EU's trade relations with Latin-America

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The Committee on International Trade adopted the own-initiative report drafted by Helmut SCHOLZ (GUE/NGL, DE) on the European Union's trade relations with Latin America.

The committee recalls that the EU has strengthened its economic and trade relations with Latin America, becoming its second most important trading partner and the leading trading partner for MERCOSUR and Chile. It notes that trade volumes doubled between 1999 and 2008, with a steady rise in trade in services, but that the figures have dropped ; owing to the dramatic effect of the financial and economic crisis.

Members recall, however, that poverty remains a major challenge in Latin America with great disparity between its countries. GDP per capita in the region ranges from USD 1211 in Haiti and USD 2635 in Nicaragua to USD 11225 in Brazil and roughly USD 15000 in Argentina, Chile and Mexico. Nevertheless, important successes in poverty reduction could be achieved, with the poverty rate in Latin America decreasing from 44.4% in 2003 to 33% in 2010.

In the face of these challenges, Members make a series of recommendations which it asks the Commission to bear in mind when implementing the EU-Latin America trade policy. These recommendations may be summarised as follows:

EU trade policy and the fight against poverty: Members stress that trade policy can play a decisive and positive role in creating wealth, enhancing economic and political relations between peoples and countries, ensuring peace and addressing development, environmental and social objectives. Modern European trade policy can play an important role in achieving the UN Millennium Development Goals (MDGs) and fulfilling international commitments to human rights, food security and environmental sustainability. Members state that attaining the MDGs and eradicating global poverty will require a trade environment in which developing countries in Latin America have real access to the markets of developed countries and can maintain and develop their own competitive manufacturing and food processing industries.

Creation of a sustainable economic zone: Members note that the aim of closer integration of the European and Latin American economic spheres is to create a win-win situation for both sides. They stress that intensified and fair trade relations should create more and better jobs in both regions and must support the aim of more resource-efficient and greener economies. They note, however, that a growth in trade should **not lead to deforestation** and more green-house gas emissions. They also stress that resources and technical assistance must be mobilised to identify and fund programmes that provide local and regional production opportunities, in order to guarantee food security and sustainable access to markets for excluded communities at the bottom of the socio-economic pyramid and for small and medium-sized enterprises.

“Aid for Trade”: Members consider it crucial to mobilise Aid for Trade and harness trade intensification in order to promote development. Welcoming the positive developments in Latin American countries, members call on the Commission to support such approaches to **South-South integration** and to avoid clauses in EU trade agreements that would undermine the positive effects of the respective integration approaches. They consider that trade-related assistance should help producers reduce the transaction costs involved in complying with regulatory and quality standards, and that programmes should be developed to help firms with inspection, testing and official certification.

Reject protectionism: Members call for closer cooperation between the EU and the Latin American countries, so as to jointly push for the swift conclusion of a fair, ambitious and comprehensive WTO Doha Agreement. The stress that an open and fair rules-based multilateral trade system will contribute to the recovery of world economies from the economic crisis and to promoting growth and development, applying a progressive and balanced reduction of tariff and non-tariff barriers. The committee deplores the protectionist measures taken during the financial crisis by some Latin American countries, especially Argentina.

Members consider that the EU should seek to **make a more attractive offer aimed at serving the economic development interests of its partners**, in order to ensure its presence in the region, alongside the US and China. They also consider it crucial for Latin America further to diversify its trade, which is mainly based on raw materials.

Respect for social and environmental standards: Members emphasise the constructive role that EU-based companies operating in Latin America should play by applying high environmental, social protection and quality management standards and by offering decent wages and job security. They point out that the EU as a whole and EU-based companies operating in Latin America should display exemplary behaviour in environmental, social and employment-related matters within a wider framework of transparency and respect for human rights that ensures the protection of all involved. They also stress that European multinationals are responsible to a great extent for the EU's image in the region and must promote its values, whilst observing the principles of corporate social responsibility.

Encourage transparency in the negotiations:Members take note of the positive conclusion of the negotiations on the EU-Central America Association Agreement. They also note that the negotiations for a Multi-Party Trade Agreement between the EU and Colombia and Peru have come to a positive conclusion and await the rapid resumption of negotiations on the EU-Mercosur Association Agreement (the world's most ambitious bioregional agreement)

They call on the Commission to closely involve Parliament whether in the context of the negotiations on the Mercosur Agreement or in those relating to the agreements with Chile and Mexico.

Members call on the Commission to make trade negotiations more transparent by giving early access to key documents and draft agreements to all social partners in sectors that are potentially affected by the outcome of trade agreements.

Noting, moreover, that the negotiating mandate for the EU-Mercosur Association Agreement was drafted before the accessions of 2004 and 2007, members call for its revision so as to take fully into account the interests of the new Member States. They stress, in this context, the need for a prior assessment of the impact of an agreement with Mercosur in view of the expected increase in the volume of meat exported to Europe – 70% for beef and 25% for poultry.

Investment promotion: Members welcome the creation by the EU of a new Latin America Investment Facility, the main objective of which should be to serve as a lever to mobilise additional financing to diversify investment in Latin America that is intended to foster progress in the priority areas, such as sound public transport and mobility systems, energy saving, renewables, education and research. They also welcome the decision to establish an EU-LAC Foundation, which will promote trade and contribute to strengthening the bi-regional partnership, raising awareness of it and realising its full potential. Members point out, however, that the further investment promotion needs to go hand in hand with the environmental, health and social demands of the populations.

The EU should also create regional trade academies both in Latin American regions and across EU Member States, aimed at building capacity among SMEs. It should also provide support for EU-Latin

American trade fairs in the various European and Latin American countries, to provide a platform for contacts and partnership agreements,

in particular among SMEs.

Combating climate change: to help to combat climate change, Members call on the Commission to consider the possibility of establishing close cooperation between the two continents in order to develop a new Latin American railways network. They call on the European Union to support the new concept of supporting environmental protection by compensating for the loss in potential trade revenues and to co-finance the creation of the Yasuni-ITT Trust Fund under the auspices of the UNDP, as proposed by the Ecuadorian Government, which is intended to compensate the Ecuadorian people for refraining from extracting oil from the fields located in the Yasuni National Park.

Resolving the question of external debt: Members call on the Commission and the Council to speed up the solving of the problem of the external debts of some countries in Latin America and the Caribbean, both on a bilateral basis and within the international finance institutions.

Other sectoral issues: Members are deeply concerned about the restrictive measures recently adopted by the Argentinian authorities on foodstuffs imported from third countries, including the European Union. They consider these measures to constitute a real non-tariff barrier incompatible with WTO obligations and call, therefore, on the Argentinian authorities to eliminate this illegal burden on foodstuffs, which could send out a bad signal and represent a serious obstacle for the ongoing EU-MERCOSUR negotiations. Lastly, members reiterate that the EU should actively and concretely support those developing countries that use the so-called flexibilities built into the TRIPS Agreement in order to be able to provide medicines at affordable prices under their domestic public health programmes.