Latin America and the Caribbean and the European Union:

striving for a renewed partnership

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This report was prepared under component 4 “Integration, Trade and Investments” of the 2010-2012 Technical Cooperation Programme between the Economic Commission for Latin America and the Caribbean (ECLAC) and the Spanish Agency for International Development Cooperation (AECID). It is intended as a source of information for the policy discussions and technical papers contained in the AECID-financed project.

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LC/L.3369 • February 2012

2011-947

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Foreword

This report is a contribution by the Economic Commission for Latin America and the Caribbean (ECLAC) to an updated analysis of trade, investment and cooperation relations between Latin America and the Caribbean and the European Union, preparatory to the Seventh European Union-Latin America Summit to be held in Santiago, Chile, in 2012. The publication forms part of ECLAC's 2010-2012 technical cooperation programme with the Spanish Agency for International Development Cooperation (AECID).

The Latin American economies have shown tremendous resilience in coping with the deep global economic and financial crisis of 2008-2009 and they have recovered much more vigorously than either the European Union or the United States. After a period of strong growth between 2003 and 2008, followed by a slight recession in 2009 during the global crisis, the region's GDP grew by 6% in 2010 and is forecast to expand by a further 4% in 2011. The region's robust resistance to the external turbulence partly reflects the reforms implemented over the last two decades, which have resulted in greater fiscal and monetary prudence and stricter financial supervision.

Another factor that has recently sustained the buoyancy of Latin America's economy is the retargeting of its exports towards China, the rest of Asia and other developing regions where demand has continued to grow strongly. For the first time in its history, the region has achieved high growth rates with macroeconomic stability while also reducing poverty and inequality.

Since the crisis, the Latin American and Caribbean region has been viewed differently by the rest of the world and renewed interest has been shown in the region owing to its vast natural resources and strong and sustained growth as a market for consumption and investment. China and other developing Asian countries have become the primary source of demand for various Latin American and Caribbean natural resources to satisfy their own domestic needs. At the same time, the United States and the European Union have speeded up the negotiation and signing of free-trade and association agreements with various countries in the region as a response to the more active Asian presence in Latin America and the Caribbean and to take advantage of the latter's burgeoning market.

The ties between the European Union and Latin America and the Caribbean are becoming closer in other areas. Firstly, in the economic sphere, the European Union was the main source of Foreign Direct Investment (FDI) in Latin America and the Caribbean between 2000 and 2009. In fact, the Latin American market became a key source of earnings for several European companies, particularly with the European market in the doldrums. In the same period, trade in services between the two regions also outpaced the European Union's services trade with the rest of the world. Secondly, on the political front, having participated in six biannual presidential summits since 1999, which have produced concrete results, the two regions are now preparing for the 2012 Summit in Santiago. Thirdly, the two regions have intensified their cooperation in various areas. The European Union has supported a number of initiatives in areas such as urban development, social cohesion, higher education, internationalization of small and medium-sized enterprises (SMEs), information and communications technology and climate-change mitigation.

The two regions also complement each other culturally and have fostered deep political and economic bilateral relations. As the great author Carlos Fuentes once noted, "Latin America is the most European continent outside Europe." Nonetheless, shortcomings remain which the region needs to address: poverty and inequality persist not only as a moral problem but also as a hindrance to growth and the region continues to lag behind industrialized nations in terms of technology, innovation and competitiveness. In these areas, the European Union offers opportunities to create networks and finance public-private cooperation between businesses and governments in Latin America and the Caribbean and to promote technological and business alliances. The key challenges facing the European Union include finding new sources of growth for its national economies, new sources of financing for their public and private debt, and sources to supply basic natural resources. In these areas, Latin America and the Caribbean offers several possibilities.

Against this backdrop, this report will, we hope, foster a better understanding of relations between the two regions in the areas of trade, investment and cooperation, and in the formulation of proposals to strengthen bilateral ties.

Alicia Bárcena
Executive Secretary
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and the Caribbean (ECLAC)

I. Global context

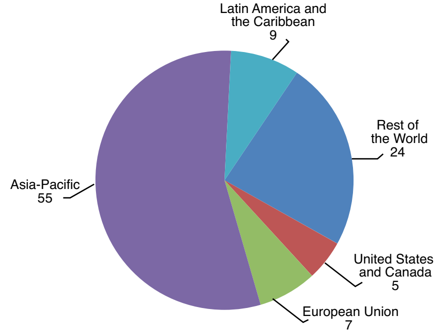
1. Latin America and the Caribbean has a larger share of world population than the European Union but produces a smaller share of global output

- In 2010, the world's total population was estimated at 6.8 billion people of whom more than half live in the Asia-Pacific region, particularly in China and India. Latin America and the Caribbean and the European Union have much smaller shares, 9% and 7%, respectively. Future projections see the fastest growth occurring in Asia-Pacific and Africa, while the relative shares of Latin America and the Caribbean and the European Union are set to decline.
- The distribution of global gross domestic product (GDP) differs significantly from the distribution of world population reflecting large differences in per capita income between regions. In particular, the high levels of per capita income in the European Union explain why it accounted for one-fourth of the world's economy in 2010, similar to the share of the United States and Canada combined. Latin America and the Caribbean produces a smaller share of global GDP than its share of world population since its per capita income is slightly below the global average.

Figure I.1

Distribution of world population, 2010

(Percentages of world total)

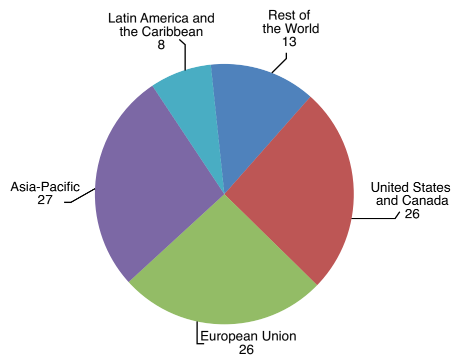


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of IMF, *World Economic Outlook*, April 2011.
Note: Asia-Pacific includes Developing Asia, Australia, Japan, New Zealand and the Republic of Korea.

Figure I.2

Distribution of world GDP, 2010

(Percentages of world total)



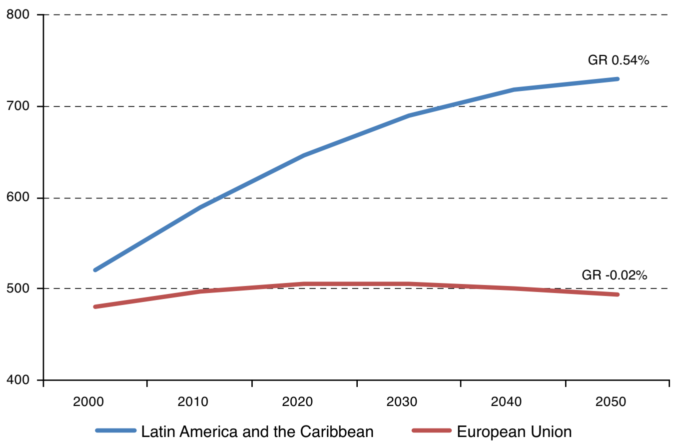
Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of IMF, *World Economic Outlook*, April 2011.
Note: Asia-Pacific includes Developing Asia, Australia, Japan, New Zealand and the Republic of Korea.

2. While the population of Latin America and the Caribbean will continue to grow over the next several decades, the European Union's population is expected to shrink slightly

Figure I.3

The European Union and Latin America and the Caribbean: population projections to 2050

(Millions of persons and average annual growth rate)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of CEPALSTAT and United Nations Population Division, *World Population Prospects*, 2010 Revision.
Note: GR stands for average annual growth rate.

- The fact that the population of the European Union is aging means that its population will decrease over the next four decades. Although half of the countries will show positive population growth over the next forty years, this will not compensate for population shrinkage elsewhere. The populations of the five largest members (Germany, France, United Kingdom, Italy and Spain) are forecast to grow at an annual rate of just 0.05% over the next four decades.
- Latin America and the Caribbean has a younger population and higher birth rates than those in the European Union. Nonetheless, the population growth forecast for the region's countries to 2050 is heterogeneous: Guatemala has the highest annual growth rate (1.7%), while Cuba will see its population decrease by 0.3% annually. The largest populations in the region (Brazil, Mexico, Argentina, the Bolivarian Republic of Venezuela and Colombia) will grow at an annual rate of 0.46%.

Table I.1

Selected countries and regions: population growth

(Millions of persons and annualized growth rates)

	2000	2010	2020	2030	2040	2050	GR 2010-50
Latin America and the Caribbean	521.2	588.6	645.5	689.9	718.0	729.2	0.54
Andean Countries	110.8	128.6	145.6	160.3	171.6	179.0	0.83
Caribbean	34.7	38.1	41.2	43.8	45.6	46.5	0.50
Central America	35.4	42.2	49.6	56.9	63.0	67.9	1.20
Mexico	99.0	110.7	120.1	127.5	132.1	133.3	0.47
Southern Cone	235.1	263.2	283.2	296.3	302.8	303.2	0.35
European Union	481.2	497.5	505.3	505.6	501.4	493.9	-0.02
European Union (15 countries)	404.6	422.2	431.4	433.9	432.4	427.8	0.03
12 new members	76.6	75.4	73.9	71.7	68.9	66.0	-0.33

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of CEPALSTAT and United Nations Population Division, *World Population Prospects*, 2010 Revision.
Note: GR stands for average annual growth rate.

3. Economic growth in Latin America and the Caribbean will continue to outpace growth in the European Union over the next few years

- The salient features of the economic performance of Latin America and the Caribbean include accelerating growth rates between 2004-2007, relative resilience in coping with the recent global crisis, followed by rapid recovery and a 6% expansion in 2010. For 2011, a growth rate of 4.2% is forecast for the region. This is lower than in 2010, owing to an easing of the demand stimulus provided by public policy, the absorption of excess productive capacity, and the impact of the global economic slowdown on the region. Nonetheless, South America will continue to reap the benefits of burgeoning Chinese demand and favourable trends in its terms of trade.
- In contrast, the European Union was less buoyant during the global boom between 2004-2007 and was badly affected by the crisis (suffering a sharp reduction in output in 2009). Germany was an exception, maintaining vigorous growth led by a robust expansion of its exports.
- Recovery in the European Union is expected to remain fragile. In addition to the European countries that are currently undergoing an intensive fiscal retrenchment, other member countries have adopted drastic fiscal consolidation plans that will restrict aggregate demand in the short term. This will reduce demand for the goods and services exported from Latin America to Europe. Economic prospects for 2012 to 2015 suggest that Latin America and the Caribbean may grow almost twice as fast as the European Union.

Table I.2

The European Union and Latin America and the Caribbean: real GDP growth

(Average annual growth rate at constant prices)

	2004-2007	2008	2009	2010	2011	2012-2015
United States	2.6	0.0	-2.6	2.8	2.8	2.7
European Union (27 countries)	2.7	0.5	-4.2	1.8	1.6	2.0
France	2.2	0.2	-2.6	1.6	1.2	1.3
Germany	2.3	1.0	-4.7	3.4	2.2	2.4
Italy	1.4	-1.3	-5.0	1.3	1.1	1.2
United Kingdom	2.5	-0.1	-5.0	1.8	2.1	2.6
Fiscally vulnerable countries						
Greece	3.9	2.0	-2.0	-4.8	-3.6	0.1
Ireland	5.7	-3.5	-7.6	-1.0	-0.9	1.5
Portugal	1.5	0.0	-2.6	0.8	-0.9	0.2
Spain	3.7	0.9	-3.7	-0.7	0.4	1.0
Latin America and the Caribbean	5.5	4.2	-1.8	6.0	4.2	3.9
Argentina	8.8	6.8	0.9	8.4	4.8	4.1
Brazil	4.4	5.2	-0.6	7.7	4.6	4.1
Colombia	6.1	2.7	0.8	4.0	4.0	4.5
Mexico	3.9	1.5	-6.0	5.3	3.5	3.3
Venezuela (Bolivarian Republic of)	9.4	4.8	-3.3	-1.6	2.0	1.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of CEPALSTAT, EUROSTAT and IMF, *World Economic Outlook*, April 2011.
Note: The figures shown for 2011 are projections made by EUROSTAT and ECLAC, while those for 2012-2015 are projections made by the IMF. The 2008-2011 growth forecast for Latin America does not include the Caribbean. Data for the United States are from the IMF.

4. The five largest economies of Latin America and the Caribbean represent 80% of the region's economy

- The region's largest economies —Brazil, Mexico, Argentina, the Bolivarian Republic of Venezuela and Colombia— accounted for 83% of the region's GDP in 2010. Per capita GDP is distributed unevenly across the region, ranging from US$ 657 in Haiti to US$ 21,776 in the Bahamas.
- The Southern Cone is the subregion with the highest per capita income; indeed, four of its five members have per capita incomes above the regional average. Central America is at the other end of the scale; all countries in that subregion have per capita incomes below the regional average. Andean and Caribbean countries are in an intermediate position in this regard with incomes distributed very heterogeneously among individual countries.
- The region's five leading exporters —Mexico, Brazil, Chile, Argentina and the Bolivarian Republic of Venezuela— generated 85% of the region's total exports in 2010.

■ Table I.3 ■

Latin America and the Caribbean: population, GDP and GDP per capita, 2010

(Millions of inhabitants, millions of current dollars and dollars per person)

Country	Population (million)	GDP (US$ million)	GDP per capita (US$)
Andean Countries	129	854 587	6 643
Bolivia (Plurinational State of)	10	18 424	1 837
Colombia	46	283 463	6 122
Ecuador	14	55 754	4 048
Peru	29	153 193	5 194
Venezuela (Bolivarian Republic of)	29	343 753	11 836
Caribbean	38	182 097	4 784
Central America	42	144 748	3 433
Costa Rica	5	34 346	7 404
El Salvador	6	21 512	3 474
Guatemala	14	40 624	2 826
Honduras	8	15 361	2 016
Nicaragua	6	6 433	1 105
Panama	4	26 473	7 546
Mexico	111	1 026 740	9 277
Southern Cone	263	2 625 379	9 975
Argentina	41	353 038	8 666
Brazil	195	2 025 973	10 363
Chile	17	188 497	11 002
Paraguay	6	17 097	2 647
Uruguay	3	40 774	12 092
Latin America and the Caribbean	589	4 833 552	8 211

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of CEPALSTAT.

5. The European Union regional economy is somewhat less concentrated in terms of individual countries

Table I.4

European Union: population, GDP and per capita GDP, 2010

(Millions of inhabitants and US dollars)

Country	Population *(million)*	Current GDP *(US$ million)*	Per capita GDP *(US$)*
European Union (15 countries)	396	15 036 297	37 962
Austria	8	376 841	44 987
Belgium	11	465 676	42 630
Denmark	6	310 760	56 147
Finland	5	239 232	44 489
France	63	2 582 527	41 019
Germany	82	3 315 643	40 631
Greece	11	305 415	27 302
Ireland	4	204 261	45 689
Italy	60	2 055 114	34 059
Luxembourg	1	54 950	108 832
Netherlands	17	783 293	47 172
Portugal	11	229 336	21 559
Spain	46	1 409 946	30 639
Sweden	9	455 848	48 875
United Kingdom	62	2 247 455	36 120
12 new members	103	1 245 931	12 080
Bulgaria	8	47 702	6 334
Cyprus	1	23 174	28 237
Czech Republic	11	192 152	18 288
Estonia	1	19 779	14 836
Hungary	10	128 960	12 879
Latvia	2	24 045	10 695
Lithuania	3	36 364	11 044
Malta		8 288	19 746
Poland	38	468 539	12 300
Romania	21	161 629	7 542
Slovakia	5	87 450	16 104
Slovenia	2	47 849	23 706
European Union	499	16 282 230	32 615

Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on data from EUROSTAT.

- The European Union's five largest economies —Germany, France, United Kingdom, Italy and Spain— account for 71.3% of its total GDP. Income is less concentrated than in Latin America and the Caribbean.
- The per capita GDP difference between the wealthiest member (Luxembourg) and the poorest (Bulgaria) is even greater than the corresponding difference in Latin America and the Caribbean. Nonetheless, domestic per capita income levels vary less in the European Union.
- The per capita GDPs of the highest-income countries in Latin America and the Caribbean are close to those of the least advanced nations of the European Union (see table I.5).

Table I.5

Latin America and the European Union, selected countries: GDP per capita in 2010

(Current dollars per inhabitant)

Top 5 in Latin America and the Caribbean	2010 GDP per capita		Bottom 5 in European Union
Uruguay	12 092	12 300	Poland
Venezuela (Bolivarian Republic of)	11 836	11 044	Lithuania
Chile	11 002	10 695	Latvia
Brazil	10 363	7 542	Romania
Mexico	9 277	6 334	Bulgaria

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from CEPALSTAT and EUROSTAT.

6. Latin America and the Caribbean is a key player in global crop and livestock production and in the mining, energy and water sectors

■ **Table I.6** ■
World distribution of:

A. Agricultural and livestock products, cumulative 2007-2009
(Percentages of world total and millions of tons)

	Fruits and Vegetables	Maize	Rice	Soya	Wheat	Meat	Milk
Latin America and the Caribbean	11.9	16.5	4.0	48.1	4.2	31.1	23.1
European Union	8.4	7.0	0.4	0.3	20.7	2.0	1.6
Asia-Pacific	5.9	4.3	28.2	0.7	2.9	7.1	4.1
United States and Canada	4.5	41.2	1.4	37.9	13.1	17.3	23.4
Rest of the world	69.3	31.1	66.0	13.0	59.1	42.5	47.8
Total (millions of tons)	4 515.4	2 432.8	2 021.4	672.4	1 977.9	830.2	2 069.9

B. Production of minerals, cumulative 2007-2009
(Percentages of world total and millions of tons)

	Copper	Aluminum	Lead	Zinc	Nickel	Iron	Molybdenum
Latin America and the Caribbean	46.7	6.7	14.9	22.8	12.2	21.2	27.8
European Union	9.9	9.6	4.9	7.0	1.9	0.0	0.2
Asia-Pacific	18.2	43.6	59.9	47.3	38.6	73.2	37.5
United States and Canada	11.4	14.1	12.9	12.6	14.7	0.0	28.0
Rest of the world	13.7	26.0	7.3	10.3	32.6	5.6	6.5
Total (millions of tons)	47.0	115.0	11.6	34.2	4.4	1.0	0.7

C. Production and consumption of energy, cumulative 2007-2009
(Percentages of world total)

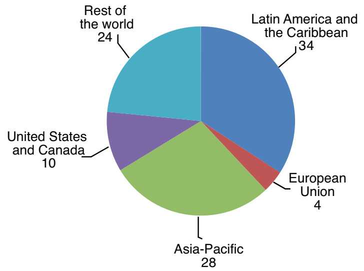
	Petroleum [a]		Gas [b]		Ethanol [c]	Electricity Generation [d]	Energy Consumption [c]
	Production	Consumption	Production	Consumption	Production		
Latin America and the Caribbean	12.7	8.7	7.0	6.9	40.3	6.6	3.1
European Union	2.7	17.6	6.1	16.1	3.8	16.4	7.3
Asia-Pacific	9.9	30.4	14.0	16.1	4.0	36.2	17.2
United States and Canada	12.1	25.2	24.8	25.3	51.6	24.5	11.3
Rest of the world	62.5	18.1	48.2	35.6	0.0	16.4	61.0
Total (in units)	11 656.6	11 811.5	9 002.4	8 888.3	101.0	60 337.6	69 326.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of FAOSTAT; *World Bureau of Metal Statistics* (WBMS) and British Petroleum, *Statistical Review of World Energy 2010*.

[a] Millions of tons.
[b] Billions of cubic metres.
[c] Tons of oil equivalent.
[d] Terawatts per hour.

- Latin America and the Caribbean contributes a large share of the world's fruit and vegetable output, producing nearly half of the global total of products such as soya. The region also accounts for substantial shares of meat and milk output and, to a lesser extent, maize. By comparison, the European Union is a globally significant producer of wheat only.
- Mineral production displays a similar pattern. Latin America produces over 45% of the world's copper and significant proportions of zinc, molybdenum and iron.
- The European Union is not a global leader in mineral production generally, although it does surpass the region in the production of the only product that requires refining: aluminium (aluminium and bauxite), of which Argentina, Brazil and the Bolivarian Republic of Venezuela are the region's only producers.

■ **Figure I.4** ■
Water reserves by world region
(Percentages of world total)



Source: ECLAC on the basis of substantive statistical data produced by FAO, Keele University and the World Health Organization (WHO).

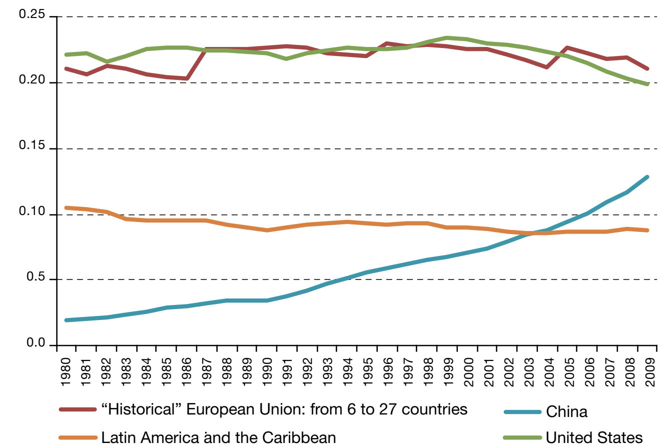
7. The European Union underwent a long integration process, expanding from 6 to 27 countries, while maintaining its share in the world economy

- Between 1951 and 2007, the European Communities (which subsequently became the European Union) expanded from six to 27 Member States. The founding countries were the Federal Republic of Germany, Belgium, France, Italy, Luxembourg and the Netherlands. The following countries joined later: Denmark, Ireland and the United Kingdom (1973), Greece (1981), Spain and Portugal (1986), Austria, Finland and Sweden (1995), Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia (2004) and, lastly, Bulgaria and Romania (2007).
- European integration underwent several phases. In 1951, the European Coal and Steel Community was founded and this was superseded by the European Economic Community (EEC) in 1957. In 1986, the Single European Act laid the foundations for a border-free internal market. The Maastricht Treaty, signed in 1992, then paved the way for political, economic and monetary union embodied in the euro, which was introduced in 2002. In the Treaty of Nice (2001), Member States agreed to an expansion of the European Union to 25 members and set new quotas for participation in its institutions. Most recently, the Lisbon Treaty (2007) reformed the treaties that had created the European Economic Community and the European Union.
- Matching the experience of the United States and Japan, the 27 countries of the European Union, as a group, have seen their share in international goods and services trade decline over the last three decades. Nonetheless, an analysis of the "historical" European Union (six members until 1973, 9 until 1981, 10 until 1986, 12 until 1995, 15 until 2004, 25 until 2007 and 27 countries thereafter) shows that its share in the world economy has remained constant. In contrast, Latin America and the Caribbean has seen its share of global GDP decrease, while managing to maintain a stable share of world goods and services trade. China, in contrast, has grown rapidly during this period, expanding its aggregate share of both goods and services.

Figure I.5

Countries and regions: share in world GDP

(Percentages)

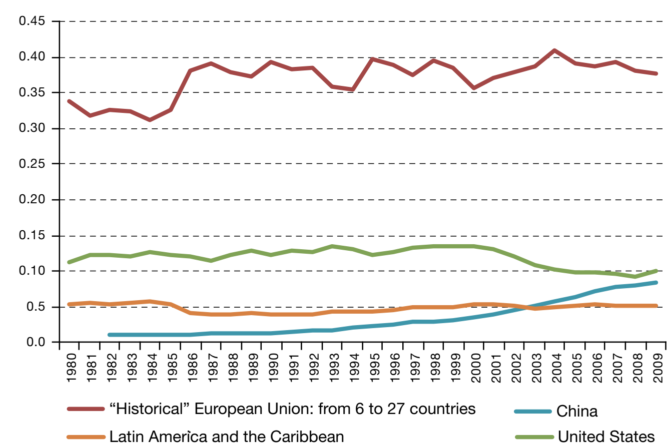


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from World Bank, *World Data Bank*.

Figure I.6

Countries and regions: share in international trade of goods and services

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from World Bank, *World Data Bank*.

8. The common-market process invigorated intra-European trade particularly for new members

- The successive waves of regional integration stimulated intra-European trade. While the intra-bloc exports of the first 15 members of the European Union grew only slightly more than their sales outside the region, for the 12 countries that joined after 2004, the regional market represented by far the largest source of export growth. From their admission in 2004 until 2008, these twelve countries (mainly from Eastern Europe) increased their exports to the rest of the European Union four-fold.
- Thanks to this dynamic intra-European export performance, member countries achieved a considerable increase in their openness as measured by their exports/GDP ratios. Towards the end of the period, this ratio exceeded 30% in the case of the 12 new members of the European Union while the remaining 15 countries attained a level of 20%. Exports outside the European Union grew slightly relative to GDP in the mid-1990s, following a decline in the 1980s.

Figure I.7

European Union-15 and European Union-12: trend of the value of intra- and extra-european exports

(Index 1980=100)

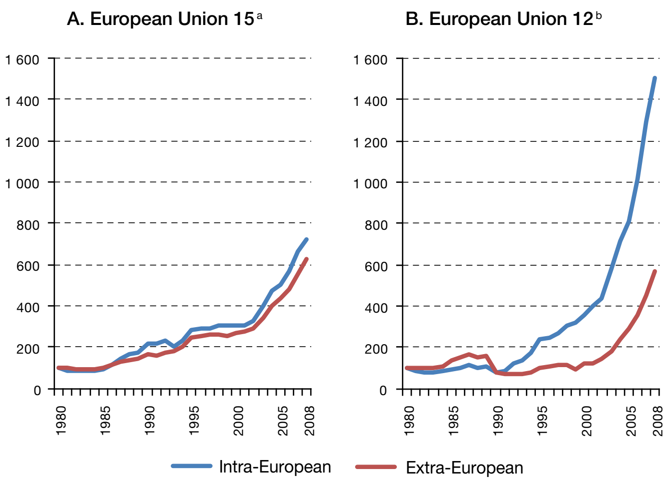
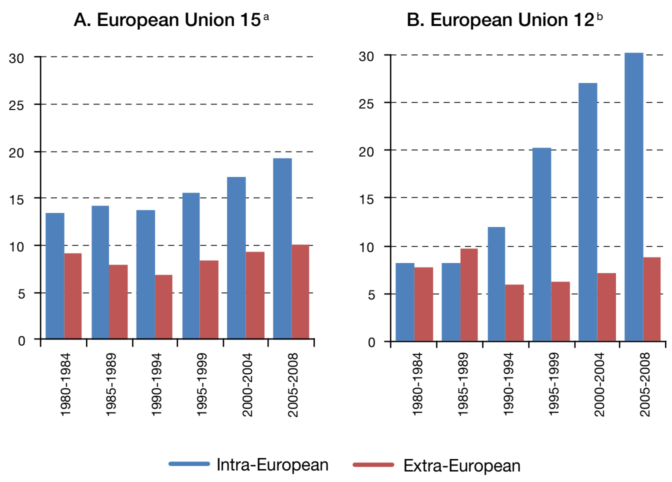


Figure I.8

European Union-15 and European Union-12: export intensity

(Exports as a percentage of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from CEPII CHELEM database.

[a] The 15 Member States prior to the 2004 expansion were: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

[b] The 12 new members are Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

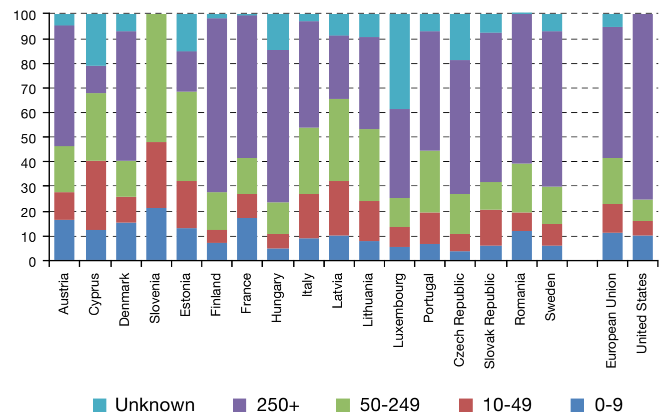
9. Although European exports are concentrated mostly in large companies, exports by small and medium-sized enterprises are also important in several countries of the European Union

- The majority of European exports are produced by firms employing more than 250 workers, although the share of such enterprises in total exports is smaller than in the United States. There also are marked differences between European countries given that, in some cases (e.g. Estonia, Italy, Lithuania and Slovenia), the foreign sales of medium-sized enterprises —those with 50 to 249 employees— account for a substantial proportion of total exports. In Austria, Denmark and France, SMEs —firms with less than 10 employees— generated over 15% of total exports.
- Other interesting features of the export pattern of European firms[1] include the following:
  - Over half of all European businesses export to several countries within the European Union but only to a single country outside.
  - The largest 100 European businesses account for nearly 40% of intra-European exports and 50% of sales to destinations outside the region; in the United States 100 businesses also generate 40% of total exports.

Figure I.9

The European Union and the United States: export share of firms by number of workers, 2007

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of OECD-Eurostat, *Trade by Enterprise Characteristics Database*.

[1] See OECD, "Selling to foreign markets: a portrait of OECD Exporters", OECD Statistics Brief, No. 16, 2011.

10. The stagnation of per capita income in the European Union compared to that of the United States since the mid-1980s coincides with modest advances in productivity

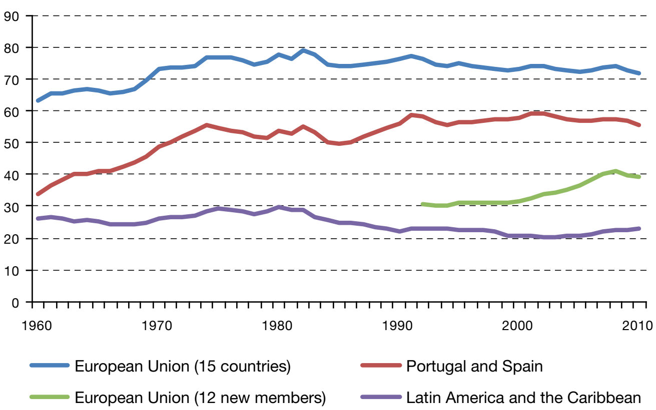
- Between 1960 and the early 1980s, the per capita income levels of the first 15 members of the European Union converged with those of the United States —the industrialized nation with the highest income level. However, between the 1980s and the first decade of the new millennium, the 15 countries of the European Union lost ground with respect to the United States. The more recent members of the European Union had grown fastest in the years preceding their entry into the bloc, examples being Portugal and Spain (which joined in 1986) and the 12 new members, mostly from Eastern Europe (which have joined since 2004). For Latin America and the Caribbean, the relative improvement that lasted until 1982 was interrupted by the debt crisis and the region slipped back until 2004.

- The increase in GDP can be explained by capital, labour and total factor productivity (TFP), which represents an increase in the overall efficiency of the economy. In the United States, vigorous investment in information and communication technology (ICT) between 1995-2000 fuelled major TFP growth between 2000 and 2007. For the 15-member European Union, the growth contributions of ICT and TFP have been less. Growth in the three new members is explained mainly by investments in non-ICT capital and an increase in TFP. Lastly, Spain's growth has stemmed mainly from the robust growth of its labour force while its TFP made a negative contribution in the two sub-periods.

Figure I.10

European Union and Latin America: per capita GDP as a percentage of the United States level

(United States=100)

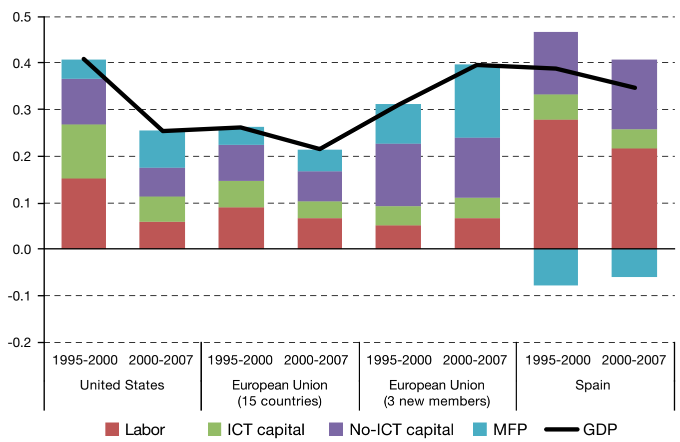


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of CEPII CHELEM database.

Figure I.11

European Union and the United States: factors contributing to GDP growth

(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EU KLEMS, www.euklems.net.

Note: The three new Member States are the Czech Republic, Hungary and Slovenia.

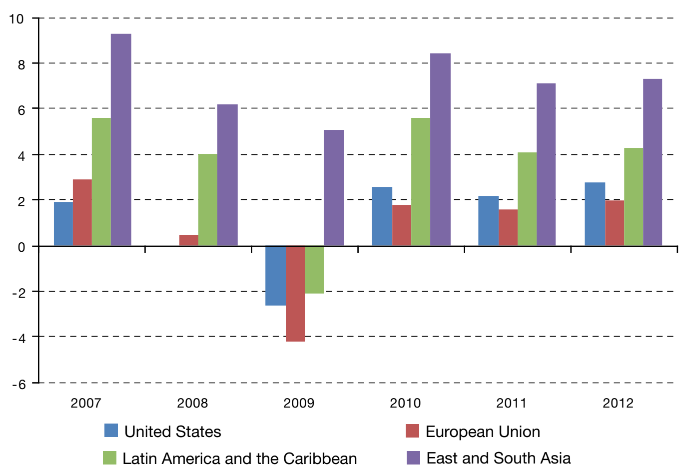
11. The European Union has made a weak recovery from the 2008-2009 crisis, in contrast to the vigorous rebound of economic activity in emerging regions

- The post-crisis recovery period has been heterogeneous between industrialized countries and developing regions. The latter group more than regained their pre-crisis GDP levels, and several have managed to close the capacity gaps that accumulated during the crisis. The rapid growth of developing Asia is being driven by stronger domestic demand and a dynamic external sector. In Latin America and the Caribbean, the monetary and fiscal stimulus introduced to support the post-crisis recovery were replaced by a revival of consumption and investment and a boost to exports. Better terms of trade made another positive contribution, particularly for exporters of basic mining products.
- Among developed countries, the European Union is in a difficult situation. After massive public interventions to rescue the financial sector and shore up domestic demand, member-countries are now undergoing a fiscal consolidation process to put public-debt growth on to a more sustainable long-run path. In some countries (particularly Greece, Ireland and Portugal) there are major tensions on financial markets caused by their fiscal and financial fragility. Recovery in the United States seems more robust despite high levels of unemployment, a stalled housing market and fiscal-adjustment difficulties. In short, developing regions —and developing Asia especially— continue to generate around 70% of global GDP growth.

Figure I.12

Selected countries and regions: variations of GDP

(Percentages)

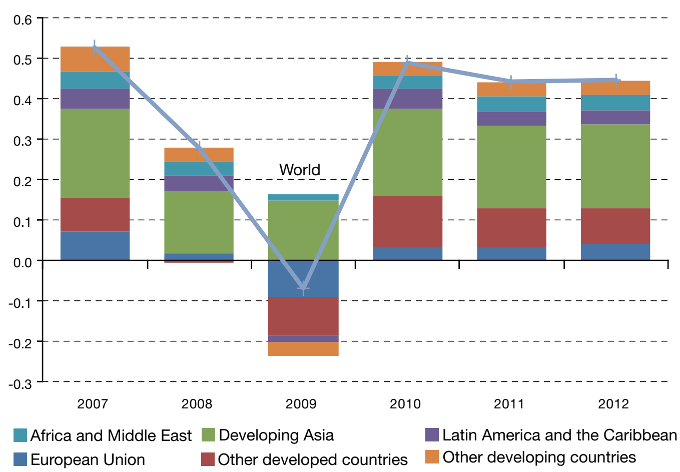


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of United Nations, *World Economic Situation and Prospects 2011*, January 2011.
Note: 2010 figures are preliminary; 2011 and 2012 figures are projections.

Figure I.13

Selected regions: contributions to world GDP growth

(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of IMF's *World Economic Outlook*, January 2011.
Note: 2010 figures are preliminary; 2011 and 2012 figures are projections.

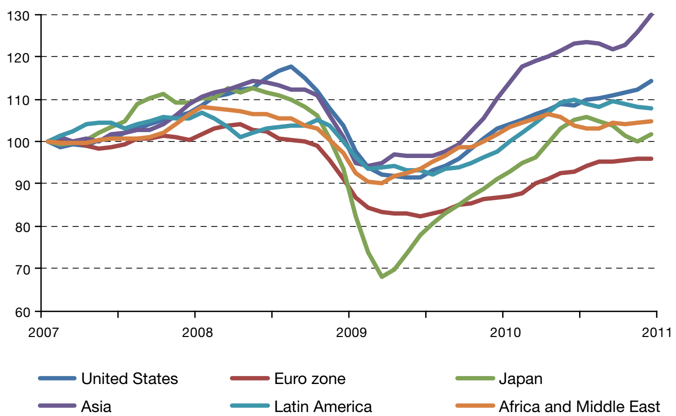
12. International trade has been a key factor driving the recovery in emerging economies, whereas exports and imports have recovered more slowly in the euro zone

Figure I.14

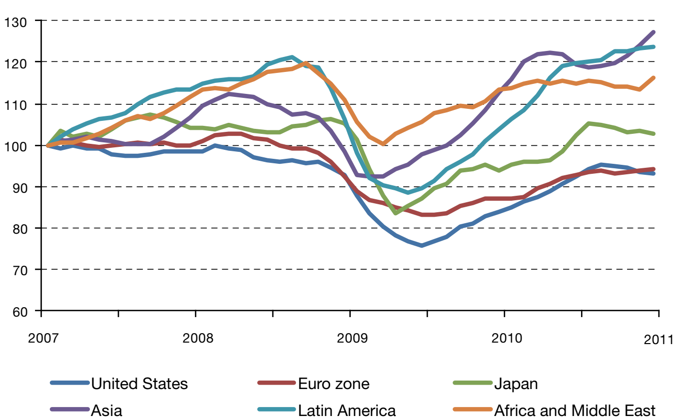
Selected countries and regions: volume of exports and imports

(January 2007=100)

A. Exports (by destination)



B. Imports (by origin)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of CPB Netherlands Bureau for Economic Policy Analysis, *World Trade Monitor*, March 2011.

- International trade made a significant contribution to economic recovery following the economic and financial crisis of 2008 and 2009, particularly in emerging nations. For these countries, especially in Asia and, to a lesser extent in Latin America, exports and imports had surpassed their pre-crisis levels by the end of 2010. In contrast, euro-zone exports and imports still have not recovered, partly because they depend on their own regional market and on the United States and Japan, where economic recovery has been weaker.
- Trade and open markets prevented the crisis from worsening and later gave clear signals of greater demand. Several factors that contributed to the slump in global trade in 2008 and early 2009 have also contributed to the recovery, with final demand from the emerging countries serving as the key engine of recovery. Other factors include a revival of demand for capital and intermediate goods, partly due to the normalization of financial markets and credit, and the support provided by fiscal stimulus plans. Another contributor to the growth of world trade in value terms has been the recovery of prices among several commodities, especially oil. In more general terms, the international trade system has succeeded in containing protectionist excesses in the context of the most severe international crisis of the last 80 years.

13. The European Union's economic situation remains complicated due to large fiscal and financial imbalances

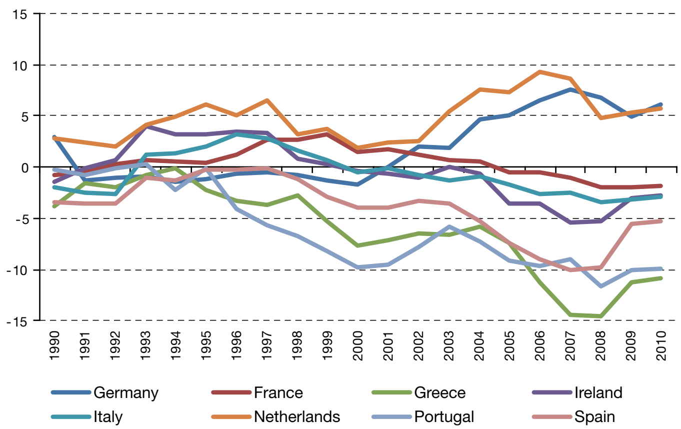
- Although the current account of the euro zone as a whole was almost in balance, there were large imbalances between several of its individual members. Between 2002 and 2007, the average deficits of Greece, Portugal and Spain exceeded 7% of their GDP. In contrast, Germany and the Netherlands registered a surplus of over 5% of their national income. As a result of the 2008-2009 crisis, the imbalance within the euro zone narrowed slightly. The budget deficit contributed towards the net international liabilities of Greece, Portugal and Spain, which exceeded 70% of GDP —particularly high compared to other OECD countries and past levels in euro-zone countries.

- More generally, most euro-zone countries with high net savings and low growth rates generated budget surpluses, whereas most countries with high growth and low savings levels posted budget deficits. Nonetheless, the origin of the current account deficit differs from country to country. In Greece and Ireland it was concentrated in households, whereas in Italy and Spain non-financial businesses were the main cause due to their massive investments and low savings levels. The latter trend is worrisome since the investments mainly targeted the non-tradable sector, which does not generate future exports to pay for debts accumulated in other currencies.

Figure I.15

Euro zone countries: current account balance as a percentage of GDP, 1990-2010

(Percentages)

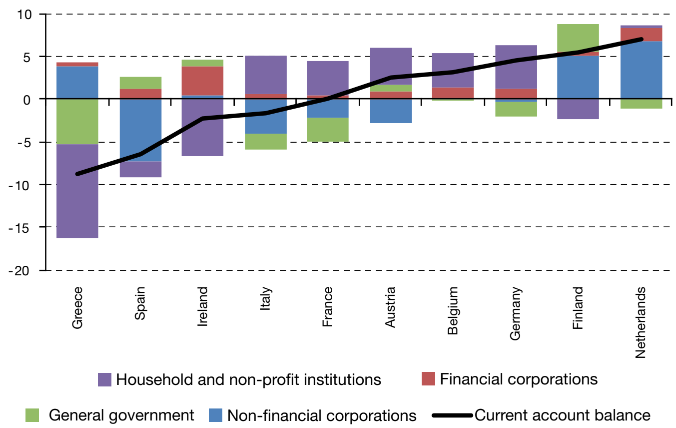


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of IMF, *World Economic Outlook*, October 2010.

Figure I.16

Euro zone countries: breakdown of the net domestic balance between saving and investment and the current account, 2002-2007

(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of OECD: *Economic Survey of the Euro Area, 2010*.

14. In some European countries these imbalances have resulted in a higher risk premium

- In 2010 and 2011, uncertainty over the sustainability of the sovereign debt of a group of countries in the euro zone (e.g. Greece, Ireland, Italy, Portugal and Spain) increased. The levels of debt and the continued public deficit signalled a deterioration in their capacity to meet obligations. This crisis began in October 2009 when Greece made a revision to its fiscal accounts which triggered a crisis of confidence in the sustainability of its debt and that of other countries in a fiscally fragile situation. Credit rating agencies successively lowered the ratings of Greece, Ireland, Portugal and Spain. The European Financial Stability Facility was created in 2010 to provide financial assistance to member countries, and the International Monetary Fund has also provided assistance.
- Unlike the European Union, the sovereign and private debt position of the majority of Latin American countries —except for a few Caribbean and Central American countries— has improved since the crisis. In fact, almost all the countries of the region have had the ratings on their debt instruments upgraded and their sovereign risk premiums have been reduced substantially.
- The chances of the crisis some European countries are facing spreading to the Latin American and Caribbean region are slim given the region's low levels of external debt and generally sound fiscal situation.

Figure I.17

Euro zone countries: risk premium in 5-year credit default swap contracts

(Basis points, end of month)

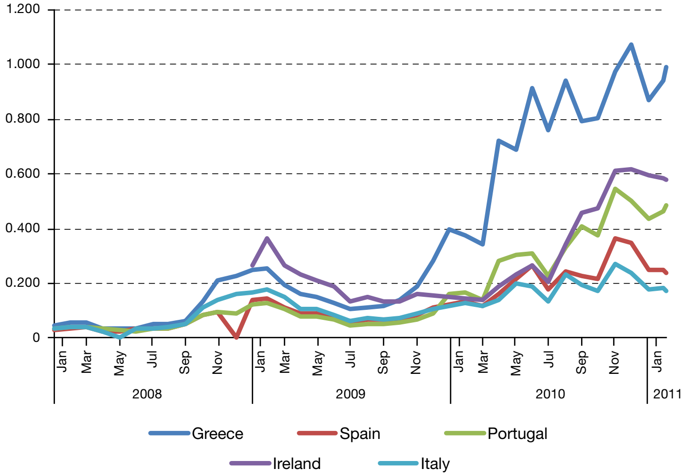
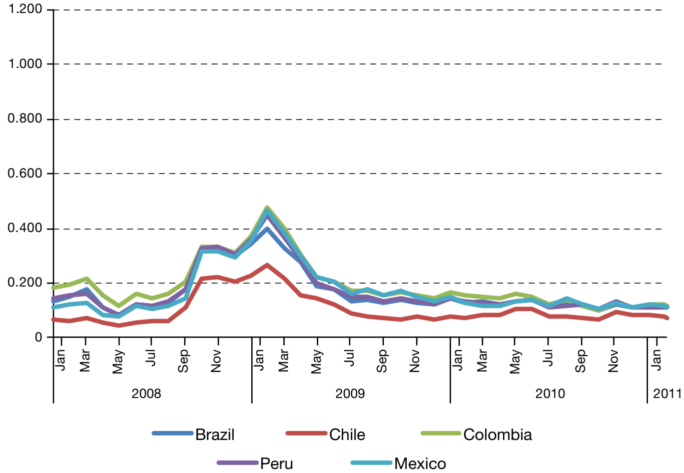


Figure I. 18

Latin American countries: risk premium in 5-year credit default swap contracts

(Basis points, end of month)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from Bloomberg.

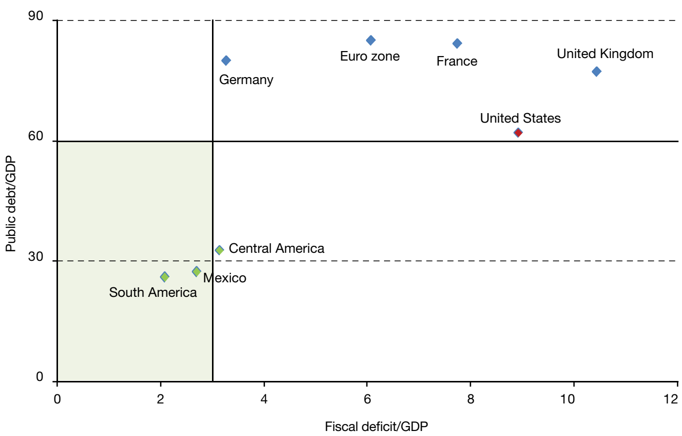
15. Latin America is in a better fiscal and public debt situation than the European Union

- Public debt levels in European countries and the United States are higher than in Latin America and the Caribbean. In 2010, public debt in the euro zone represented 85% of GDP, with its leading economies all displaying similar levels. In 2010, public debt in the United States grew to 62% of GDP compared to 53% in 2009.
- Fiscal deficits in the euro zone and the United States are also high but more varied. The euro zone recorded a fiscal deficit of 6.1% of GDP in 2010 while Germany had a deficit of 3.3% and the United Kingdom 10.4%. The fiscal deficit in the United States amounted to 8.9% of GDP.
- The fiscal situation in Latin America and the Caribbean is stronger. South America, Central America and Mexico have similar debt ratios of around 30% of GDP, while Chile reported a public debt of just 7% of GDP in 2010, the lowest in the region. In terms of fiscal deficits, South America (2.1%), Central America (3.1%) and Mexico (2.7%) are all significantly below those of the euro zone and the United States. It is worth noting that Latin American and Caribbean countries would currently comply with the Maastricht ceilings both for the fiscal deficit (3% of GDP) and for public debt (60% of GDP) —as shown in the shaded area of figure I.19.

Figure I.19

Latin America and selected countries and regions: public debt and fiscal deficit, 2010

(Percentages of GDP of each country or region)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Preliminary Overview of the Economies of Latin America and the Caribbean 2010* (LC/G.2480-P), Santiago, Chile, December 2010. United Nations Publication, Sale No.: E.11.II.G.2 and International Monetary Fund, "World Economic Outlook Database", World Economic and Financial Surveys, [database] <http://www.imf.org/external/ns/cs.aspx?id=28> [Date of reference: 11 April 2011].

II. Trade relations

1. The European Union has become relatively less important in Latin American trade over the last three decades particularly as an export destination

- Since the 1980s, the European Union has steadily lost importance both as a destination for Latin American exports and as a source of its imports. Whereas in the 1980s and 1990s the European Union lost its share to the United States, in the first decade of the twenty-first century both the European Union and the United States lost market share to China. In 2009, the European Union was Latin America and the Caribbean's second most important trading partner with a market share of 14% in both total exports and total imports.

Table II.1

Latin America and the Caribbean: share of the European Union in trade and average annual growth of trade

(Percentages)

	Exports				Imports			
	1990	2000	2009	GR[d] 2000-2009	1990	2000	2009	GR[d] 2000-2009
Latin America and the Caribbean	24.8	11.5	13.7	9.5	20.2	13.7	14.0	7.0
Southern Cone[a]	33.7	24.4	20.3	9.0	23.8	23.5	19.5	6.8
Andean Countries[b]	19.2	9.8	15.0	14.8	23.9	16.6	13.0	9.5
Central America[c]	25.4	15.8	11.3	2.6	12.0	8.3	6.7	5.7
CARIFORUM	24.4	16.5	18.4	8.9	16.5	12.1	9.5	5.3
Mexico	12.8	3.5	5.0	7.7	17.1	8.4	11.7	6.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of "International Merchandise Trade Statistics" (IMTS), United Nations Commodity Trade Statistics Database (COMTRADE).

[a] Includes Chile.

[b] Includes Bolivarian Republic of Venezuela.

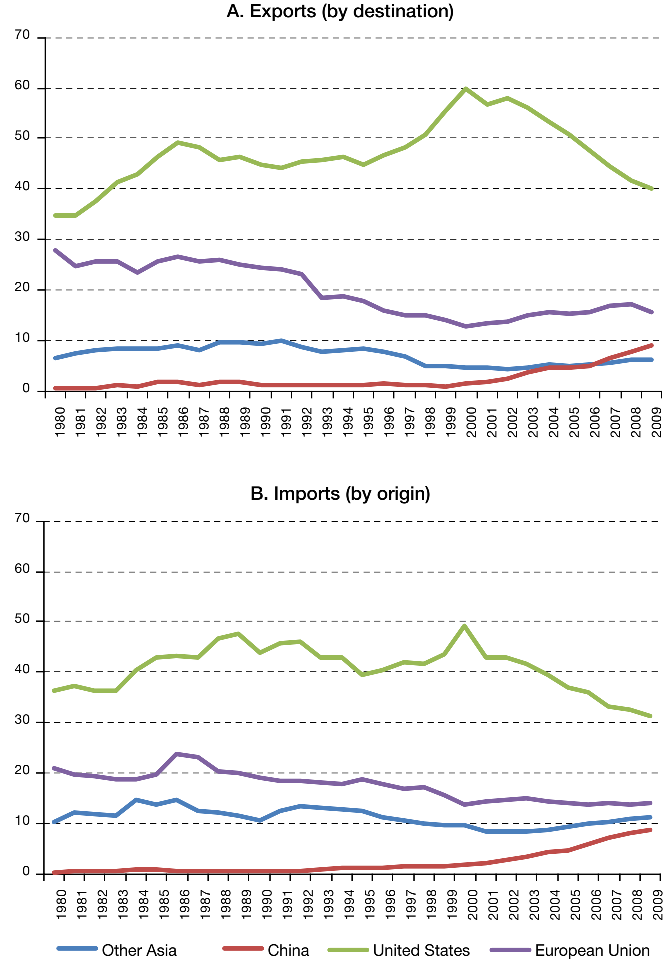
[c] Includes Panama.

[d] Average annual growth rate.

Figure II.1

Latin America and the Caribbean (16 countries): share of main trading partners, 1980 to 2009

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of "International Merchandise Trade Statistics" (IMTS), United Nations Commodity Trade Statistics Database (COMTRADE).

Note: Rest of Asia includes: Indonesia, Japan, Malaysia, Philippines, Republic of Korea, Singapore and Thailand.

2. As a result, the European Union has fallen in the ranking of the most important trading partners for nearly all Latin American countries

- The European Union's loss of importance as a trading partner caused it to drop several places in the ranking of destination markets for exports and sources of imports for Latin America and the Caribbean. In 1980, the European Union was the first or second most important export market for all Latin American countries, except the Bolivarian Republic of Venezuela, Ecuador, El Salvador and the Plurinational State of Bolivia. In 2009, it maintained the top position in just four of the sixteen countries and elsewhere was displaced in several cases by China. In Argentina and Uruguay the European Union dropped from second to fourth place between 1980 and 2000, but regained second place in the following decade.
- This declining importance of the European Union as a trading partner can also be seen in terms of its position as a source of Latin American imports. Only in the Bolivarian Republic of Venezuela did the European Union maintain its position as the second largest supplier.

Table II.2

Latin America: ranking of European Union in trade with selected countries, 1980 to 2009

			Exports				Imports			
			1980	1990	2000	2009	1980	1990	2000	2009
South America	MERCOSUR	Argentina	2	1	4	2	2	3	3	4
		Brazil	1	2	2	2	3	2	2	3
		Paraguay	2	2	4	8	5	5	5	7
		Uruguay	2	2	4	2	4	3	4	6
	CAN	Bolivia (Plurinational State of)	3	3	4	9	2	6	5	9
		Colombia	2	2	3	3	2	2	2	3
		Ecuador	5	3	3	3	3	2	4	6
		Peru	2	2	2	3	2	2	3	4
		Chile	1	1	3	4	2	2	3	5
		Venezuela (Bolivarian Republic of)	4	3	5	9	2	2	2	2
Mexico and Central America	CACM	Costa Rica	2	2	2	3	3	4	4	7
		El Salvador	4	3	7	6	4	4	5	6
		Guatemala	2	3	4	7	5	2	5	5
		Honduras	2	2	3	2	4	4	7	8
		Nicaragua	2	1	3	5	6	4	9	9
		Mexico	2	2	3	3	2	2	2	3
		Panama	2	2	2	2	8	7	8	7

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of "International Merchandise Trade Statistics" (IMTS), United Nations Commodity Trade Statistics Database (COMTRADE).

Note: The European Union is considered a single destination. Costa Rica includes "Areas, n.e.s." as a second destination for exports in 2009. Exports for the Bolivarian Republic of Venezuela in 2009 are estimates from the IMF database. Shaded boxes indicate that the ranking has deteriorated since the previous year.

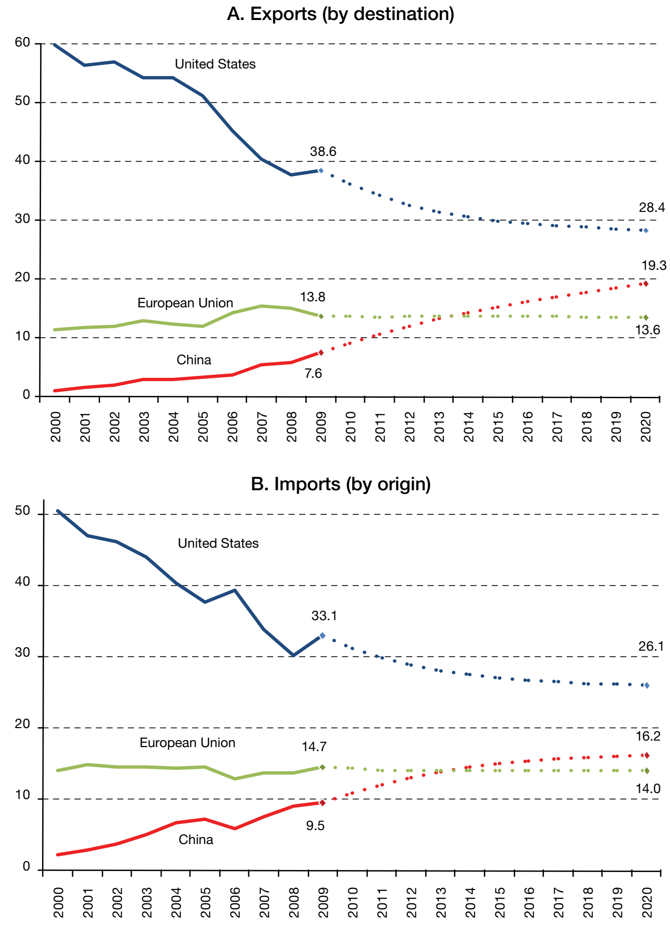
3. By the middle of this decade, the European Union may be displaced by China as the second most important trading partner for Latin America and the Caribbean

- Most projections expect China to grow its relative importance as an export destination until 2020. If the demand for Latin American products continues to grow at its current rate in the United States, European Union and the rest of the world, and if China's demand increases by just half of that during this decade, then China will surpass the European Union in 2014 to become the region's second largest export market.
- A similar pattern is foreseen for imports, where China is expected to overtake the European Union in 2015. This trend may unfold more slowly, however, depending on the dynamism of bilateral trade arising from the Association Agreements between the European Union and Central America, the Caribbean, the Andean Community and, eventually, MERCOSUR.

Figure II.2

Latin America and the Caribbean (16 countries): share of destinations in total transactions, 2000-2020 [a]

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of United Nations, International Merchandise Trade Statistics (COMTRADE) and national sources.

[a] The 16 countries are Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Uruguay and the Plurinational State of Bolivia. Estimates and projections are based on the average rate of growth of GDP between 2000 and 2009 in Latin America and the Caribbean, China, the European Union, the United States and the rest of the world. The rate of growth of trade is expected to converge towards the long-term growth rate of the economies in question.

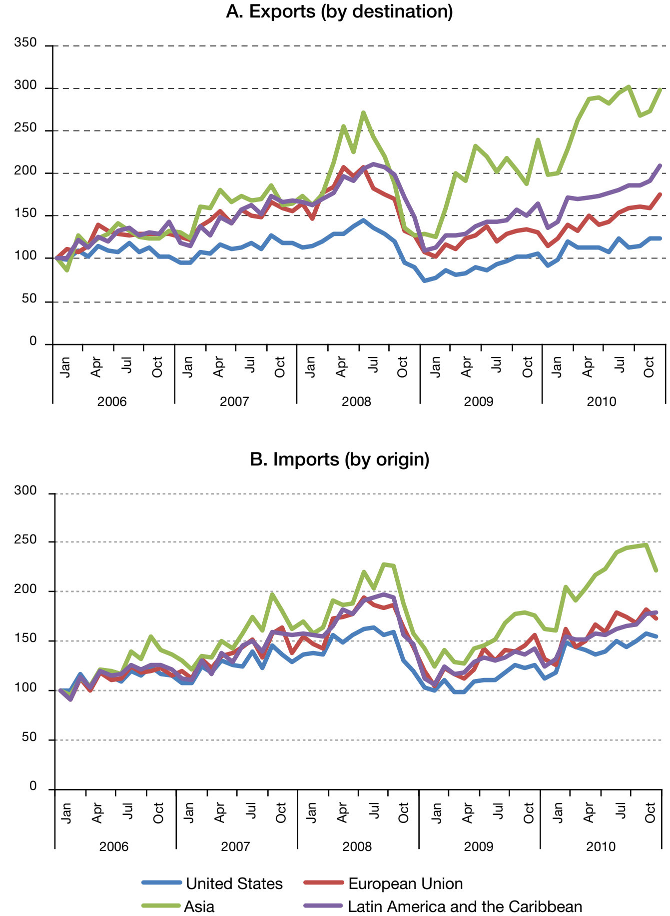
4. After the crisis, trade between the region and the European Union recovered more slowly than trade with other regions

- Trade between Latin American and Caribbean countries and their key trading partners both within and outside the region grew substantially after the crisis as they recovered from the 2009 slump. Exports and imports to Asia grew the fastest in value terms in the first semester of 2010 compared to the same period in 2009. Sustained demand from China and the rest of Asia stimulated exports of several of the region's commodities while their international prices have remained high. While trade with the United States and within the region grew at modest rates, trade with the European Union has not yet regained pre-crisis levels.

■ **Figure II.3** ■

Latin America and the Caribbean: trade by origin and destination

(January Index 2006=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official country data.

5. In 2010, only a few Latin American countries, such as Costa Rica, Honduras, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay recovered from the slump in their exports to the European Union during the crisis, particularly in the case of mining and petroleum products

■ Table II.3 ■

Latin America and the Caribbean: average annual growth rate of exports to the European Union

(Percentages)

	Agriculture			Manufactures			Mining and oil			Total		
	2003-2008	2009	2010	2003-2008	2009	2010	2003-2008	2009	2010	2003-2008	2009	2010
Argentina	18	-28	-2	16	-25	27	16	-21	77	17	-27	9
Bolivia (Plurinational State of)	25	-8	24	27	-40	-2	54	9	304	27	-27	46
Brazil	14	-18	-3	18	-33	13	34	-52	93	19	-32	20
Chile	18	-13	-10	22	-40	33	37	-42	17	23	-35	20
Colombia	15	-21	-5	14	-38	32	34	-25	5	22	-26	5
Costa Rica	11	-15	1	8	-18	155	47	-67	-5	9	-17	90
Dominican Republic	21	16	20	25	-45	10	89	-70	193	25	-29	16
Ecuador	17	-15	2	4	-38	-17	160	91	17	16	-16	1
El Salvador	25	-3	-9	2	-55	28	64	33	-41	14	-20	-3
Guatemala	9	-17	24	20	31	-32	126	-60	17	11	-6	6
Honduras	18	-2	19	0	17	-29	-41	163	432	12	2	12
Mexico	17	-8	16	21	-25	19	26	-55	66	22	-32	27
Nicaragua	25	-12	24	11	120	-43	581	-100	2 665	25	-8	9
Panama	4	-38	-5	21	-36	12	43	-78	395	14	-38	9
Paraguay	19	-28	165	4	-52	100	93	-90	130	17	-30	161
Peru	19	-3	19	3	-30	50	46	-30	103	17	-21	54
Uruguay	22	-22	20	15	-25	67	7	24	15	19	-23	35
Venezuela (Bolivarian Republic of)	-2	-24	-12	15	-48	-7	42	-41	-7	34	-42	-7
Latin America and the Caribbean	15	-19	2	17	-31	27	35	-44	39	20	-30	20

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EUROSTAT.
Note: The highlighted cells correspond to growth rates above 100%.

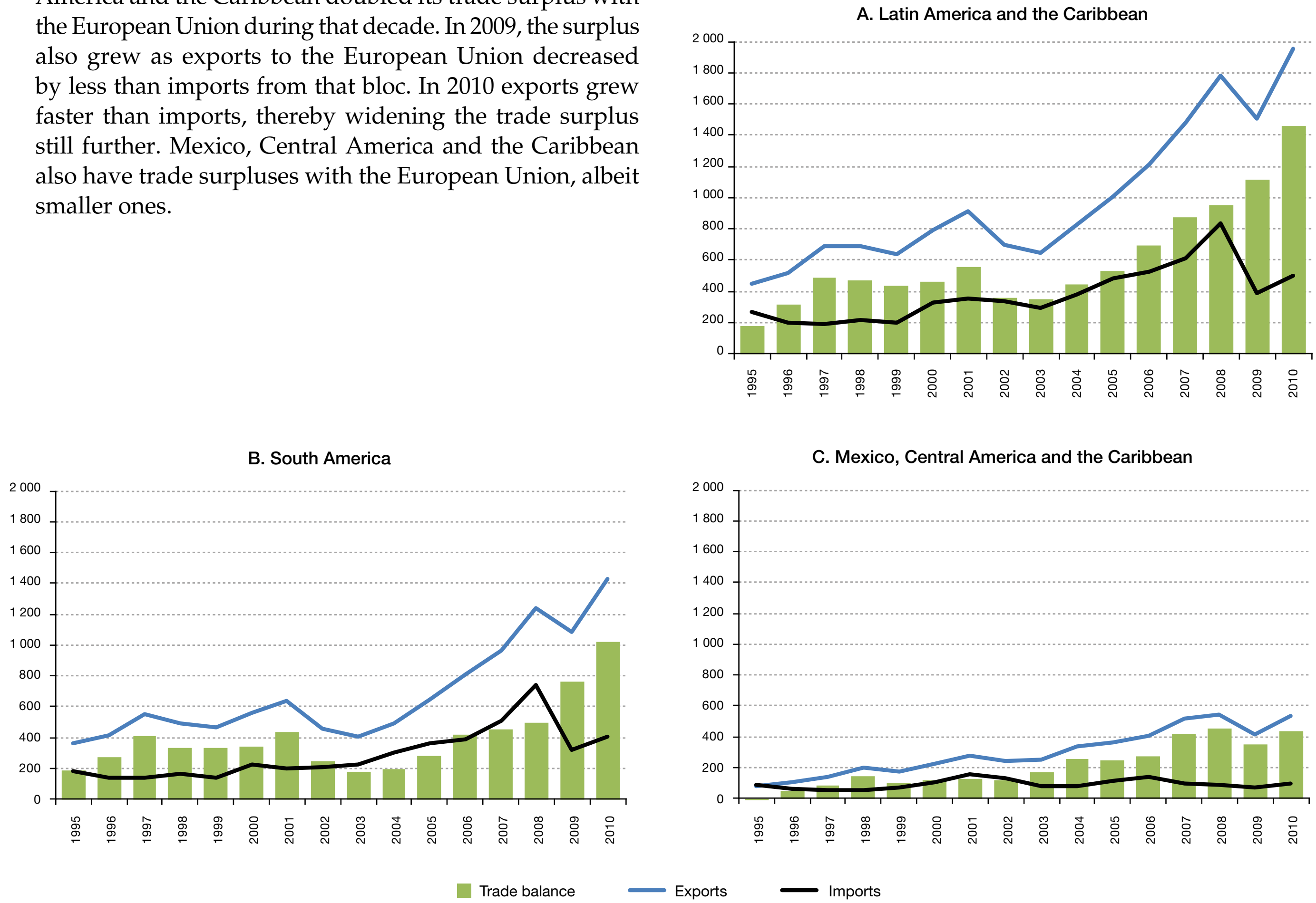
6. While the region as a whole has a positive trade balance with the European Union, South America has the largest surplus

- Given the rapid growth of the value of South American exports to the European Union between 2003 and 2008, in conjunction with a moderate increase in imports, Latin America and the Caribbean doubled its trade surplus with the European Union during that decade. In 2009, the surplus also grew as exports to the European Union decreased by less than imports from that bloc. In 2010 exports grew faster than imports, thereby widening the trade surplus still further. Mexico, Central America and the Caribbean also have trade surpluses with the European Union, albeit smaller ones.

Figure II.4

Latin America and the Caribbean: exports, imports and trade balance with the European Union

(Millions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EUROSTAT.

7. Nearly two thirds of the European Union's international trade takes place within the European Union itself. Of the remainder, only 2% to 3% was with Latin America and the Caribbean during the last decade

- In the first ten years of the new millennium, Latin America and the Caribbean gradually recovered the share of European trade that it had lost over the previous two decades. From 2000 to 2010, Latin America's share of total European Union exports grew from 2.2% to 2.3% and its share of imports expanded 2% to 2.4%. In terms of its share of the European Union's extraregional exports and imports, Latin America accounts for 5%.
- More generally, intra-European trade became more important throughout the entire period in terms of both exports and imports.
- Asia's share exhibited a divergent trend: while Japan's significance grew between 1980 and 1990 before fading, China and the rest of Asia increased their share of European Union trade on a sustained basis.

Table II.4

European Union: share of trade partners, 1980-2010

(Percentages)

		1980	1990	2000	2009	2010
Exports	Asia	3.0	5.0	5.3	6.7	7.2
	China	0.4	0.5	1.0	2.5	2.9
	Japan	0.9	2.0	1.7	1.1	1.1
	European Union	60.1	66.0	65.6	65.0	65.3
	Latin America and the Caribbean	2.7	1.5	2.2	2.0	2.3
	United States	5.1	6.7	9.0	6.4	6.2
	Rest of the World	29.1	20.7	17.9	19.9	18.9
Imports	Asia	4.7	7.7	11.0	13.4	12.8
	China	0.4	0.9	2.9	7.1	7.1
	Japan	2.5	4.3	3.7	2.0	1.6
	European Union	53.4	63.7	60.7	59.7	62.2
	Latin America and the Caribbean	3.2	2.3	2.0	2.4	2.4
	United States	7.7	6.9	8.0	5.5	4.3
	Rest of the World	31.0	19.3	18.3	19.0	18.3
Total Trade	Asia	3.9	6.4	8.2	10.1	10.0
	China	0.4	0.7	1.9	4.8	5.0
	Japan	1.7	3.2	2.7	1.6	1.4
	European Union	56.6	64.9	63.2	62.3	63.8
	Latin America and the Caribbean	3.0	1.9	2.1	2.2	2.3
	United States	6.4	6.8	8.5	6.0	5.3
	Rest of the World	30.1	20.0	18.1	19.5	18.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from COMTRADE of the United Nations Statistics Division and 2010 data from EUROSTAT.
Note: Data for 1980 and 1990 do not include Bulgaria, Estonia, Latvia, Lithuania, Romania or Slovenia.

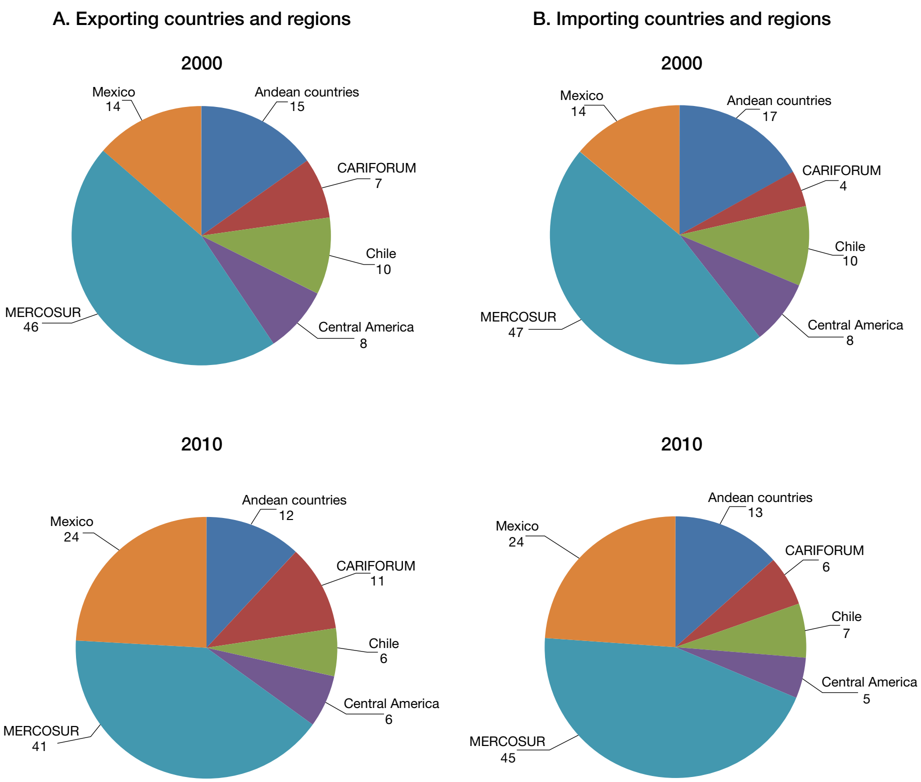
8. Trade between Latin America and the Caribbean and the European Union is concentrated in few countries

- In 2010, MERCOSUR generated nearly half of all Latin American exports to the European Union while Andean countries and Mexico accounted for 17% and 14% of exports, respectively. Of the remaining countries, Chile represented 10% and Central America 8% of exports. These shares changed little over the past decade with the exception of a small decrease among CARIFORUM countries and a slight increase in the shares of certain other countries and regions.
- The geographical composition of Latin American imports from the European Union differs somewhat from the pattern of its exports. While Mexico and CARIFORUM represented a larger share, the Andean countries, Central America and Chile were less important. Over the last decade, the pattern has changed little, although the CARIFORUM share diminished and MERCOSUR gained.

Figure II.5

Latin America and the Caribbean: geographical composition of trade with the European Union

(Percentages)



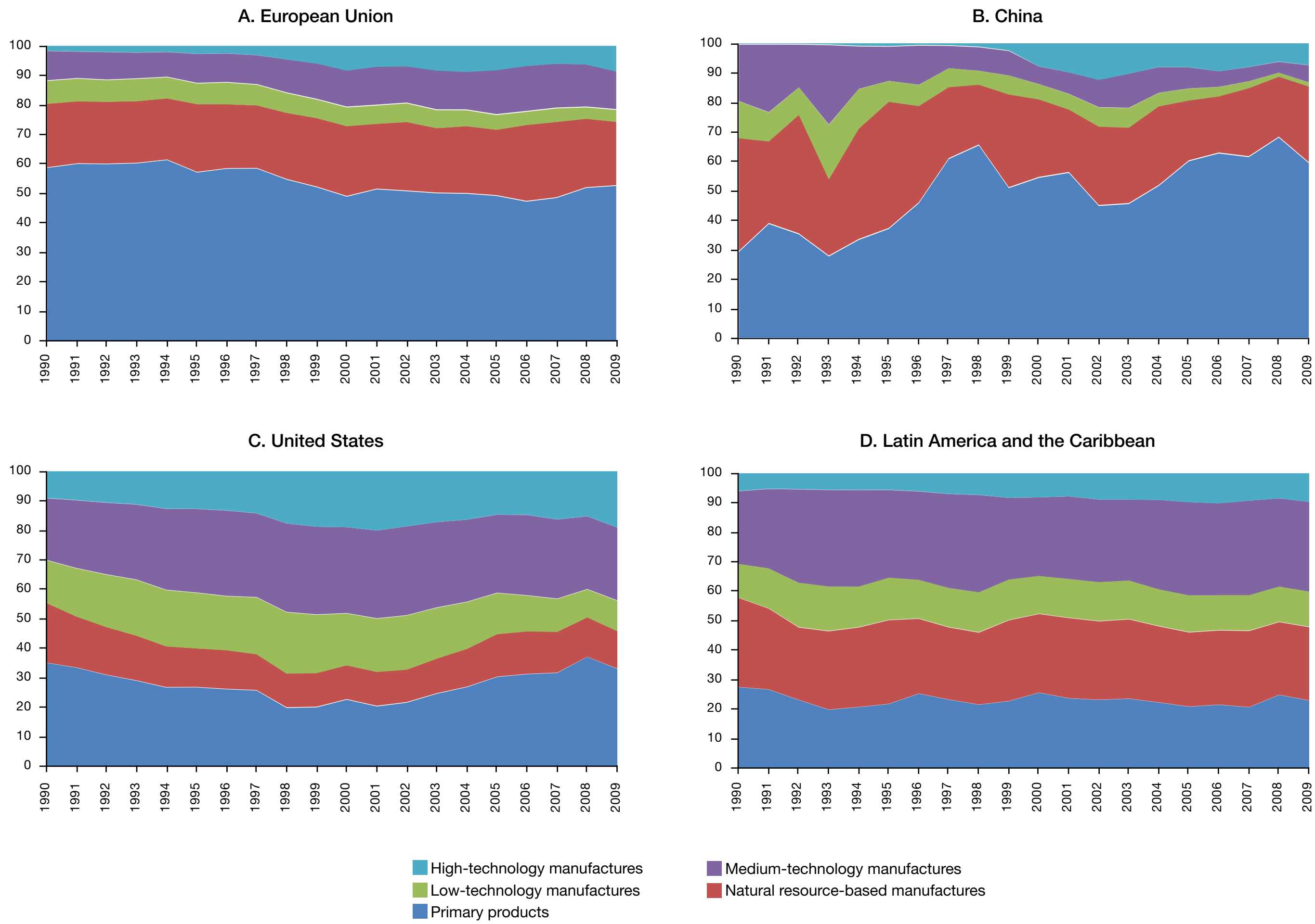
Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EUROSTAT.

9. The region's exports to the European Union are more intensive in processed natural resources than products exported to the United States or sold within the region itself

■ **Figure II.6** ■

Latin America and the Caribbean: composition of exports to selected trade partners by technological component, 1990-2009

(Percentages)



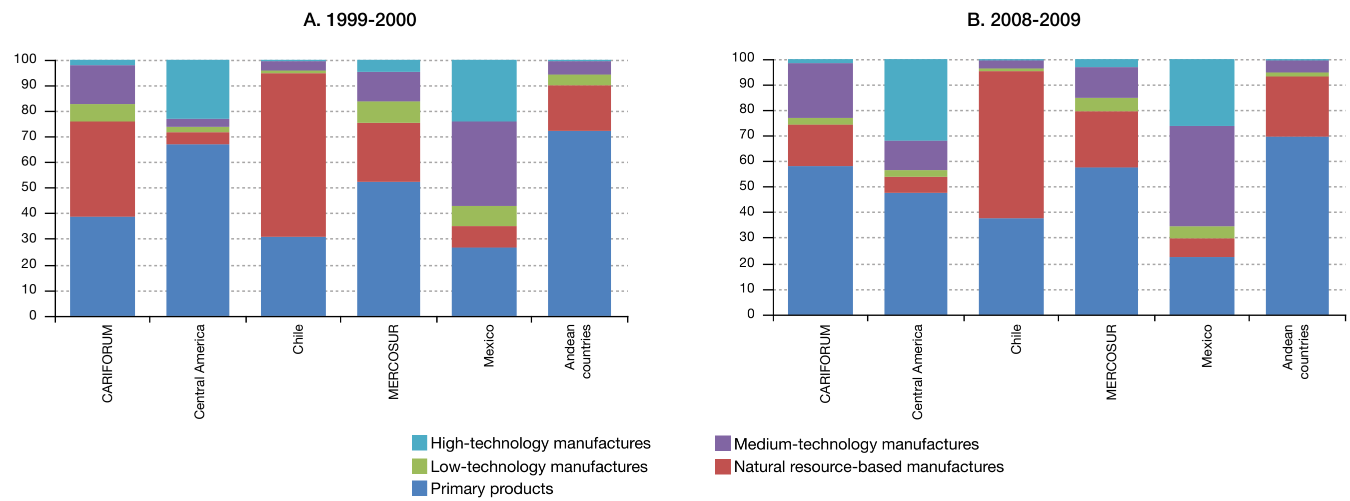
Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from COMTRADE of the United Nations Statistics Division.

10. Mexico's exports to the European Union are more technology-intensive than products exported from the rest of the region

- Exports to the European Union from all Latin American countries and subregions, apart from Mexico, are predominantly natural resources or natural-resource-based manufactures. These two categories account for the lion's share of Chilean exports (copper and copper ores) and those from Andean countries (refined or unrefined energy products) and also represent over 70% of MERCOSUR and CARIFORUM sales to the European Union. Only in the case of Mexico, and to a lesser extent Central America, do medium- and high-technology products account for more than 40% of sales to the European Union. This technological composition has remained broadly unchanged throughout the last 10 years.

■ Figure II.7 ■

Countries/subregions: technological intensity of exports to the European Union, 1999-2000 and 2008-2009



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from COMTRADE of the United Nations Statistics Division.
Note: The Andean countries are the Bolivarian Republic of Venezuela, Colombia, Ecuador, Peru and the Plurinational State of Bolivia. Central America encompasses Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

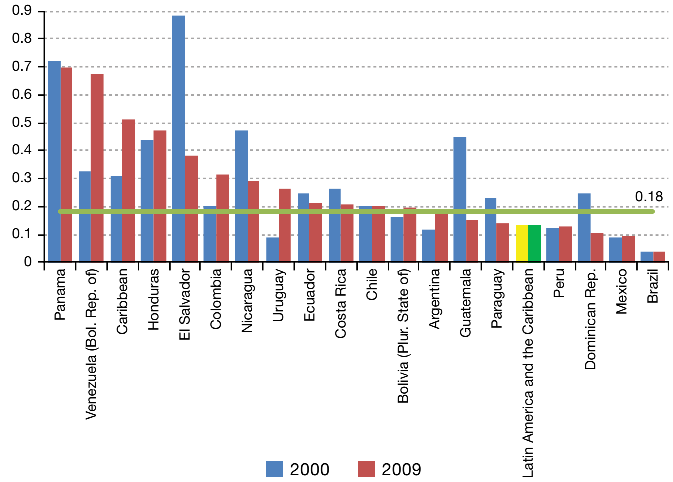
11. Latin American exports to the European Union have not diversified much over the last decade

- The composition of Latin American and Caribbean exports to the European Union is moderately concentrated, but there are significant differences between countries. Panama and the Bolivarian Republic of Venezuela have the most concentrated export baskets, while the largest exporters, Brazil and Mexico, sell a broader range of products.
- Between 2000 and 2009, there were contrasting trends among countries as export baskets became more concentrated in some cases (e.g. the Bolivarian Republic of Venezuela, Caribbean countries and Uruguay) but more diversified in others (e.g. El Salvador, Guatemala and Nicaragua).

Figure II.8

Latin American and Caribbean countries: concentration of exports to the European Union

(Herfindahl-Hirschman Index)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from COMTRADE of the United Nations Statistics Division.

Note: The Herfindahl-Hirschman Index (HHI) measures the level of diversification or concentration of products exported from one country to another. An HHI lower than 0.10 indicates a diversified export basket; an HHI between 0.10 and 0.18 is considered moderately concentrated; and an HHI higher than 0.18 is considered highly concentrated. LAC refers to Latin America and the Caribbean.

12. On average, Latin American and Caribbean countries sell fewer products to the European Union than they sell within the region or to the United States, but more than to Asia and China

■ **Table II.5** ■

Latin American and Caribbean countries: number of products exported to selected markets, average 2008-2009

(Calculations based on the six-digit Harmonized System)

	European Union	United States	Latin America and the Caribbean	Asia	China
Argentina	2 263	1 716	3 858	1 470	529
Bolivia (Plurinational State of)	352	353	682	175	41
Brazil	3 129	2 853	3 997	2 531	1 185
Chile	1 459	1 379	3 131	874	315
Colombia	1 328	1 809	3 321	588	161
Costa Rica	768	1 533	2 558	473	181
Dominican Republic	571	1 172	1 174	198	82
Ecuador	772	1 046	1 795	265	67
El Salvador	346	1 019	2 493	169	37
Guatemala	872	1 515	3 351	471	183
Honduras	382	1 000	1 842	284	101
Mexico	2 807	4 163	3 920	2 230	1 143
Nicaragua	166	885	1 804	107	39
Panama	85	187	294	54	25
Paraguay	322	228	1 003	115	62
Peru	1 579	1 737	2 914	889	248
Uruguay	751	437	1 479	285	116
Venezuela (Bolivarian Republic of)	912	533	2 095	331	114
Caribbean	293	825	955	81	28
Latin America and the Caribbean	878	1 222	2 026	531	215

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from COMTRADE of the United Nations Statistics Division.

13. Except for Mexico, Latin American exports to the European Union are concentrated in commodities such as bananas, beef, coal, coffee, copper, iron and steel, natural gas, oil and soybeans

- Only Mexico and Costa Rica have more than one manufactured product among their top five exports to the European Union.

Table II.6

Latin America and the Caribbean: top five products exported to the European Union country average, 2007-2009
(Percentage of total exports)

Country	1st product	2nd product	3rd product	4th product	5th product	Five main products
Argentina	Soybean 36	Beef 4	Corn 4	Copper and concentrates 3	Unroasted peanuts 3	52.7
Bolivia (Plurinational State of)	Nuts 14	Tin and alloys 14	Lead and concentrates 11	Zinc and concentrates 11	Monohydric alcohol 8	61.3
Brazil	Iron and concentrates 10	Soybean 9	Soybean cakes 7	Unroasted coffee 4	Chemical wood pulp 4	36.3
Chile	Copper 42	Copper and concentrates 12	Wines 5	Chemical wood pulp 4	Fruits 4	69.3
Colombia	Coal 42	Bananas 21	Unroasted coffee 10	Iron alloys 6	Cut flowers and foliage 2	83.3
Costa Rica	Parts for office machines 46	Bananas 20	Fruits 16	Integrated circuits 3	Medical instruments 1	88.6
Dominican Republic	Iron alloys 20	Bananas 19	Medical instruments 10	Spirituous beverages 9	Cocoa beans 7	66.6
Ecuador	Bananas 43	Fish, prepared 16	Frozen crustaceans 13	Cut flowers and foliage 4	Cocoa beans 3	81.6
El Salvador	Unroasted coffee 41	Fish, prepared 27	Shirts 9	Electric condensers 6	Monohydric alcohol 3	89.0
Guatemala	Unroasted coffee 35	Monohydric alcohol 7	Cut flowers and foliage 6	Tobacco 5	Fish, prepared 4	58.9
Honduras	Unroasted coffee 53	Fruits 8	Frozen crustaceans 7	Palm oil 4	Shirts 3	76.5
Mexico	Petroleum 20	Passenger vehicles 18	Medical instruments 7	Telephone parts 3	Semi-finished iron 2	52.2
Nicaragua	Unroasted coffee 47	Frozen crustaceans 22	Unroasted peanuts 6	Monohydric alcohol 5	Other legumes 2	84.0
Panama	Ships and vessels 45	Bananas 29	Fruits 7	Frozen fish 5	Frozen crustaceans 2	89.8
Paraguay	Soybeans 61	Other 10	Firewood 5	Soybean cakes 3	Bovine hides 1	83.2
Peru	Copper and concentrates 20	Copper 13	Zinc and concentrates 10	Unroasted coffee 7	Waste meat and offal 6	58.0
Uruguay	Beef, frozen 12	Beef, fresh 12	Chemical wood paste 8	Bovine hides 7	Splinter wood 6	46.9
Venezuela (Bolivarian Republic of)	Petroleum 64	Iron alloys 6	Coal 4	Petroleum asphalt 4	Iron and concentrates 2	82.2
Caribbean	Natural gas, liquefied 24	Ships and vessels 11	Aluminum 9	Petroleum 9	Sugar 6	61.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from United Nations Commodity Trade Statistics Database (COMTRADE).
Note: The Caribbean includes Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago. Special transactions and non-classified products are excluded. The product description has been adapted to fit available space.

14. With the exception of Mexico, the region participates little in European value chains as shown by its low levels of intra-industry trade

- Few Latin American countries have a high level of intra-industry trade with the European Union, except for Mexico, Brazil and, to a lesser extent, Panama and the Dominican Republic.

Table II.7

Intra-industry trade between Latin America and the European Union, 2007-2009

(Grubel and Lloyd Index)

	Germany	Austria	Belgium	Denmark	Spain	Finland	France	Greece	Ireland	Italy	Luxembourg	Netherlands	Portugal	United Kingdom	Sweden	12 CEECs[a]
Argentina	0.10	0.06	0.07	0.01	0.10	0.05	0.10	0.04	0.04	0.10	0.01	0.04	0.02	0.11	0.07	0.02
Bolivia (Plurinational State of)	0.01	0.05	0.03	0.01	0.03	0.00	0.01	0.00	0.03	0.03	0.00	0.05	0.00	0.05	0.00	0.02
Brazil	0.24	0.14	0.16	0.21	0.19	0.07	0.20	0.06	0.06	0.18	0.22	0.12	0.08	0.16	0.24	0.07
Chile	0.04	0.03	0.07	0.02	0.05	0.01	0.03	0.01	0.06	0.02	0.00	0.04	0.04	0.11	0.02	0.03
Colombia	0.02	0.02	0.02	0.03	0.10	0.00	0.03	0.04	0.01	0.04	0.52	0.06	0.01	0.02	0.02	0.02
Costa Rica	0.06	0.01	0.00	0.03	0.04	0.01	0.06	0.00	0.11	0.03	0.00	0.05	0.00	0.01	0.03	0.01
Dominican Republic	0.14	0.06	0.06	0.00	0.09	0.01	0.17	0.02	0.14	0.10	0.00	0.12	0.03	0.08	0.01	0.03
Ecuador	0.01	0.02	0.00	0.01	0.05	0.01	0.04	0.00	0.00	0.02	0.00	0.06	0.01	0.02	0.01	0.01
El Salvador	0.02	0.01	0.00	0.00	0.05	0.02	0.02	0.01	0.00	0.02	0.00	0.09	0.00	0.04	0.01	0.05
Guatemala	0.02	0.03	0.01	0.03	0.06	0.02	0.03	0.00	0.01	0.03	0.00	0.12	0.01	0.06	0.01	0.00
Honduras	0.03	0.01	0.02	0.00	0.03	0.01	0.01	0.00	0.01	0.03	0.13	0.11	0.00	0.01	0.00	0.02
Mexico	0.31	0.24	0.24	0.14	0.13	0.25	0.28	0.03	0.10	0.14	0.03	0.17	0.06	0.30	0.13	0.16
Nicaragua	0.02	0.02	0.00	0.01	0.02	0.00	0.01	0.00	0.02	0.03	0.00	0.05	0.00	0.01	0.00	0.00
Panama	0.23	0.03	0.02	0.03	0.07	0.01	0.05	0.16	0.00	0.15	0.00	0.08	0.01	0.03	0.01	0.06
Paraguay	0.02	0.01	0.00	0.00	0.01	0.01	0.02	0.00	0.00	0.01	0.00	0.01	0.00	0.01	0.01	0.01
Peru	0.02	0.03	0.04	0.02	0.04	0.00	0.03	0.00	0.02	0.03	0.01	0.06	0.01	0.06	0.01	0.03
Uruguay	0.02	0.02	0.03	0.03	0.07	0.01	0.04	0.02	0.02	0.08	0.00	0.03	0.01	0.04	0.01	0.01
Venezuela (Bolivarian Republic of)	0.03	0.01	0.02	0.00	0.04	0.00	0.01	0.00	0.01	0.06	0.00	0.05	0.00	0.02	0.00	0.00
Latin America and the Caribbean	0.19	0.11	0.12	0.08	0.10	0.07	0.14	0.05	0.07	0.11	0.10	0.09	0.05	0.14	0.11	0.09

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from United Nations Commodity Trade Statistics Database (COMTRADE).
Note: Red shading: intra-industry trade >0.33; Yellow shading: potential intra-industry trade >0.1 and <0.33. The European Union was considered as a single trading partner.

[a] Central and Eastern European Countries.

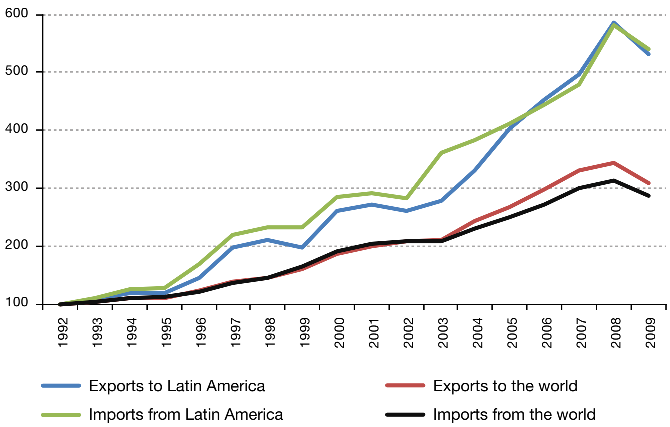
15. Trade in services grew faster between the European Union and Latin America than between the European Union and the rest of the world

- In the 1990s and the first decade of the new millennium, prior to the crisis, trade in services between the European Union and Latin America grew almost six-fold whereas trade in services between the European Union and the world only tripled.
- As a result of these dynamic bilateral relations, Latin America and the Caribbean grew in importance as a market for European exports and, likewise, Latin American exporters also managed to grow their share of the European market. Nonetheless, there are significant differences between the eleven categories of services: European exporters achieved the strongest growth in communication services and in royalty and licence services.
- The European market absorbs about one quarter of Brazilian exports and at least 20% of Chilean exports, as shown by data for the few countries in the region that report exports of services by destination.

■ **Figure II.9** ■

European Union: trade in services with Latin America and the world

(Index 1992=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of EUROSTAT.

Note: Between 1992 and 2003, the data correspond to EU15; the 12 new member countries are added as from 2004.

■ **Table II.8** ■

Latin American and Caribbean share of trade in services with the European Union

(Percentages)

	Credit		Debit	
	2004	2009	2004	2009
Total services	2.8	3.8	3.7	4.1
Transport	3.6	4.6	3.7	4.2
Travel	1.4	1.8	4.5	4.2
Other services	3.1	4.2	3.2	4.1
Communications	1.4	2.9	2.1	6.0
Information technology	1.1	2.3	0.7	1.0
Construction	5.2	6.6	4.0	2.8
Financial	5.2	5.2	2.2	2.7
Government	1.7	3.7	3.4	2.7
Insurance	4.0	7.1	4.9	5.2
Other business services	3.1	4.0	2.2	2.7
Personal, cultural and recreational	1.7	2.0	1.2	1.3
Royalties and licensing	2.6	4.8	9.4	11.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of EUROSTAT.

16. Although the European Union and the United States have both signed several trade agreements with Latin American and Caribbean countries, the European Union is currently more active in trade negotiations

- In June 2010, the European Union and MERCOSUR resumed negotiations for an Association Agreement which had been suspended since 2004; the European Union and Ecuador are also considering reviving bilateral negotiations. If these initiatives succeed, the European Union could have a network of preferential trade agreements with some 30 countries in the region by 2012-2013. The United States, in contrast, has not embarked on any new free trade negotiations since signing FTAs with Colombia (2006) and Panama (2007). Although these were both ratified by the United States Congress in October 2011, neither has yet been implemented.

Table II.9

European Union and United States: trade agreements with Latin American and Caribbean countries and country groups as of April 2011

	European Union			United States		
	In force	Signed/initialled	In negotiations	In force	Signed/initialled	In negotiations
Groups						
CARIFORUM [a]	X					
Central American Common Market (CACM) [b]		X		X		
MERCOSUR			X			
Countries						
Chile	X			X		
Colombia		X [c]			X	
Mexico	X			X		
Panama [d]		X			X	
Peru		X [c]		X		
Total countries	17	8	4 [e]	9	2	0

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official information.

[a] Includes 14 CARICOM Member States and the Dominican Republic.

[b] In March 2011, the Central American Common Market (CACM) and the European Union initialled an Association Agreement that includes a Free Trade Agreement. Panama is also a signatory of the Association Agreement. The CACM countries and the Dominican Republic also have an FTA with the United States.

[c] The European Union negotiated a trade agreement with Colombia and Peru.

[d] Part of the Association Agreement between the European Union and CACM.

[e] There will be five countries when the Bolivarian Republic of Venezuela becomes a full member of MERCOSUR.

17. The trade agreements most recently negotiated by the European Union and the United States with countries in the region have more similarities than differences in their coverage

■ **Table II.10** ■

Topics covered in trade agreements negotiated by the European Union and the United States with Latin American and Caribbean countries and country groups [a]

Subject matter	European Union Agreements					United States Agreements					
	Mexico	Chile	CARIFORUM	Central America	Colombia and Peru	Mexico	Chile	Peru	CAFTA-DR	Colombia	Panama
Tariff elimination	X	X	X	X	X	X	X	X	X	X	X
Customs administration/ Trade facilitation	X	X	X	X	X	X	X	X	X	X	X
Trade remedies	X	X	X	X	X	X	X	X	X	X	X
Cross-border trade in services	X	X	X	X	X	X	X	X	X	X	X
Investment/Establishment	X	X	X	X	X	X	X	X	X	X	X
Temporary entry of business persons		X	X	X	X	X	X	X	X	X	X
Financial services	X	X	X	X	X	X	X	X	X	X	X
Telecommunications		X	X	X	X	X	X	X	X	X	X
Electronic commerce		X	X	X	X		X	X	X	X	X
Government procurement	X	X	X	X	X	X	X	X	X	X	X
Intellectual property	X	X	X	X	X		X	X	X	X	X
Competition policy	X	X	X	X	X	X	X	X		X	
Labour			X	X	X	X	X	X	X	X	X
Environment			X	X	X	X	X	X	X	X	X
Dispute settlement	X	X	X	X	X	X	X	X	X	X	X
Regional economic integration			X	X	X						
Cooperation	X	X	X	X	X			X	X	X	X

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of SICE-OAS and European Commission data.

[a] Although the topics mentioned generally have their own chapters in the respective agreements, in some cases the topic is included even if it is not addressed in a specific chapter.

18. Despite these similarities, however, there are significant differences in the way the topics covered are treated

- The agreements negotiated by the European Union and the United States are generally comprehensive and include not only removing tariffs on the majority of goods but also commitments on trade in services, investment, government procurement and intellectual property, among others. These commitments usually go beyond those agreed to by the European Union, the United States or Latin America and the Caribbean in World Trade Organization (WTO) Agreements.
- There are also significant differences:
  - The agreements negotiated by the European Union aim explicitly to strengthen regional integration mechanisms in Latin America and the Caribbean. For example, the agreements with Central America and CARIFORUM include various provisions to strengthen economic integration in both subregions and the agreement with Colombia and Peru specifies accession by other Andean Community countries as an explicit objective.
  - The Association Agreements negotiated by the European Union are usually more comprehensive and include provisions on political dialogue and cooperation on a broad array of topics apart from trade (e.g. culture, education, energy, science and technology, tourism, etc.). The European Union-CARIFORUM Agreement includes asymmetric liberalization commitments giving preferential treatment to the latter's goods and services, in addition to cooperation commitments for capacity building in different areas.
  - The agreements negotiated by the United States include the removal of tariffs on nearly all agricultural products, whereas the European Union agreements maintain significant exceptions in this regard.
  - The European Union agreements use a positive-list approach for negotiating services and investments where commitments on national treatment and market access apply only to the sectors and modes of supply actually specified by each partner. In contrast, the agreements negotiated by the United States use a negative-list approach in which only those sectors and modes of supply to be excluded are listed. While the latter approach is more transparent, it is unclear whether it leads to greater liberalization *per se*.
  - On investment, the agreements negotiated by the United States are more demanding and include provisions on expropriation, fair and equitable treatment, prohibition of performance requirements and an investor-State dispute settlement mechanism. Although these provisions are usually not covered by the FTAs negotiated between the European Union and Latin American countries, they are generally included in bilateral investment treaties signed between individual European Union countries and their Latin American counterparts.
  - The agreements signed with the United States are usually more demanding with respect to intellectual property rights than the European ones, except in terms of geographical indications for food products, wines and spirits, where the opposite is true.
  - The agreements negotiated by the United States generally do not provide for the accumulation of origin between its different partners in the region. In contrast, the most recent agreements negotiated by the European Union (those with Central America and with Colombia and Peru) consider that option explicitly.

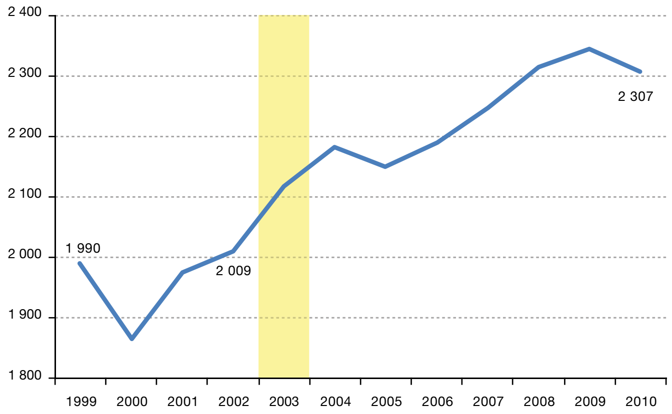
19. The number of products exported by Chile to the European Union increased after the Association Agreement entered into force in 2003

- Between 2002 and 2010, the number of products exported by Chile to the European Union increased from 2,009 to just over 2,300 —15% more than before the Association Agreement between Chile and the European Union came into effect. These new export products grew by over 50% in value terms, whereas products that were already being exported before the Agreement grew by only 8.3%. On average, the new products represented 9% of Chile's total exports to the European Union in 2007-2010 (table II.11)

■ **Figure II.10** ■

European Union: number of products imported from Chile

(Number of products at the 8-digit level of the European Harmonized System)

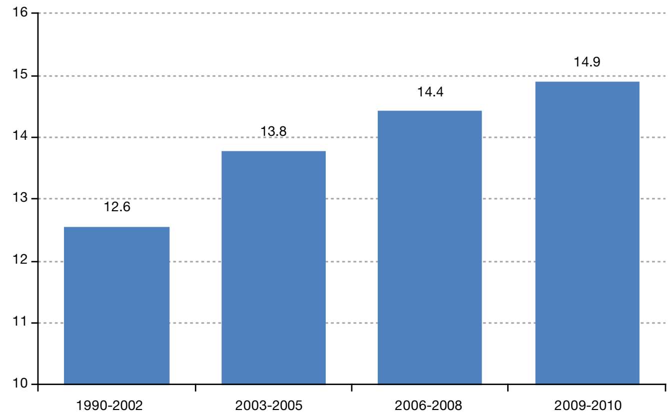


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EUROSTAT.
Note: Analysis performed using mirror statistics based on EUROSTAT (European Union imports from Chile).

■ **Figure II.11** ■

European Union: percentage of tariff lines imported from Chile

(Percentage of total tariff lines at the 8-digit level of the European Harmonized System)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EUROSTAT.
Note: The European tariff universe includes 15,600 lines.

■ **Table II.11** ■

Chile: exports to the European Union, 2003-2010

(Percentage of total European Union imports from Chile)

Type of products	Share in total exports		Annual average rate of growth
	2003-2006	2007-2010	2003-2010
Exported prior to 2003	96.0	90.7	8.3
Newly-exported products post-2003	4.0	9.3	50.7
All products	100.0	100.0	9.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EUROSTAT.

20. Newly-exported products by Chile to the European Union include wine, fresh apples and salmon

- An analysis of changes in the structure of Chilean exports to the European Union before and after the Association Agreement was implemented shows that few products benefited and increased their share of total exports. Traditional goods that were already being exported prior to the Agreement and that also managed to increase their share include products in the copper cluster, including non-refined copper which rose in rank from 18 to 3.
- Also, chemical wood paste and fresh grapes increased their share to gain a place among the top 30 products.
- Among the new products which had hardly been exported before the Agreement, the main increases occurred in fresh apples, wines, and fillets of Pacific salmon. All these products have benefited from the Agreement.
- At first glance, these new products seem to be a positive sign in terms of the diversification of exports to the European Union. Nonetheless, exports remain concentrated in a small number of primary products which poses a challenge for Chilean exporters to diversify their exports in the framework of the Agreement.

Table II.12

Chile: main products exported to the European Union following implementation of the Association Agreement

(By order of importance and as a percentage of the total)

HS European Union	Product description	Before 1999-2002	After 2009-2010	1999-2002	2009-2010
74031100	Refined copper cathodes	1	1	34.3	30.5
26030000	Copper and concentrates	2	2	7.6	12.5
74020000	Unrefined copper	18	3	0.9	6.5
47032900	Chemical wood pulp (eucalyptus)	9	4	2.1	3.5
08061010	Fresh grapes	6	5	2.7	3.2
26131000	Toasted molybdenum and concentrates	12	6	1.4	2.5
74031900	Other refined copper	7	7	2.5	2.2
08081080	Fresh apples	n.e.	8	0.0	2.0
47032100	Chemical wood paste (coniferous)	3	9	5.4	1.9
22042185	Bottled white wine <= 2ltr. (13% a 15% de vol.)	n.e.	10	0.0	1.4
22042197	Bottled tokay wines <= 2ltr. (18% a 22% de vol.)	n.e.	11	0.0	1.4
22042198	Other bottled wines <= 2ltr. (18% a 22% de vol.)	n.e.	12	0.0	1.1
08105000	Kiwis	16	13	1.1	1.0
03042913	Frozen fillets of Pacific salmon	n.e.	14	0.0	1.0
28342100	Potassium nitrate	27	15	0.6	1.0
28012000	Iodine	22	16	0.7	0.9
31042050	Potassium chlorine	157	17	0.0	0.9
23012000	Fish meal	19	18	0.9	0.8
44123900	Plywood	n.e.	19	0.0	0.8
26139000	Molybdenum minerals and concentrates	31	20	0.5	0.8
08044000	Fresh avocados	188	21	0.0	0.8
22042184	White wines in containers	8	22	2.3	0.7
72027000	Ferromolybdenum	58	23	0.2	0.7
08082050	Fresh pears	21	24	0.8	0.6
71081200	Non-monetary gold	4	25	4.4	0.6
16059019	Mussels, prepared	140	26	0.5	0.5
10051015	Maize seeds	51	27	0.2	0.5
28257000	Molybdenum oxide	96	28	0.1	0.5
26070000	Lead minerals and concentrates	234	29	0.0	0.5
08132000	Prunes	53	30	0.2	0.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EUROSTAT.
Note: The highlighted lines are new products or those not included among the 100 most important products.
n.e. indicates that the product in question was either not exported by Chile to the European Union at all, or exported in insignificant quantities only.

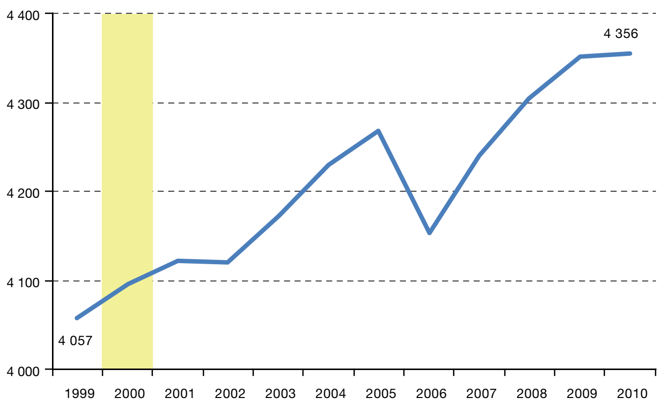
21. Mexico has also increased the number of products exported to the European Union since its Association Agreement entered into force in 2000

- EUROSTAT mirror statistics show that, between 1999 and 2010, the number of products exported from Mexico to the European Union increased from 4,057 to more than 4,350 —a 7% increase compared to the period before the Association Agreement entered into force. In value terms, exports of these new products grew on average by just over 37% per year, whereas those that were already being exported prior to the Association Agreement grew by an average of 1.1% a year (see table II.13).

Figure II.12

European Union: number of products imported from Mexico

(Number of products at the 8-digit level of the European Harmonized System)

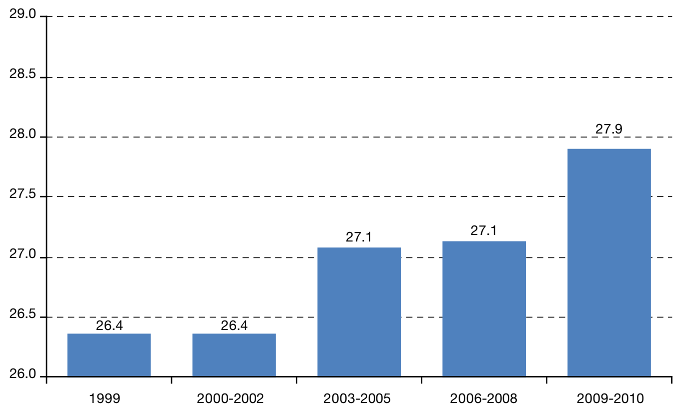


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EUROSTAT.
Note: Analysis conducted using mirror statistics based on EUROSTAT (European Union imports from Mexico).

Figure II.13

European Union: percentage of tariff lines imported from Mexico

(Number of products at the 8-digit level of the European Harmonized System)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of EUROSTAT.

Table II.13

Mexico: exports to the European Union, 2003-2010

(Percentage of total European Union imports from Mexico)

Type of product	Proportion of total exports to the European Union		Annual average rate of growth
	2000-2005	2006-2010	2003-2010
Exported prior to 2000	90.6	67.5	1.1
Newly-exported products post-2000	9.4	32.4	37.0
All products	100.0	100.0	6.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of EUROSTAT.

22. Newly-exported products from Mexico to the European Union include motor vehicles and electronic manufactures

- An analysis of changes in the structure of Mexican exports to the European Union before and after the Association Agreement shows that market access for many Mexican manufactured goods improved.
- Products that were being exported before the Agreement and whose relative position improved include oil and passenger vehicles; the latter became Mexico's second most important export product.
- The top thirty export products include some products that were not previously exported at all, or only negligibly, but have now reached the top echelon. These include voice receivers, cellular phones and parts thereof, medical equipment and electronic instruments. Most of the items on this list are high-technology products.
- Commodities that improved their relative position include durum wheat and molybdenum.

Table II.14

Mexico: main products exported to the European Union after the implementation of the Association Agreement

(By order of importance and as percentage of total exports)

HS European Union	Product description	Before 1999	After 2009-2010	1999	2009-2010
27090090	Crude oil	1	1	16.3	17.9
87033219	Passenger vehicles 1,500 to 2,500 cc.	3	2	4.7	7.9
85176200	Equipment for voice reception	n.e.	3	0.0	6.6
85171200	Cell phones	n.e.	4	0.0	3.1
87032210	Passenger vehicles 1,000 to 1,500 cc.	n.e.	5	0.0	2.9
90189085	Veterinary medical equipment	209	6	0.1	2.8
85177090	Parts of cell phones and networks	n.e.	7	0.0	2.6
87032319	Passenger vehicles 1,500 to 3,000 cc.	2	8	6.2	2.5
90183900	Needles, catheters and dental equipment	349	9	0.0	1.9
90183190	Syringes	64	10	0.2	1.1
22030001	Beer	18	11	0.7	0.7
30049000	Other medicines	n.e.	12	0.0	0.7
90219090	Articles and equipment for handicapped persons	937	13	0.0	0.7
84717050	Hard disks	n.e.	14	0.0	0.7
84717080	Magnetic tapes	n.e.	15	0.0	0.7
79011100	Zinc, unprocessed	n.e.	16	0.0	0.6
9011100	Coffee	10	17	1.2	0.6
90318038	Electronic instruments	n.e.	18	0.0	0.6
84099900	Parts of diesel or semidiesel engines	53	19	0.3	0.6
84718000	Digital data units	n.e.	20	0.0	0.5
84715000	Digital data units	n.e.	21	0.0	0.5
29152400	Digital data units	94	22	0.1	0.5
10011000	Durum wheat	254	23	0.0	0.5
29153100	Ethyl Acetate	940	24	0.0	0.5
39041000	Vinyl chlorine	63	25	0.2	0.5
90262020	Instruments for gas control	n.e.	26	0.0	0.5
71081200	Platinum gold, non monetary	49	27	0.3	0.4
26131000	Toasted molybdenum and concentrates	564	28	0.0	0.4
29173600	Terephtalic acid and salts	12	29	1.1	0.4
88033000	Aircraft parts	n.e.	30	0.0	0.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of EUROSTAT.
Note: The shaded lines are new products or those which were not previously among the 100 leading products.
n.e. indicates that the product in question was either not exported by Mexico to the European Union at all or exported in insignificant quantities only.

23. Most of the dispute proceedings initiated by the European Union against Latin American countries at the World Trade Organization (WTO) involve Argentina, Brazil, Chile and Mexico

Table II.15

Disputes between the European Union and Latin American and Caribbean countries at the WTO (European Union as Complainant)

Subject matter of the dispute	Year initiated	Respondent	Agreements cited
Measures concerning customs valuation	1996	Mexico	GATT
Measures affecting textiles, clothing and footwear	1997	Argentina	TBT, TG, GATT
Certain measures affecting trade and investment in the automotive sector	1997	Brazil	SCM, TRIMS, GATT
Taxes on alcoholic beverages (2 disputes)	1997	Chile	GATT
Measures affecting import payment terms	1998	Brazil	IL, GATT
Safeguard measures on footwear imports	1998	Argentina	SAFEGUARDS, GATT
Countervailing duties on wheat gluten imports	1998	Argentina	SCM
Measures affecting bovine hide exports and finished leather imports	1998	Argentina	GATT
Anti-dumping measures applicable to imports of drill bits	1999	Argentina	Anti-dumping
Measures concerning import licensing and minimum import prices	1999	Brazil	IL, Agriculture, CV
Anti-dumping measures affecting imports of carton boards and ceramic tiles	2000	Argentina	Anti-dumping
Measures affecting the transit and importing of swordfish	2000	Chile	GATT
Provisional countervailing measures for olive oil	2004	Mexico	Agriculture, SCM
Countervailing duties on olive oil, wheat gluten and peaches	2005	Argentina	SCM, GATT
Measures affecting the importation of retreaded tyres	2005	Brazil	GATT
Definitive countervailing measures on imports of olive oil	2006	Mexico	Agriculture, SCM, GATT
Definitive countervailing measures on olive oil from the European Communities	2006	México	Agriculture, SCM, GATT
Total: 18 disputes			

Source: WTO (http://www.wto.org/english/tratop_e/dispu_e/find_dispu_cases_e.htm) and ECLAC Integrated Database of Trade Disputes for Latin America and the Caribbean (IDATD) http://badicc.eclac.cl/controversias/index_en.jsp.

Note: Abbreviations: **GATT**: General Agreement on Tariffs and Trade 1994, **TRIMs**: Trade-Related Investment Measures; **TBT**: Technical Barriers to Trade; **SCM**: Subsidies and Countervailing Measures; **IL**: Import Licensing; **TG**: Textiles and Garments; **CV**: Customs Valuation.

24. The vast majority of dispute proceedings initiated by Latin American countries against the European Union at the WTO relate to agricultural and fishery products. Half of the dispute proceedings were initiated by Brazil

Dispute concerning the European Union's import regime for bananas

The oldest trade dispute between countries from the region and the European Union concerned the latter's import regime for bananas. Between 1993 and 2007 eight panels were established in which several countries from the region contested the preferential treatment granted by the European Union to the importation of bananas from African, Caribbean and Pacific countries compared to those originating in Latin America. The different panels backed the claims made by Latin American countries. It was not until the "Geneva Agreement on Banana Trade" was signed in December 2009 that this dispute was resolved. After the agreement was announced, WTO Director General Pascal Lamy described this dispute as "one of the most technically complex, politically sensitive and commercially meaningful legal disputes ever brought to the WTO."

Source: World Trade Organization [online] http://www.wto.org/english/news_e/pres09_e/pr591_e.htm.

■ Table II.16 ■

Disputes between the European Union and Latin American and Caribbean countries at the WTO (European Union as Respondent)[a]

Subject matter of the dispute	Year started	Complainant	Agreements cited
Trade description of scallops	1995	Peru	TBT, GATT
Trade description of scallops	1995	Chile	TBT, GATT
Measures affecting the importation of certain poultry products	1997	Brazil	ALI, AA, GATT
Measures affecting differential and favourable treatment of coffee	1998	Brazil	GATT
Measures affecting soluble coffee	2000	Brazil	GATT
Anti-dumping duties on malleable cast iron tube or pipe fittings	2000	Brazil	AD, GATT
Trade description of sardines	2001	Peru	TBT, GATT
Measures affecting imports of wine	2002	Argentina	TBT, WTO, GATT
Export subsidies on sugar	2002	Brazil	AA, SCM, GATT
Customs classification of frozen boneless chicken cuts	2002	Brazil	GATT
Measures affecting the approval and marketing of biotech products	2003	Argentina	SPS, AA, TBT, GATT
Definitive safeguard measure on salmon	2005	Chile	SG, GATT
Measures affecting the tariff quota for fresh or chilled garlic	2006	Argentina	WTO, GATT
Seizure of generic drugs in transit	2010	Brazil	TRIPS, WTO, GATT

Source: WTO (http://www.wto.org/english/tratop_s/dispu_s/find_dispu_cases_e.htm#results) and ECLAC, Integrated Database of Trade Disputes of Latin America and the Caribbean (BADICC) (http://badicc.eclac.cl/controversias/).

[a] This list does not include the several disputes initiated by Latin American countries with respect to the European Union's import regime for bananas.

Note: Abbreviations: **AA**: Agreement on Agriculture; **AD**: Agreement on Antidumping. **ALI**: Agreement on Import Licensing; **GATT**: General Agreement on Tariffs and Trade of 1994; **SG**: Agreement on Safeguards; **SCM**: Agreement on Subsidies and Countervailing Measures; **SPS**: Agreement on Sanitary and Phytosanitary Measures; **TBT**: Agreement on Technical Barriers to Trade; **TRIPS**: Agreement on Trade Related Aspects of Intellectual Property Rights; **WTO**: Agreement establishing the World Trade Organization.

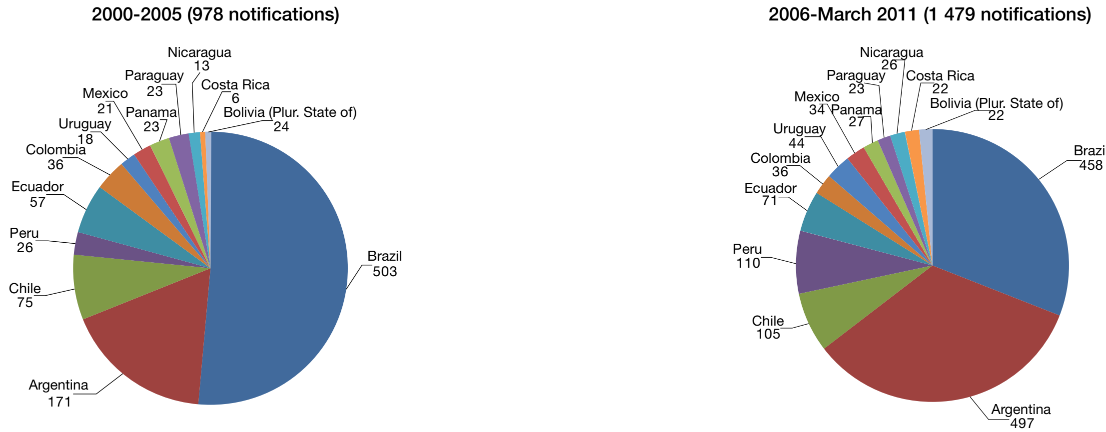
25. The European Union's Food Safety Authority reported a growing number of problems in food and feed imports from Latin America and the Caribbean

- Notifications of safety problems in food imports impose direct costs through loss of shipments, negative impacts on product prices and the potential loss of certain markets. Between 2006 and March 2011, Brazil received far fewer notifications than in the 2000-2005 period, whereas notifications on exports from Argentina increased sharply. Chilean exports were subject to a smaller increase in notifications, while those from Peru suffered a nearly five-fold increase between the two periods.
- The largest number of notifications referred to nuts, nut products and seeds, followed by fruits and vegetables, fish products and meat products (other than poultry). Other product categories with a significant number of notifications are raw materials for animal feed and poultry meat.

Figure II.14

Notification of problems in Latin American exports to the European Union by country of origin

(Number of notifications)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of European Food Safety Authority, Rapid Alert System for Food and Feed (RASFF) Portal Database.
Note: The countries included are Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

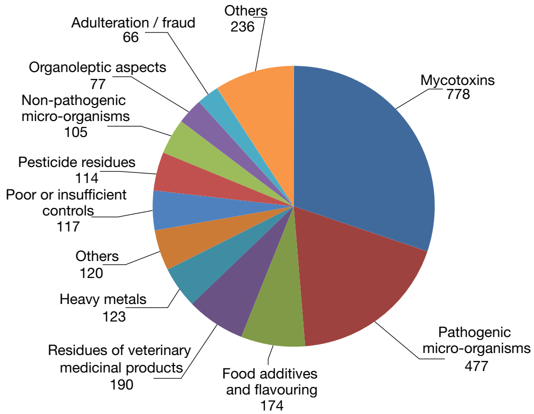
26. Nuts, nut products and seeds account for the largest number of notifications of safety problems in Latin American food and feed exports to the European Union

- The most serious problems notified in relation to shipments from Latin America and the Caribbean to the European Union include the presence of mycotoxins[2] and pathogenic microorganisms. These jointly account for about 50% of the 2,577 cases detected between 2000 and the first quarter of 2011.

■ Figure II.15 ■

Most common hazard categories notified in Latin American exports to the European Union, 2000-March 2011

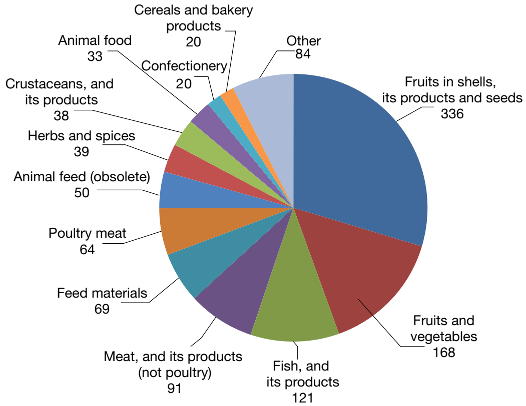
(Number of cases)



■ Figure II.16 ■

Notifications of problems in Latin American exports to the European Union by product categories, 2007-2010

(Number of cases)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of European Food Safety Authority, Rapid Alert System for Food and Feed (RASFF) Portal Database.
Note: The countries included are Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

2 Mycotoxins are toxic molecules produced by the growth of fungi in primary, food and feed products.

27. Latin America and the Caribbean lags behind the European Union in trade facilitation

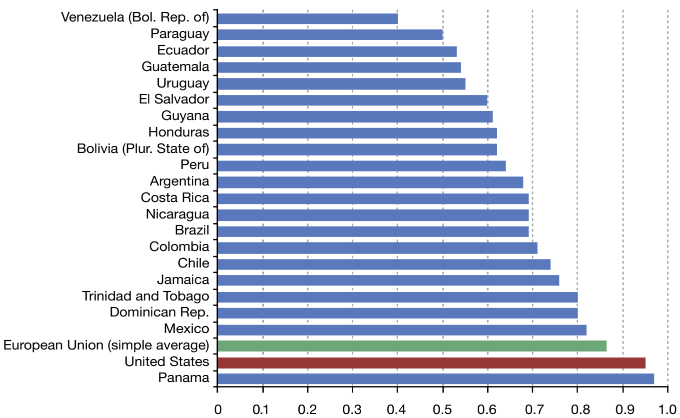
- Trade facilitation should not be understood merely as a reduction in the number of bureaucratic formalities in foreign trade operations or in the time required to complete them. It should also be seen as an integrated approach that seeks to make trade transactions more efficient, including through the availability of transport and ICT infrastructure. As such, trade facilitation plays an essential role in a country's international competitiveness. An integrated logistics system can help attract FDI and contribute to the modernization and gradual globalization of SMEs.

- Customs and infrastructure are the two areas in which the region has weaknesses. Urgent measures are needed to streamline customs procedures and improve infrastructure and port facilities. In the short run, however, improvements in border and transport efficiency —which cost much less than investments in physical infrastructure— offer promising outcomes for developing countries. Cooperation between Europe and Latin America and the Caribbean could play an important role in assisting the latter to meet these challenges.

Figure II.17

Border and transport efficiency [a]

(Main factor; 1=best)



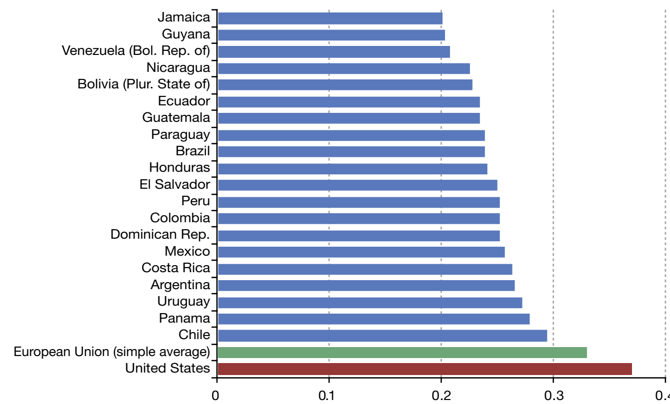
Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of Alberto Portugal-Perez and John S. Wilson, "Export Performance and Trade Facilitation Reform. Hard and Soft Infrastructure" *Policy Research Working Paper 5261*, World Bank, April 2010.

[a] The border and transport efficiency indicator seeks to quantify the efficiency level of customs and domestic transport as reflected in the time, cost and number of documents required for export and import operations.

Figure II.18

Customs efficiency index

(Scores from 0 to 5)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of the World Bank, *"Connecting to Compete 2010: Trade Logistics in the Global Economy"*. Washington, D.C.

28. It is crucial to improve institutions to harmonize procedures and, especially, to ensure their inter-operability and standardization

- There are several proposals for action in the trade facilitation area that could have a positive impact on both regional integration and international transport costs.
- Steps should be taken to speed up the implementation of legal agreements which will permit usage of modern business tools such as electronic invoices, electronic certificates of origin and the one-stop inter-agency window, among others.
- The European Union can help Latin American and Caribbean countries to strengthen their national and regional capacities in each of these areas, thereby further promoting trade and investment links with the region.

Table II.17

Opportunities in trade and transport facilitation

Area	Short-term recommendations
E-commerce	- Pursue common fundamentals (such as standards) that allow for interconnection between regional actors - Eliminate *red tape* in customs - Create associations of firms to improve international competitiveness - Strengthen logistic and transport systems - Recognize electronic signatures
One-stop window	- Designate an entity for central coordination at the national level and a regional centre for the recognition and inter-operability of the system - Promote coordination and consistency among national systems to facilitate inter-operability - Use universally accepted systems for paperless trading
Customs procedures	- Adopt compatible administrative systems to allow interconnection and reduce the time and cost of procedures - Spread the use of such systems throughout the private sector, especially SMEs - Promote regional coordination to speed up procedures - Use pre-shipment inspections and other mechanisms to reduce waiting time at loading and unloading points - Strengthen the use of ICTs for security purposes according to international standards
Efficiency of the transport chain	- Speed up regional integration projects, especially those involving infrastructure and interconnections benefiting land locked countries - Coordinate with the private sector to identify bottlenecks in a timely fashion and to propose joint projects - Promote intermodal and complementary means of transport
Adoption of international standards	- Spread the use of the model electronic documents available at the United Nations Centre for Trade Facilitation and E-business (UN/CEFACT) - Encourage the use and adoption of international regulations governing maritime transport, the handling of hazardous cargo and other international documents to facilitate international transport - Implement e-government systems, especially standards and international classifications, to allow paperless trading
Sanitary and phytosanitary standards	- Ensure consistency with international standards and cooperation and training to meet sanitary, phytosanitary and security requirements - Implement sampling techniques geared towards the avoidance or early detection of risks in the distribution chain, thus preempting large-scale health emergencies
Relationship between the public and private sectors	- Set up training centres on the use of ICTs for SMEs - Strengthen export financing mechanisms that use elements of e-commerce and e-government to make up for any reduction in the supply of private financing

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

III. Foreign direct investment

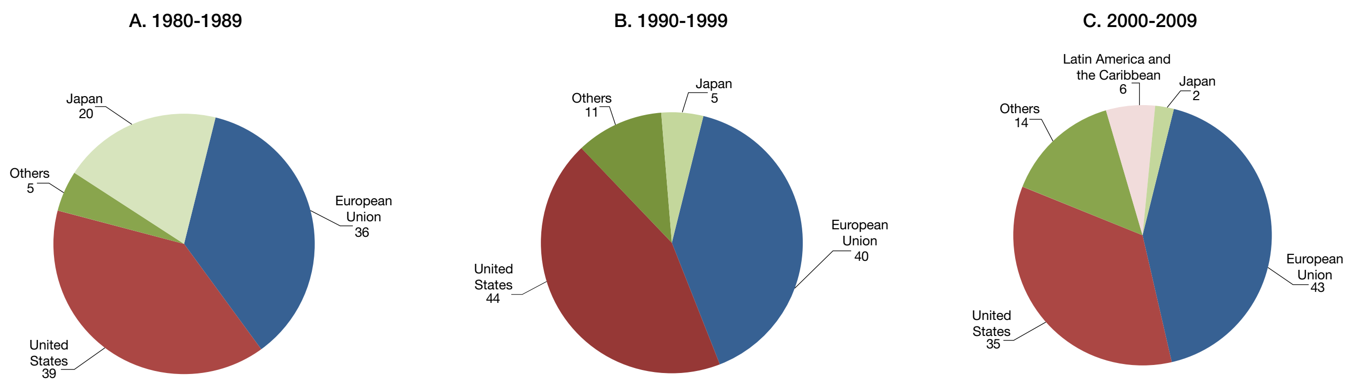
1. In the first decade of the twenty-first century, the European Union became the main source of FDI for the region, accounting for 43% of cumulative flows

- Following the outbreak of the early-1980s debt crisis —which entailed a sudden stop in capital inflows and the implementation of economic reforms during the 1990s— Latin America and the Caribbean has since received a major increase in FDI inflows. These mostly originated from European countries that took advantage of privatization processes in areas such as banking, telecommunications and other services. Although investment flows from the United States also grew, they did so more slowly, and the European Union became the main source of such flows.
- The factors that led to this increase in FDI flows included trade liberalization, financial deregulation and the aforementioned privatization policy, in addition to the vigorous internationalization processes embarked upon by many European business groups, particularly Spanish ones. In fact, Spain accounts for nearly half of all European FDI in Latin America, with the United Kingdom a distant second (see figure III.4).

Figure III.1

Latin America and the Caribbean: inward FDI flows by origin

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of Ziga Vodusek (ed.), *"Inversión extranjera directa en América Latina: el papel de los inversores europeos"*, Inter-American Development Bank, 2002 (1980-1989 and 1990-1999 periods); ECLAC, on the basis of official statistics (2000-2009 period).

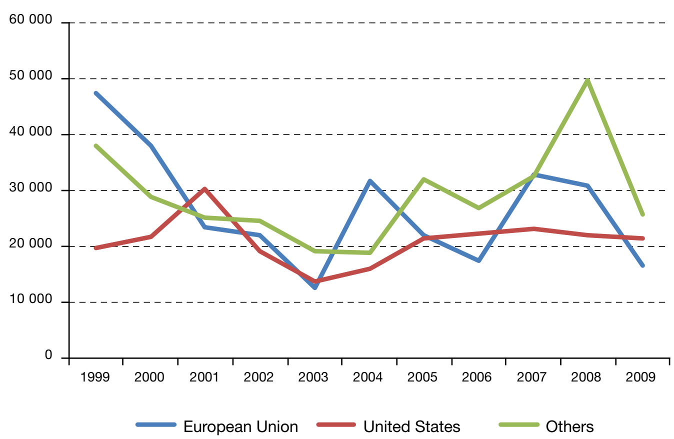
2. Nonetheless, annual net FDI flows from the European Union have been declining and are more volatile than those originating in the United States

- In the last decade, FDI flows from the European Union have been somewhat more volatile and pro-cyclical than those originating in the United States —especially during the 2008-2009 financial crisis when European investments in the region retreated by more than those from the United States. Nonetheless, in three of the region's leading economies (Argentina, Brazil and Chile) the European Union had the largest share of cumulative FDI flows between 1999 and 2009, while the United States remains the main source of FDI for Mexico, owing to geographical proximity. European investments in Latin America and the Caribbean largely reflect participation by several multinational firms in the privatization processes of the 1990s and in merger and acquisition activity in the first decade of the twenty-first century (see table III.1).
- The reduction in European investment in the region in 2009 is part of a global cutback in FDI emanating from the European Union and does not necessarily mean that European businesses are losing interest in the region.

Figure III.2

Latin America and the Caribbean: trend of net FDI flows received from the European Union, the United States and the rest of the world

(Millions of dollars)

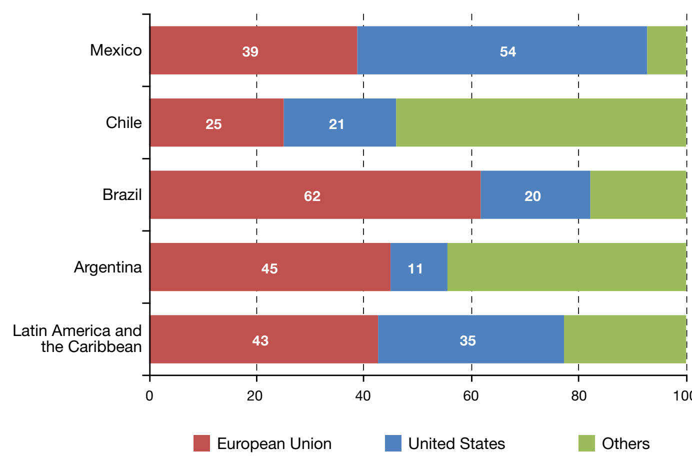


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official information.

Figure III.3

Latin America and the Caribbean and selected countries: cumulative FDI flows by origin, 1999-2009

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official information.

3. European investments in telecommunications, oil, finance and infrastructure dominate the list of the twenty most important mergers and acquisitions of the last twenty years in Latin America and the Caribbean

Table III.1

Latin America and the Caribbean: main mergers and acquisitions by country of origin, 1990-April 2011

(Millions of dollars)

Year	Acquired company	Host country	Sector	Acquiring company	Investing country	Amount
1999	YPF	Argentina	Oil	Repsol	Spain	16 866
2001	Banamex	Mexico	Finance	Citigroup	United States	12 821
2000	Telesp	Brazil	Telecommunications	Telefónica	Spain	10 757
2010	Brasilcel NV	Brazil	Telecommunications	Telefónica	Spain	9 743
2010	FEMSA	Mexico	Beverages	Investor Group	Netherlands	7 325
2010	Repsol YPF Brasil	Brazil	Oil	Sinopec	China	7 111
2005	Bavaria	Colombia	Beverages	SABMiller	United Kingdom	5 227
1998	TELESP	Brazil	Telecommunications	Telefónica, Portugal Telecom, Iberdrola	Spain	4 973
2011	Vale Aluminum Operations	Brazil	Mining	Norsk Hydro	Norway	4 948
2010	Carabobo	Venezuela (Bolivarian Republic of)	Oil	Investor Group	India	4 848
2004	Braco	Brazil	Beverages	Interbrew	Belgium	3 974
2004	Bancomer	Mexico	Finance	BBVA	Spain	3 888
2000	Telefónica de Argentina	Argentina	Telecommunications	Telefónica	Spain	3 718
2000	Banco do Estado de São Paulo	Brazil	Finance	Banco Santander	Spain	3 581
2008	IronX Mineração	Brazil	Mining	Anglo American	United Kingdom	3 493
2007	Grupo Imsa	Mexico	Iron and steel	Ternium	Argentina	3 182
2008	Nacional Minerios	Brazil	Mining	Investor Group	Japan	3 120
2010	Bridas	Argentina	Oil	CNOOC	China	3 100
1998	Telesp Celular	Brazil	Telecommunications	Investor Group	Portugal	3 087
1990	Telefónica de Argentina	Argentina	Telecommunications	Cointel	Spain	3 016
	Total					118 777

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from Thomson Reuters.

4. In 2009 Latin America and the Caribbean, including financial centres, received 15.4% of total FDI flows originating in the European Union

■ Table III.2 ■

European Union: FDI by region of destination, 2000-2009

(In percentages of total flows worldwide of FDI originating in the European Union)

	2000-2002	2003-2005	2006-2008	2009	2000-2009
Intra-European Union	62.0	64.1	59.2	38.7	59.4
United States	14.0	7.4	14.1	17.3	12.4
Asia	5.7	7.1	5.2	6.1	6.0
Latin America and the Caribbean [a]	7.1	4.5	6.0	15.4	6.8
Total	100.0	100.0	100.0	100.0	100.0

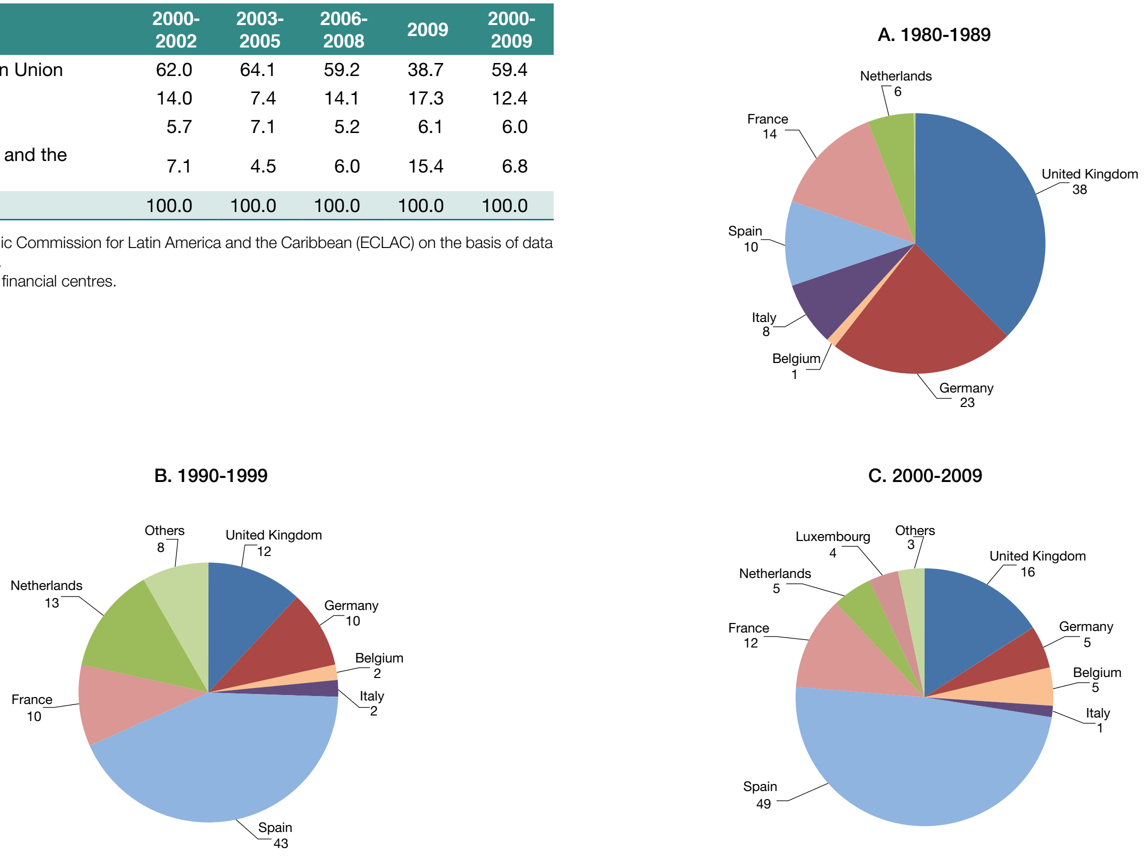
Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from EUROSTAT.

[a] Figures include financial centres.

■ Figure III.4 ■

Latin America and the Caribbean (excluding financial centres): FDI received from the European Union, by country of origin

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Ziga Vodusek (ed.), *Inversión extranjera directa en América Latina: el papel de los inversores europeos*, Inter-American Development Bank, 2002 (1980-1989 and 1990-1999 periods) and OECD, *International Direct Investment Statistics Online Database* (2000-2009 period).

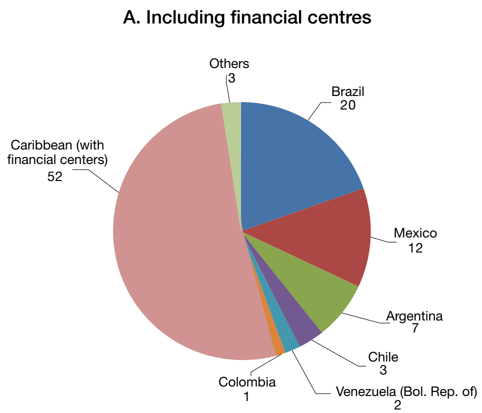
5. FDI from the European Union is concentrated in a small number of Latin American and Caribbean countries. Financial centres in the Caribbean are the main destinations, accounting for slightly more than half of total cumulative flows between 2000 and 2009

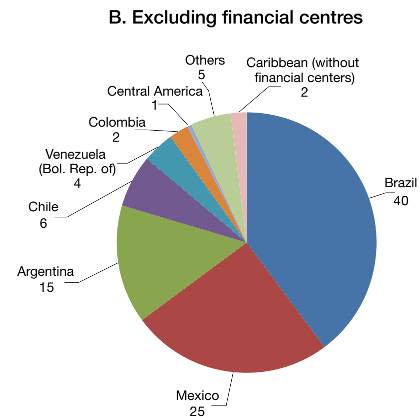
- European investments in the region include capital investments in international firms or European-owned holding companies (mostly from Luxembourg, the United Kingdom and the Netherlands) that seek to exploit the tax advantages available in certain Central American and Caribbean economies (Bahamas, Bermudas, British Virgin Islands, Cayman Islands and the Netherlands Antilles, among others). These financial centres sometimes then become the origin of new investments in Mexico or South America.
- If the financial centres of the Caribbean are excluded, the stock of European Union-owned FDI in Latin America and the Caribbean is concentrated in just a few countries, namely Brazil, Mexico and Argentina which absorbed 80% of total cumulative flows between 2000 and 2009.

■ **Figure III.5** ■

Latin America and the Caribbean: breakdown of cumulative FDI flows originating in the European Union by recipient country, 2000-2009

(Percentages)





Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of OECD, *International Direct Investment Statistics Online Database*.

6. Spain, the United Kingdom and France were the source of 70% of cumulative FDI flows into the region from the European Union between 2000-2009 (excluding financial institutions). Luxembourg and the Netherlands were also important sources

- Three European Union countries have a more direct investment relationship with Latin America and the Caribbean: Spain, mainly with investments in sectors related to telecommunications, electricity, energy and banking, and Luxembourg and the Netherlands in financial centres.

Table III.3

Latin America and the Caribbean (selected countries): leading countries of origin for cumulative FDI flows originating in the European Union (2000-2009)

(Percentages and millions of dollars)

	First	Second	Third	Amount
Latin America and the Caribbean (incl. financial centres)	Spain (25.5)	Luxembourg (24.2)	United Kingdom (15.5)	465 461
Latin America and the Caribbean (excl. financial centres)	Spain (48.8)	United Kingdom (15.9)	France (11.7)	234 580
Mexico	Spain (74.8)	United Kingdom (9.4)	Belgium (4.3)	57 568
Brazil	Spain (38.9)	France (19.6)	United Kingdom (9.3)	91 388
Argentina	Spain (52.1)	United Kingdom (34.6)	France (9.1)	33 854
Chile	United Kingdom (43.5)	Spain (36.3)	Belgium (7.2)	14 930
Others-South America	Spain (40.9)	United Kingdom (16.9)	France (16.1)	26 184
Central America	Belgium (67.7)	Spain (25.1)	Luxembourg (14.4)	4 290
Caribbean	Luxembourg (44.9)	United Kingdom (14.8)	Netherlands (9.6)	237 247
Financial centres	Luxembourg (45.0)	United Kingdom (15.1)	Netherlands (9.4)	230 881
Others	Luxembourg (44.4)	Spain (18.0)	Netherlands (14.1)	6 366

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of OECD *International Direct Investment Statistics Online Database*.

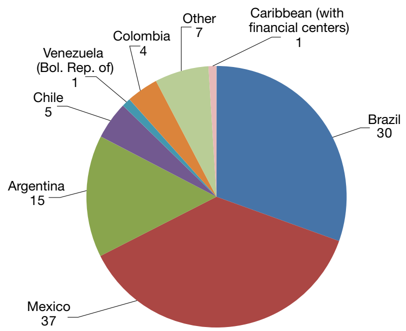
7. Since the early 1990s, Spain has significantly increased its share of FDI flows to the region from the European Union, accounting for nearly 50% of the total in 2000-2009

- Spanish investment in the region has mainly targeted Mexico, Brazil, Argentina and Chile, with a small share in the Caribbean financial centres. The telecommunications, oil and finance sectors have received the largest shares of FDI from Spain. In recent years, investments in energy and infrastructure have also become particularly important. Latin America received 24% of Spain's total foreign investment between 2000 and 2009.
- Table III.4 lists the leading Spanish investors in the region: Telefónica, Repsol, Banco Santander, BBVA, Gas Natural, among others.

Figure III.6

Spain: distribution of cumulative FDI flows to Latin America and the Caribbean by receiving country, 2000-2009 [a]

(Percentages)



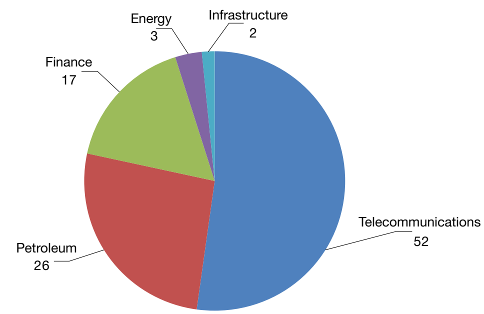
Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of OECD database.

[a] Excludes information on Caribbean financial centres.

Figure III.7

Spain: sector distribution of acquisitions in Latin America and the Caribbean, 1990-2010 [a]

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of Thomson Reuters.

[a] Includes information on Spanish investments exceeding US$ 500 million as detailed in table III.4.

Table III.4

Spain: main acquisitions in Latin America and the Caribbean

(Millions of dollars)

Year	Company Acquired	Recipient country	Acquiring Company	Amount	Sector
1990	Telefónica de Argentina	Argentina	Cointel	3 016	Telecommunications
1998	TELESP	Brazil	Telefónica	4 973	Telecommunications
1999	YPF	Argentina	Repsol	16 866	Petroleum
2000	Telesp	Brazil	Telefónica	10 757	Telecommunications
2000	Telefónica de Argentina	Argentina	Telefónica	3 718	Telecommunications
2000	Banco do Estado de Sao Paulo	Brazil	Banco Santander	3 581	Finance
2004	Bancomer	Mexico	BBVA	3 888	Finance
2007	Grupo Dedini Agro	Brazil	Abengoa Bioenergy Co	684	Biofuel
2007	EDF-Power Plants(5)	Mexico	Gas Natural SDG SA	1451	Energy
2008	Royal Bank of Scotland-ABN	Brazil	Banco Santander SA	1 087	Finance
2008	Compañía de Telecomunicaciones	Chile	Telefónica SA	1 452	Telecommunications
2008	Autopista del Aconcagua SA	Chile	Global Via Infraestructuras SA	1 027	Infrastructure
2008	Grupo Financiero Inbursa SA de	Mexico	Criteria CaixaCorp SA	2 223	Finance
2010	Brasilcel NV	Brazil	Telefónica SA	9 743	Telecommunications
	Total			64 466	

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from Thomson Reuters.

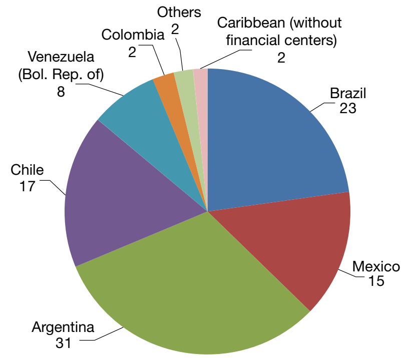
8. The United Kingdom is the second largest source of European Union FDI in the region

- Although its share has declined significantly since the 1980s, the United Kingdom provided 16% of total FDI flows to Latin America and the Caribbean between 2000 and 2009. The main destinations have been Argentina, Brazil, Chile and Mexico. At the sectoral level, the United Kingdom's investment has mainly targeted mining, agribusinesses and services, along with investments in the financial and education sectors —particularly English language schools throughout the region.

■ **Figure III.8** ■

United Kingdom: distribution of cumulative FDI flows to Latin America and the Caribbean by receiving country, 2000-2009 [a]

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of OECD *International Direct Investment Statistics Online Database*.

[a] Excludes information on Caribbean financial centres.

■ **Table III.5** ■

United Kingdom: selected acquisitions in Latin America and the Caribbean, 2005-2010

(Millions of dollars)

Year	Acquired company	Receptor	Acquiring company	Amount	Sector
2005	Bavaria	Colombia	SABMiller	5 227	Beverages
2007	Sistema Minas-Rio	Brazil	Anglo American PLC	2 451	Mining
2007	Serasa - Centralização de	Brazil	Experian Group Ltd	1 199	Financial
2008	IronX Mineração SA	Brazil	Anglo American PLC	3 493	Mining
2010	BAHIA Minerals BV	Brazil	Eurasian Natural Resources	735	Mining
2010	Sistema Educacional Brasileiro	Brazil	Pearson PLC	499	Services
	Total			13 603	

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from Thomson Reuters.

IV. Cooperation and promotion of clean technologies

1. Since 1999, the biannual summits of the Heads of State of Latin America and the Caribbean and the European Union have sought to deepen bi-regional integration and strategic cooperation

- The strategic partnership between Latin America and the Caribbean and the European Union began during the presidential summit held in Rio de Janeiro in 1999. Since then, biannual meetings have served to monitor progress towards integration and cooperation between the two regions. A key and constant issue was economic and commercial integration between the two markets through partnership agreements between the European Union and CARIFORUM, Chile, Mexico, Central America, Colombia and Peru.

- The high-level bilateral meetings also supported cooperation in other key areas for economic and social development such as democracy and human rights, strengthening multilateral approaches to fostering peace, stability and respect for international law, terrorism, drugs and organized crime, the environment, energy, growth and employment, the fight against poverty, inequality and social exclusion, cooperation for development and international finance, migration and knowledge sharing and training (higher education, research, development and innovation science and technology, culture).

■ Table IV.1 ■

Biannual summits and main results, 1999-2010

City	Year	Main Results
Rio de Janeiro	1999	Set the goal of Inter-regional Strategic Partnership, defined objectives and an action plan centred on common themes and launched negotiations for the European Union-Chile and EU-MERCOSUR Association Agreements.
Madrid	2002	Reaffirmed the Strategic Partnership, concluded negotiations for the European Union-Chile Association Agreement, relaunched negotiations with MERCOSUR and committed to negotiate the European Union-Andean Community and EU-Central America Cooperation Agreements.
Guadalajara	2004	Achieved political consensus on topics on the agenda, made progress in evaluating a future EU-Central America and EU-Andean Community Association Agreements and launched the EUROsociAL programme.
Vienna	2006	Officially launched negotiations for an EU-Central America and EU-Andean Community Association Agreement, incorporated new stakeholders into the official dialogue and celebration of the Business Summit and Alternative Summit.
Lima	2008	Launched the EUROcLIMA programme for cooperation in the mitigation of climate change and announced the establishment of an EU-Mexico Strategic Partnership.
Madrid	2010	Announced successful completion of the European Union negotiations with Central America, Colombia and Peru.

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of Carlos M. Jarque, Maria Salvadora Ortiz and Carlos Quenan (eds.) (2009), *Latin America and the Summit Diplomacy*, SEGIB, Madrid.

2. The European Union's cooperation with Latin America is defined by a medium-term strategy lasting from 2007 to 2013 which focuses on social and territorial cohesion, regional integration and higher education

- Latin America is benefiting from a major programme of cooperation with the European Union in the medium-term (2007 to 2013) amounting to €556 million. More than half of the cooperation targets social and territorial cohesion and regional integration. With respect to the latter, European cooperation promotes the internationalization of SMEs and development of the information society. In 2010, the promotion of the previous programmes was taken over by the Latin American Investment Facility. Other cooperation funds target improving the quality of higher education in Latin America through links with their European Union counterparts.

Table IV.2

European Union: regional cooperation programme with Latin America, 2007 to 2013

(Millions of euros)

<table>
<tr><th>Programme</th><th>Objective</th><th>2007-2010</th><th>2011-2013</th><th>2007-2013</th></tr>
<tr><td>Total</td><td></td><td>331</td><td>225</td><td>556</td></tr>
<tr><td>Social and territorial cohesion</td><td></td><td>108</td><td rowspan="5"></td><td rowspan="5">108</td></tr>
<tr><td>URB-AL</td><td>Exchange experiences between local authorities in Europe and Latin America on issues and problems of local urban development</td><td>50</td></tr>
<tr><td>EUROsociAL</td><td>Enhance social cohesion through public policies in education, health, justice, taxation and employment</td><td>41</td></tr>
<tr><td>COPOLAD</td><td>Strengthen capacities of stakeholders in drug issues and promote the process of developing policies to combat drugs</td><td>6</td></tr>
<tr><td>EUROSOLAR / EUROCLIMA</td><td>Share knowledge, build a structured and ongoing dialogue at all levels and ensure synergy and coordination of current and future actions</td><td>10</td></tr>
<tr><td>Regional integration</td><td></td><td>72</td><td rowspan="3"></td><td rowspan="3">72</td></tr>
<tr><td>AL-INVEST</td><td>Promote the internationalization of SMEs in collaboration with European partners</td><td>50</td></tr>
<tr><td>@LIS</td><td>Improve the development of the Information Society and fight against the digital divide</td><td>22</td></tr>
<tr><td>Facilitation of investment in Latin America (LAIF)</td><td>Mobilize additional funding for beneficiary governments and public institutions to make critical investments (replaces (a) and (b))</td><td>22</td><td>103</td><td>125</td></tr>
<tr><td>Higher education and mutual understanding</td><td></td><td>117</td><td rowspan="4">93</td><td rowspan="4">209</td></tr>
<tr><td>ALFA</td><td>Promote higher education through cooperation between universities in both regions</td><td>74</td></tr>
<tr><td>ERASMUS MUNDUS</td><td>Promote higher education through scholarships and academic cooperation</td><td>42</td></tr>
<tr><td>Mutual Understanding</td><td>Deepen understanding among Latin American decision makers of European Union policies developed in Latin America</td><td>1</td></tr>
<tr><td>Reserve and other</td><td></td><td>13</td><td>29</td><td>43</td></tr>
</table>

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of European Union (2009), *Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America*, Brussels, [online] http://eeas.europa.eu/la/csp/11_13_mtr_en.pdf [date of reference: 13 April 2011].

3. The European Union’s new Latin America Investment Facility (LAIF) has the potential to mobilize major investments in key infrastructure for the region

- The Latin American Investment Facility (LAIF) was created in 2009 as a new mechanism to promote social and territorial cohesion and regional integration. From 2007 to 2010, these issues had been promoted through separate programmes. LAIF aims to mobilize additional financing, by encouraging recipient governments and public institutions to make crucial investments that could not otherwise be independently funded by the financial markets or financial development agencies without support from the facility.
- The goal of LAIF is to support the European Union’s regional strategy towards Latin America with three specific and interconnected strategic objectives: (a) enhance interconnectivity between and among Latin American countries particularly by establishing better energy and transport infrastructure; (b) improve environmental protection and support climate-change mitigation and adaptation measures; (c) promote equitable and sustainable socioeconomic development by upgrading social services infrastructure and supporting SMEs. The budget for the period 2009 - 2013 totals €125 million.
- LAIF can support various types of operations, including: (a) grants to co-finance investments in public infrastructure projects; (b) funding for loan guarantees; c) support for subsidized interest rates; (d) technical assistance; and (e) venture capital operations.
- Eligible financial institutions are European national and multilateral development finance institutions and Latin American financial institutions in which European Union Member States hold an equity stake.

Table IV.3

Latin American investment facility: projects approved until April 2011

(Millions of dollars)

Programme	Beneficiaries	Financing	
		Total cost	LAIF contribution
Energy Efficiency and Renewable Energy Programme for SMEs in Central America	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama	36	3
National Sustainable Electrification and Renewable Energy Programme	Nicaragua	309	7
Connection of the locally implemented REDD+ mechanism with the forestry component of the Special Climate Change Programme	Mexico	338	2
Extension of the “5 de noviembre” hydroelectric plant	El Salvador	132	6
Climate Change Programme (regional)	Latin American countries	300	3
Sustainable transport networks (regional)	Latin American countries	403	3

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of European Union, *Latin American Investment Facility*.

4. The European AL-INVEST programme contributes to the internationalization of SMEs in the region

- The AL-INVEST programme, launched in 1994, aims to support the internationalization of SMEs in Latin America. January 2009 saw the start of the fourth phase of the programme covering a four-year period (2009-2012). The programme's total investment amounts to €62 million of which €50 million (80%) is funded by the European Commission.
- Phase IV of the programme aims to help Latin American SMEs become the engine of local development by taking advantage of the opportunities provided by globalization, regional integration, trade agreements and business cooperation with Europe. To this end, the programme offers the following benefits to SMEs and other participating organizations:
  - Market research
  - Business missions
  - Technology meetings
  - Technical assistance missions
  - Theme-specific seminars
  - Internships
  - Training activities
- Phase IV is being implemented through three subregional consortia: (1) Central America-Cuba-Mexico; (2) Andean Community-MERCOSUR; and (3) Chile and the Bolivarian Republic of Venezuela. Each subregional consortium is headed by a lead partner and involves business associations, regional governments and universities, among other entities. The three consortia are supported by services of the European Consortium of Coordination and Services led by the Association of Chambers of Commerce and Industry in Europe (Eurochambres).

Table IV.4

Sub-regional consortia of the AL-INVEST IV programme for SMEs

Leading partner	Project title	Duration *(months)*	Contribution by the European Commission *(millions of euros)*	Contribution by the European Commission *(percentage of total)*
Nacional Financiera (NAFIN) Mexico	"Internationalization of SMEs in Central America, Mexico and Cuba as an engine of socioeconomic development"	48	17.49	80
National Confederation of Industry (CNI) Brazil	"Institutional coordination model for the internationalization of SMEs in the Andean region"	48	18.75	80
Chamber of Industry, Commerce, Services and Tourism of Santa Cruz Plurinational State of Bolivia	"Internationalization and competitiveness of SMEs in MERCOSUR, Chile and Venezuela for Sustainable Development"	36	13.75	80

Source: AL-INVEST Programme, [online] http://www.al-invest4.eu and Directorate General for Development and Cooperation of the European Commission EuropeAid [online] http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/al-invest/index_en.htm [date of reference: 13 March 2011].

5. Cooperation has been a key pillar of the association agreements signed by the European Union with Chile and Mexico, and has covered various areas

- The Association Agreements signed by the European Union with Mexico (2000) and Chile (2002) are wide-ranging and both specify cooperation as one of the main pillars.
- Given that Mexico and Chile are classified internationally as upper-middle income countries, European Community cooperation has tended to target areas other than traditional development assistance. In particular, a substantial proportion of the funds provided by bilateral cooperation between both countries since 2002 has been targeted on enhancing the competitiveness of their economies.
- In the case of Chile, economic cooperation has mainly targeted entrepreneurship promotion and the strengthening of financial instruments and technical assistance programmes for SMEs.
- In Mexico, the PIAPYME and PROTLCUEM programmes, implemented in conjunction with the Ministry of the Economy, have targeted various aspects of trade facilitation, including:

  a) Simplification of Mexican customs procedures;
  b) Non-tariff measures such as intellectual property regulations, technical standards and sanitary and phytosanitary measures;
  c) Improving the Mexican legal and institutional framework in areas such as foreign investment rules, competition policy and consumer protection; and
  d) Promotion of the use of information systems.

Table IV.5

Composition of national cooperation provided by the European Union to Chile and Mexico

	Priority areas of cooperation		Expected European Union contribution 2007-2013 *(millions of Euros)*
	2002-2006	2007-2013	
Chile	Economic cooperation and technological innovation (64.5%) Environment and natural resources (8.4%) Government reforms (27.1%)	Social cohesion (40%) Education: academic exchanges and scholarships (20%)[a] Innovation and competitiveness (40%)	41
Mexico	Social development and reduction of inequality (30%) Economic growth, reform and competitiveness (35%) Science and technology (20%) Legal and institutional strengthening (10%)	Social cohesion (40%) Sustainable economy and competitiveness (35%) Education and culture (25%)	55

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of General Directorate of Development and Cooperation EuropeAid of the European Commission [online] http://ec.europa.eu/europeaid/where/latin-america/country-cooperation/index_en.htm.

[a] When the Bicentennial Chile Scholarship System entered into force, the Chilean authorities and the European Union agreed that this component would be discontinued in 2011-2013 and the funds would be allocated equally to the social cohesion and innovation and competitiveness components.

6. The European Union is the world region that generates the largest number of patents in environmental technologies

- Investment in "clean" technologies can help achieve many environmental goals from mitigating climate change to reducing water and air pollution. The largest number of patent applications filed under the Patent Cooperation Treaty (PCT) is in the field of renewable energy and air pollution control.
- European Union countries were world leaders in granting new patents on environmental technologies accounting for 30% to 38% of new inventions worldwide between 2004 and 2006. Within the European Union, Germany, Britain and France produced the largest number of inventions, while Denmark is a technology leader in the field of wind energy.
- Brazil, Russia, India and China (the BRIC countries) are new players that have become increasingly important in state-of-the-art environmental technologies.

Figure IV.1

European Union, United States, Japan and BRIC countries: share of environmental technological patents

(Percentage of world total between 2004 and 2006)

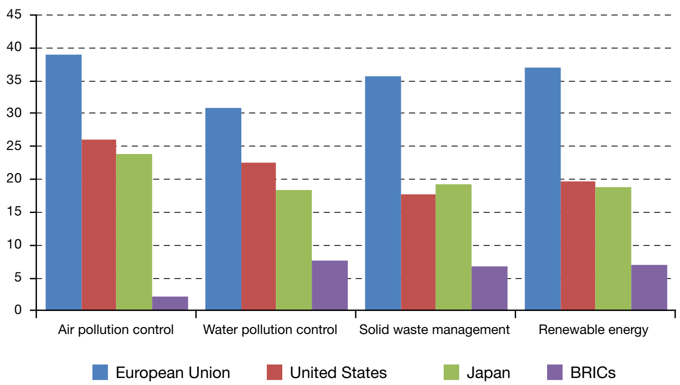
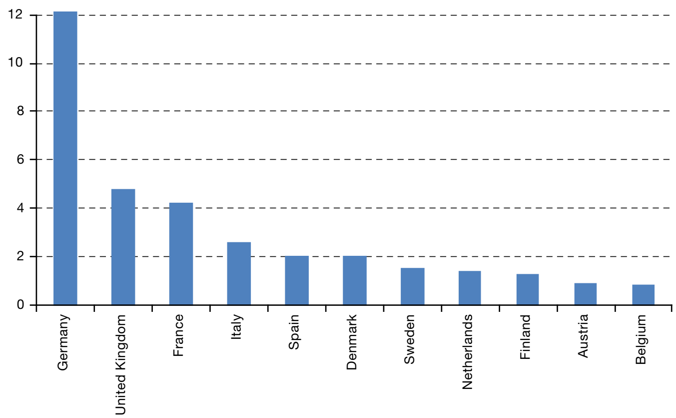


Figure IV.2

Main innovating countries in the European Union: share of technological environmental patents

(Percentage of world total between 2004 and 2006)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of OECD (2009), *Science, Technology and Industry Scoreboard 2009*, Paris.

7. Several European companies are investing in renewable energy in Latin America

Table IV.6

European companies with investments in renewable energy in Latin America by country of origin and destination

		Selected countries of destination										
Country of origin	Company	Argentina	Brazil	Chile	Colombia	Cuba	Dominican Republic	Guatemala	Mexico	Panama	Peru	Uruguay
Denmark	Vestas Wind Systems			X								
France	Eco-Carbone, Électricité de France (EDF), GDF SUnión EuropeaZ (Gaz de France), Louis Dreyfus Group, Rhodia, Safran Group, Suez, Tereos, Voltalia		X	X					X	X	X	
Germany	Eurolanza, Glotec Ventures GmbH, Juwi, Lanxess, MAN, Sowitec , ThyssenKrupp (TK), Volkswagen, Wind 7		X	X						X	X	
Ireland	Mainstream Renewable Power, Maple Energy			X							X	
Italy	ArcelorMittal, Enel			X				X				
Luxembourg	ArcelorMittal		X									
Portugal	Galp Energia		X									
Spain	Abengoa, Acciona, Dragados, Endesa, Enhol, Fersa, Gamesa, Gasindur, Globasol, GreenFuel, Grupo Activos, Grupo Guascor, Horcona, Iberdrola, Ingemas, Inveravante, Inveravante Inversiones Universales, OPDE, Preneal, Renovalia Energy, Repsol YPF, Union Fenosa	X	X	X	X		X		X	X	X	X
United Kingdom	Esencia Group, Phaunos Timber Fund					X						X

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of *Financial Times* data.

8. This investment takes place in several countries and in different technologies

- Firms from various European countries have invested in renewable energy projects in several Latin American countries. Although Brazil, Chile and Mexico have the most developed markets for renewable energy, other countries also have major potential, as shown in the table below. Although European firms invested mostly in wind power there have also been some recent initiatives in other types of energy such as biofuels and photovoltaic energy.

Table IV.7

European firms with investments in renewable energies in Latin America and the Caribbean and main areas of investment

Company	Countries	Completed and scheduled investments
ABENGOA (http://www.abengoa.es)	Brazil	Production of bioethanol from sugar cane (installed capacity of 200 ML) and co-generation of electricity using sugar cane bagasse as fuel (capacity of 70 ML)
ACCIONA (http://www.acciona.es)	Mexico	Production of wind energy with a total installed capacity of 250 MW and three wind farms under construction with a total capacity of 306 MW
ENDESA (http://www.endesa.com)	Argentina, Brazil, Chile, Colombia, Peru	Electricity generation using hydropower, thermal and wind energy with a total installed capacity of about 15,000 MW (58% hydropower, 41% thermal and just under 1% wind)
IBERDROLA (http://www.iberdrola.es)	Brazil, Mexico	Generation of wind energy with a total installed capacity of 166 MW
ENEL (http://www.enel-latinamerica.com)	Brazil, Chile, Costa Rica, El Salvador, Guatemala, Mexico, Panama	Electricity generation using geothermal, hydropower and wind energy with a total installed capacity of over 800 MW (75% hydropower, 23% geothermal and 2% wind)
GDF SUEZ (Gaz de France) (http://www.gazdefrance.com)	Brazil	Electricity generation using geothermal, hydropower, wind and biomass energy with a total installed capacity of 6,500 MW
GRUPO GUASCOR (http://www.guascor.com)	Brazil	Electricity generation using photovoltaic energy and wind energy
MAINSTREAM RENEWABLE POWER (http://www.mainstreamrp.com)	Chile	Four wind farms under construction with a total capacity set to reach nearly 1,000 MW
SOWITEC (http://www.sowitec.com)	Argentina, Brazil, Chile, Mexico, Peru, Uruguay	Projects under development for the installation of wind farms with a combined capacity of 35,000 MW
VESTAS (http://www.vestas.com)	Argentina, Brazil, Chile, Jamaica, Mexico, Uruguay	Electricity generation using wind energy with total installed capacity of 350 MW and new wind farms under construction with a potential capacity of 400 MW.

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of company reports.

9. There are several important university and technology-centre networks for the transfer of environmental technology between the two regions

Table IV.8

Cooperation projects between the European Union and Latin America and the Caribbean in clean energy

Project	Goals	Participating countries	Period	Amount *(millions of euros)*
BIOTOP	Identify technical and research opportunities in the biofuels sector in Latin America and create and support specific cooperation activities in research and development between the region and the European Union (http://www.top-biofuel.org/).	Latin America: Argentina, Brazil, Chile, Mexico European Union: Austria, Denmark, Netherlands, Spain	2008-2010	1.29
SETATWORK	Promote the use of efficient technologies in manufacturing sectors related to carbon markets (www.setatwork.eu/).	Latin America: Chile European Union: Bulgaria, Czech Republic, Denmark, Germany, Italy, Poland, Portugal, Sweden, United Kingdom	2008-2010	1.21
JELARE	Promote innovative proposals for education and market-oriented research in renewable energies in higher education institutions in European Union and Latin America (http://www.jelare-project.eu/).	Latin America: Plurinational State of Bolivia, Brazil, Chile, Guatemala European Union: Germany, Latvia	2009-2011	
CANEBIOFUEL	Create innovative, profitable and industrially viable processes to convert the sugar cane biomass into ethanol (http://canebiofuel.org/).	Latin America: Brazil European Union: Sweden	2009-2011	2.49
DIBANET	Develop technologies for the sustainable production of diesel biofuels using organic residues and waste in the European Union and Latin America (http://dibanet.org/).	Latin America: Argentina, Brazil, Chile European Union: Denmark, Greece, Hungary, Ireland, United Kingdom	2009-2012	4.84
BABETHANOL	Develop new sustainable processes for the production of ethanol using agribusiness residues (lignocellulose).	Latin America: Costa Rica, Mexico European Union: Finland, France, Italy Spain	2009-2013	4.39
CELA	Improve the quality of research and technology transfer in Latin American universities, strengthen their role in sustainable development and encourage cooperation between higher education institutions in Latin America and the European Union in applied research and technology transfer in the area of climate change (http://www.cela-project.net/).	Latin America: Plurinational State of Bolivia, Guatemala, Nicaragua, Peru European Union: Estonia, Germany	2011-2013	

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of *Community Research and Development Information Service* (CORDIS).

V. Conclusions and recommendations

- Over the last three decades, the European Union's share in Latin American trade has declined, mainly because China and other developing Asian countries have gained larger shares. Although the European Union is still the region's second largest trading partner it could lose its position to China by the middle of the current decade. Latin America and the Caribbean only accounts for about 2% of the European Union's total trade (or 5% when trade between European Union countries is excluded).
- Bilateral trade in goods between the two regions is highly asymmetrical. Latin American and Caribbean countries import mainly manufactured goods from the European Union, while their exports consist mainly of processed primary products. These represent a larger proportion of the region's exports to the European Union than exports within the region itself or to the United States. Moreover, Latin American exports to the European Union are concentrated in a small range of products.
- Bilateral trade in services is more dynamic. Latin America and the Caribbean has increased its share in European Union imports over the last decade.
- The European Union was also the main source of FDI in Latin America and the Caribbean in the first decade of this century although latterly its growth has slowed down and has been more volatile. Among the European Union members, Spain remains the largest investor and its role is even more prominent when European Union investment in Caribbean financial centres is excluded.
- Latin American countries have deepened their trade ties with China and other Asia-Pacific economies, in part by negotiating trade agreements. China already ranks among the top three trading partners for most countries in the region.
- Several subregions and countries in the region (Central America and the Dominican Republic, Colombia, Panama and Peru) have recently signed FTAs with the United States, following those countries which had done so earlier (Mexico and Chile).
- In this context, over the past three years, Latin America and the Caribbean and the European Union have sought to give a new momentum to their economic relations. The European strategy towards the region has been to negotiate partnership agreements with the four major sub-regional integration schemes. In the case of the Andean countries, the European Union chose the bilateral route because of difficulties in negotiations with the Andean Community. Nonetheless, the European Union maintains the goal of achieving an agreement with the Community of Andean Nations (CAN) as a bloc.
- As a result of these efforts, the European Union has concluded association agreements with Central America (including Panama) and the Caribbean (CARICOM plus the Dominican Republic) and a free trade agreement with Colombia and Peru. In addition, in June 2010 the European Union resumed negotiations with MERCOSUR which had been interrupted in 2004. The European Union had already signed association agreements with Chile and Mexico.
- The European Union has pursued a special relationship with its most important trading partners in the region (Brazil and Mexico), as reflected in the signing of Strategic Partnerships in 2007 and 2000, respectively.
- There are fundamental differences between the association agreements that the European Union has negotiated with the region and the free trade agreements (FTA) that the latter has negotiated with trading partners outside the region. In addition to the domain of free trade, the association agreements include two pillars of cooperation and political dialogue which are essential for promoting a virtuous relationship between political cooperation, trade and economic development and social cohesion. In short, these agreements reflect a more holistic view of development.
- Another difference between the agreements negotiated by the region with the European Union and FTAs with other partners is that the explicit objectives of the former include strengthening sub-regional integration schemes in Latin America and the Caribbean.
- There is a window of opportunity to reinvigorate the strategic partnership between Latin America and the Caribbean and the European Union:
  - In an international context of low growth in the European Union and sustained growth in Latin America and the Caribbean, the regional market represents a major opportunity for European exporters and investors.

  - In turn, the European Union remains a major destination for Latin American exporters, as the largest integrated market in the world and with the highest per capita income. In addition, the European Union produces multiple goods and services which are important as productive inputs in the region and increase the competitiveness of its producers. Thus, the European Union is essential for the transfer of technology and knowledge to the region.
  - Given the high degree of complementarity between the export profiles of the two regions, there is significant potential to build and strengthen bi-regional value chains.
  - No less important, European firms are global leaders in the areas of environmental protection, climate change and corporate social responsibility. From this perspective, strengthening business alliances between Europe and Latin America and the Caribbean can help foster growth with equity and less carbon-intensive competitiveness, which should guide public policy in Latin America and the Caribbean in the coming years.
- At the multilateral level, Latin America and the Caribbean and the European Union can be strategic partners in:
  - Supporting the global recovery through a commitment not to impose new trade barriers, for which there currently exists strong pressure due to the recent increases in food prices.
  - Completing the Doha Round as soon as possible since this is essential for preserving the credibility of the multilateral trading system and, more generally, international cooperation in addressing global challenges. Completion of the Doha Round would also facilitate a successful conclusion of negotiations between MERCOSUR and the European Union.
  - Seeking common ground on major global issues, such as reform of the international financial system and multilateral negotiations on climate change.
- On bilateral trade relations between Latin America and the Caribbean and the European Union, the following initiatives:
  - Conclude the negotiations between MERCOSUR and the European Union as soon as possible.
  - Promote accumulation of origin in all European Union agreements with countries in Latin America and the Caribbean, as the European Union has done in its agreements with land locked countries. This would promote the integration of production networks in the region and the development of regional and transatlantic value chains.
  - The European Union should continue to promote integration within the various subregional schemes in Latin America and the Caribbean with which it has signed agreements. The European Union's experience and cooperation could be particularly valuable in areas such as the free movement of goods, the harmonization of technical standards, sanitary and phytosanitary measures and the elimination of non-tariff barriers to intra-regional trade.
  - In the context of its various agreements in the region, the European Union could implement cooperation programmes to help Latin American and Caribbean exporters adapt to new demands from governments and businesses on climate change.
  - In the same vein, the European Union should strengthen its programmes to assist Latin American exporters in meeting its requirements on quality, technical standards and sanitary and phytosanitary measures.
  - Promote stronger relations between the business associations of the two regions. For example, initiatives such as the MERCOSUR-European Union Business Forum could be expanded (see http://www.mebforum.org).
  - In short, the aim should be to enhance cooperation in order to: (a) deepen integration within the region itself; (b) improve the quality of the region's exports to take better advantage of the new trading opportunities created by the association agreements; (c) more effectively link the international integration of the national economies with the internationalization of SMEs; and (d) move towards growth with equality, which ECLAC has been advocating since its thirty-third session held in Brasilia in June 2010.
  - The 2010 Madrid Summit announced the start of a "new phase in the bi-regional partnership towards

innovation and technology, promoting sustainable development and social inclusion." In this context, and in line with the Europe 2020 strategy, it is important to highlight the mutually beneficial cooperation between the two regions. To that end, in addition to supporting governments and subregional integration, European cooperation also needs to help create and strengthen bi-regional business alliances. Initiatives in this area could include:

- Promotion of business networks in areas such as renewable energy, information and communication technologies, and microbiology;
- Cooperation between chambers of commerce in the two regions;
- Promotion of Euro-Latin American supply chains and business associations; and
- Better use of existing forums such as the SEGIB Business Forum.

ECLAC

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