Changes in economic relations:
The case of the strategic partnership between Latin America, the Caribbean and the European Union

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Abstract: The Strategic Partnership between the European Union and the countries of Latin America and the Caribbean exists for about 15 years, to be precise it was founded in Rio de Janeiro in 1999. Cooperation between these two interested sides reflected on various fields of interest, like cultural issues, science, technology, trade and investment, economic, political and security issues, migrations, poverty, etc. However, in this paper I will point out the strategic partnership, mainly focused on economic relations and agreements. Relationship based on mutual interests between these two regions was beneficial for both sides. Trade was growing rapidly, EU was a leading foreign investor, and the other way around, Latin America and the Caribbean countries were also investing in Europe. Still, in the last couple of years, situation has changed, EU re-assessed its priorities after the start and still ongoing Euro crisis and likewise Latin America had shifted its focus towards Asia and Pacific. On the other hand, rising on the China at east, influenced severely this strategic partnership, due to the fact that China is more interested in the economic rather than political aspects. So, the European Union's share in Latin American trade has declined. Yet, EU is still the second largest trading partner, though it can lose its position to China in the years to come. In order to keep its position, opportunity for the European Union lie in the regional market, stronger business alliances, strategic partnership in supporting global recovery, and of course promoting integration.

Keywords: trade, FDI, China's influence, global financial crisis, economic cooperation and integration, institutions, renewed strategic partnership

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Introduction

The Strategic Partnership between the EU and the countries of Latin America and the Caribbean (LAC) was founded in Rio de Janeiro in 1999. In the first summit the goal was to build up a partnership of equals. The underlying assumptions were that both sides benefit from working together. This agreement expressed itself in an active and ongoing cooperation in several fields, such as trade and investment, economic, political, security issues and environment. Till now there were six EU-LAC Summits held, which resulted in cooperation on a extended range of issues, such as; cultural issues, climate change, migration, the fight against illegal drugs, promotion of human rights, education, cultural issues and science and technology. But due to the rising influence of China in the Latin American region the role of Europe is decreasing. Furthermore the shift in interests of European companies and the still ongoing financial crisis have severe consequences for the strategic cooperation between the two regions. In this paper I will point out the strategic partnership, mainly focused on economic relations and agreements. Furthermore this paper will focus on the changes in this strategic partnership, importance of this relationship for the two regions, recent developments, challenges and the increasing importance of China in the Latin American region. In the last section some recommendations are given.

Strategic cooperation

Since 1999 the biannual summits between Latin America and the European Union have sought to deepen bi-regional integration and strategic cooperation. These biannual meetings served as a monitor progress towards integration and cooperation between these two regions. A constant issue was the economic and commercial integration between the two markets, through agreements between the European Union and CARIFORUM, Chile, Mexico, Central America, Colombia and Peru. According Meyer & Jung the meetings also supported cooperation in other areas for economic and social development such as democracy and human rights, strengthening multilateral approaches to fostering peace, stability and international law, terrorism, drugs and organised crime, the environment, energy, growth and development, fight against poverty, inequality and social exclusion, cooperation for development and international finance, migration and knowledge sharing and training (2012). The European Union’s cooperation with Latin America and the EU is a medium-term strategy lasting from 2007 to 2013, which is focusing on social and territorial cohesion, regional integration and higher education. Latin America is benefiting from a major program of cooperation with the European Union, amounting 556 million euro (UNCTAD, 2012). The Latin American Investment Facility (LAIF) was established in 2009 as a new mechanism to promote social and territorial cohesion and regional integration. LAIF helps to mobilise additional financing, by stimulating recipient governments and public institutions to make investments. The goal of LAIF is to support the European Union's regional strategy towards Latin America with three specific and interconnected objectives, these are: enhance interconnectivity between and among Latin American countries by establishing better energy and transport infrastructure, improve environmental protection and support climate change mitigation and measures, and promote equitable and sustainable socioeconomic development through upgrading social services infrastructure and supporting SMEs (AECID, 2012). Another program is the AL-INVEST program, which aims to support the internationalisation of SMEs in Latin America. This is also an important program because it helps the local development by taking advantage of the opportunities provided by globalisation, regional integration, trade agreements and business cooperation with the European Union (ECLAC, 2010).

Economic relations

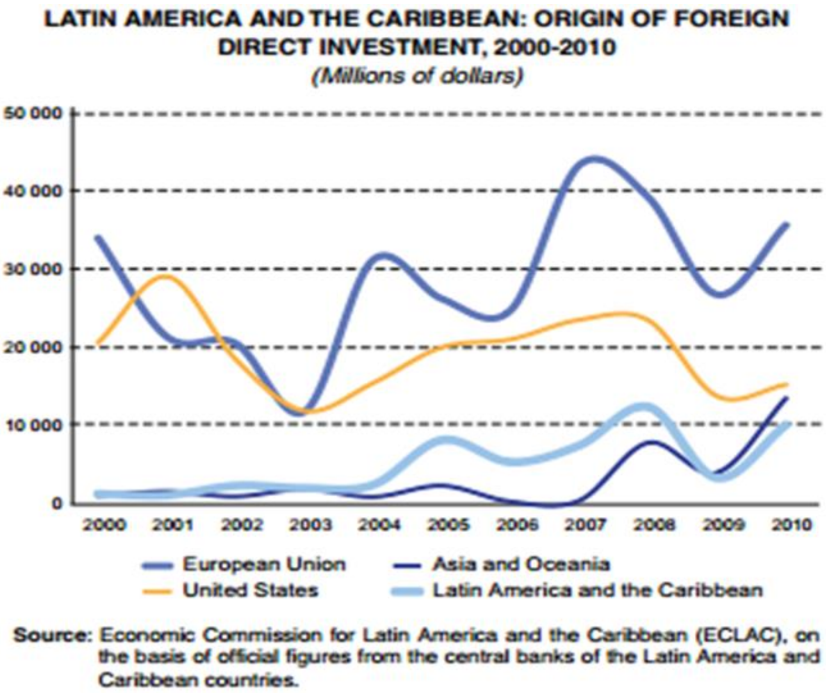
First of all the EU is the leading foreign investor in the CELAC countries, to give an idea the total stocks FDI represents 43% of the region's total FDI. Furthermore the EU's FDI in the countries of Latin America and the Caribbean is higher than Russia, China and India FDI combined. EU investment in these countries contributes to an increase of competitiveness and to social and economic development. Now it just looks like that only the EU is investing in this region and not the other way around, but that is not true. The relationship is mutually beneficial because Latin American and the Caribbean countries also invest in Europe. Trade between the EU and the CELAC region has been growing rapidly over the last couple of years. However, in this field the relationship should be further developed. The EU should develop the relationship with Mexico and Chili further and should held negotiations with the MERCOSUR region. It is important to promote open trade and refrain from protectionism to make the relationship more beneficial for both sides. So far this partnership seems to be really successful but there are some serious challenges posed by the global economic and financial crisis (European Commission, 2013).

Shift in interests

Both partners always stressed the historical and cultural links between the two regions. It can be mentioned that the mutual interest has decreased on both sides the last couple of years. It is not only the European Union that re-assessed its priorities after the start and still ongoing Euro crisis. On the other hand Latin America is focusing towards other regions of the world as well, especially towards Asia and the Pacific. Due to the changing global order it is likely that the Strategic Partnership that was agreed between the EU and CELAC in Rio de Janeiro in 1999 will be disappointing. The recent years showed that Latin America is struggling to move their partners towards more regional integration. This can pose a problem or a disappointment for the EU, because one of the EU's goals was to operate on a bi-regional level, thus to bolster Latin American regional integration. Furthermore the recent neglected relations between the EU and Latin America is a loss for both sides. Latin America should acknowledge that the EU remains the largest foreign investor in their region, but there is still hope that both sides of the Atlantic will realise the importance their Strategic Partnership and agree to closer cooperation (Jung and Meyer, 2012). Before I point out other benefits, challenges and struggles of the Strategic Partnership, I will first go deeper into the investment topic.

Foreign Direct Investment

It is important to mention the FDI flows between the European Union and Latin America and the Caribbean, this aspect is namely one of the original goals of the Strategic Partnership. In this section I will focus on the FDI patterns and the strategies used by transnational companies and its contribution to the region. If we look at the investment flows we see a long history of investment flows of the European Union to Latin America. Before the economic opening of the 1990s the total stock of Europe's FDI accounted for almost 75% in the large economies of Brazil, Mexico and Argentina. The biggest investors were the United Kingdom, France and Germany followed by Italy and the Netherlands (ECLAC, 2002). This partly was encouraged due to the structural reforms and modernizing production by using FDI as a source for achieving this. In 1995 Spain and Portugal entered with their investment flows. The investment flows occurred as well partly due to the cultural, social and economic characteristics of the European Union that are useful for Latin America to develop. But the other way around Latin America can be useful for the European Union because it can be a source of stimulus for the European economies especially in the current economic crisis. However, the investment flows are stagnating the last couple of years. This stagnation has been due in part to the accession of new European Union members, the growing relevance of the Middle East and North Africa for Europe (ECLAC, 2010).

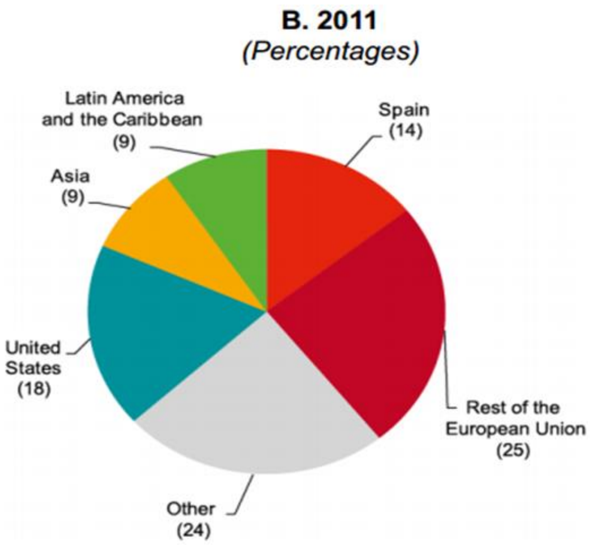


Other global factors were also a cause of the fall in European investments; one of them is the financial crisis. With the accession of the new member States to the European Union the focus of European business shifted away from Latin America to these new Member States, because it opened up a wide range of investment opportunities. Another explanation can be that Latin America is still very natural resource oriented and put lesser effort to the development of technology and innovation (UNCTAD, 2013).

FDI is not evenly distributed among the region of Latin America. European FDI was mainly directed to South America. For example Brazil received 53% of the total FDI in the period between 2006 and 2010, which makes it the main receiver of European FDI. Other main receivers were Argentina, Colombia and Chili. Mexico and Central America are not main destinations of European FDI. A possible explanation for this uneven distribution of European FDI can be the dominant presence of the United States in Mexico and Central America. Only in the last five years the share of FDI flow from the European Union increased due to the drop of FDI flows from the United States in Mexico. Spain was for a couple of years the dominant player of FDI in Chili and Argentina. Nevertheless, the European Union should be careful with its position due to new actors as a source of FDI in Latin America and Caribbean, by companies in developing countries such as China (ECLAC, 2010).

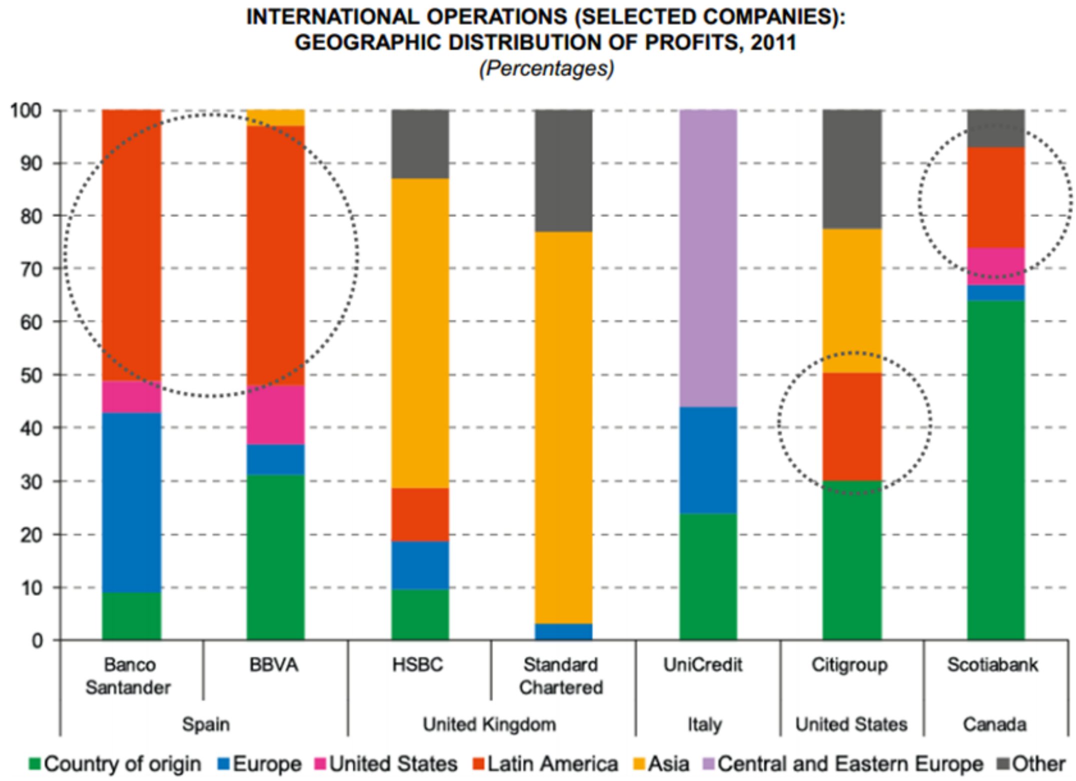
The pattern in European countries

Spain had over the last 10 years the main position as European investor in Latin America. Large Spanish companies in the service sector were involved in some of the largest acquisitions that this region has seen. The preferred destination countries were Brazil, Mexico, Chile and Argentina. For example 65% of the Spanish assets abroad are in Latin America. But Spanish investments decreased in the past few years, due to structural and situational reasons. These are the renewed interest in other European Union member States and other developing regions and the impacts of the crisis for Spain's economy affected the investments in the region as well. Germany is one of the traditional European investors in the region. Germany its focus is mainly on Brazil, Mexico and Argentina, in capital-intensive sectors. Although the amount of German FDI is small, the innovation and research and development of the German FDI is important for Latin America (FDI Intelligence, 2014). France has also a long history with Latin America. The French companies are focusing on the service sector. They took advantage of the privatisation process in this region for example. The share of French FDI is bigger than the share of Germany in this region. French companies focused the last couple of years on the telecommunication and energy sector and manufacturing sectors in Latin America. The United Kingdom its assets abroad is lower than all the countries mentioned above and FDI concentrated in mining, financial services and food and beverages. Italian investments increased over the last couple of years. They made acquisitions in telecommunications and infrastructure. The share of total European flow of FDI for Italy is comparable with the share of France. The Netherlands focused mainly on Brazil and Mexico and on manufacturing sectors such as beverages and steel and the service sector (FDI Intelligence, 2014).



European strategies

In the last couple of years the European companies mainly focused on natural resource seeking strategies. The European companies that are the largest in the region are oil and mining companies such as Anglo American PLC (United Kingdom/South Africa), Royal Dutch-Shell (United Kingdom-Netherlands), Repsol (Spain) and British Petroleum (United Kingdom). The region's good economic performance encouraged the European companies to follow strategies based on the search for national and regional markets for manufactures. But due to the global economic crisis European companies recently expanded their operations (UNCTAD, 2013). There are new opportunities as well due to the appreciation of a few Latin American currencies against the dollar, growing middle class and growing purchasing power of the population opened business opportunities for companies whose strategy is to seek local and regional markets for manufactures (FDI Intelligence, 2014). Still some investments were put on a hold in the current financial crisis in Europe. They did not cut back on production capacity but they have postponed some expansion projects. A few of these companies were in the automobile sector, such as Volkswagen (Germany), Fiat (Italy), Renault (France). In electronics, Phillips (Netherlands), Nokia (Finland), Siemens (Germany). In food and beverages, Danone (France), Parmalat (Italy), Heineken (Netherlands), Carlsberg (Denmark) and Unilever (Netherlands). These companies described above have a long history in this region, they were one of the early internationalisers and focused themselves on larger economies such as Brazil, Mexico and Argentina, but a lot of their operations went into other countries in the region as well (ECLAC, 2011). Still the preferred destination is Brazil. Besides the European companies have been very active in the steel sector as well, again mostly in Brazil. Due to the structural reforms and the privatisation in the 1990s the companies could start to operate in the service sector. Investment in telecommunications, energy, banking and infrastructure was booming. According the European Commission, the European companies were involved in some of the largest acquisitions in the region making them leaders in their markets. In the last couple of years some factors lead to the expansion of operations in the service subsectors in the region (2013). The diversification in the terms of sectors is also higher, new investments were made in retail, tourism, construction, logistics and financial activities. The new companies in these subsectors are smaller than those who established earlier. This points out that these positive signals gave a boost to Latin America and the Caribbean as an attractive destination for European companies (ECLAC, 2011). To show how important Latin America is for some banking sectors to some countries. I will illustrate a figure below.

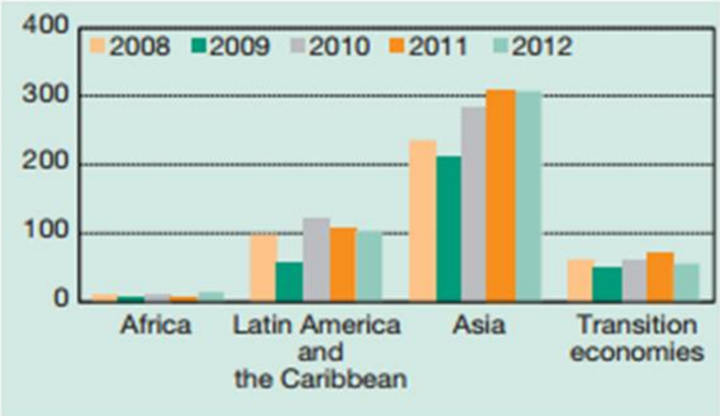


In this figure above we see that Latin America is really important for Spain and to a lesser extend for United States, Canada and United Kingdom for the banking sector. This figure shows namely the geographic distribution of profits in 2011 in percentages. So we can conclude here that Latin America is a crucial element of their business strategy (ECLAC, 2011).

Outward foreign direct investment and trans-Latin companies

The growth of outward FDI from the Latin American and Caribbean is growing fast. Besides it is becoming an important investor globally. The highest outward FDI is from Mexico. Brazil, Chili, and Colombia. Largely focused on basic industries, mass consumption manufactures and some services. A large proportion of the outward FDI is going to the neighbouring countries (UNCTAD, 2013). Trans-Latin Greenfield investments also largely stay in the region, so this shows the importance of trans-Latins. A different picture is presented here, while the data is easy accessible for the European investments this is not the case for the Latin American ones. Only recently the topic of internationalisation by Latin American firms were connected by policy debate and found their way to the region's research agenda. The decision whether to pursue a proactive policy in this field is a recent political debate (EC, 2013). A shift towards a greater use of industrial policy is occurring in some countries in the region, with a series of measures designed to build productive capacities and boost the manufacturing sector. These measures include higher tariff barriers, tighter criteria for licenses and increased preference for domestic production in public procurement. These policies may put a barrier for FDI into the region and appear to have an effect on companies investment plans (UNCTAD, 2013).

Figure I.5. FDI outflows, by region, 2008–2012
(Billions of dollars)



Source: UNCTAD FDI-TNC-GVC Information System, FDI database (www.unctad.org/fdistatistics).

We see in this figure above that Latin America and the Caribbean is the second biggest developing region with outward FDI between 2008–2012, it comes after Asia.

Outward FDI trends of Latin America and the Caribbean: to Africa

According UNCTAD, Brazilian FDI to Africa is growing in the last couple of years. The Brazilian development bank called (BNDES) has an active role in the expansion of Brazilian TNCS into the African industry. They focus on countries such as Angola, Ghana and Mozambique. But still the largest proportion of the outward FDI is going to the neighboring countries (2013).

Rising Chinese influence

The established relationship between Latin America and the Caribbean and Europe can undergo some challenges imposed by China. China its massive economic growth and increased integration with the global economy over the last few years has been one of the most striking features of the globalisation. Due to the its official exchange rate and big economy China rose rapidly, thereby it became more open than before (Jenkins, 2009). OECD predicts that China will become the largest exporter by the beginning of the next decade. The rise of China has therefore major consequences for other countries. The cheap imports of Chinese products to the USA and the European Union has a negative effect for the manufactures, although the consumers benefited from low prices of clothes and electronics. Furthermore China would like to invest and provide aid to Africa, but there are serious critics about China's support for some of Africa's regimes. All the aspects described above are known globally but the impact that China can have in Latin America gets less attention. According Jenkins, the influence of China in Latin America can pose a problem for the United States and Europe, because their hegemony position is at danger. China is mostly interested in the economic aspect rather than political aspects. So there is a growing economic relation between China and Latin America (2009).

In the last 10 years the trade increased ten-fold between China and Latin America. China is also starting to invest in Latin America. The relation is not one sided, Mexican, Brazilian and other firms from Latin America are starting to invest in China as well. Thereby China is amongst the top three of trade partners for a couple of Latin America countries, but the relationship is asymmetrical, China's influence is bigger in Latin America than the other way around. Brazil is the largest Latin American exporter to China, no other country among Latin America ranks in the top twenty for import sources for China (Jenkins, 2009). Due to the size of China it has direct (FDI) effects and indirect effects on Latin America but also at a global level, China can affect the world prices with its trade and investment flows, this is an indirect impact (FDI Intelligence, 2014). There can also be an increase in competition between Latin America and China for exporting to third markets. It is a question whether these impacts are more positive than negative for Latin America its economy. According Blazquez-Lidoy et al. these impacts can be different in different countries. It will depend on their nature if they are competitive or complementary (2007).

The importance of Chinese FDI

In 2004 President Hu Jintao promised that China is going to invest for 100 billion dollars in Latin America in ten years' time. Although it is difficult to estimate the exact numbers due to the use of data, it appears that the number of FDI is misleading, a part of total flow to Latin America went to the Cayman Islands and the British Virgin Islands, two tax havens of the Caribbean. This means that the numbers of FDI flows to Latin America can show a difference with real numbers.

China invested mainly in Argentina, Brazil, Mexico, Peru and Venezuela. Much of the FDI was for resource seeking strategies. Such as oil and minerals but there are also Chinese investments in manufacturing, textiles, electronics in Mexico. In Brazil, China is mainly investing in electronics and telecommunications (Jenkins, 2009).

Latin American exports to China

Latin American exports started at the end of the 1990s. Not all Latin American countries have participated in the boom in exports to China. For example, Central American countries except Costa Rica, do not have diplomatic relations with China, have a low level of exports as do Colombia and Ecuador. This is one reason why the impact of China its influence in the region is unevenly felt across the region. Some Latin American countries have simply a stronger relation with China compared to others (Blazquez-Lidoy et al., 2007). Trade is driven by China's demand for raw materials and this reflects the composition of the region's exports. The exports to China by the major Latin American exporters are concentrated on a narrow range of products. These exports are mostly concentrated on primary products like, iron ore, soya, fishmeal and copper. So Latin American exports have not been able to diversify their exports beyond primary products (Jenkins, 2009).

Challenges

China's impact on prices and Latin American export earnings

China contributed to the price increases of commodities such as copper, iron, zinc, aluminium, petroleum, soybeans and fishmeal. Latin American exporters benefited from the increases in the prices of these commodities. To give an indication, China accounted in 2007 for more than half of the world consumption of iron and aluminium. Likely the prices of these commodities will increase in the next couple of years, if the demand of China continues to grow. The estimates are for Latin America as a whole and the gains are ones again not spread evenly amongst the countries of the region. The main beneficiaries are oil and mineral exporters such as Chile, Peru, Venezuela and Mexico (Blazquez-Lidoy et al., 2007). Besides net importer countries, particularly of oil, are more likely to be net losers as a result of the impact of China on their trade. The key in this is whether the countries are complementary to China, in the sense of exporting those commodities in which China is a net importer or compete with China for imports of the same products (ECLAC, 2012).

The rapid growth of Chinese imports over the last years created concerns within Latin America. The consumers' benefit from cheaper products, manufactures complain that they are losing markets to imports and have accused the Chinese of dumping. There we see a similarity between Latin American and the Caribbean and the EU. The reaction of some countries was to increase the protection of the domestic markets. This has led in some cases to protectionist moves such as measures to restrict imports of toys, clothing, footwear, textiles from China and other Asian countries taken by the Argentine government in 2007. Still it is difficult to determine the consequences of the Chinese increased influence in the region. There is evidence from the manufacturing sector in Argentina and Brazil that China has an influence on a few domestic producers such as office equipment, computers, TVs, furniture and sports goods. But here again there is a problem with the exact numbers. The impact can be way bigger, because it does not take into account the unregistered imports of Chinese goods. For example in Mexico there are estimations that up to 65% of domestically sold textiles and clothing are imported illegally, while in Brazil the textile and clothing trade associations claimed losses of 60 million US dollars in 2006 as a result of illegal imports from China (Jenkins, 2009).

China as a threat

According Blazquez-Lidoy et al. like other emerging countries Latin America is concerned that China's emergence poses a threat to their exports and especially of manufactured goods to the third markets. These concerns increased after China its accession to the WTO in 2001 and the ending in 2005 of the Agreement on Textiles and Clothing (ATC), in which countries were allowed to use quotas to restrict imports (2007). As a result, the European Union has fallen in ranking of the most important trading. 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, for nearly all Latin American countries. In 1980, The EU was the first or second most important export market for all Latin American countries, except Venezuela, Ecuador and El Salvador (Jenkins, 2009). As already described in this paper, in 2009 the EU maintained the top position in just four out of sixteen countries and elsewhere was displaced in several cases by China. The declining importance of the EU as a trading partner can also been seen in terms of its position as a source of Latin American imports (ECLAC, 2012).

After the crisis

The trade between the Latin American 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 after the crisis as they recovered for the fall in trade in 2009. Exports and imports to Asia grew the fastest. The trade with the USA and within the region grew at modest rates, trade with the EU has not yet regained pre-crisis levels (UNCTAD, 2013). This is also a challenge for the strategic cooperation between the two partners.

Future aspect

The forecast is that China will continue to grow its relative importance as an export destination till 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. If China's demand increases by a half of that during this decade, China will surpass the EU around 2015 to become the region's second largest export market (UNCTAD, 2013). A similar pattern is foreseen for imports, where China also expected to overtake the EU, although this trend may develop more slowly (Jenkins, 2009).

Services the new trade focus element between the regions

So far we saw a decline of importance of the EU in the Latin American region. But on the other hand trade in services grew faster between the EU and Latin America than between the European Union and the rest of the world (UNCTAD, 2013). In the 1990s and the decade prior to the crisis, trade in services between the EU and Latin America grew almost six-fold whereas trade in services between the EU and the world only tripled. So Latin America and the Caribbean grew in importance as a market for European exports and Latin American exporters also managed to grow their share of the European market (ECLAC, 2012). Although there are big differences between the categories of services, it may be a challenge for the future.

Agreements

In general the agreements negotiated by the EU and the USA is comprehensive and includes removing tariffs on the majority of goods and commitments on trade in services, property, investment and intellectual property. These commitments go beyond those agreed by the EU, USA and Latin America and the Caribbean in the World Trade Organisation (WTO) agreements. But there are differences as well, the agreements negotiated by the EU aim to strengthen regional integration mechanisms in Latin America and the Caribbean. The Association Agreements negotiated by the EU are usually more comprehensive and include provisions on political dialogue and cooperation on a broad set of topics apart from trade such as culture, education, energy, science and technology, tourism and more. The agreements negotiated by the USA include removal of tariffs, mostly focused on agricultural products, whereas the EU agreements maintain exceptions in this field. Thereby the EU agreements use a positive-list approach for negotiating services and investments where commitments on national treatment and market access apply only to the sectors specified by both. In contrast, the agreements negotiated by the USA use a negative-list approach in which only those sectors to be excluded are listen. This approach is more transparent but unclear whether it leads to greater liberalisation. The agreements signed with the USA are usually more demanding to clarify intellectual property rights compared to the European ones (ECLAC, 2012). The challenge here will be the harmonisation of the agreements and to get coherent agreements, to make it easier to develop and establish a good and transparent strategic cooperation.

Security challenges

There is a growing number of safety problems in food imports from Latin America and the Caribbean reported by the European's Food Safety Authority. The consequences of the growing number of safety problems are the additional costs through loss of shipments, negative impacts on product prices and the potential loss of certain markets. To give an idea Brazil got fewer notifications in 2006–2011 than in the period of 2000–2005, whereas notifications on exports from Argentina increased a lot, Chilean exports had an smaller increase in notifications, Peru had a five-fold increase of notifications in this period. The safety problems were mostly to be found in nuts, seeds, fruits, vegetables, fish and meat products.

Trade facilitation

Normally trade facilitation is understood as a reduction in the number of bureaucratic formalities in foreign trade or in the time required to complete them. But it should also be seen as an integrated approach that seeks to make trade transactions more efficient by making transport and ICT infrastructure available. Trade facilitation can play a significant role in a country's international competitiveness. An integrated logistic system can attract FDI and contribute to the modernisation and globalisation of small medium enterprises. Customs and infrastructure are the areas in which the Latin American and Caribbean region has it weakness (ECLAC, 2012). So here lays the challenge. Measures are needed to upgrade customs procedures and improvement of infrastructure. Cooperation between Europe and Latin America and the Caribbean could play an important role in assisting the facilitation development. Thereby the development of physical infrastructure is a challenge.

Improve institutions

There are already some proposals for improving the trade facilitation that could have a positive effect on regional integration but as well international transport costs. Europe and Latin America and the Caribbean should speed up the implementation of legal agreements that will permit the usage of modern business tools. The European Union can help Latin America and the Caribbean region to strengthen their national and regional capacities in each of these areas (ECLAC, 2012). This will also stimulate trade and investment links with the region. The challenge is to develop and implement such legal agreements, to strengthen the capacities of Latin America. The difficulty is the timing, because of the global crisis and the decreasing importance of the EU in this region.

Conclusion and recommendation

The European Union's share in Latin American trade has declined, mainly because China and other developing Asian countries have gained larger shares in trade. Though the European Union is still the second largest trading partner but it could lose its position to China in the next coming years. The bilateral trade in goods between the two regions is highly asymmetrical. Latin America and Caribbean region mainly import manufactured goods from the European Union and their exports are mainly focused on processed primary goods. The EU was also the main source of FDI in Latin America and the Caribbean in the last decade but recently its growth has slowed down. Among the EU countries, Spain remains the largest investor. Latin American and Caribbean countries also deepened their trade ties with China and other Asia-Pacific countries. Over the years the EU and the Latin American region sought for partnership agreements. Thereby the EU has a special relationship with the most important trading partners in the region, namely Brazil and Mexico.

There are also recommendations, major opportunities and challenges for the strategic partnership between the Latin American region and EU. In the today's international economic situation with 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. On the other hand the EU remains a major destination for Latin American, the EU produces goods and services that are important as inputs in the region and increases the competitiveness. So the EU is important as well in the aspect of the transfer of technology and knowledge to the region. Another opportunity is that European firms are global leaders in the areas of environmental protection, climate change and corporate social responsibility. Stronger business alliances between Europe and Latin America and the Caribbean can help with less carbon intensive competitiveness.

According ECLAC, at the multilateral level, the two partners can be strategic partners in supporting the global recovery. They should not impose new trade barriers but seek for common ground on global issues. On bilateral trade relations between Latin America and the Caribbean and the EU it is important that the negotiations between MERCOSUR and EU will be completed as soon as possible. The EU should continue to promote integration. The experience of the EU can be valuable in the areas of free movement of goods, the harmonisation of technical standards and elimination of non-tariff barriers to regional trade. The EU could also help the Latin American region to let these exporters adapt to new demands from governments and business on climate change. Thereby the EU could also help the exporters in meeting requirements on quality and technical standards. Another recommendation could be to promote a stronger relation between the business associations of the two regions. Initiatives such as the MERCOSUR- EU business plans and promotions of business networks in different areas could be an idea (2012). Other recommendations would be to develop better security agreements, the improvement of institutions, trade facilitation and to forecast China's impact. In other words they should strive for renewed partnerships.

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