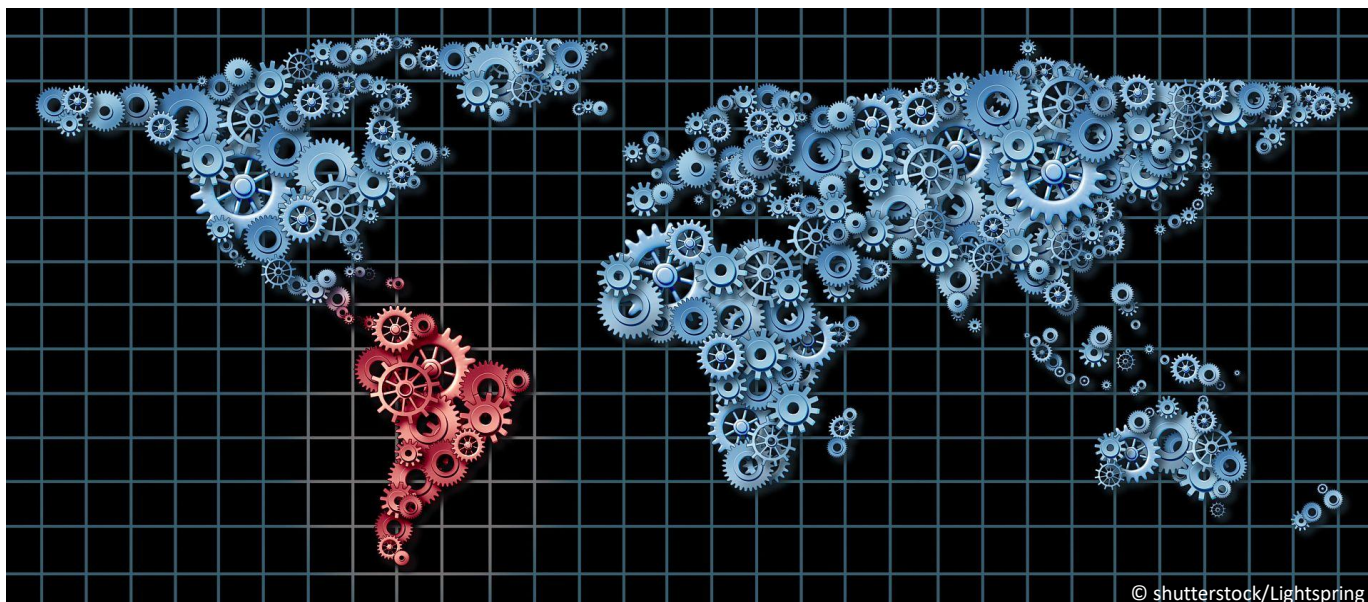


## EU Trade Diplomacy Towards Latin America

### Evolution and Future Fields of Cooperation

Eleonora Poli, André Wolf, Emily Bertolini



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**With the political agreement on EU-MERCOSUR, economic relations between Europe and the Latin American region could gain new momentum. The EU should use the current window of opportunity to target areas for further deepening of economic cooperation, serving both its own green transformation and its economic security in a fragmented world trade order. This cepAdhoc analyses the evolution of EU-Latin America trade relations during the recent crises and outlines avenues for mutually beneficial cooperation.**

- ▶ Trade relations between the two regions have proved resilient to recent global crises, with the overall trade balance shifting towards the EU over the past decade. Yet, the absence of strong dynamics suggests some unexploited potential.
- ▶ From the EU's perspective, the Latin American region offers great potential not only as a market for industrial products, but also as a stable supplier of renewable energy sources and critical minerals. It could also become an important ally in the increasingly unbalanced geo-economic power struggle.
- ▶ From the perspective of many Latin American countries, the value of deepening relations with the EU lies in improved access to technology, additional financing channels for their own economic transformation, and the creation of a counterweight to the growing influence of the US and China in the region.
- ▶ When developing joint supply chains, the EU should offer to its Latin American partners opportunities for value chain upgrading towards downstream production and intra-industrial trade, by deepening research cooperation and joint work on industrial standards.
- ▶ To speed up the implementation of existing EU partnership agreements with countries from the region, the EU needs to streamline its decision-making processes and improve involvement of stakeholders from the private sector.

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

## 1 Background

Shortly after taking office, the Trump administration sent a clear signal that it is also absolutely serious about its 'America First' doctrine in the economic sphere. As in Donald Trump's first term in office, import tariffs are the favored instrument for exerting economic pressure. Following announcements of tariff increases against China, Canada and Mexico<sup>1</sup>, the rest of the world has now been targeted as well, with tariffs on imported aluminum and steel being raised to a general level of 25%.<sup>2</sup> From the EU's perspective, it cannot be assumed that the worst-case scenario has already materialized. This is because Europe's trade surplus with the USA and its close economic relations with China remain a source of serious concern in Trump's mercantilist mindset. If the EU does not want to be crushed in the economic confrontation between the superpowers USA and China, it urgently needs new partners for a smart diversification strategy of its supply chains.

Following the successful conclusion of the negotiations on the EU-MERCOSUR agreement, the Latin American region is back on Europe's trade policy radar. Several factors speak for an intensified economic cooperation beyond eliminating tariffs. Firstly, the implementation of the agreement will facilitate trade in manufactured goods - and thus, from the EU's perspective, enhance access to attractive growth markets which could be further intensified through regulatory cooperation. Second, the Latin American region has great potential as a supplier of renewable energy and can benefit from European demand and expertise to tap this potential. Thirdly, numerous Latin American countries are currently experiencing significant political and economic pressure from Washington, making them particularly receptive to a deeper economic partnership with Europe. Fourthly, from a geostrategic perspective, such a partnership would also serve as an important instrument in counteracting China's growing influence in Latin America.

Against this backdrop, the aim of this cepAdhoc is, firstly, to map the evolution of trade flows between the EU and Latin America since the early 2000s by considering internal geopolitical trends and external crises across multiple dimensions. Trade relations between the European Union (EU) and the 33 countries of Latin America and the Caribbean (LAC) region are based on the coexistence of partnerships with regional and interregional organizations, as well as individual countries (see Annex I).<sup>3</sup> Secondly, it outlines prospective pathways for enhanced economic collaboration, which could serve as a foundation for a more profound strategic alliance.

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<sup>1</sup> Skadden (2025). [Trump's Tariffs on Canada, Mexico and China: Update and Analysis](#).

<sup>2</sup> Reuters (2025). [Trump raises tariffs on aluminum, steel imports in latest trade war salvo](#).

<sup>3</sup> Luciano, B. T. (2022). EU-LAC Inter-regionalism during the COVID-19 Pandemic. *Contexto Internacional*, 44(2), e20210004. Fierro L. (2022). [Economic Relations between the European Union and Latin America and the Caribbean](#), EU-LAC Foundation.

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

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

## 2 Evolution of Trade Relations

### 2.1 Trade in the context of the 2008 financial crisis

The 2008 global financial crisis, stemming from several weaknesses in the multilateral surveillance system, undermined the traditional economic order, resulting in an unprecedented contraction of world trade volume.<sup>4</sup> The crisis also exposed a problem of countries' excessive dependence on the US economic and financial system, which was the centre of the downturn. For instance, LAC countries experienced severe social, economic and political consequences, leading some governments, Brazil in particular, to advance a 'new developmentalist' approach, which combined protectionist measures with forms of state aid and public investments.<sup>5</sup> Similarly, Argentina, under President Cristina Fernandez de Kirchner, adopted protectionist measures by introducing non-tariff barriers to incentivize national productions and diminish imports.<sup>6</sup>

At the same time, Asian partners started to be increasingly seen as more reliable and competitive counterparts than the US and Europe. Projects such as the physical and digital Chinese Belt and Road Initiative (BRI) began to attract Latin American countries and in 2011, Chile, Colombia, Mexico and Peru launched a new sub-regional integration platform named the Pacific Alliance to boost political, economic and commercial relations.<sup>7</sup> Free Trade Agreements were developed with Asian countries such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)<sup>8</sup> involving the Indo-Pacific region, namely Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, with Costa Rica, Ecuador and Uruguay applying for accession between 2021 and 2022. This contributed to an increasing trend, starting in the early 2000s, of the deindustrialization of LAC countries due to a growing export of primary goods led by high Chinese demand.<sup>9</sup>

Against this background, the EU attempted to overcome the consequence of the crisis as well as the need to boost its trade relations with external partners, beating Chinese competition, by intensifying agreements with some LAC countries. Of importance were the EU-Cariforum Economic Partnership Agreement signed in October 2008 (see Annex I), which included trade in goods but provided commitments on trade in services, competition policy and sustainable development aspects<sup>10</sup>, and the EU-Central America Association Agreement of 2013, which reduced tariffs and increased the efficiency of customs procedures.<sup>11</sup> Moreover, as part of the EU-Andean Community multiparty free trade agreement (FTA), the EU signed a comprehensive trade agreement with Colombia, Ecuador and Peru in 2013.<sup>12</sup> The aim of the agreements for the LAC countries was to stabilise their economies, while reducing dependencies on the US and Asia. For the EU, the goal was to secure member countries with

<sup>4</sup> Fierro L. (2022). [Economic Relations between the European Union and Latin America and the Caribbean](#), EU- LAC Foundation

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

<sup>5</sup> Bresser-Pereira, L. C. (2009). [From old to new developmentalism in Latin America](#).

<sup>6</sup> Bendini R. (2012) [Protectionism in Argentina: Old habits die hard](#)

<sup>7</sup> See: [Pacific Alliance](#)

<sup>8</sup> See: [CPTPP](#)

<sup>9</sup> Schincariol, V. E., Barbosa, M. S., & Yeros, P. (2017). Labour trends in Latin America and the Caribbean in the current crisis (2008–2016). *Agrarian South: Journal of Political Economy*, 6(1), 113-141.

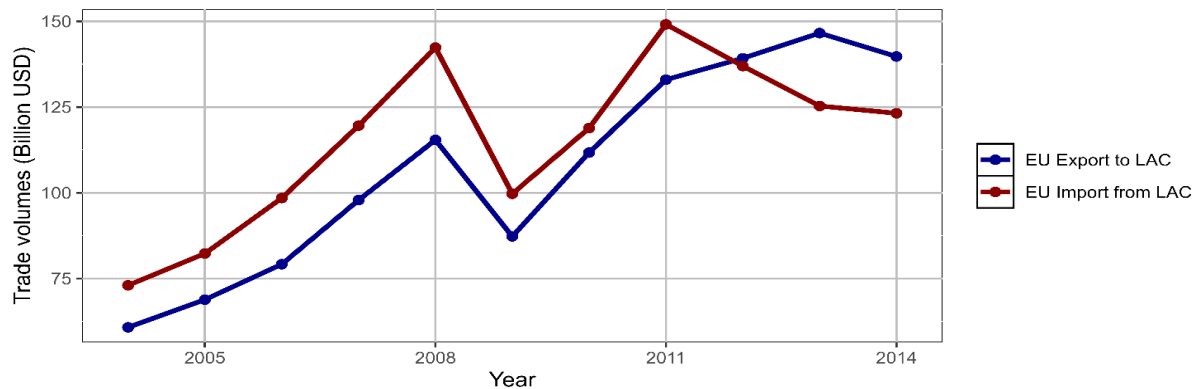
<sup>10</sup> See: [The EU-CARIFORUM Economic Partnership Agreement](#)

<sup>11</sup> See: [EU-Central America Association Agreement](#)

<sup>12</sup> See [Andean Community](#)

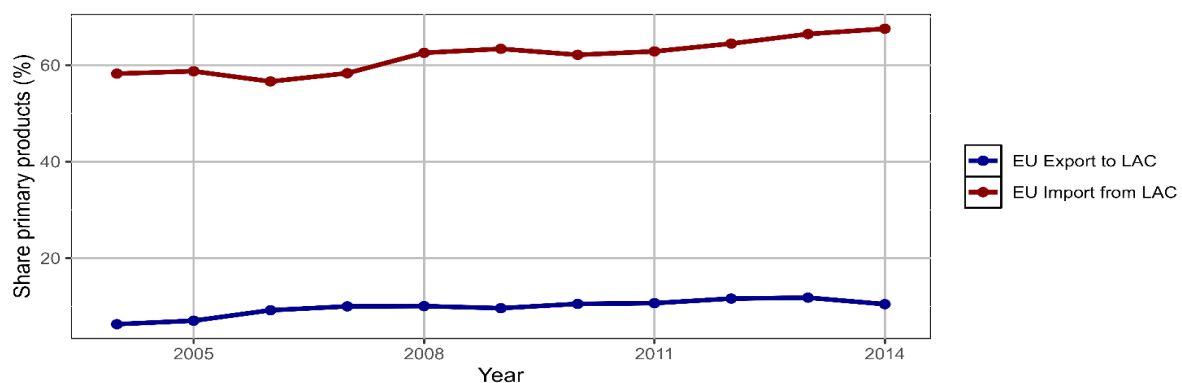
access to the alternative regional market, reducing its trade deficits for goods, while increasing its exports. In particular, in the years before the Great Recession, the challenges represented by the big bang European enlargement pushed the EU to prioritize internal integration against the consolidation of external trade partnership. This contributed to a rising trade deficit with LAC countries, due to high internal consumption as well as an appreciation of the Euro. The downturn of the global demand resulted in the EU attempting to reduce its external dependencies via economic policies favouring austerity measures and lower consumption. The depreciation of the Euro, together with the ratification of several agreements, favoured European exports in the region, resulting in a shift in the trade balance. From a negative trade balance in 2008 of 13,408 million euro, the EU reached a positive one already in 2012 and the value of its exports in the region kept growing in the following year (see Figure 1). During this period, trade patterns became even more asymmetric. The share of primary products (agricultural and forestry products, mineral and fossil resources) in EU imports from LAC countries rose to a level of more than two-thirds of total imports (see Figure 2). By contrast, primary products only made up about 10% of EU exports to the LAC region.

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



Source: UN Comtrade (2024)<sup>13</sup>

**Figure 2: Share of primary products<sup>14</sup> in EU trade with LAC 2004-2014**



Source: UN Comtrade (2024); own calculations

<sup>13</sup> UN Comtrade (2024). [UN Comtrade Database](#).

<sup>14</sup> Primary products are delineated by the following codes in the SITC product classification scheme: Food and live animals (0), Beverages and tobacco (1), Crude materials, inedible, except fuels (2), Mineral fuels, lubricants and related materials (3), Animal and vegetable oils, fats and waxes (4).

## 2.2 Trade in the context of the COVID-19 Pandemic

Since 2010, trade relations between the EU and the LAC region have started to grow again, even though the COVID-19 pandemic challenged the resilience of the multilateral trade system, causing a severe economic downturn in both the EU and LAC countries (-2.4% GDP in the LAC region and -1.4% GDP in the EU).<sup>15</sup> In the case of LAC, the rate of extreme poverty rose from 13.1% of the population in 2020 to 13.8% in 2021, representing a regression of 27 years.<sup>16</sup> The interruption of global supply chains, which led to an increase in unemployment in both regions, China's slowing growth, the decline of the commodity markets and the immediate need for health products resulted in the EU and LAC reinforcing their relations to facilitate trade, while including measures for boosting health cooperation to overcome the effects of the pandemic.<sup>17</sup> This was also a reaction to growing protectionist trends that started to be registered in the US under Trump's first administration (2017-2021) and to a general fear that new trade barriers could be imposed.<sup>18</sup>

Against this backdrop, in March 2020, the Co-Presidents of the Euro-Latin American Parliamentary Assembly (EuroLat) stressed the need to boost global trade and investments through all available legal, institutional, political, economic and social means as the unique way to achieve forms of economic recovery.<sup>19</sup> In this context, the modernisation of the trade agreement with Mexico, politically concluded in 2020, and the EU-Chile Advanced Framework Agreement of 2022, represent critical steps in strengthening trade relations between the two regions. Additionally, the recently updated EU-Mercosur Trade Agreement is another important achievement in the promotion of trade relations between the two regions. As the EU-Mercosur deal still needs to be ratified and implemented, the EU can count on several bilateral framework agreements for economic or trade cooperation with Mercosur's founding members such as Argentina (1990), Brazil (1992), Paraguay (1992) and Uruguay (1992) (See Annex I). In this respect, trade diplomacy and the continuous efforts in updating or negotiating trade pacts have allowed the EU to maintain positive trade with the LAC region even in the periods surrounding the pandemic (see Figure 3). Indeed, apart from the trend in 2020, there was little change in trade patterns. Primary products continued to dominate the EU's imports from the region, with no signs of a long-term shift so far (see Figure 4).

<sup>15</sup> Bianculli, A. C., & Pascullo, M. (2022). Regional and Interregional Relations Between EU and South America: Weathering the COVID-19 Storm? 1. In *Regional and International Cooperation in South America After COVID* (pp. 63-79). Routledge. See [World Bank GDP Growth](#)

<sup>16</sup> United Nations (2022). [Extreme Poverty in the Region Rises to 86 Million in 2021 due to the Deepening of the Social and Health Crisis Prompted by the COVID-19 Pandemic](#)

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

Timm Bauer A. and Thoma L.S. (2020) [EU-LAC Webinars on COVID-19](#)

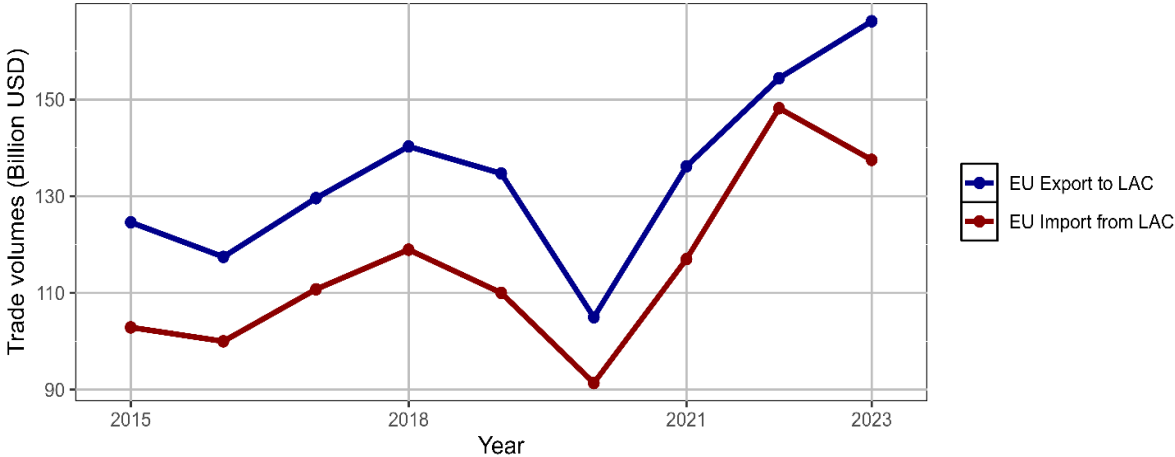
<sup>17</sup> Albright Z. C., Ray R., LI Y., (2023) [China Latin America and the Caribbean Economic Bulletin](#), Global Development Policy Centre

<sup>18</sup> Tayar, V. (2020). 'The EU and Latin America: Results and Prospects of Interregional Cooperation'. In Haider, W and I Clemente (eds). *Revisiting bi-regional relations: The EU-Latin American dialogue and diversification of interregional cooperation*. Hamburg: EU-LAC Foundation, pp. 41-52.

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

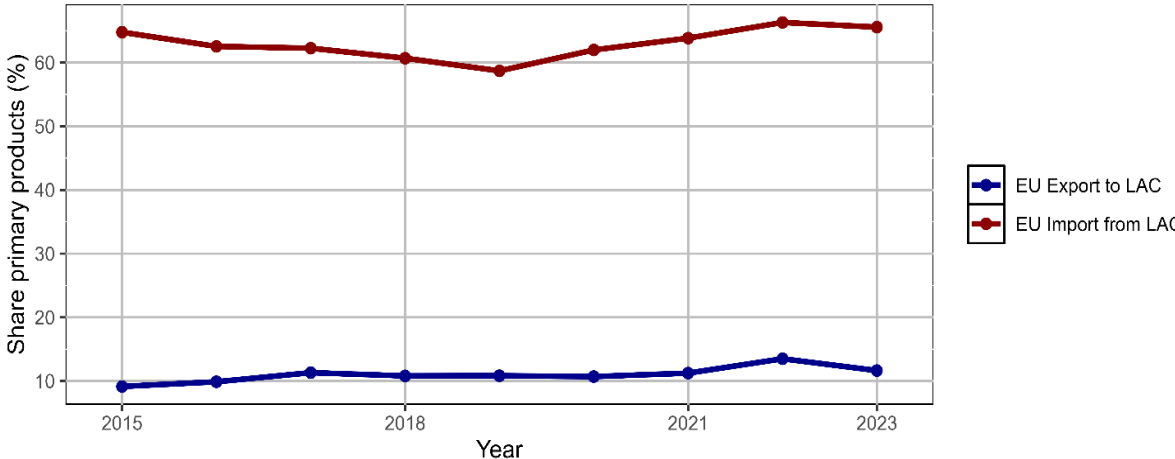
<sup>19</sup> [Declaration of 30 March 2020 by the Co-Presidents of the Euro-Latin American Parliamentary Assembly \(EuroLat\) on the COVID-19 pandemic](#)

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



Source: UN Comtrade (2024)

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



Source: UN Comtrade (2024); own calculations.

2.3 Trade in the context of the war in Ukraine and an unsettled international arena

While global trade began to recover after the pandemic, the unjustified Russian invasion of Ukraine, which led to an unprecedented war in the European neighbourhood, had a significant impact on both LAC and EU markets in terms of food and energy supplies, as well as rising inflation.<sup>20</sup> Moreover, the war had political consequences on EU-LAC relations. While condemning Russia’s aggression, many governments in the LAC region adopted a non-aligned stance, opposing sanctions against Moscow and refusing direct military or economic support to Ukraine. This trend reflects the fragmentation of the world order in favour of a more regionalized approach whereby the so called "Global South" aims to

<sup>20</sup> Albright Z. C., Ray R., LI Y., (2023) [China Latin America and the Caribbean Economic Bulletin](#), Global Development Policy Centre

play a major role.<sup>21</sup> For the EU, instead, while the war in Ukraine seemed to have somehow revitalised the Atlantic partnership, mainly through renewed NATO cooperation and the EU's relations with the US, the European Union is far from being a US priority and the second Trump administration has made clear that Brussels is a US economic competitor more than a reliable partner. In this respect, the launch of the European Global Gateway initiative in 2021 is part of the EU's quest for more strategic autonomy, for safeguarding its own interests, dealing with increasing global competition and strengthening global trade relations beyond the US.<sup>22</sup>

The Global Gateway initiative is effectively an EU global investment strategy to finance infrastructure development in third countries. Within this initiative, the EU has developed an ambitious programme for the LAC region, with a focus on digitalization, climate action and energy, transportation, healthcare, education and research to foster smarter, cleaner, and more secure connections between the two regions.<sup>23</sup> Generally, the aim of the EU's actions in LAC is to boost trade connections as well as to realize the Union's geopolitical aspirations in terms of international alliances to counter competition in the region, diversify its value chains, reduce energy and critical raw materials dependencies, while pushing forward credible actions in the fight against climate change by implementing actions for the green transition. In this respect, while China is still perceived by the LAC countries as a more convenient partner than the EU (with Panama and Ecuador recently negotiating Free Trade Agreements (FTAs) with China; Uruguay and Colombia initiating feasibility studies; and Chile, Costa Rica, and Peru having concluded such agreements over a decade ago), Brussels remains one of the favoured counterparts for political and institutional relations.<sup>24</sup> In particular, the EU achieved a major milestone in December 2024 by reaching a new political agreement on the trade pillar of the EU-Mercosur deal, following more than two decades of negotiations.<sup>25</sup>

The new agreement surpassed the deal reached in 2019 by prioritizing clean energy, sustainable industrial development and the fight against climate change as it refers to the Paris Agreement's goal.<sup>26</sup> It still needs to be ratified and implemented. The process could be delayed by some European member states (i.e. France, Italy and Poland), which fear possible negative impacts on their agricultural

<sup>21</sup> An example of such a trend is the rise of new regional developmental banks such as the New Development Bank (NDB) for the BRICS countries or the Asian Infrastructure Investment Bank (AIIB), which after years of Western dominated international finance are challenging the status quo.

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

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

<sup>22</sup> European Commission (2021). The Global Gateway. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. JOIN(2021) 30 final.

<sup>23</sup> Borrell J., (2023) A new EU agenda with Latin America and the Caribbean, available at [https://www.eeas.europa.eu/eeas/new-eu-agenda-latin-america-and-caribbean\\_en](https://www.eeas.europa.eu/eeas/new-eu-agenda-latin-america-and-caribbean_en)

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

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

Maihold, G., & Zilla, C. (2023). Eyes to the West: Latin America and the Caribbean in the sights of Germany and the EU. (SWP Comment, 35/2023). Berlin: Stiftung Wissenschaft und Politik -SWP- Deutsches Institut für Internationale Politik und Sicherheit. <https://doi.org/10.18449/2023C35>

<sup>24</sup> Albright Z. C., Ray R., Li Y., (2023) [China Latin America and the Caribbean Economic Bulletin](#), Global Development Policy Centre.

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

<sup>25</sup> European Commission (2024). [Mercosur. EU trade relations with Mercosur. Facts, figures and latest developments.](#)

<sup>26</sup> Escribano G. (2025) [The Mercosur-EU agreement as a model for open decarbonisation.](#)

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



sectors.<sup>27</sup> Yet, the recent attempts by the Trump's administration to impose tariffs on Canada, Mexico, China could accelerate the ratification process.

### 3 Pathways for Intensified Economic Cooperation

#### 3.1 Joint investments in trade-related infrastructure

The empirical economic literature provides convincing evidence for a robust positive effect of infrastructure improvements on international trade flows.<sup>28</sup> By reducing the costs of trading goods and services across borders, the expansion of trade-related infrastructure effectively reduces the economic distance between countries, promoting market integration and productivity-enhancing specialization. Immediately, this concerns transport-enabling infrastructure. It comprises the transport infrastructure for all modes of transport and types of tangible goods (road, rail, ports, airports, pipelines and electricity grids). In light of the decarbonization goal, investments in transport infrastructure for exportable renewable energy carriers (e.g. hydrogen pipelines, ammonia terminals) have a particular transformative force. In addition, the physical communication infrastructure, i.e. mainly internet access, mobile networks and satellite communication, is relevant for trade as well. It influences the costs of the communication necessary for the initiation and processing of trade transactions. Another potentially relevant intangible factor is the work of the public administration in partner countries, i.e. the efficiency of administrative processes and the general level of trade-related bureaucracy.<sup>29</sup>

The aforementioned Global Gateway Initiative has provided the EU with a potentially powerful tool to further strengthen its trade relations with Latin American countries through targeted infrastructure spending. Indeed, in its 2024 portfolio of Global Gateway flagship projects, countries of the region were present in all five dedicated focus areas (Climate and Energy, Digital, Education and Research, Health, Transport). It involves around 58 projects, mainly focused on the need to foster smarter, cleaner, and more secure connections.<sup>30</sup> In particular, they aim at promoting the digital transition and connectivity to enhance productivity, addressing the digital divide, facilitating an inclusive digital transformation and enhancing research capabilities (e.g. BELLA Network initiative).<sup>31</sup>

Yet, compared to the African Continent, the region still clearly lags behind in terms of the number of planned flagship initiatives (see Table 1). Moreover, in its current financing scheme, Global Gateway largely consists of a reallocation of existing EU and Member State funds for international assistance, limiting its economic weight. Its practical significance will largely depend on its ability to mobilize sufficient additional private capital in the form of public-private-partnerships. Stakeholders from the business sphere complain about insufficient transparency in the selection and implementation of flagship projects, and the lack of administrative cooperation with partner countries.<sup>32</sup> Intensifying negotiations with Latin American countries on extending public project finance and improving project design should thus become a priority for the EU.

<sup>27</sup> Politico (2024). [EU snubs France to seal huge Latin American trade deal](#).

<sup>28</sup> Celbis, G., Nijkamp, P., & Poot, J. (2014). Infrastructure and trade: A meta-analysis. *Region*, 1(1), 25-64.

<sup>29</sup> Yushi, J., & Borojo, D. G. (2019). The impacts of institutional quality and infrastructure on overall and intra-Africa trade. *Economics*, 13(1), 20190010.

<sup>30</sup> Znojek B., (2023). EU Advances Engagement with Latin America and the Caribbean, PISM Bulletin no 84 (2203). Hobbs C., Melguizo A., Muñoz V., Torreblanca J., (2023). The EU and Latin America, Convergences and divergences, EUISS, Brief 12.

<sup>31</sup> European Commission (2023). [EU-Latin America and Caribbean Digital Alliance](#).

<sup>32</sup> Business Europe (2024). [Global Gateway – Suggestions and Way Forward](#).

**Table 1: Distribution of Global Gateway Flagship Projects for 2024**

Area <sup>33</sup>	Region	Number of Projects	Examples of Flagship Initiatives
Climate and energy	Latin America and the Caribbean	31	<b>Amazonia+</b> aims at enhancing the capacity of Amazon basin countries to reduce CO2 emissions and adapt to climate change negative externalities. These plans entail reducing deforestation and forest degradation while enhancing the preservation of biodiversity.
	Middle East, Asia and the Pacific	21	Leveraging the <b>ASEAN Green Initiative</b> , Team Europe is endeavoring to invest in projects aimed at environmental protection and biodiversity preservation, while simultaneously driving forward a clean energy transition. Similarly, aligning with the <b>ASEAN Initiative on Sustainable Connectivity</b> , the EU is striving to support ASEAN electric grid interconnections to enhance access to renewable energy sources, alongside efforts to improve connectivity through submarine cables.
	Africa	63	The <b>Africa-Europe Green Energy Initiative</b> aims to engage European and African public and private sector actors to increase electricity production and access to energy, promote energy efficiency, support reforms for a conducive regulatory environment for private investment, and foster market integration
Digital	Latin America and the Caribbean	6	As part of the <b>BELLA Network initiative</b> , the EU has co-financed the EllaLink project, a high-speed submarine cable spanning 6,000 km, aimed at connecting European and Latin American research and education communities, reaching approximately 65 million people in the LAC region
	Middle East, Asia and the Pacific	7	The Global Gateway Initiative on <b>Digital Connectivity</b> will enhance Central Asian businesses and citizens' access to a secure, internet through trusted satellite connectivity.
	Africa	21	The <b>Africa Europe Digital Innovation Bridge</b> aims at strengthening the digital ecosystem within African countries, by facilitating an African data economy and data sovereignty and by possibly developing a single digital market between Africa and Europe
Education and research	Latin America and the Caribbean	2	Global Gateway Initiative on <b>Social Cohesion and Tackling Inequalities in Latin America and the Caribbean</b> .
	Middle East, Asia and the Pacific	3	<b>Global Partnership for Education (GPE)</b> focuses on the provision of good quality, inclusive and equitable education.
	Africa	12	<b>AU-EU Innovation Agenda</b> to strengthen innovation ecosystems
Health	Latin America and the Caribbean	10	<b>EU-LAC Partnership on vaccine production</b> and health systems resilience in Latin America and the Caribbean
	Middle East, Asia and the Pacific	2	<b>One Health</b> in Cambodia to strengthen international and regional cooperation in the fight against pandemics, by promoting digital health and technical skills.
	Sub-Saharan Africa	10	<b>Digital Health for Health Systems Strengthening and Universal Health Coverage (UHC) in Sub-Saharan Africa</b>
Transport	Latin America and the Caribbean	9	Support for improving the <b>Caribbean Maritime Intra-Regional Transport</b>
	Middle East, Asia and the Pacific	8	<b>Global Maritime Technology Cooperation Centers</b> for meet energy-efficiency and greenhouse-gas targets of the International Maritime Organization.
	Africa	29	<b>Northern Strategic Transport Corridor</b> to improve regional connectivity and trade by connecting Kenya to neighboring Uganda, Rwanda, Burundi and the Democratic Republic of Congo.

Source: Poli & Wolf (2024)<sup>34</sup>.

### 3.2 Development of sustainable supply chains for renewable energy carriers

Intensified infrastructure spending alone will not suffice to create stable joint supply chains with Latin America. Economically, improved infrastructure quality does not only reduce the distance of Latin America to Europe, but also to other important trading partners. It thus not necessarily raises the relative attractiveness of the EU as a strategic partner. Moreover, in local infrastructure development, the EU faces though competition by China, which views the Latin American region as an important strategic building block of its almost global Belt-and-Road-Initiative. As Chinese spending is highly

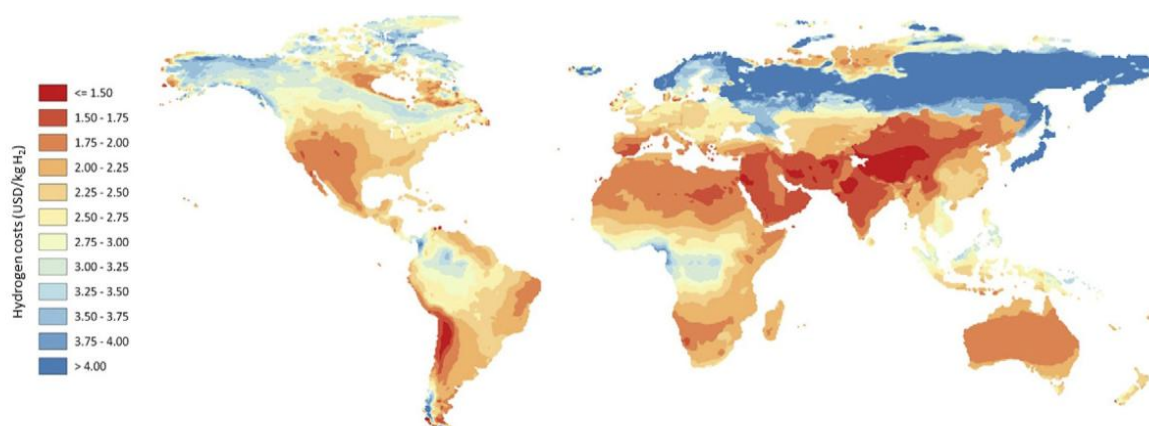
<sup>33</sup> Table built upon data from European Commission (2023c). [Global Gateway projects by region](#) and European Commission (2023a) [Global Gateway flagship projects - Infographics](#)

<sup>34</sup> Poli, E., Wolf, A. (2024). A global gateway to secure supply chains? [cepStudy No.3 /2024](#).

focused on exploiting China's own export potential and control on international supply chains, it is likely to be more effective than the so far rather fragmented European approach.

To establish stable long-term economic partnerships with the region, the EU's quest is therefore to identify common "club goods", i.e. assets that LAC countries can believe to be exclusive to a partnership with the EU. Given the EU's technological expertise and political ambition, cooperation in the field of renewable energy technologies can become such an asset. This also matches the Latin American region's comparative advantages in terms of renewable energy resources. First, this concerns the high potential for electricity production from solar photovoltaics (PV) and wind systems. As a consequence, countries like Chile, Brazil and Mexico can be expected to become very cost-efficient in the electrolytic production of renewable hydrogen (see Figure 5). At the political level, Chile and Colombia in particular demonstrate great ambition in building up domestic hydrogen economies, not only as a means to fulfill their climate targets, but also to establish new export-driven business models.<sup>35</sup> With long-distance hydrogen transport technologies evolving at fast pace, intercontinental trade of hydrogen and its derivatives through shipping is likely to become an economically feasible option in the time after 2030.<sup>36</sup> Given the EU's own ambitions in driving up renewable hydrogen imports, implementing a plan for intensified political and business cooperation in hydrogen technologies with ambitious Latin American countries (e.g. exchange of existing know-how, research cooperation, harmonization of technical standards and regulatory design of hydrogen markets and infrastructure) could be of high strategic value for the EU.

**Figure 5: Forecast hydrogen production cost from hybrid solar PV and wind systems in 2030**



Source: Acosta et al. (2022)<sup>37</sup>

Second, a further "fruitful" area of green cooperation is the creation of joint markets for bioenergy and bio-based materials. Due to their climatic conditions, countries like Brazil, Venezuela and Colombia also possess a huge potential to extend their roles as feedstock suppliers in bio-based supply chains (see Figure 6). For boosting intercontinental trade with the EU, biomethane has an especially high potential, due to its versatility and its ability to directly replace natural gas in applications like heating

<sup>35</sup> Gobierno de Chile (2020). [National green hydrogen strategy 2020](#).

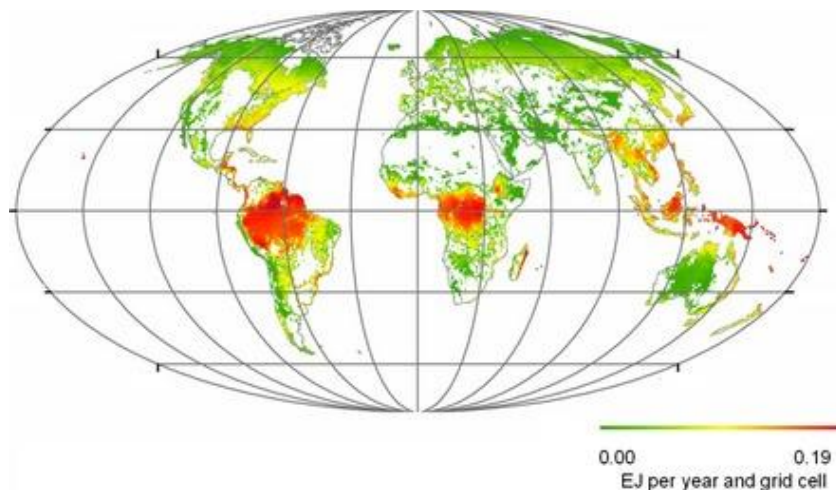
Fraunhofer ISE (2024). Power-to-X Colombia. Study carried out within the Colombian- German Dialog on Re-Industrialization via Renewable Hydrogen.

<sup>36</sup> Aurora (2023). [Renewable hydrogen imports could compete with EU production by 2030](#). January 23, Aurora Energy Research.

<sup>37</sup> Acosta, K., Salazar, I., Saldaña, M., Ramos, J., Navarra, A., & Toro, N. (2022). Chile and its potential role among the most affordable green hydrogen producers in the world. *Frontiers in Environmental Science*, 10.

and LNG-/CNG-fuels for heavy duty transport and shipping.<sup>38</sup> Yet, potential threats to important ecosystems, especially the Amazon region, have created strong political opposition against any increased exploitation of biogenic resources. A deepened partnership with the EU in the development and implementation of sustainable feedstock technologies can thus be attractive for high-potential Latin American countries. The regulatory environment created by the EU, especially the preferred regulatory treatment of so-called “advanced biofuels”<sup>39</sup>, represents a starting point. Further cooperation in this field could center on establishing common monitoring and certification methodologies for sustainable feedstock extraction, to eliminate non-tariff trade barriers.

**Figure 6: Global distribution of the theoretical bioenergy supply potential**



Source: Schueler et al. (2013)<sup>40</sup>

### 3.3 Implementation of strategic resource partnerships

Some Latin American countries not only possess high potentials as a net supplier of renewable energy, but also significant geological resources of minerals indispensable for Europe’s green transformation. In particular, a range of South American countries exhibit large reserves of lithium, including Chile as the currently second-largest (after Australia) lithium miner. Given the key role of lithium-ion batteries in the electrification of the European economy - and the current dominance of Chinese companies at the refining stage - expanding existing trade relations to support refining capacity and technology cooperation would be a smart step for Europe to reduce its supply vulnerability. Moreover, jointly tapping the so far unexploited geological potential of Brazil for the mining of rare earth metals, tantalum and vanadium would secure raw materials for other critical technologies like permanent magnets or 5G.

<sup>38</sup> Gas for Climate / Guidehouse (2021). The future role of biomethane.

<sup>39</sup> European Commission (2022). [Advanced biofuels in the European Union](#).

<sup>40</sup> Schueler, V., Weddige, U., Beringer, T., Gamba, L., & Lamers, P. (2013). Global biomass potentials under sustainability restrictions defined by the European Renewable Energy Directive 2009/28/EC. *Gcb Bioenergy*, 5(6), 652-663.

**Table 2: Geological reserves of selected critical minerals in Latin American Countries (in tonnes)**

Country	Cobalt	Lithium*	Rare Earths	Tantalum	Vanadium
Argentina	-	23,000,000	-	-	-
Bolivia	-	23,000,000	-	-	-
Brazil	-	390,000	5,700,000	40,000	120,000
Chile	-	11,000,000	-	-	-
Cuba	500,000	-	-	-	-
Peru	-	1,000,000	-	-	-

Source: USGS (2025)<sup>41</sup>. \*Resources instead of reserves reported.

To this end, the EU has established the instrument of strategic resource partnerships with third countries as a means to support the diversification of raw material supply beyond pure trade agreements. In the region, the EU has already signed dedicated partnership agreements on sustainable raw materials value chains with Argentina<sup>42</sup> and Chile<sup>43</sup>. Yet, these agreements so far only take the form of memoranda of understanding on future cooperation fields, thus cannot be compared to the impact of binding trade agreements. In particular, they lack clear roadmaps for implementation steps, milestones and the necessary involvement of the private sector. It is also necessary to synchronize partnership strategies with EU fund allocation, especially infrastructure spending by the Global Gateway initiative (see Subsection 3.1).

### 3.4 Coordination of economic defense measures

In the face of a shifting global trade landscape, it is advisable to enhance collaborative efforts in bolstering defense capabilities against hostile foreign trade policies, as this approach is mutually beneficial. The challenges posed by economic coercion, knowledge theft and non-WTO-compliant subsidization practices by countries such as China extend beyond Europe, increasingly impacting Latin America as well. It is imperative for Latin American leaders to recognize that deepening economic ties with China can lead to dependencies that potentially increase their economic vulnerability in the long term. The EU-MERCOSUR agreement and the existing bilateral trade agreements between the EU and Latin American countries should therefore be regarded as a foundation for future cooperation that eliminates remaining barriers to trade between the regions and strengthens collective defense capacities in the external sphere. A coordinated response holds greater economic weight than unilateral action and is therefore more credible as a means of deterrence. Moreover, it limits the risk of undesired trade diversion effects or other forms of spillovers to partner countries.

In the long-term, the different strands of cooperation could be managed under the framework of economic security partnerships with Latin American countries. The purpose of these partnerships would be to institutionalize long-term economic security cooperation, offering reduced joint exposure to external risks and a perspective on common technological leadership as club goods. To align security concerns with the pathways of trade deepening sketched above, cooperation should take a value chain

<sup>41</sup> USGS (2025). Mineral commodity summaries. US Geological Survey.

<sup>42</sup> European Commission (2023a). [Global Gateway: EU and Argentina step up cooperation on raw materials](#). Press release, June 13.

<sup>43</sup> European Commission (2023b). [Global Gateway: EU and Chile strengthen cooperation on sustainable critical raw materials supply chains](#). Press release, July 18.

perspective, by involving joint investment in both production capacities and technological innovation. In addition to promoting the diversification of value chains, economic security partnerships should establish a common defense strategy in the event of hostile policies by other trading partners. For instance, cooperation could be extended to agreeing on harmonized countermeasures in the event of targeted policy attacks on individual club members, thereby strengthening the economic weight of countermeasures and providing an additional insurance service to partner economies. Such an approach can build upon the unilateral instruments recently established by the EU such as the anti-coercion instrument.<sup>44</sup>

## 4 Conclusion

The exercise of mapping the EU-LAC trade diplomacy across the recent crises shows that trade among the two regions has shown a high level of resilience, as well as capacity to adapt to multiple internal and external political and economic shifts. Yet, the absence of strong dynamics suggests some unexploited trade potential. It is evident that players such as China or the US threaten to undermine the role of Europe in the Latin American region. Yet, because of cultural as well as diplomatic ties, the EU is still considered one of the LAC's regional strategic partners. Moreover, current shifts in the economic and trade policies by the Trump administration might facilitate a realignment of trade priorities between the two regions. Against this backdrop, initiatives like the EU Global Gateway are certainly well-placed to help strengthen trade connections and build long-term political and economic ties. Similarly, the ratification of Mercosur can play a fundamental role in deepening relations between the two regions while keeping trade, climate change and sustainable development a central element of their partnership.

To further exploit the potential of economic integration with Latin America for its own green transformation, the EU should not see the trade agreements reached as an end in themselves, but as a basis for unlocking further cooperation potential. This cepAdhoc outlines four concrete avenues for cooperation. First, new trade opportunities can be created by boosting strategic EU investment in trade-related infrastructure in Latin America, especially in ICT and renewable energy transport. This will require an appropriate targeting of the funds managed by the Global Gateway initiative. Second, by creating joint supply chains based on renewable energy capacities, the EU can diversify its energy supply and export its decarbonization model. Third, by establishing partnerships in the mining and refining of critical minerals, the EU can reduce its exposure to commodity market risks. Finally, the EU can increase its weight in the geopolitical power struggle by expanding economic cooperation with Latin American countries into a coordinated defense strategy against economic coercion.

When developing joint supply chains, the EU should offer their Latin American partners opportunities for value chain upgrading towards downstream production and intra-industrial trade, by deepening research cooperation and joint work on industrial standards. In sum, in a rapidly changing global arena, to remain competitive in the region and in the global market, the EU does not have to mimic other economic and political models. On the contrary, it needs to keep engaging with the LAC countries through an adaptable and flexible approach to make sure economic relations are mutually beneficial and set to be long-lasting.

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<sup>44</sup> European Union (2023). Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries.

## 5 Annex

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

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

<a href="#">Guyana (CARIFORUM)</a>	<a href="#">Economic Partnership Agreement</a>	Provisionally applied since 2008
<a href="#">Honduras (Central America)</a>	<a href="#">Association Agreement with a strong trade component</a>	Provisionally applied since 2013
<a href="#">Jamaica (CARIFORUM)</a>	<a href="#">Economic Partnership Agreement</a>	Provisionally applied since 2008
<a href="#">Mexico</a>	<a href="#">Global Agreement</a>	In force since 2000, negotiations on modernisation began in 2016, 'Agreement in principle' on the trade part reached in 2018
<a href="#">Nicaragua (Central America)</a>	<a href="#">Association Agreement with a strong trade component</a>	Provisionally applied since 2013
<a href="#">Paraguay</a>	<a href="#">Framework Cooperation Agreement</a>	Signed in 1992.
<a href="#">Peru (with Colombia and Ecuador)</a>	<a href="#">Trade Agreement</a>	Provisionally applied since 2013
<a href="#">St Kitts and Nevis (CARIFORUM)</a>	<a href="#">Economic Partnership Agreement</a>	Provisionally applied since 2008
<a href="#">St Lucia (CARIFORUM)</a>	<a href="#">Economic Partnership Agreement</a>	Provisionally applied since 2008
<a href="#">St Vincent and the Grenadines (CARIFORUM)</a>	<a href="#">Economic Partnership Agreement</a>	Provisionally applied since 2008
<a href="#">Suriname (CARIFORUM)</a>	<a href="#">Economic Partnership Agreement</a>	Provisionally applied since 2008
<a href="#">Trinidad and Tobago (CARIFORUM)</a>	<a href="#">Economic Partnership Agreement</a>	Provisionally applied since 2008
<a href="#">Uruguay</a>	<a href="#">Framework Co-operation Agreement</a>	Concluded in 1992.
<b>Agreements being adopted or ratified</b>		
<b>Country (Region)</b>	<b>Agreement pending</b>	<b>Status</b>
Argentina (Mercosur)	<a href="#">Mercosur Association Agreement</a>	Negotiations finalised in December 2024
Brazil (Mercosur)	<a href="#">Mercosur Association Agreement</a>	Negotiations finalised in December 2024
<a href="#">Haiti (CARIFORUM)</a>	<a href="#">Economic Partnership Agreement</a>	Signed, but has not ratified agreement
Paraguay (Mercosur)	<a href="#">Mercosur Association Agreement</a>	Negotiations finalised in December 2024
Uruguay (Mercosur)	<a href="#">Mercosur Association Agreement</a>	Negotiations finalised in December 2024





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