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The dynamics of Latin America: EU relations in global trade agreements

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Abstract

This article addresses the relationship between Latin America and the EU, examining historical ties; current trade frameworks, such as the Association Agreements with Mercosur and Chile; and the modernisation of the Global Agreement with Mexico. It also explores the socio-economic and geopolitical implications of these alliances. Furthermore, it discusses challenges such as asymmetric power dynamics, environmental concerns and political instability in Latin America. The article also presents future projections for trade relations, emphasising the challenges presented by inclusive policies and environmental issues, and their impact on the global sustainability agenda in terms of ensuring equitable growth and resilience within an interconnected global economy.

Keywords

Latin America, EU, Trade agreements, Global economy, Strategic cooperation, Bilateral relations, Partnerships, Global Agreement, Mexico

Introduction

The dynamic relationship between Latin America and Europe reflects a deep and unique bond that has evolved over the decades. Anchored in historical, cultural and economic ties, this relationship has fostered strategic cooperation within the current global context. The two regions face common transnational challenges—such as climate change, inequality and the need for effective global governance—which underscores the imperative to strengthen their bonds through comprehensive trade agreements and robust cooperation frameworks.

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This article examines the bi-regional partnership, with particular emphasis on comprehensive agreements, such as those concluded with Mercosur and Chile, as well as the protracted negotiation process that culminated in the modernisation of the Global Agreement with Mexico, finalised in January 2025. These developments are assessed within the broader context of current geopolitical tensions, notably the trade conflict marked by the imposition of tariffs by the US.

The strategic relevance of these agreements lies in their potential to enhance market access, stimulate investment flows, and align with international sustainability and development objectives. Nonetheless, their implementation is not without challenges, including persistent economic asymmetries, environmental pressures, socio-political instability and shifting geopolitical dynamics.

The historical context of trade relations between Latin America and Europe

The relationship between Latin America and Europe has deep roots, influenced by colonial history and cultural connections. However, in recent decades it has been transformed into a strategic partnership based on shared economic and political interests.

The EU has recognised Latin America as a key region for diversifying its alliances, especially in response to the growing influence of the US and of China in recent years through the Belt and Road Initiative.

Strengthening trade relations with other countries began with the European development cooperation strategy, through agreements based on the idea that trade would be the main driving force. Against this backdrop, asymmetric and unilateral agreements began to emerge, under which the European Economic Community benefited from tariff reductions on their exports through preferential trade arrangements. Following certain challenges within the WTO in the second half of the 1990s, the EU began basing its trade relations on the principle of reciprocity and within the framework of free trade areas. These agreements establish trade liberalisation between the countries involved and incorporate issues such as services, investment, public procurement and intellectual property.

In accordance with the legal provisions established in the Treaty on European Union concerning external action, common commercial policy, development cooperation, humanitarian aid and international agreements, the EU has progressively diversified its relations. As reported by the European Parliament (Gomez De Agüero Lopez et al. 2025), the EU currently maintains agreements with 27 of the 33 countries in Latin America and the Caribbean, positioning itself as the region's largest investor, third-largest trading partner and principal contributor to development cooperation.

The EU's main economic partners are Argentina, Brazil, Colombia, Chile, Mexico and Peru. Chile and Mexico were the first of these countries to conclude negotiation agreements, also known as Global Agreements. These will be analysed later. Other regions that have negotiated agreements include the Central American Integration System, made up of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama; the Andean Community of Nations, comprising Peru, Ecuador, Colombia and Bolivia; and the Mercosur bloc, which includes Argentina, Brazil, Paraguay, Uruguay and Venezuela. Furthermore, bi-regional connections have been strengthened through summits. One example is the EU–CELAC (Community of Latin American and Caribbean States) Summit, which took place in Brussels in July 2023 (Council of the European Union 2023) and is scheduled to take place on 9 and 10 November 2025 in Colombia, as it is held biennially.

On the other hand, parliamentary diplomacy has taken on an increasingly important role through EuroLat, a forum with 150 members—75 from the EU and 75 from Latin America—which includes representatives from the regional parliaments and congresses of Chile and Mexico. Fifteen meetings have been held since 2006. The meetings of the Mexico–EU Joint Parliamentary Committee have also been successful: delegations made up of Members of the European Parliament and Mexican legislators have held 31 meetings to date.

The Joint Communication issued on 7 June 2023 by the European Commission (2023) to the European Parliament and the Council, in collaboration with the Office of the High Representative of the Union for Foreign Affairs and Security Policy, outlines six strategic pillars: (1) the renewal of the political partnership; (2) the reinforcement of the joint trade agenda; (3) the Global Gateway investment initiative aimed at promoting equitable green and digital transitions while addressing social inequalities; (4) enhanced cooperation in the areas of justice, public security and the fight against transnational organised crime; (5) joint efforts to advance peace and security, democratic governance, the rule of law, human rights and humanitarian assistance; and (6) the development of a robust and dynamic people-to-people partnership.

This initiative laid the foundation for the EU's renewed agenda with Latin America and the Caribbean, acknowledging the region's strategic geopolitical relevance. Mexico is considered to be particularly important, given its deep economic interdependence with the US through the United States–Mexico–Canada Agreement, which designates the US as Mexico's principal trading partner.

Nevertheless, bilateral relations experienced significant tensions following the inauguration of Donald Trump as president of the US. In this context, from the US's perspective, several critical issues in Mexico have adversely impacted the bilateral dynamic, including irregular migration, drug trafficking—particularly of fentanyl—rising levels of violence, widespread criminal control across national territories and the alleged collusion between organised crime and public officials. Additionally, the Mexican government's reluctance to classify these criminal organisations as terrorist groups has further exacerbated tensions. These developments have led to the imposition of tariffs and accelerated the scheduled review of the United States–Mexico–Canada Agreement, originally planned for 2026, which was moved forward to the second half of 2025.

Conversely, the growing influence of the Chinese market has been strategically leveraged through China's engagement in the region, resulting in at least 21 Latin American countries joining the Belt and Road Initiative, also known as the New Silk Road. Among these are Argentina, Bolivia, Costa Rica, Cuba, Chile, Ecuador, Nicaragua, Peru, Uruguay and Venezuela.

In this geopolitical and economic context—marked by escalating tariff disputes that are significantly undermining regional economies—it becomes imperative for both Latin America and the EU to pursue market diversification as a means of enhancing economic resilience and reducing dependency on dominant global actors.

Trade agreements between Latin America and the EU

The EU has actively pursued the development of comprehensive trade agreements with Latin American countries, characterised not only by market access provisions but also by the inclusion of political dialogue and cooperation mechanisms. This section highlights the most relevant agreements currently awaiting ratification, namely the EU–Mercosur Association Agreement, the Advanced Framework Agreement with Chile and the modernisation of the Global Agreement with Mexico, which has concluded its technical negotiations and is now pending formal signature and ratification.

Mercosur

Following 25 years of negotiations, the EU and Mercosur—comprising Argentina, Brazil, Paraguay and Uruguay—successfully concluded the association agreement on 6 December 2024. In addition to trade liberalisation, the agreement incorporates pillars of political dialogue and cooperation, covering a market of approximately 780 million consumers across both regions. The ratification process remains ongoing, as approval by the national parliaments of the EU member states is required for the agreement to enter into force. Although a preliminary agreement had been reached in 2019, negotiations were subsequently reopened to reinforce commitments to sustainability. The agreement aims to eliminate 91% of tariffs on EU exports to Mercosur countries and 92% of tariffs on Mercosur exports to the EU. These tariff reductions are projected to generate annual savings of nearly €4 billion for European companies. Key sectors expected to benefit include agriculture (notably beef and poultry), the automotive industry and chemicals. For Mercosur, the agreement is particularly advantageous for expanding agricultural exports, which constitute its access to key agricultural markets and represent approximately 60% of its exports to the EU.

Chile

The partnership between the EU and Chile is governed by an association agreement signed in 2002 and implemented in 2003. This agreement has recently undergone a comprehensive modernisation process aimed at updating the institutional framework and addressing contemporary global trade challenges. The revised agreement is anticipated to improve access to the European market and establish a permanent, effective, impartial and predictable investor–state dispute settlement mechanism.

Notably, the agreement incorporates ambitious commitments to sustainable development, including strong environmental and labour protections. It also features a dedicated chapter on gender equality, promoting equal opportunities and treatment, as well as provisions on digital trade. Under the revised terms, the share of Chilean products enjoying tariff-free access to the European market will increase from 94.7% to 99.6% (Government of Chile Undersecretariat of International Economic Relations 2025), effectively covering nearly all Chilean exports to the EU. On 13 December 2023, Chile and the EU signed two texts: first, the Advanced Framework Agreement, which encompasses political, cooperation, trade and investment pillars and requires approval by the European Parliament as well as by the parliaments of the EU member states; and second, the Interim Trade Agreement, which covers only trade and investment liberalisation and requires approval solely by the European Parliament. The Interim Trade Agreement will be repealed once the Advanced Framework Agreement enters into force.

This agreement will enter into force upon the completion of the respective legislative and administrative procedures by both parties.

Mexico

For the EU, Mexico serves as a strategic bridge between North and South America due to its geographic location, as well as its deep historical and cultural ties with the region.

The entry into force of the Economic Partnership, Political Coordination and Cooperation Agreement in 2000—commonly referred to as the Global Agreement—established a bilateral political dialogue that has progressively deepened. This is attributable to the agreement's comprehensive nature, encompassing economic and social cooperation, along with commitments in areas such as democracy and human rights. Furthermore, in 2008, the strategic partnership was established, further reinforcing linkages in fields such as politics, security, the environment and socio-economic issues. As a result, Mexico has become the only country to hold both a trade association agreement and a strategic partnership with the EU. High-level dialogues between the EU and Mexico are regularly held to address shared challenges, including in security and law enforcement, migration, the promotion of democracy and human rights, economic development, and environmental and climate change concerns. The Global Agreement also provides for the establishment of the EU–Mexico Joint Parliamentary Committee, responsible for overseeing its implementation since 2005. To date, 31 meetings have been held, with the committee convening twice a year to examine and assess the current status of the agreement.

The importance of trade in goods between Mexico and the EU is reflected in the record figure of $90.6 billion reached in 2024, positioning the EU as Mexico's third-largest trading partner, following the US and China. Since 2000, bilateral trade has accounted for approximately 7% to 8% of Mexico's total trade, establishing Mexico as the EU's thirteenth-largest partner globally and its second largest within Latin America. The EU also stands as the second-largest foreign investor in Mexico, with $202.1 billion in investments, primarily from Germany, Belgium and Spain, concentrated in key sectors, such as the automotive, pharmaceutical and aerospace industries. Hence the relevance and importance of accelerating the negotiations to modernise of the Global Agreement between Mexico and the EU, which began in May 2006. A lengthy negotiation process culminated in 2018 with a 'political agreement in principle', meaning that only legal revisions, minor adjustments and the final signature of the agreement remained pending.

These negotiations incorporated advanced disciplines and included areas not addressed in the original agreement. According to data from Mexico's Ministry of Economy, 86% of agricultural and fisheries products were liberalised, opening new export opportunities for Mexican goods, such as orange juice, agave syrup and asparagus. This liberalisation makes the agricultural sector one of the main beneficiaries of the agreement. The agreement also includes trade facilitation measures aimed at simplifying customs procedures and increasing transparency in documentation. A specific chapter dedicated to small and medium-sized enterprises was introduced to enhance their access to the benefits of the agreement. In the area of services, the coverage was expanded to include sectors such as telecommunications, maritime transport and e-commerce. Regarding intellectual property, the agreement recognises 20 Mexican geographical indications and 6 spirits (distilled alcoholic beverages), while also protecting 19 traditional crafts such as Talavera and Olinalá. In return, Mexico grants protection to 340 European products. Rules of origin were relaxed by 55% to accommodate cutting-edge operational processes in key sectors such as automotive and aerospace.

The agreement also introduces chapters on anti-corruption, measures to strengthen institutional and financial integrity, and on trade and sustainable development, which include commitments on labour rights, biodiversity, climate change and the possible recognition of the Paris Agreement as an essential clause. Furthermore, regulatory transparency is reinforced, requiring the timely publication of generally applicable measures in any area of the agreement, thereby fostering a predictable environment for economic operators from both regions.

However, despite the conclusion of the negotiations, the signing and ratification of the modernised agreement were delayed due to political issues in Mexico. During the administration of Andrés Manuel López Obrador, foreign policy and international trade were not considered priorities. Nevertheless, during the administration's first year, negotiations for the United States–Mexico–Canada Agreement were concluded and ratified.

However, due to the Covid-19 pandemic, all non-health-related issues were relegated to the background. Europe, meanwhile, faced its own crisis, with the Russian invasion of Ukraine, which reshaped its priorities, leading to the imposition of sanctions against Russia and multiple diplomatic efforts to negotiate peace. On 17 January 2025, it was officially announced that negotiations for the modernisation of the Global Agreement had concluded. The agreement is currently undergoing legal review, which will be followed by translation and subsequent approval by the 27 national parliaments of the EU member states and the European Parliament.

Among the challenges and opportunities for future collaboration, both Mexico and the EU must commit to ratifying the agreement promptly, allowing it to enter into force as soon as possible, particularly in the current context of ongoing uncertainty and the threat of new US trade and tariff policies.

Once approved and ratified, the modernised Global Agreement between Mexico and the EU will constitute a cutting-edge instrument for cooperation. It is expected to serve as a relevant platform for advancing collaboration in critical areas such as energy and sustainable development. These topics are of particular concern for Mexico, as the recent constitutional reform eliminating autonomous regulatory bodies—including the Energy Regulatory Commission, the Federal Telecommunications Institute and the National Hydrocarbons Commission—has significant implications for existing international agreements. The reform raises doubts about regulatory independence and may undermine investor confidence.

Consequently, certain issues must still be clearly defined and adjusted in the final stages of this negotiation, with the hope that the energy chapter of the modernised agreement will not be diminished to a mere formality.

Conclusions

The relationship between Latin America and the EU has become one of the world's more dynamic region-to-region partnerships. However, it must be acknowledged that, due to various political and geographical factors, the development of cooperation has progressed at a slow pace. The negotiation of trade agreements that also incorporate chapters on political dialogue and cooperation is of paramount importance. The strong influence of other markets, such as those of the US and China, poses a significant challenge, in particular in the current context of the emerging new international order, in which overcoming global challenges such as world peace still appears distant.

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Author biography

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