Context: World Trade

Sum of world exports and imports as share of world GDP (%)

Klasing and Milionis (2014)  Penn World Tables Version 8.1
Context: Declining world trade

World merchandise trade by major product grouping, 2006-2016 (US$ billion)

Context: Latin America’s stagnant share of declining world trade

World merchandise exports by region (share, %)

Source: World Trade Organization (WTO)
Troubling asymmetries: EU and Latin American CA balances

Current account balance (% of GDP)

Source: IMF
Latin America’s external problem: Low exports

Balance of Payments of Latin America and the Caribbean
(Millions of dollars)

Source: ECLAC
EU vs. Latin America

- The 28 countries of the EU, 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” EU 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.

- The EU was Latin America and the Caribbean’s third largest trade partner with more than $235 billion in bilateral trade in 2016, after China and United States.

- **Grains for cars:** Two-thirds of the goods the EU imports from Latin America are primary resources, including vegetable and mineral products, food, and tobacco that together were worth about $70 billion in 2014. Meanwhile, 87 percent of EU exports across the Atlantic are manufactured goods (chemicals, machinery, and vehicles, etc.), collectively worth roughly $107 billion that same year.
EU vs. Latin America

Foreign Trade (% del GDP; 2015)

Source: WITS, World Bank
UE-Latin American Trade

Trade between UE and trade groups (in billions of USD)

- Cariforum: Good Imports 7.4, Good exports 3.8
- Central America: Good Imports 5.6, Good exports 5.7
- Chile: Good Imports 9.1, Good exports 7.9, Services Imports 4, Service Exports 2.1
- Andes: Good Imports 12.1, Good exports 14.6
- Mexico: Good Imports 36.1, Good exports 21.1, Services Imports 10, Service Exports 5.3
- Mercosur: Good Imports 46, Good exports 44.3

Source: Americas Society / Council of the Americas
EU and Latin America relationship - Varieties

- The European Union has agreements or is in negotiations with the region’s countries through three types of arrangements:
  - Trade blocs (Mercosur and Cariforum)
  - Multiparty regional agreements (Central American and Andean countries)
  - Free-trade agreements (FTAs) with individual countries (Chile and Mexico).

- When and if the EU finalizes the FTA with Mercosur, it will have agreements with all countries in Latin America and the Caribbean, with the exception of Bolivia, Cuba, and Venezuela.
Trade Picture on EU-Mercosur relations

- For the four Mercosur countries negotiating with the EU, the EU is Mercosur’s main trading partner, accounting for 21% of the bloc's total trade in 2015.

- The EU's exports to the region have increased from €21 billion in 2005 to €46 billion in 2015. Mercosur's exports have increased from €32 billion to €42 billion over the same period.

- Mercosur's biggest exports to the EU in 2015 were agricultural products, such as foodstuffs, beverages and tobacco (24%), vegetable products including soya and coffee (18%) and meats and other animal products (6%). Other exports include mineral products (14%), wood and paper products (8%) and machinery (5%).

- The EU's exports to Mercosur include machinery (29%), vehicles and parts (17% of total exports) and chemicals and pharmaceuticals (24%).

- The EU is also a major exporter of commercial services to Mercosur (€20 billion in 2014).

- The EU is the biggest foreign investor in the region, rising from €130 billion in 2000 to €387 billion in 2014.

- Mercosur is a major investor in the EU, with stocks of €115 billion in 2014.
Political Picture on EU-Mercosur FTA

- Negotiations first took place between 1999 and 2004, then again from 2010 to 2012 before restarting a third time in 2016, with meetings in May and October.

- In November 2016, then-Foreign Relations Minister of Brazil José Serra said that Brexit and Trump could help propel the long-delayed agreement. On March 6 of this year, meetings started up again in Madrid. End-2017?

- Main obstacles:
  - Reluctance of some EU member states like France, Ireland, and Poland to include in the agreement agricultural products from Latin America that would compete with domestically produced goods. Latest offer below that in 2004.
  - Reluctance of Argentina and Brazil to accept intellectual property rights
  - Mercosur’s fears of a widening trade imbalance
EU vs. Mercosur

Foreign Trade (% del GDP)

Source: WITS, World Bank
EU vs. Mercosur: Inevitable deficit?

EU Trade flows and balance with Mercosur (€ billions)

**The other deficit: Could an agreement fuel FDI from the EU?**

**Distribution of FDI by region (percentages of global total)**

<table>
<thead>
<tr>
<th>Region</th>
<th>FDI Flows (billions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Total</td>
<td>1515</td>
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<tr>
<td>Developed Economies</td>
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<td>European Union</td>
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<td>United States</td>
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<td>Transition economies</td>
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<td>Developing Economies</td>
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<td>Latin America</td>
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<td>Africa</td>
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</tr>
<tr>
<td>Developing Asia</td>
<td>379</td>
</tr>
</tbody>
</table>

Source: ECLAC
EU vs. Mercosur: FDI

EU: Distribution of Outward Investments announced, by region, 2010-2015 (percentages)

- Africa and Middle East: 14%
- European Union: 13%
- North America: 20%
- China and Hong Kong: 14%
- Latin America and the Caribbean: 10%
- Other Asia-Pacific Economies: 14%
- Emerging Europe: 11%

Latin America: Distribution of Investments inflows announced, by region of origin, 2010-2015 (percentages)

- Africa and Middle East: 1%
- European Union: 1%
- North America: 37%
- China and Hong Kong: 10%
- Latin America and the Caribbean: 29%
- Other Asia-Pacific Economies: 10%
- Emerging Europe: 12%

Source: ECLAC, The European Union and Latin America and the Caribbean vis-à-vis the 2030, Agenda for Sustainable Development THE ENVIRONMENTAL BIG PUSH, LC/L.4243, October 2016
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