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The European Union and Latin America

Background

The European Union's (EU's) interest in developing closer relations with the Latin America/Caribbean (LAC) region was formalized in 1990, when the EU held its first summit with the former Rio Group, which became the official forum for the political dialogue between the EU and Latin America (the Rio Group was founded in 1986 by 6 Latin America countries and later expanded to 23). The EU and Rio Group members met approximately every two years at the ministerial level and addressed issues of common interest ranging from trade to human rights to poverty reduction, security, and the narcotics trade. In 1999, in an effort to elevate the importance of EU-LAC relations, the EU-Latin America and Caribbean Summit process was created. These summits, which met in the years between the EU-Rio Group ministerial meetings, brought together the highest-ranking EU officials and the heads of state and government of the LAC region. They introduced additional topics to the dialogue, including climate change, economic and financial issues, research and innovation developments, and energy.

In 2010, the Community of Latin American and Caribbean States (CELAC) was launched as a new mechanism for the LAC regional political dialogue, replacing the Rio Group and incorporating 33 LAC countries. Significantly, CELAC does not include the United States or Canada, both of which interact with the nations of the LAC in the Organization of American States. CELAC also replaced the Rio Group as the framework for EU-LAC dialogue.

Political Dimension

The political framework for EU-CELAC cooperation was defined in the EU-CELAC Summits, which were proposed to be held every two years. The first EU-CELAC Summit was held in 2013 in Santiago, Chile, and the second was held in 2015 in Brussels. At Brussels, 61 EU and LAC leaders, including more than 40 heads of state or government adopted an EU-CELAC Action Plan. The plan identified 10 priority areas for bi-regional cooperation, ranging from science and research, sustainable development, energy, and climate change to investment and entrepreneurship. Ministerial-level meetings would be held on a regular basis to address the action plan. The third EU-CELAC Summit is scheduled for 2018.

At Brussels, EU and LAC leaders also mandated that the foreign ministers of the region hold meetings in the years between summits to enhance the political dialogue. The first stand-alone EU-CELAC foreign ministers meeting took place in October 2016 in Santo Domingo. During the session, the ministers discussed issues such as relations with Cuba, the peace process in Colombia—during which the EU announced the creation of a fund to support post-

conflict initiatives—and how to address the political instability in Venezuela.

EU-Latin America and the Caribbean

- EU: 28 member states; CELAC: 33 member states.
- Population of both EU and CELAC member states: 1.1 billion.
- European Union GDP (2016): approx. €14 trillion.
- CELAC countries GDP (2015): approx. \$6 trillion.
- EU is 2nd largest trading partner for the CELAC region (2013), tied with China and behind the United States. CELAC is 5th largest partner for the EU. The EU imported €95.9 billion worth of goods from and exported goods worth €117.4 billion to the region in 2015.
- Trade in goods between EU and LAC is approximately €215 billion (2015). Trade in services is approximately €80 billion (2014).
- EU is a leader in foreign direct investment (FDI) in the CELAC region, amounting to approximately €642 billion (2015), greater than EU FDI in Russia, China, or India.
- CELAC region FDI in EU is led by Brazil and Mexico.

Sources: United Nations, European External Action Service (EEAS), Eurostat, World Bank.

Although the EU-CELAC organization represents a highly visible acknowledgement of the relationship between the EU and the LAC region, it is only one example of EU-LAC engagement. In addition, EU High Representative Federica Mogherini has visited the LAC region on several occasions, including attending the EU-CELAC ministerial meetings. Additional dialogues between the EU and the LAC region take place in the form of the EU-LAC Trade Union Conference, the EU-CELAC Organized Civil Society Forum, EU-CELAC Youth Days, the EU-CELAC Academic Summit, and the EU-CELAC Business Summit. An EU-LAC Foundation, headquartered in Hamburg, Germany, was created in 2010 to promote a nongovernmental economic and sociocultural partnership between the two regions that would advance mutual understanding and common values between the EU and LAC member states.

In 2014, the EU launched its Agenda for Change, with the view of increasing the impact of EU development policy. The agenda shifted EU assistance from a primarily bilateral approach to a more regional one, including to the LAC. The overall allocation for the budget period 2014-2020 amounts to approximately €925 million for Latin America and some €346 million for the Caribbean.

The European Investment Bank also has allocated approximately €2.3 billion for Latin America for the period 2014-2020 to support EU initiatives in the development of social and economic infrastructure, climate change mitigation, and private sector development.

In addition to CELAC, the EU maintains separate political dialogues with the various regions and countries of LAC, including Mercosur (Argentina, Brazil, Paraguay, Uruguay, and Venezuela), the Andean Community (Bolivia, Ecuador, Colombia, and Peru), Central America, the non-Europe linked Caribbean, and Mexico.

EU cooperation with the six Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) was initiated in 1984 by the San Jose Dialogue. The dialogue was initially established to support the various peace processes and efforts of democratization in the region. Since then, the dialogue has been broadened to include economic and social development, migration, and security. In June 2012, the first region-to-region Association Agreement was concluded between the EU and Central America. The agreement is based on three pillars—political dialogue, cooperation, and trade.

The EU and Cuba established diplomatic relations in 1988. An EU representation office, which was opened in Havana in 2003, was upgraded to a fully-fledged delegation in 2008. In April 2014, the EU and Cuba launched negotiations for a bilateral Political Dialogue and Cooperation Agreement (PDCA). The talks were concluded in March 2016. On July 5, 2017, the European Parliament approved the agreement, opening a new phase in EU-Cuba bilateral relations. The EU is Cuba's main export partner and second overall trade partner, after Venezuela. The EU is also the biggest foreign investor in Cuba (mainly tourism, construction, light and agro-industries) and accounts for a third of Cuba's foreign visitors.

The EU's interest in developing closer relations with Mercosur, one of Latin America's largest regional integration projects, formally began in 1995, when the EU and Mercosur signed an Interregional Cooperation Framework Agreement. The agreement's objectives were to develop a more comprehensive political and economic association and to establish reciprocal liberalization of trade between the two regions. The Framework Agreement went into force in 1999. After a six-year suspension, negotiations on an Association Agreement were relaunched in May 2010. Both sides hoped to conclude an agreement by the end of 2017; while that goal was missed, efforts are ongoing for a final agreement.

Trade and Development Dimension

The EU is one of the top three trading partners of the CELAC and one of the largest providers of development assistance to the LAC region. In addition to the overall volume of trade between the EU and the LAC region, the EU relies on modest levels of oil and liquefied natural gas (LNG) imports from the LAC region.

The EU is economically linked to the LAC region through a series of Association Agreements (Chile, Cuba); free-trade

agreements (FTAs) with Colombia, Peru, and Mexico; and an Economic Partnership with the Caribbean. Negotiations with Ecuador continue, as do negotiations for an FTA with the Mercosur countries.

Parliamentary Dimension

The EU's relationship with Latin America includes an important parliamentary dimension. In 2006, the Euro-Latin American Parliamentary Assembly (EuroLat) was established. EuroLat consists of 150 members, 75 from the European Parliament and 75 from various Latin American legislatures, including the Andean, Central American, and Mercosur parliaments. Parliamentarians from Mexico and Chile also are included. Two co-presidents, currently Ramon Jauregu A Tondo (Spain) and Roberto Requiao (Brazil), lead the assembly. Fourteen vice presidents (seven from each region) also make up the Executive Bureau. There are four standing committees, which consider issues of mutual interest to the two regions and help to develop recommendations and resolutions that could be submitted for action to the various ministerial groups and to the EU-CELAC Summit.

Going Forward

Although there has been a long historical relationship between Latin America, the Caribbean, and parts of Europe—including Spain, Portugal, the United Kingdom, the Netherlands, and France—modern relations between the EU and Latin America have recently gained a good deal of renewed energy, particularly along the lines of political cooperation and trade.

The emergence of China as a major economic force and competitor of the EU in the LAC has become a cause for concern in Brussels. China, with a huge market for the commodities and resources Latin America can export and billions of dollars to invest (a proposed €250 billion), has become a challenge to the EU's position in Latin America and a prime driver of EU's increased engagement in the region. The EU's inability to complete its trade agenda in parts of the LAC region, particularly with Mercosur, also has driven EU interest.

Although the United States remains the major political, economic, and trade influence in the LAC region, the EU has worked closely with Washington on regional issues such as counternarcotics, disaster relief, and, most recently, the Colombia peace process and sanctions on the Maduro government in Venezuela. However, due to the uncertainties of the Trump Administration's long-term policies toward the region—driven by the U.S. withdrawal from the Trans-Pacific Partnership and the Paris Climate Accord, the possibility of the collapse of the North American Free Trade Agreement (NAFTA) with Mexico and Canada, and an October 2017 statement by U.S. Trade Representative Robert Lighthizer that U.S. FTAs with Latin America may need to be reviewed—the EU is refocusing its long-range policy goals and commitments in Latin America to be prepared to seize any opportunities that might arise should a political or economic vacuum be created by a change in U.S. policies toward the LAC region.

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