)

²⁹ Politico (2024). [EU snubs France to seal huge Latin American trade deal](#)

Conclusion

The exercise of mapping the EU-LAC trade diplomacy across the above-mentioned crises shows that the two regions have demonstrated a good level of resilience, as well as capacity to adapt to multiple internal and external political and economic shifts. When it comes to the EU, it is evident that players such as China or the US may undermine its role in the region. Yet, because of cultural as well as diplomatic ties, the EU is still considered one of the LAC's regional strategic partners. Moreover, current shifts in the economic and trade policies by the Trump administration might facilitate a realignment of trade priorities between the two regions. Against this backdrop, initiatives like the EU Global Gateway are certainly well-placed to help strengthen trade connections and build long-term political and economic ties. Similarly, the ratification of Mercosur can play a fundamental role in deepening relations between the two regions while keeping trade, climate change and sustainable development a central element of their partnership.³⁰ In sum, in a rapidly changing global arena, to remain competitive in the region and in the global market, the EU does not have to mimic other economic and political models. On the contrary, it needs to keep engaging with the LAC countries through an adaptable and flexible approach to make sure economic relations are mutually beneficial and set to be long-lasting.

³⁰ Fierro L. (2022). [Economic Relations between the European Union and Latin America and the Caribbean](#), EU- LAC Foundation

Annex 1: List of Trade Agreements between the EU and LAC countries

Agreements ratified		
Country (Region)	Agreement	Status
<u>Argentina</u>	<u>Framework Trade and Economic Co-operation Agreement</u>	entered into force in 1990
<u>Antigua and Barbuda (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>Bahamas (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>Barbados (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>Belize (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
Brazil	<u>Framework Agreement for Cooperation between the European Economic Community and the Federative Republic of Brazil</u>	Signed on 29 June 1992 and entered into force on 1 November 1995.
<u>Chile</u>	<u>Association Agreement and Additional Protocol</u>	In force since 2003. Negotiations on modernisation began in 2017, and were concluded in 2023.
<u>Colombia (with Ecuador and Peru)</u>	<u>Trade Agreement</u>	Provisionally applied since 2013
<u>Costa Rica (Central America)</u>	<u>Association Agreement with a strong trade component</u>	Provisionally applied since 2013
<u>Dominica (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>Dominican Republic (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008

<u>Ecuador (with Colombia and Peru)</u>	<u>Trade Agreement</u>	Provisionally applied since 2013
<u>El Salvador (Central America)</u>	<u>Association Agreement with a strong trade component</u>	Provisionally applied since 2013
<u>Grenada (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>Guatemala (Central America)</u>	<u>Association Agreement with a strong trade component</u>	Provisionally applied since 2013
<u>Guyana (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>Honduras (Central America)</u>	<u>Association Agreement with a strong trade component</u>	Provisionally applied since 2013
<u>Jamaica (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>Mexico</u>	<u>Global Agreement</u>	In force since 2000, negotiations on modernisation began in 2016, 'Agreement in principle' on the trade part reached in 2018
<u>Nicaragua (Central America)</u>	<u>Association Agreement with a strong trade component</u>	Provisionally applied since 2013
Paraguay	<u>Framework Cooperation Agreement</u>	Signed in 1992.
<u>Peru (with Colombia and Ecuador)</u>	<u>Trade Agreement</u>	Provisionally applied since 2013
<u>St Kitts and Nevis (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>St Lucia (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008

<u>St Vincent and the Grenadines (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>Suriname (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
<u>Trinidad and Tobago (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Provisionally applied since 2008
Uruguay	<u>Framework Co-operation Agreement</u>	Concluded in 1992.
Agreements being adopted or ratified		
Country (Region)	Agreement pending	Status
Argentina (Mercosur)	<u>Mercosur Association Agreement</u>	Negotiations finalised in December 2024
Brazil (Mercosur)	<u>Mercosur Association Agreement</u>	Negotiations finalised in December 2024
<u>Haiti (CARIFORUM)</u>	<u>Economic Partnership Agreement</u>	Signed, but has not ratified agreement
Paraguay (Mercosur)	<u>Mercosur Association Agreement</u>	Negotiations finalised in December 2024
Uruguay (Mercosur)	<u>Mercosur Association Agreement</u>	Negotiations finalised in December 2024