

The Eurasian Economic Union & Latin America and the Caribbean: A Transcontinental Partnership



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Foreword

This document was prepared as a cooperative effort by the Eurasian Economic Commission (EEC) and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) to reveal and examine opportunities and cooperation challenges between the Eurasian Economic Union (EAEU) and Latin America and the Caribbean (LAC).

The report has compounded a framework of cooperative ties established by the Memorandum of Understanding concluded between EEC and ECLAC in Moscow in 2018. The readiness to join forces demonstrated by the two international organizations reaffirms their adherence to the shared principles of multilateral partnership. These common core values bridge the two geographically, historically and culturally distant regions.

Aiming to identify the most fruitful collaboration areas, the present document scrutinizes the regions' commonalities and peculiarities, as well as both barriers to and spurs for interaction. Proceeding from the analysis of the economic, political and social development of EAEU and LAC States while highlighting the strengths and weaknesses of the two regions, the report elaborates on the patterns of inter-regional trade and foreign direct investment (FDI) ties, exploring the possible opportunities that could strengthen commercial relationships between their businesses.

Whereas both EEC and ECLAC place specific emphasis on inspiring entrepreneurial contacts, the current level of interaction seems far from the intensity and efficiency it could deliver. Despite the regions' unarguably large markets and the prospects for creating interregional value chains, recent growth in trade turnover has been based on low value added products, including fertilizers and food items. Notwithstanding the increase in investment volume, the major share of capital targets offshore territories.

At the same time, the investment case study suggests that joint ventures and business initiatives have recently tended to defocus from extractive industries to encompass such spheres as information technology (IT), pharmacy, engineering, etc. In the face of the current pandemic those are areas of renew and strategic importance. Nevertheless, to fully realize the

potential, these projects, constituting the basis for the regions' economic and technological advances, require specific support and stimulus.

Having identified the level of intensity of real sector contacts and their underlying reasons, the report focuses on the regions' development paths, examining their inclusivity and sustainability. Despite both regions having made strides in ensuring sustainable and inclusive growth, neither has come close to their realization. While multidimensional inequalities have represented the major challenge for LAC, EAEU member States have achieved considerable advances in trying to overcome them. On the other hand, EAEU has not progressed enough in combatting climate change given continued investment in fossil fuels. In LAC, the need for a big environmental push is more widely acknowledged and the region has been at the forefront of advancing renewable energy development partly due to advantageous geographic conditions.

The new challenges today's world faces, including the COVID-19 pandemic, climate change, the erosion of core principles of the multilateral trade system, trade wars and growing uncertainty in global markets, might seem to constitute additional obstacles to expanding economic relations. Indeed, the fragility of coordinated global efforts towards sustainable development raises the importance of transparent bilateral partnership in these areas. Supporting this idea, the last chapter of the report sheds light on different opportunities between the two regions, both in the form of sharing public policy experience and spurring business links.

To conclude, both regions have made a promising joint effort to promote friendly and cooperative relations between them. Nevertheless, further efforts are required to bring public and private actors from EAEU and LAC together and help them develop the same kind of positive working relationships.

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Abstract

Establishing relations between the EAEU and LAC regions has been neither simple nor swift, but rather has resembled a tangled movement in search of mutual interests and sustainable communication. The primary reason is the two regions' diverse historical background and economic ties. However, despite their geographic remoteness, the two regions have several commonalities. Among others, both regions are important global suppliers of raw materials and agricultural products, leading to dependence on global demand. On the other hand, there are large intraregional differences, especially in the LAC region, where southern countries differ much from northern and Caribbean ones.

Measurement of FDI flows is made more complicated by limited official statistics, but it is certain that LAC inflows are far greater than those to EAEU countries. The mutual investment flows are hard to estimate but seem to be primarily driven by EAEU investors from extractive industries. Some LAC investors follow a market-seeking strategy that brings them to the EAEU market. An important factor is the increasing number of financial flows injected into LAC offshore territories. Offshore investment volumes are particularly significant for the Russian Federation. Since the imposition of sanctions against the largest EAEU economy, investment from offshore jurisdictions, including the LAC region, has increased.

A remarkable area of mutual interest to the two regions is the achievement of United Nations Sustainable Development Goals (SDGs). Considering the broad range of stages of economic development within and between the regions, it is difficult to provide an overall assessment of progress towards SDG achievement. To provide a broader perspective on sustainable development, EEC and UNCTAD methodology of inclusive economic growth assessment is used. Whereas EAEU and LAC countries share comparable levels of economic development, from the perspective of inequality LAC countries must improve further.

Finally, a range of areas is explored in which the two regions can find mutual benefits. These include areas of public interest and some in which the private sector has an opportunity to participate. The major challenges of these times, especially with regards to the COVID-19 crisis and climate change, are amongst those in which collaboration between the regions can have a positive impact.

Chapter I

General overview of the economy and international affairs

At present, the economies of LAC and EAEU States have numerous peculiarities evident from the perspective of their labour markets, value added structures, patterns of external relations, etc. Nevertheless, spheres of commonalities are diverse as well. Whereas the analysis of the current status of development provides a snapshot of the existing opportunities and challenges each of the regions possesses, a deeper understanding of their prerequisites requires historical and political perspectives. The present chapter aims at shedding light on the factors that had contributed to the two regions' economic development pathways choice so as to further describe its current direction.

A. International affairs profiles

The present section discusses opportunities for development stemming from currently existing cooperation and integration mechanisms. Although the benefits engendered by these multilateral forms of interaction might have a multifaceted nature, the section focuses on their economic aspects in an attempt to identify business and state economic cooperation activities.

1. Cooperation and integration mechanisms in Latin America and the Caribbean

LAC countries have a long-standing tradition of cooperation and coordination, resulting in a broad range of cooperation and integration mechanisms.

(a) Cooperation inside LAC

Hereafter, the numerous regional organizations within LAC are grouped into four major groups: regional integration mechanisms, trade-based cooperation, regional development banks and those that are primarily focused on political cooperation.

Regional integration mechanisms represent countries that are often geographically close and share economic and political goals. The most visible initiatives in this category are the Common Market of the South (MERCOSUR), the Integration System of Central America (SICA), the Andean Community (CAN) and the Caribbean Community (CARICOM). These integration mechanisms have reached or are working towards common markets with common external tariffs and greater degrees of integration, i.e., on their platforms they are striving to ensure that the entrepreneurs are not facing any barriers to trade. On a smaller scale, the Organization for Eastern Caribbean States (OECS) is a far-reaching integration mechanism of seven small Caribbean States that share a common currency, central bank and supreme court. Box I.1 shows some of the differences and overlaps between these different blocs.

Box I.1 Regional Integration Mechanisms

- Andean Community: Plurinational State of Bolivia, Colombia, Ecuador and Peru.
- CARICOM: Most islands in the Caribbean, Belize, Guyana and Suriname.
- MERCOSUR: Argentina, Brazil, Paraguay and Uruguay.
- Pacific Alliance: Chile, Colombia, Mexico and Peru.
- SICA: Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

	Territory		Population		GDP	
	m km ²	Percentage of LAC	Millions	Percentage of LAC	bn dollars	Percentage of LAC
Andean Community	3	37	110	17	702	12
CARICOM	0.5	2	18	3	70	1
MERCOSUR	12	58	264	41	2489	43
Pacific Alliance	5	2	227	35	2072	36
SICA	0.6	3	60	9	354	6

Source: Data retrieved from World Bank, World Development Indicators [online database] <https://datatopics.worldbank.org/world-development-indicators/>.

LAC multilateral cooperation often translates into interaction among the economic integration associations both within and outside the region, thus contributing to the 'integration of integrations' concept. To illustrate, SICA and CARICOM have worked to strengthen trade between their member States since 2007. Meanwhile, both the European Union (EU) and the United States are important partners to all these groups.

Almost since its formation, SICA established cooperative relations with the EU aimed at enhancing infrastructure, environmental protection and risk management. Among European countries, Germany and Spain are SICA's main partners through their respective cooperation agencies. These collaborations focus on topics such as climate change, institutional strengthening and economic integration (SICA, 2020). Likewise, MERCOSUR has a long history of joint projects with EU, as well as strong trade and investment relations, with an EU investment stock of 381 billion euros (European Commission, 2019). At this moment, both Italy and Germany have ongoing projects regarding institutional policies, energy and technology (MERCOSUR, 2019).

The Andean Community has established free trade agreements with the EU, Canada and the United States, and was responsible for 21.4% of total LAC exports in 2018 (FAO, 2018).

Similarly, CARICOM has also established cooperative relations with EU and the United States in joint efforts to tackle climate change and other topics (CARICOM, 2009). Lastly, the Pacific Alliance has also reached bilateral agreements with EU since 2000 and both Spain and Germany are important partners concerning trade and economic integration (EEAS, 2019).

While trade is a primary issue for the regional integration mechanisms mentioned above, there are several other examples of trade-focused cooperation. The Pacific Alliance¹ is the most developed one. Its member States have both removed practically all internal tariffs and integrated the four members' stock exchanges, increasing trading volumes and the market's attractiveness to investors. In addition, these countries created some joint diplomatic missions. Two other bodies that aim to encourage trade integration in the region are the Latin American and Caribbean Economic System (SELA)² and the Latin American Integration Association (ALADI).³ These organizations focus on trade facilitation, trade agreements, integration promotion and trade related dispute settlements.

In addition to the previously mentioned trade mechanisms, several countries and country groups have signed bilateral trade agreements. Table I.1 shows those that have taken effect. It might be observed that Chile, Mexico and Colombia are the major proponents of free trade as evidenced by their broad range of trade agreements.

Table I.1
Free Trade Agreements between countries in Latin America and the Caribbean, by date of taking effect

	Argentina	Colombia	Honduras	Mexico	Panama	Peru	Uruguay	CARICOM	MERCOSUR	SICA
Costa Rica		2016				2013		a		
Dominican Republic								b		
Chile	2019	2006		1999	2008	2009			1996	2002-2012
Mexico		1995			2015		2004			2012-2013
Colombia									2017-2018	
Peru			2017		2012				2005-2006	
Bolivia (Plur. State of)				2010					1997	
Northern Triangle ^c		2009-2010								

Source: OAS Foreign Trade Information System (SICE) [online] http://www.sice.oas.org/Trade/MER_ISR/Index_s.asp.

^a The agreement with Costa Rica has only taken effect in Barbados (2006), Belize (2011), Guyana (2006), Jamaica (2015) and Trinidad and Tobago (2005).

^b The agreement with the Dominican Republic has only taken effect in Barbados (2001), Guyana (2004), Jamaica (2001), Suriname (2005) and Trinidad and Tobago (2001).

^c El Salvador, Guatemala and Honduras.

¹ Chile, Colombia, Mexico and Peru.

² Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Colombia, Cuba, Chile, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Dominican Republic, Suriname, Trinidad & Tobago, Uruguay and Venezuela.

³ Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela (Bolivarian Republic of).

Other important drivers of economic cooperation are regional development banks. The Latin American Development Bank (CAF) and the Inter-American Development Bank (IADB) are well-connected and respected throughout the region. IADB, based in Washington DC, has 26 LAC members eligible to borrow from it. Its membership includes most of the LAC region, apart from six small Caribbean States and Cuba. CAF, which is headquartered in Caracas, has a more limited membership, consisting of most of South America, Costa Rica, the Dominican Republic, Jamaica, Mexico, Panama, and Trinidad and Tobago. Beyond providing multilateral financing, both development banks are important generators of knowledge, whose specialists contribute to economic growth throughout the region. In Central America, the Central American Bank for Economic Integration (CABEI) plays this role for SICA from its seat in Tegucigalpa. Finally, the smallest of the regional development banks is the Caribbean Development Bank (CDB). CDB is headquartered in Wildey, Barbados, serving 19 Caribbean jurisdictions, primarily supported by Canada and the United Kingdom.

In terms of political cooperation, several organizations play important roles. The Organization of American States (OAS), composed of almost all LAC States, plus Canada and the United States, is the best known one. It acts as a driver of important changes, such as the foundation of the respected Inter-American Court of Human Rights, which is bound to protect basic rights and freedoms in the Americas. The Community of Latin American and Caribbean States (CELAC), consisting of almost all LAC countries as well, is an alternative forum that does not include Canada or the United States. An organization with a more regional focus is the Association of Caribbean States (ACS) which includes almost all countries that border the Caribbean Sea with the exception of the United States.

Finally, the countries in Latin America and the Caribbean cooperate extensively through the United Nations. All relevant global funds and programs have a presence in LAC, but two UN organizations are exclusive to the region. First, the Pan American Health Organization (PAHO) is an international public health organization that also represents the World Health Organization (WHO) regionally. Its mission is to provide scientific and technical expertise to improve public health. It was founded in 1902 and later incorporated into the United Nations.

Another UN organization specific to the region is the Economic Commission for Latin America and the Caribbean (ECLAC), one of the five regional commissions of the United Nations, was established in 1948 to pursue improvements to the region's wellbeing. It is headquartered in Santiago and has subregional offices in Mexico (covering Mexico and Central America) and Port of Spain (covering the Caribbean).

(b) LAC external cooperation

Since the LAC region is very diverse, participation in international cooperation mechanisms is rarely done jointly as a single group. Many of the former British colonies in the Caribbean, for example, are members of the Commonwealth. Other countries also have important relations with former colonizing countries, such as Spain, France, the Netherlands and Portugal. Mexico works collaboratively with Canada and the United States, through the United States-Mexico-Canada Agreement (USMCA), formerly known as the North American Free Trade Agreement (NAFTA).

At a global scale, LAC is involved in several groups and treaties, such as the Forum for East Asia and Latin American Cooperation (FEALAC), the European Union-Latin America and Caribbean Foundation (EU-LAC Foundation) and the Euro-Latin American Parliamentary Assembly (EuroLat), among others. The G-77 of developing countries at the United Nations, a coalition of 134 developing countries, includes nearly all countries in LAC. A subgrouping of the G-77 is the G-24, focused on monetary and finance issues.

Chile and Mexico are both members of the Organization for Economic Co-operation and Development (OECD), an organization mostly of developed economies. Colombia and Costa Rica have been invited to join. Membership provides cooperation on diverse areas, such as legislation, policies and good governance practices.

Table I.2 shows which external FTAs have been signed by LAC countries. Since entering into its agreement with its northern neighbours, Mexico has signed other agreements with partners, such as those with Central American States, the EU, Israel and Japan. Chile currently has agreements with 14 countries, as well as with EU and the European Free Trade Area (EFTA). The external partner with the largest network of FTAs is the European Union, which has agreements with CARICOM, SICA and five individual countries. Negotiations between MERCOSUR and the EU have been in place for a long time and it is not clear yet if a final agreement will be reached soon.

While it may seem that most FTAs are quite recent, it should be noted that some agreements mentioned replaced previous ones. It should also be noted that table I.2 does not include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which is a major agreement between 11 nations surrounding the Pacific Ocean, including Chile, Mexico and Peru. A few countries, principally the Bolivarian Republic of Venezuela and the Plurinational State of Bolivia, do not have any external FTAs, even if they do have agreements within the LAC region (see table I.1).

Table I.2
FTAs between countries in Latin America and the Caribbean and countries elsewhere, by effective date

	Chile	Colombia	Costa Rica	Ecuador	Mexico	Panama	Peru	CARICOM	MERCOSUR	SICA
Australia	2009									
Canada	1997	2011	2002		1994	2013	2009			
China	2006		2011				2010			
Egypt									2017	
European Free Trade Area	2004	2011	2014		2001	2014	2010			
European Union	2003	2013		2017	2000		2013	2008		2013
Hong Kong SAR	2014									
Indonesia	2019									
Israel					2001				2009-2011	
Japan	2007				2005		2012			
Republic of Korea	2004	2016					2011			
Malaysia	2012									
New Zealand	2006									
Singapore	2006		2013			2006	2009			
Taiwan, Province of China						2004				^a
Thailand	2015					2011	2011			
Turkey	2003									
United States	2004	2012			1994	2012	2009			2006-2009
Viet Nam	2014									

Source: OAS Foreign Trade Information System (SICE) [online] http://www.sice.oas.org/Trade/MER_ISR/Index_s.asp.

^a Some SICA member States have diplomatic relations with Taiwan Province of China. The first FTA to take effect was with Guatemala in 2006, followed by El Salvador, Honduras and Nicaragua in 2008.

2. Cooperation and integration mechanisms in EAEU

Two distinctions between LAC and EAEU are the smaller number of EAEU countries and the fact that through EAEU these countries have an automatic platform of cooperation. Furthermore, due to its size, the Russian Federation is a leading country amongst EAEU member States with a more developed international network of cooperation.

(a) Cooperation within EAEU

Unlike the LAC region, EAEU member States, united in a single association, are embedded into integration processes to an equitable extent. The Union State of Belarus and Russia is the only example of bilateral rather than multilateral integration ties within EAEU. Whereas the Union State appeared early in the aftermath of the Soviet Union's dissolution, the Treaty on the Eurasian Economic Union was signed on 29 May 2014 and entered into force on 1 January 2015. Initially concluded by the leaders of Belarus, Kazakhstan and the Russian Federation, EAEU was joined by Armenia and Kyrgyzstan on 2 January 2015 and 7 August 2015 respectively.

Therefore, whereas internal cooperation in LAC is organised in the form of membership in various initiatives and organizations, its forms in EAEU can be rather inferred from intra-EAEU projects.

As an international organization of regional economic integration, EAEU has inherited the achievements of previous integration stages: The Customs' Union (2009-2011), the single market (Common Economic Space, 2012-2014) and the Economic Union (since 2015). While EAEU originally focused on purely economic targets, the member States have proceeded much further than the simplification of trade procedures. EAEU goals include ambitious ones, such as improving the quality of life of all population groups through the creation of a vast common market, production diversification, efficiency improvement and employing the full economic potential of the member States.

By 2020, common markets for goods and over fifty types of services have been established. To ensure their smooth functioning, trade barriers are being identified and abolished and 48 EAEU technical regulations have already been established to address sensitive issues regarding technical barriers to trade. A common labour market and freedom of movement make it possible for the entire EAEU workforce to find employment in any of the member States without additional requirements or diploma recognition procedures. Common capital markets, encompassing banking, insurance, brokerage and other types of financial services, are being established. The member States are striving to create common markets for energy, gas and oil products.

To simplify the procedures of operating in common markets, EAEU is undergoing the digitalization, a process which implies, among others, the digital traceability of goods, the admittance of electronic shipment documents and digital transport corridors.

Certain spheres of EAEU economies cannot be transferred to supranational governance and member States pursue coordinated, rather than common, policy. Coordinated macroeconomic policy aims at achieving balanced economic development and stipulates, inter alia, that in elaborating macroeconomic policy, member States are guided by established quantitative stability criteria, as well as the Main Directions of EAEU development. Coordinated agricultural policy intends to ensure that EAEU resource potential is leveraged, while coordinated transport policy establishes a priority of creating a common transport services market.

To enable EAEU fully to explore all its multi-dimensional development prospects, the member States have created an extensive institutional structure, including the Eurasian Economic Commission (EEC), the supranational permanent regulatory body, and the Court of

the Eurasian Economic Union, which is in charge of dispute resolution and the interpretation of EAEU legal order.

Not legally connected to EAEU, the development bank operating projects in Eurasia is the Eurasian Development Bank (EDB). The members of the EDB comprise all EAEU member States and Tajikistan. EDB is an international organization aimed at financing projects with high integration potential that are assumed to be capable of providing stimuli to industrial development, public-private partnership or spur the participating countries' economic development. Importantly, EDB investment projects shortlisting considers it's the compliance with high environmental criteria.

EAEU observer States can be present for all meetings of the Union's bodies and there are no restrictions on which countries are qualified to request such status. In 2018, the Republic of Moldova became the first EAEU observer state, while Uzbekistan and Cuba are currently undergoing the procedure for acquiring observer status.

(b) EAEU external cooperation

Despite its relatively recent founding, EAEU has been able to successfully establish external relations with national governments, as well as regional integration associations and other international organizations. EAEU member States' global membership and partnerships generally coincide and do not differ from one country to the other.

The recent trend towards the erosion of the multilateral trade system increases the importance of preventing and tackling emerging threats and challenges under preferential trade agreements, which is why international cooperation in trade is a matter of the utmost importance for EAEU. Most external EAEU partnerships either take the form of a memorandum of understanding or a trade agreement.

(i) Memoranda of understanding

Memoranda of understanding or cooperation act as a first step towards establishing platforms for exchanging opinions and best practices, ensuring permanent cooperation mechanisms with a prospect of more profound forms of cooperation, including free trade agreements.

Among the memoranda of understanding concluded by EAEU and EEC, those with the Commonwealth of Independent States (CIS) and with the permanent committee of the Union State of Belarus and Russia constitute a major priority. Whereas the Union State might be considered an internal integration association within EAEU, all member States are also founding parties to CIS. The nations united under CIS are historically and culturally proximate to EAEU, their goods and services markets often become a target of EAEU producers and investors and there are ample migration flows between EAEU and other CIS States, including labour migration. Hence, the areas of cooperation are broad and include technical regulation, labour migration, intellectual property rights, transport and joint value chains.

Concerning geographically distant partners, EEC has signed memoranda of cooperation with governments of more than a dozen of countries, including LAC States, such as Chile, Cuba and Peru. The preparedness for cooperation has been stated in corresponding memoranda with numerous integration associations and international economic organizations, including MERCOSUR, CAN, SELA and the Pacific Alliance in the LAC region, as well as ASEAN and the African Union. Relations with other organizations, such as APEC, the Western African Community, the Black Sea Economic Cooperation, the European Union and the Organization for Security and Cooperation in Europe, are at different stages of development. At present, the EEC and SIECA are collaborating to conclude a Memorandum of Understanding.

In some cases, EAEU participation goes further than stipulated by the memoranda of understanding. For instance, Belarus has observer status in the Pacific Alliance and the ACS; the Russian Federation is an extra-regional observer of SICA, the Latin American Association of Integration (LAIA) and ACS, and also maintains a dialogue with the CELAC and the Bolivarian Alliance for the Peoples of America (ALBA).

Recently, EEC has advanced in deepening contacts with various specialized international structures including many organizations related to the United Nations. Nearly 40 memoranda of cooperation have been signed with such organizations. The dialogue has also been intense with the regional commissions of the United Nations, including ECLAC, as well as UNECE (in which all EAEU member States are regional members) and ESCAP (which includes all EAEU countries, except for Belarus).

(ii) Trade agreements

Non-preferential and preferential trade agreements imply the identification and elimination of, respectively, both non-tariff and tariff barriers. The latter might also include agreements on liberalizing trade in services, investment, harmonising anti-trust law, etc.

In 2016, the first EAEU FTA with Viet-Nam has entered into force and within a year trade volume increased by 36.7%. Furthermore, all EAEU member States are parties to the CIS FTA and in 2019 Serbia's bilateral free trade agreement was transformed into a multilateral FTA. An important achievement is an "Interim Agreement Leading to the Creation of a Free Trade Area" with Iran that entered into force in 2019. Representing an attractive corridor to the vast market of the Middle East, Iran is not a WTO member, which allows the country to alter its trade policy regime depending on the economic environment. For EAEU economic agents embarking on business with Iranian counterparts, the trade agreement alleviates uncertainty and risk. In 2019, an agreement on comprehensive economic cooperation and a free trade agreement was signed with Singapore: these stipulate the liberalization in the spheres of goods, services and investment. Trade negotiations are currently underway with Israel, Egypt and India.

The Greater Eurasian Partnership is another important strategy focused on the Eurasian vision of building an association open for mutually beneficial cooperation with internal and external partners. The most ambitious initiative within this megaproject is the conjugation of EAEU with China's Belt and Road Initiative (BRI). The EAEU-China agreement "On trade and economic cooperation", concluded in 2018, was the first step towards this goal. Although the agreement is non-preferential and does not imply the elimination of tariffs, it establishes the prerequisites for trade simplification and ensuring transparency in trade policy. This agreement enables not only mutual trade, but also joint value chains that can spur economic growth in Eurasia.

3. Cooperation between Latin America and the Caribbean and the Eurasian Economic Union

As of 2020, the Russian Federation and Kazakhstan have established diplomatic relations with all LAC States. Some LAC countries did not establish diplomatic relations with the Russian Empire or the USSR but nevertheless reached diplomatic agreements with all EAEU member States. For now, diplomatic relations have not been established between Armenia and Barbados; Belarus and Saint Lucia; Kyrgyzstan and the Bahamas, Barbados, Haiti and Saint Lucia.

LAC countries often have a diplomatic representation based in the Russian Federation, Belarus and Kazakhstan from where they serve other EAEU member States. The Russian Federation is represented by a network of consular and embassy institutions (including part-time ambassadors) in all LAC States. Similarly, all LAC countries, except Haiti,

have representative offices in the Russian Federation. The number of diplomatic missions in other EAEU member States is significantly lower: Armenia has diplomatic representation in 7 LAC countries and hosts representative offices from eight States of the region; Belarus has 15 diplomatic offices and also hosts 15 LAC diplomatic missions; Kazakhstan has three and eight, respectively; LAC States are represented in Kyrgyzstan through 4 non-resident missions and no mission has yet been organized by Kyrgyzstan in LAC.

Map I.1
Latin America and the Caribbean: location of Eurasian Economic Union member States representations in each LAC country, 2020



Source: Prepared by the authors, on the basis of official sources.

Note: The boundaries and names shown on this map do not imply official acceptance or endorsement by the United Nations.

Several international organizations, forums and bodies include countries from both regions cooperating with each other. Some of the most relevant examples are the International Monetary Fund (IMF), the Asia-Pacific Economic Cooperation (APEC) which includes Mexico, Chile, Peru and the Russian Federation, the G-20, the World Bank (WB) and the United Nations (UN), amongst many others.

Brazil and the Russian Federation also share membership in the group of emerging economies known as BRICS.⁴ Since 2009, the BRICS nations have met at annual summits to discuss and plan ways to address global challenges. The five countries represent approximately 41% of the global population and 23% of global GDP, so they are of great importance. The BRICS countries have created two important institutions: The New Development Bank (formerly the BRICS Development Bank), whose primary objective is lending for infrastructure projects and the BRICS Contingent Reserve Arrangement (CRA), an agreement to protect from global liquidity pressures.

Both regions are also involved in China's BRI although their representation in the initiative is quite different. BRI is devised as one belt going over land and one road going over sea as a project aimed at connecting Asia, Africa, Europe and Latin America. Since its emergence in 2013, it has evolved and now both regions support and take part in this vast plan. In 2015, a few months after the EAEU's founding, the Russian Federation specifically expressed its interest in and support for China's new initiative and the two have strengthened relations since.

Latin American and Caribbean participation in BRI was not considered until 2018. The first country to sign a memorandum of understanding was Panama, soon followed by Costa Rica and El Salvador in Central America; Barbados, Cuba, Dominica, the Dominican Republic, Grenada, Jamaica and Trinidad and Tobago in the Caribbean, as well as Bolivia (the Plurinational State), Chile, Ecuador, Guyana, Peru, Suriname, Uruguay and Venezuela (the Bolivarian Republic) in South America. What is more, although the large economies, such as Argentina, Brazil, Colombia and Mexico, have not yet signed on (Teufel Dreyer, 2019), China has recently been engaged in implementing the project in each of these States regardless of the existence of other regional financing options through the various regional development banks.

In summary, the active participation of the two regions' member States in the international agreements, providing stimuli for cross-border trade, investment and joint entrepreneurial initiatives, reveals their shared vision of the importance of ensuring the smooth functioning of global value chains, which comes naturally provided the historical attitude towards the principles of multilateralism. Nevertheless, the models for implementing these goals have been different. LAC countries appear to have become embedded in a greater number of trade-related agreements all over the globe. The region is tangled by the numerous overlapping integration initiatives, the majority of which are aimed at trade integration and trade facilitation although some aim for deeper levels of cooperation. In contrast, EAEU member States are generally concluding trade and economic agreements as a single party. The level of integration within EAEU is generally deeper as the association has entered the stage of an economic union. However, certain smaller LAC integration associations, such as the Organization for Eastern Caribbean States, in which a common currency has been introduced, seem to have ensured more profound advances as have some countries in the Central American integration that recently reached a customs union.

⁴ The acronym represents the five countries included: Brazil, the Russian Federation, India, China and South Africa.

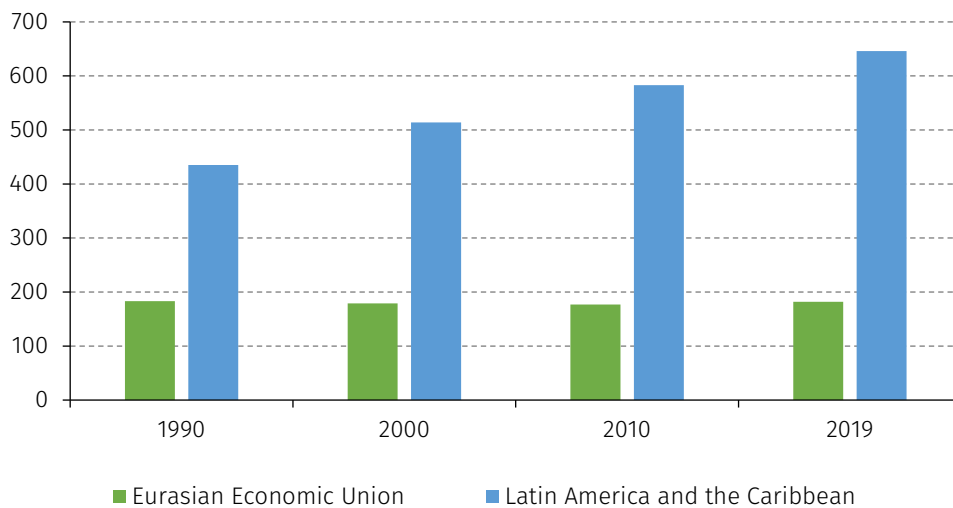
B. Brief economic profiles

1. Territory and population

Whereas both regions host numerous nationalities, they are united through common languages: almost all EAEU citizens speak Russian and Spanish is the dominant LAC language. Among the specific similarities there even are geographically conditioned ones. The territories they represent are virtually equal: LAC covers 20,425,545 km², compared to the EAEU total of 20,260,482 km². However, whereas in the EAEU's case, the territory is comprised of only five member States (Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation), of which the latter accounts for 84% of the total surface, LAC territory is distributed between many more countries. Among the 43 jurisdictions that make up the LAC region, Brazil is the largest with 42% of total surface area, followed by Argentina (14%) and Mexico (10%). The distribution of land by purpose differs as well: agricultural land accounts for 37% of total LAC surface, a designation that ranges from 0.5% in Suriname to 82% in Uruguay. Agricultural land represents 15.5% of EAEU surface, varying between 11.3% in Russia and 68.9% in Kazakhstan (EEC, 2018).

Meanwhile, the LAC region is much more densely populated: as of 2019, 646 million people inhabited the region compared to 182 million in EAEU member States. Over the last 30 years, most LAC countries have experienced substantial growth in total population while the EAEU population stagnated (see figure I.1). In both regions, the smallest countries have the highest population densities.

Figure I.1
Latin America and the Caribbean and Eurasian Economic Union: total population, 1990–2019
(Millions of people)

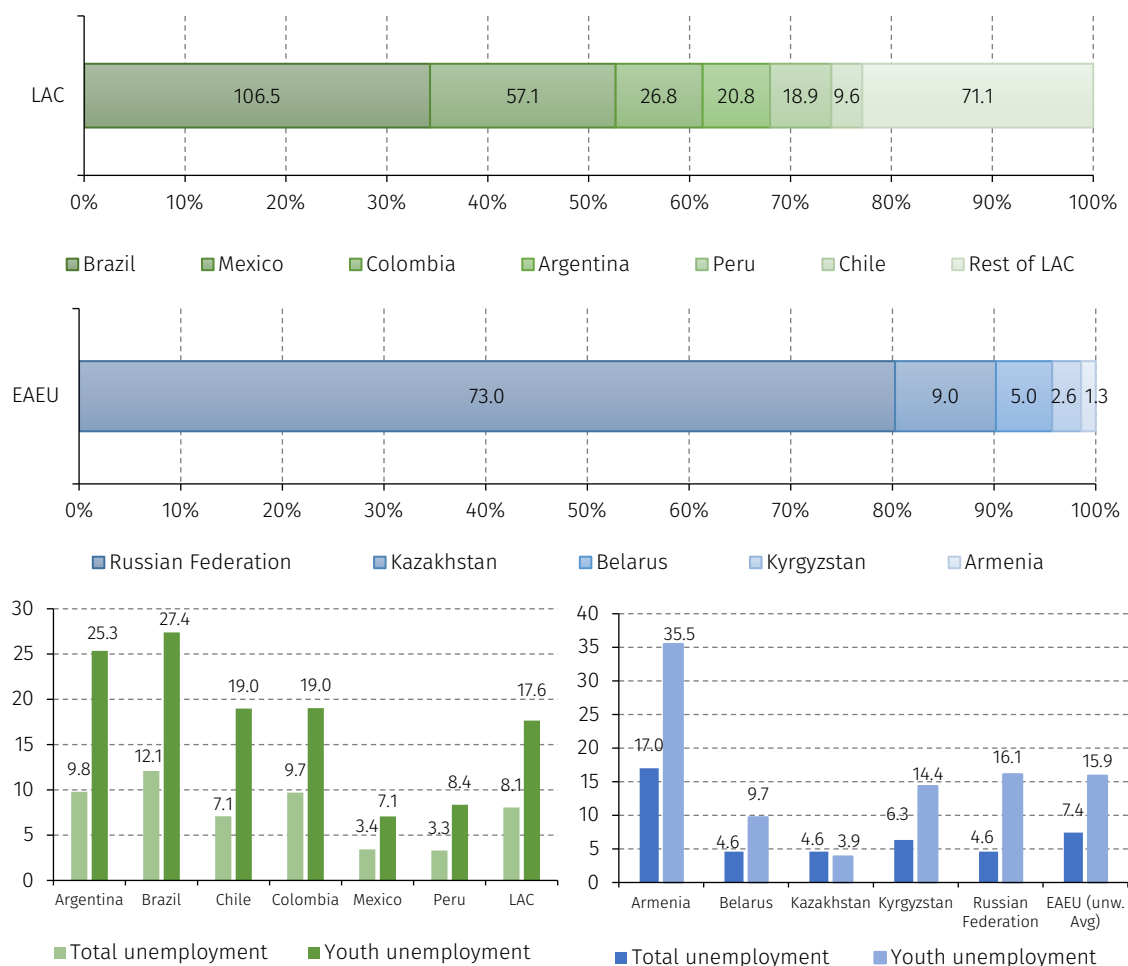


Source: Prepared by the authors, on the basis of the World Bank, World Development Indicators [online database] <http://datatopics.worldbank.org/world-development-indicators>.

The labour markets of the two regions are also heterogeneous. The Russian Federation represents over 80% of the EAEU labour force (73.0 million people) (which comes naturally as it represents 79% of the total population), followed by Kazakhstan (9.0 million people) and Belarus (5.0 million people). In 2019, unemployment rates varied from 4.6% in the Russian Federation to 17% in Armenia. The largest LAC labour force—Brazil—accounts for 106 million people, corresponding to a much lower share of the LAC total (34%). Similar to the EAEU, the highest

unemployment rates are observed in smaller economies, including Saint Lucia with a rate of 21% in 2019. In contrast, amongst larger countries, the highest unemployment rate is observed in Brazil (12%) and recently recessing Argentina (10%). Young people appear to be comparatively more vulnerable to unemployment than the total population in both regions. A notable exception to this rule is Kazakhstan, which benefits from its government programs supporting recent graduates (see figure I.2).

Figure I.2
Latin America and the Caribbean and Eurasian Economic Union: total labour force by country (top)
and unemployment rates in selected countries (bottom), 2019
(Millions of people and percentages of the total labour force)



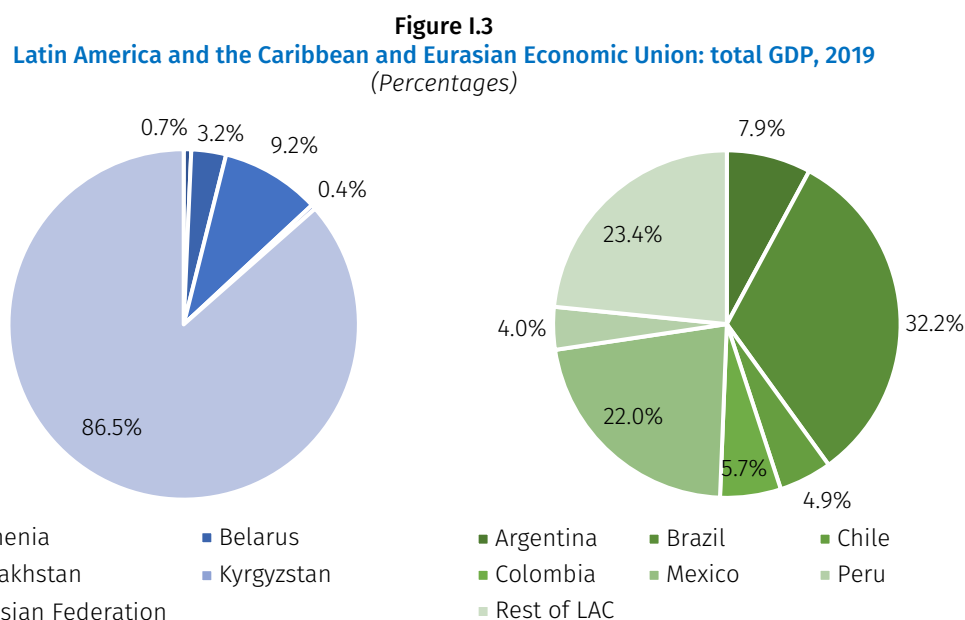
Source: Prepared by the authors, on the basis of the World Bank, World Development Indicators [online database] <http://datatopics.worldbank.org/world-development-indicators>.

2. Economic structure and growth

GDP in the two regions is proportional to their labour market sizes, revealing the comparable labour- and technology-intensiveness of the two regions: a larger LAC labour market allows the region to produce three times as much as the EAEU member States. In 2019, the GDP of LAC countries totalled US\$ 5.72 billion compared to US\$ 1.97 billion in EAEU. Remarkably, during the

1990s, total GDP of LAC countries was only twice that of EAEU countries with today's widened gap primarily due to the higher population growth rates in LAC.⁵

As with the labour force, GDP in the two regions is characterized by a very different distribution. While EAEU GDP is dominated by the Russian Federation's share of 86.5%, the three greatest contributors in LAC (Brazil (36.0%), Mexico (23.5%) and Argentina (10.0%)) account for much smaller shares in the region's total (see figure I.3). While there are many small countries in LAC, it should be noted that some of them are part of diverse integration mechanisms and therefore have some joint economic and political actions that help to compensate for their small size. The six countries in Central America form a single market representing around 5% of the region's GDP. Similarly, the Caribbean consists of individual States, yet together, it represents around 7% of the region's GDP.



Source: Prepared by the authors, on the basis of the World Bank, World Development Indicators [online database] <http://datatopics.worldbank.org/world-development-indicators>.

In 2019, the two regions in aggregate contributed 8.8% to world GDP (current prices), corresponding to 9.7% in real terms (constant 2010 USD), 11.7% according to purchasing power parity (PPP) and 11% based on PPP in constant (2017) prices.⁶ However, the data masks substantial intraregion heterogeneity. In LAC, Caribbean nations, especially the Bahamas and Barbados, have historically seen comparatively low purchasing power. Recently, this has also become an issue in other Caribbean nations, like Dominica and Saint Lucia, as well as Costa Rica and arguably Argentina. In all EAEU member States, GDP at PPP has exceeded that in current prices for a decade. Comparing the two regions, the EAEU growth rate was more than twice that of LAC between 2000 and 2010 and one percentage point higher during 2011-2019.

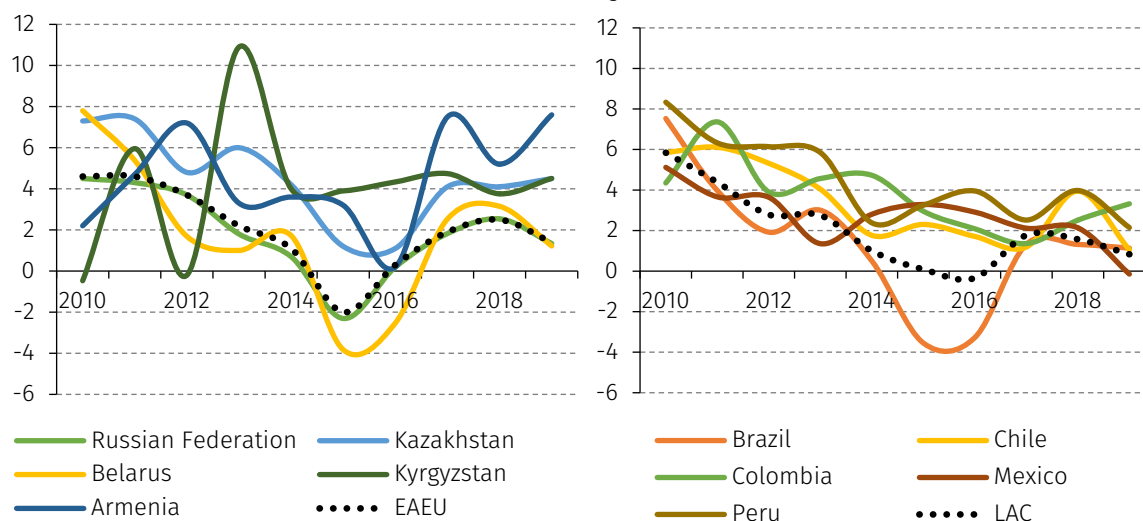
⁵ In 1990, the total population of the current EAEU countries totalled 183 million people, while the LAC region had an estimated population of 438 million people. At the time, the EAEU countries' GDP totalled US\$ 1,125 billion and LAC GDP was US\$ 570 billion (World Bank, 2020a).

⁶ The statistics expressed in PPP exclude Cuba. All statistics furthermore exclude several territories with incomplete data (British Virgin Islands, Cayman Islands, Sint Maarten (both French and Dutch parts), Turks and Caicos Islands and the Virgin Islands (U.S.)). Due to their relative size, these territories do not to substantially impact overall statistics.

Considering recent trends, both regions suffer from relatively low growth at the global level, as shown by global GDP growth rates of 3.6% in 2018 and 3% in 2019, according to IMF (2019). Both EAEU and LAC entered a period of weak growth 1-2 years prior to the global trend, i.e. in 2013-2018; according to the World Bank data, the former's share in the world real GDP decreased by 0.26 percentage points and the latter's by 1.02 percentage points. Slow global growth has been associated with lower prices for natural resources, so those countries that are most dependent on such exports and the low value-added products thereof, have been most vulnerable: the most noticeable decline in growth rates has been observed in Belarus and the Russian Federation in EAEU; Brazil, Suriname and the Bolivarian Republic of Venezuela in the LAC region.

In 2018, some LAC countries faced a contraction of their GDP. In South America, the Bolivarian Republic of Venezuela and Argentina experienced negative growth rates of 19.6% and 2.5%, respectively. In Central America, recession affected Nicaragua (-3.8%) and in the Caribbean, the economies of Barbados (-0.6%) and Trinidad and Tobago (-0.3%) also suffered a GDP contraction. In 2019, economic growth in LAC reached a mere 0.1% primarily due to slow growth in Brazil and Mexico, with expected rates of 1% and 0%, respectively, and Argentina (3% decrease of GDP in 2019). Other countries that faced a contraction of the GDP are Ecuador (-0.2%), Haiti (-0.7%), Nicaragua (-5.3%) and the Bolivarian Republic of Venezuela (-25.5%) as shown in figure I.4. Due to the COVID-19 crisis, the LAC economic growth forecast for 2020 anticipates a contraction of -9.1% (ECLAC, 2019).

Figure I.4
Eurasian Economic Union: growth rates of value added produced in selected sectors of the economy, 2006-2019
(Percentages)



Source: Prepared by the authors, on the basis of the World Bank, World Development Indicators [online database] <http://datatopics.worldbank.org/world-development-indicators> and Eurasian Economic Commission (EEC), Social and Economic statistics: National Accounts, 2020a [online] http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/econstat/Pages/national.aspx [date of reference: 29 June 2020].

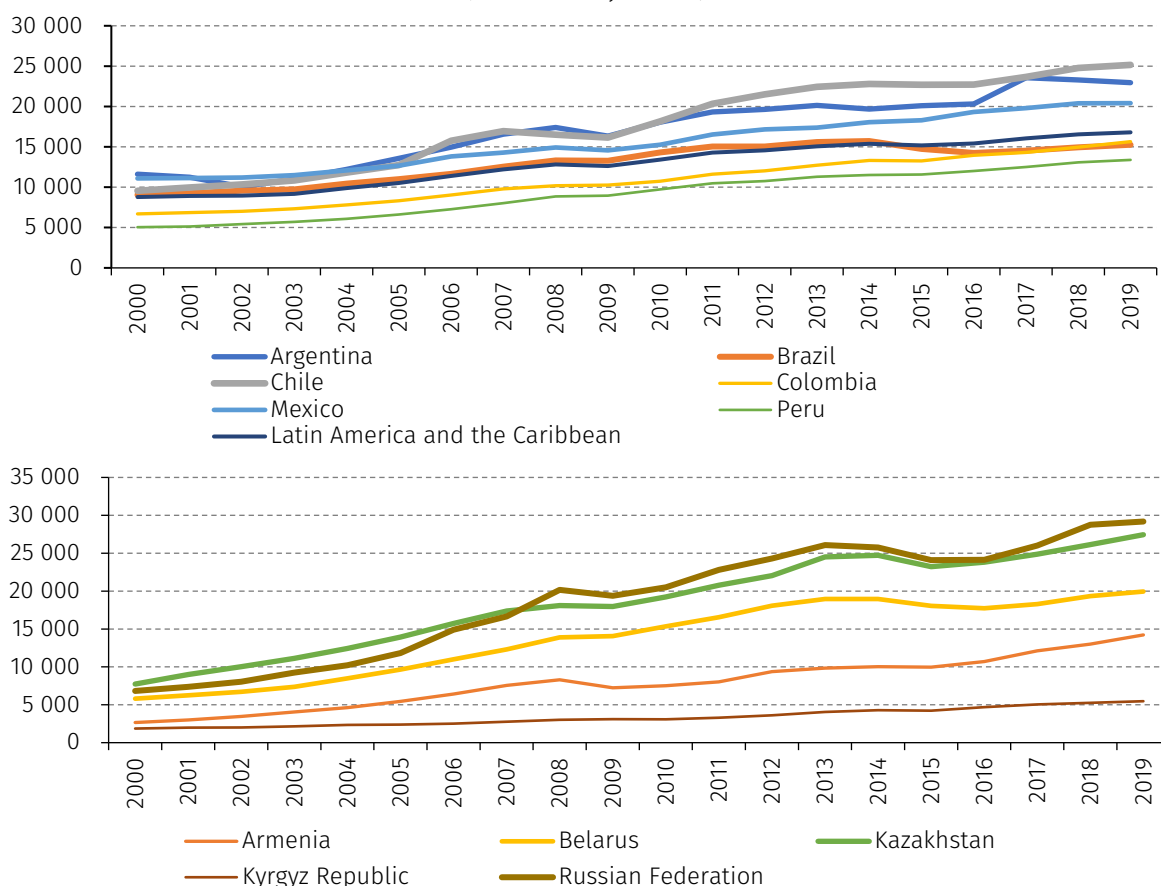
For EAEU member States, the last years have been characterized by much lower instability. The greatest threat to macroeconomic stability continues to be foreign exchange and commodity market shocks, which were painful in 2014-2015. However, having adopted successful stabilization measures, the EAEU member States avoided vicious devaluation-inflation cycles and successfully adapted to the new economic environment.

Intra-Union interdependence is also typical for the EAEU. Following the 2.3% contraction of the Russian economy in 2015, Belarus also contracted: -3.8% in 2015 and -2.5% in 2016. Since the EAEU's foundation, approaches to ensuring macroeconomic stability have converged. All member States, but the Republic of Belarus, have embarked on inflation targeting schemes and are seeking to control the cost of economic growth stimulation despite low public debt to GDP ratios. The similarity of fiscal and monetary policies establishes a prerequisite for a smooth transition to the full-scale functioning of EAEU freedom of movement in goods, services, capital and workforce.

In 2019, real GDP growth in EAEU countries varied between 1.2% (Belarus) and 7.6% (Armenia) (EEC, 2020a). As a result of the global COVID-19 pandemic, in June 2020 real GDP growth in 2020 is estimated at -6.6% in the Russian Federation and -2.7% in Kazakhstan. This compares positively to the LAC region, which is forecast to shrink by 9.1% during the year.

In GDP per capita, expressed in PPP, both regions have experienced substantial increases in the last twenty years. In LAC, the highest GDP per capita is found in Chile and several Caribbean countries, followed by Argentina and Mexico. In the EAEU, Kazakhstan and the Russian Federation are the two countries with the highest GDP per capita. Figure I.5 shows the comparison of GDP per capita in the different countries making up the two regions.

Figure I.5
Latin America and the Caribbean and Eurasian Economic Union: GDP per capita (in PPP), 2000–2019
(Thousands of dollars)



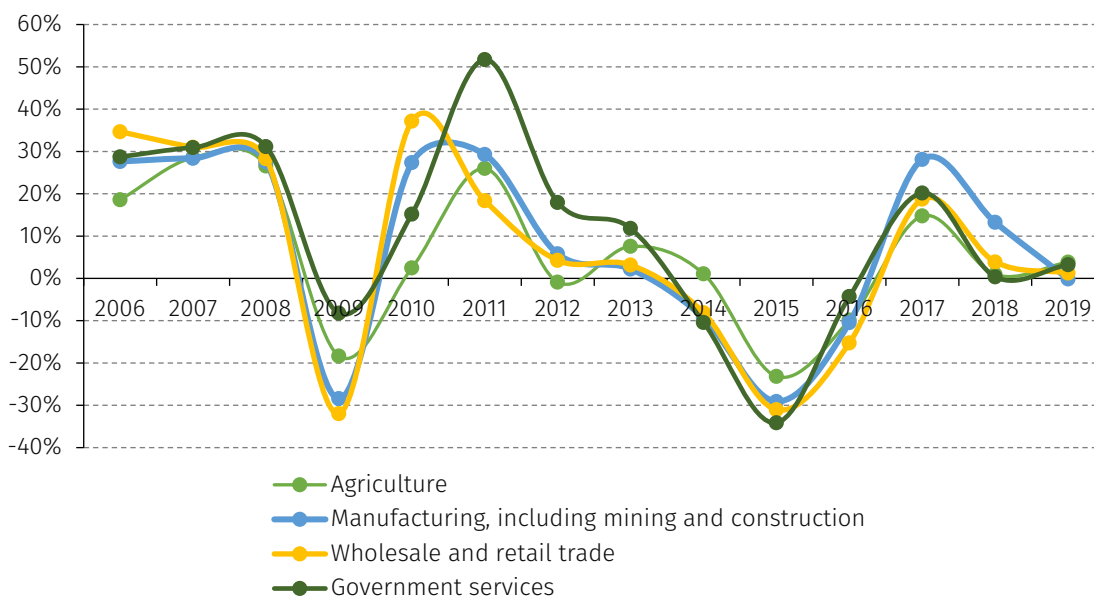
Source: Prepared by the authors, on the basis of the World Bank, World Development Indicators [online database] <http://datatopics.worldbank.org/world-development-indicators>.

Note: GDP from the Bolivarian Republic of Venezuela is not included in these graphs.

In both regions, the tertiary sector⁷ is the main contributor to GDP. However, its share is greater in LAC at 60.6% of the region's GDP as compared to 54% of EAEU GDP, revealing not only that the LAC region has a more developed tertiary sector, but also a weaker secondary sector. In LAC, industry, including the mining industry and other natural resource rents, contributes 23.3% to GDP, compared to 32.2% in the EAEU region. The extensive extractive industries, while being a source of substantial revenues, lead to greater vulnerabilities in both regions' economies. Dependence on the mining and natural resource sectors appears to be more noticeable in EAEU, where it accounts for 11.1% of GDP as compared to 4% in LAC. In total, value added produced in agriculture, forestry and fishing represents 5% and 3.7%, respectively, of the GDP of LAC and the EAEU.

In the structure of EAEU GDP, as of 2018, mining, manufacturing and wholesale and retail trade were accounting for virtually equal shares, constituting almost half of the Union's value added. The next three major contributors to EAEU GDP are concentrated in the tertiary sector: real estate, government, and transport and warehousing services (8.3%, 6.1% and 6.1%, respectively). As previously mentioned, the agriculture, forestry and fishery sector produces 3.7% of total value added. The structure of EAEU GDP has remained relatively stable over the past twenty years. The main economic sectors, including government services, have tended to move in tandem. This procyclicality has stimulated growth during years of expansion and contributed to slowdowns during recessions (see figure I.6).

Figure I.6
Eurasian Economic Union: growth rates of value added produced in selected sectors of the economy, 2006-2019



Source: Eurasian Economic Commission (EEC), Social and Economic Statistics: National Accounts, 2020a [online] http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/econstat/Pages/national.aspx [date of reference: 29 June 2020].

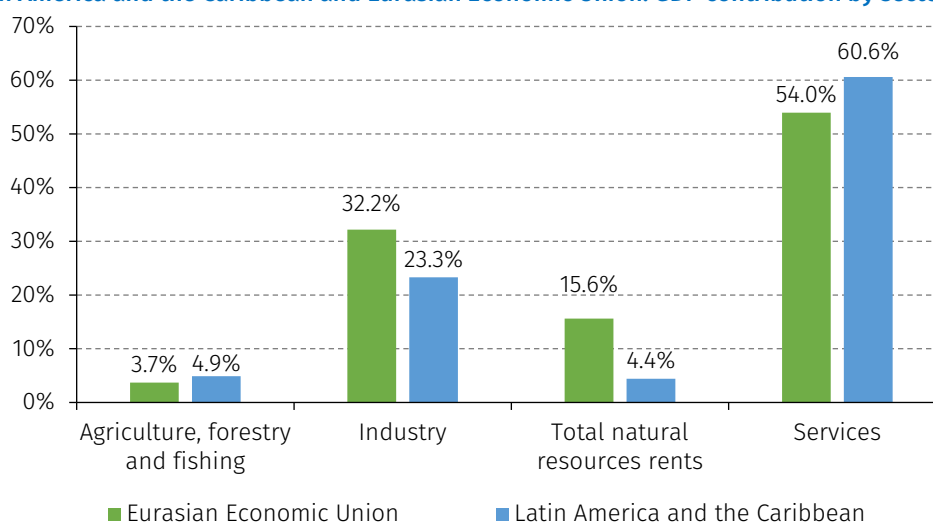
The Union's economies are not homogeneous and the above-stated conclusions best apply to value creation in the larger economies of the Russian Federation and Kazakhstan.

⁷ According to the ISIC classification, this comprises wholesale and retail trade (including hotels and restaurants), transport and government, financial, professional and personal services such as education, health care and real estate services.

Furthermore, some member States have recently undergone substantial structural changes. Among the most noticeable dynamics, Armenia has capitalized on its geography-engendered comparative advantages: since 2010, the share of value added created in the tourism sector has increased from 1% to 6.3%. The more traditional contributor to Armenian GDP, construction, saw its share decreased from 19.5% to 7.4% in the same period. Kyrgyzstan seems to be on the way toward economic transformation as the country's agricultural orientation is weakening while activity in the spheres of retail and wholesale trade and manufacturing have intensified.

Considering the LAC region in its entirety, the sectoral distribution has remained relatively stable over the past two decades. While agriculture's contribution decreased slightly from 5.2% to 4.6% of GDP between 2000 and 2018, the industrial sector's diminished substantially over the past decade, led by a decrease in natural resource prices. While it represented 30% before the financial crisis and contributed 29.5% of GDP as recently 2011, it has since decreased to 25% of GDP after bottoming at around 24% in 2016. In contrast, the services sector expanded its contribution from 56% in 2011 to 60.6% in 2018 (see figure I.7).

Figure I.7
Latin America and the Caribbean and Eurasian Economic Union: GDP contribution by sector, 2018



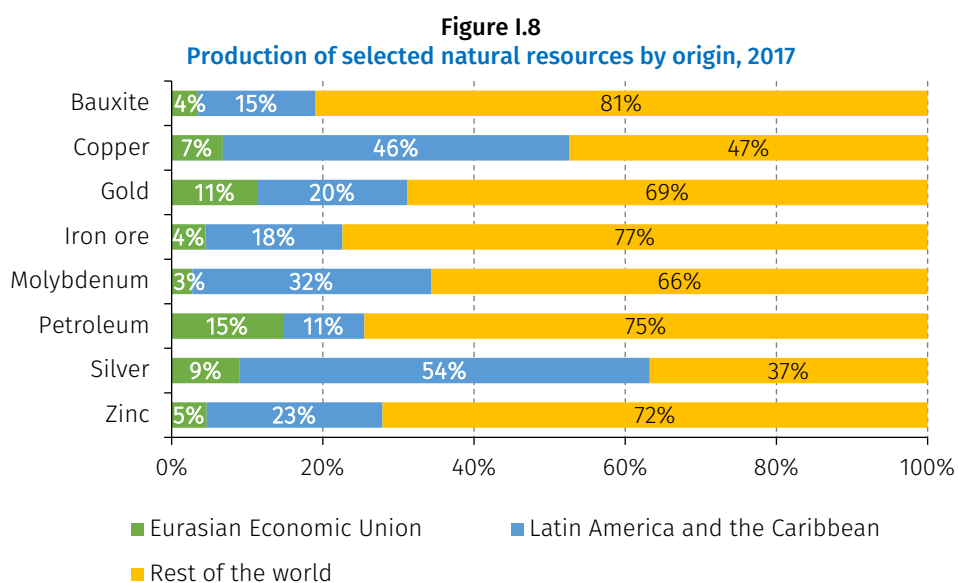
Source: Prepared by the authors, on the basis of the World Bank, World Development Indicators [online database] <http://datatopics.worldbank.org/world-development-indicators>.

The composition of the services sector, the major driver of LAC economic growth, varies from to country. For instance, Caribbean countries are highly service-oriented and focused on the tourism industry. Argentina, Chile, Colombia, Mexico and Uruguay are the non-Caribbean countries with the strongest services sector, followed by significant manufacturing. The services contributing to the economy include tourism, ICT-software, logistics, retail, creative services, sports services and biotechnology services (IDB, 2015). The most productive service activities with great innovative capacity and a successful insertion into international trade are business services, finance and insurance, scientific and technological innovation, computer services and telecommunications. These activities are at the core of development in some LAC economies, whose dynamism depends crucially on their adaptation to the new technologies linked to manufacturing as well as to the digital economy (Mulder, 2014).

In LAC, similarly to EAEU, natural resources extraction has been a key element in total exports (see figure I.8). Certain types of extracted resources —first of all, crude and refined petroleum, and other derivatives— are mainly export products, which makes some countries

greatly dependent on the external demand conjuncture. The Bolivarian Republic of Venezuela, Colombia, Ecuador, Mexico, the Plurinational State of Bolivia and Trinidad and Tobago are among the most vulnerable resources exporters. Brazil, Mexico and the Bolivarian Republic of Venezuela are most notable as contributors globally, each responsible for approximately 3% of global production. This pales in comparison with the Russian Federation, which in 2017 produced around 13% of global output.

Another major export is copper, which is especially relevant for Chile and Peru, countries responsible for 28% and 12% of global production in 2017, respectively (Federal Ministry for Sustainability and Tourism of Austria, 2019). However, as copper is primarily employed in equipment producing industries, demand for it might be subject to considerable fluctuations. Gold is another important product, especially for small economies, such as Guyana and Suriname, where it contributes substantially to the export base. The LAC region was responsible for 20% of global gold production in 2017 (compared to 11% in EAEU). Silver is one of the metals where the region's dominance is strongest, with some 54% of global production in 2017, led by Mexico and Peru, which were responsible for 22% and 17% of global output, respectively.



Source: Prepared by authors, on the basis of Federal Ministry for Sustainability and Tourism of the Republic of Austria, *World Mining Data 2019*, 2019 [online] <https://www.world-mining-data.info/wmd/downloads/PDF/WMD2019.pdf>.

Chapter II

Prospects for mutual trade development

A. Trade patterns: partners

In 2018, EAEU member States exported a total value of US\$ 550 billion, equal to 3% of the global exports.⁸ In comparison, LAC countries exported a total value of US\$ 989 billion, 5.5% of global exports. Although EAEU exports are only slightly more than half of total LAC exports, the latter group includes more countries and a larger population, as noted previously. However, the two regions share a common characteristic: the relative heterogeneity of their members. In the case of LAC, Brazil and Mexico were its top exporters in 2018. They accounted for 24% and 45% of total LAC exports, respectively. In the EAEU, the Russian Federation is the leading exporter with 82% of the EAEU total. Therefore, a trade analysis between both groups of countries usually reflects the patterns of the top traders.

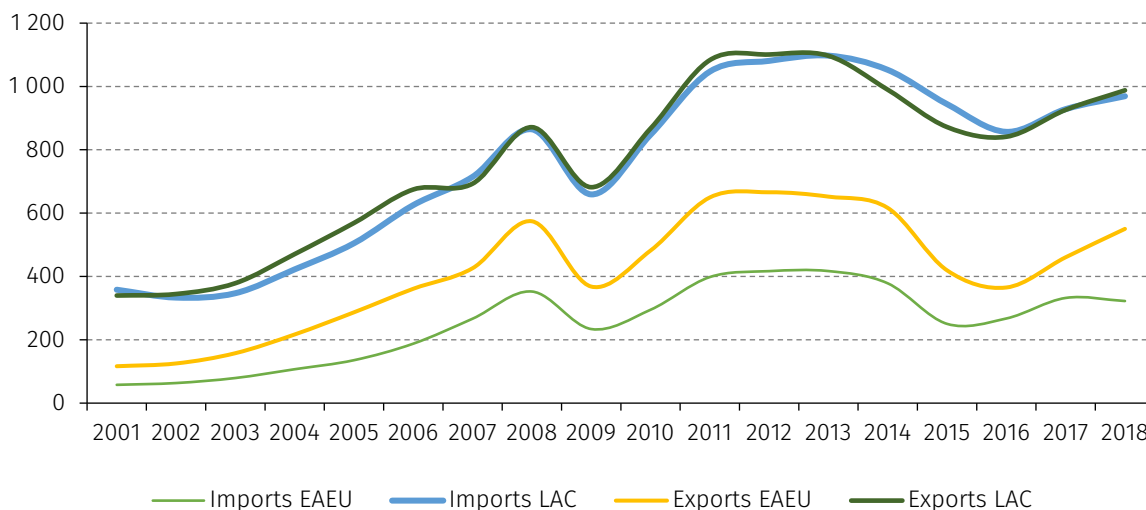
Figure II.1 shows EAEU and LAC trade patterns during 2001-2018. According to this information, EAEU countries export more than they import. In contrast, LAC net export has tended to be balanced, except during 2013-2017, when the region ran a current account deficit. This trade pattern seems to remain the same along the analysed period. The value of EAEU exports increased at an annual average rate of 9.6% between 2001-2018, three percentage points above LAC (6.5%) and world (6.9%) export growth rates. The same pattern is observed in the region's imports. The annual average growth rate of EAEU imports was 10.6%, almost five points higher than the import growth rates of LAC (6%) and globally (6.7%). Those numbers underline the EAEU's dynamism as a global trader, a quality that bodes well for enhancing the relationship between both regions.

As shown in figure II.1, the trade of both regions followed a similar pattern during 2001-2018. However, some events did affect global trade, such as the financial crisis of

⁸ According to data from the United Nations Commodity Trade Database (COMTRADE).

2008-2009 and a growth slowdown since 2014. The latter was the result of demand contraction in important partner markets like the United States, Europe and China. Unfortunately, the COVID-19 crisis may further reduce demand in those markets with the potential to severely affect both regions. Reinforcing intraregional trade and promoting interregional trade between the EAEU and LAC countries could diminish the adverse effects that this new global crisis may bring and reduce risks of future shocks.

Figure II.1
Eurasian Economic Union and Latin America and the Caribbean: total exports and imports, 2001-2018
(Billions of US dollars)



Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

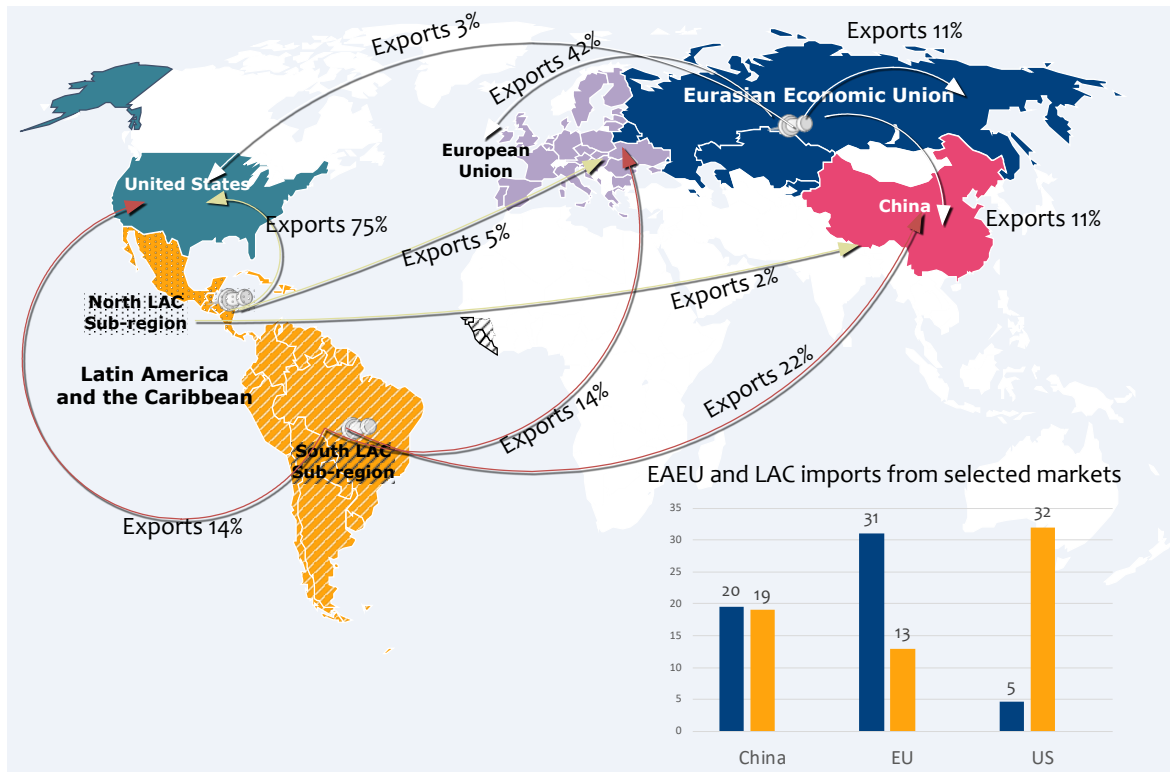
In 2018, 42.4% of EAEU exports were bound for the European Union (EU), 11.4% for China and 2.5% for the United States. Those three markets concentrated 56.3% of EAEU exports. Other significant markets were within its intraregional market, which accounted for 10.9% of overall exports, and other Asian markets like the Republic of Korea, Japan and India, which jointly accounted for 8% of EAEU exports. The importance of the EU market and some Asian markets is a result of both geography (see map II.1) and historical ties. In this sense, the considerable geographical distance separating the EAEU and LAC is one explanation for the small scale of mutual trade. In 2018, only 1.6% of EAEU exports were directed toward the LAC region.

In the same year, 43.1% of LAC exports were destined for the United States, followed by 12.3% for China and 9.5% for the EU market, jointly accounting for 64.9% of LAC exports. This is a higher rate of market concentration than that of EAEU, which means total exports are concentrated in fewer final market destinations. However, inside the LAC region, two distinct patterns can be identified. Central America, the Caribbean and Mexico (Northern LAC) concentrate their exports in the United States. In 2018, the United States accounted for 75% of that subregion's exports, followed by 4.5% for EU and 1.6% for China. In contrast, South America exported most of its goods to China (22.2%), with another 14% going to EU and 13.8% to the United States.

These differences in trading patterns also show up in intraregional exports and exports to EAEU. Only 6.3% of total Northern LAC exports were directed toward other LAC countries, while 23% of South American exports were bound for LAC countries. EAEU is also more significant for South America, which shipped 1.1% of its total exports to that group of countries. By contrast, only 0.1% of Northern LAC's overall exports were destined for EAEU.

Historical and geographical factors within the LAC region also play an essential role in determining trade patterns, as seen in the EAEU case. The geographical proximity of Northern LAC to the United States market is a key factor (see map II.1). That proximity enables the Northern LAC subregion to be part of the United States value chain in search of time and production cost efficiencies.

Map II.1
Eurasian Economic Union and Latin America and the Caribbean: exports and imports to and from selected markets, 2018
 (Percentages)



Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

Note: The boundaries and names shown on this map do not imply official acceptance or endorsement by the United Nations.

Trade balances are quite stable for both regions with the added commonality of the increasing prominence of China as a supplier. During 2001-2018, China was also the most dynamic export market for both regions: EAEU exports to China rose at an annual average rate of 14.4%, more than twice the rate of EAEU exports growth to EU, its primary market. For the LAC region, exports to China rose at an annual average of 20.3%, four times faster than its exports to the United States, its primary market.

In 2018, EU accounted for 31% of EAEU imports, followed by 19.6% from China and 4.6% from the United States. Another essential source market was EAEU itself, which accounted for 18.4% of imports. As indicated earlier, the most dynamic market among those economies was China. From 2001 to 2018, EAEU imports from China rose at an annual average of 22.9%, more than twice the corresponding increase from EU, the United States and intraregional imports.

The LAC region followed the same tendency although there was a more pronounced difference between growth in imports from China and those from other markets. Between 2001 and 2018, imports from China rose at an average annual rate of 19%, five times faster than imports from the United States (4%) and three times as fast as those from EU (6%). In 2018, LAC countries imported 32% of its goods from the United States, 19% from China and 13% from EU. A comparison between LAC subregions shows that the import shares of China and EU were nearly the same for both subregions in 2018. The difference is in the United States' import share: Northern LAC imported almost half of its goods (46%) from that market, while South America only obtained 18% from that source. Another difference was the importance of intraregional imports. Northern LAC imported 5% of its products from the LAC region and almost one quarter (24%) from South America. Finally, with respect to EAEU, imports trended similarly to exports and South America imported three times more from that group (1.3%) than Northern LAC did.

B. Trade patterns: sectors

In 2018, most goods exported from EAEU to its main markets are primary goods and natural-resource-based manufactures (NRBM), as shown in table II.1. This pattern differs with respect to its intraregional trade and its exports to the LAC region, where exports of low-, medium-, and high-technology manufactures are notable.⁹ Half of LAC's exports are primary goods and NRBM, while the other half consist of manufactured products. However, that distribution varies according to the LAC subregion and destination market.

EAEU specializes in mineral fuels and oil production; consequently, more than half of its overall exports are related to mineral fuels (52.7%). Other relevant export goods are semi-finished products of iron and steel; precious metals like gold, platinum, diamonds, or silver and cereals, especially wheat and barley. Except for iron and steel products, most of these products are classified as primary goods or NRBM, accounting for 71% of its total exports. EAEU technology manufactures include iron and steel products, as well as mechanical machinery, articles of wood, fertilizers, aluminium products, electrical machinery, vehicles and chemicals. Those goods accounted for 17% of its total exports.

Globally, the main LAC exports are vehicles; mineral fuels; mechanical and electrical machinery; ores like copper, iron, zinc and aluminium; oil seeds like soya or sunflower; precious metals; and fruits. LAC and EAEU export structures are thus quite alike, with an emphasis on primary goods. However, as noted above, the export structure within LAC is heterogeneous.

Northern LAC specializes in technology products that are part of the United States' value chain. Its main exports are vehicles, electrical and mechanical machinery, medical instruments and appliances, plastics and furniture. Together, those goods accounted for 75% of the entire subregion's exports. South America's export structure is just the opposite with primary goods and NRBM accounting for 71% of its exports. Among those kinds of products are mineral fuels (petroleum oils and coal), metals (copper, iron, zinc and aluminium), soya, meat, fruits, vegetables, maize, coffee, sugar and fish.

⁹ The trade classification indicator by technology intensity was developed by ECLAC to determine technology intensity in the manufacturing exports of developing countries. The classification is structured using the levels of the groups of the SITC at a three-digit level, defining five product categories. The primary products category includes fresh fruits, meat, rice, cocoa, tea, coffee, timber, coal, crude oil, gas, concentrated minerals and scrap. MBRN includes products based on agriculture and forest products, basic metals (except steel), petroleum derivatives, cement, precious stones and glass. Manufacturing with low technology contains textile and fashion cluster, ceramics, simple metal structures, furniture, jewellery, toys and plastic products. Manufacturing with medium technology includes automotive products, synthetic fibres, chemicals and paints, fertilizers, plastic, iron and steel, pipes and tubes, and industrial engineering with medium technology. Finally, manufacturing with high technology incorporates electrical and electronic products, pharmaceuticals, aerospace, optical/precision instruments and cameras (Duran, 2016).

Table II.1
Eurasian Economic Union and Latin America and the Caribbean: exports and imports to and from selected markets classified by the technology incorporated, 2018
(Percentages)

	Exports		Imports	
	EAEU	LAC	EAEU	LAC
World				
European Union				
China				
United States				
EAEU				
LAC				

Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

Notes: Green colour/primary and natural-resourced-based manufactures. Blue colour/technology manufactures. Yellow colours/others.

In contrast to their export activity, EAEU and LAC countries import almost equal amounts of technology products, and primary and NRBM products, as shown in table II.1. In the Northern LAC region, the large amount of imported technology products forms part of their inter-industry trade with the United States. They import mostly parts and accessories to be assembled and then re-exported, mainly to the United States. Other technology imports are products to satisfy demand from the domestic market and industrial sectors. As part of global value chains, EAEU and South American countries imports also include some parts and accessories to be assembled and then re-exported. However, most of their technology imports go to the domestic industrial sectors, as part of their complementary trade with their top partners.

Similarly to LAC, EAEU imports a variety of products, most of them with technology incorporated. The main import products include machinery and mechanical appliances like automatic data-processing machines, machinery for plants or laboratories, appliances for pipes, electrical machinery, such as telephones, electric heaters, panels, monitors and others; vehicular parts and accessories; pharmaceutical products and medical instruments. Technology manufactures accounted for 52% of overall EAEU imports in 2018 while 39% were primary and NRBM goods and the remaining 9% consisted of other transactions. In value terms, the most significant primary and NRBM commodities were mineral fuels like petroleum products, petrol oils and natural gas; food products such as fruits, nuts, meat, vegetables, oil seeds, fish; plastics and paper; and, articles of apparel and clothing accessories. An important part of the primary and NRBM commodities trade occurs intra EAEU States.

South America follows almost the same import pattern as EAEU. In 2018, 51% of its imports were technology manufactures like machinery and mechanical appliances, electrical machinery, parts and accessories of vehicles, pharmaceutical products and medical instruments. Another 38% of South American imports were primary and NRBM goods; among the top products were mineral fuels, organic chemicals, fertilizers, paper, pneumatics and cereals.

As mentioned above, half of Northern LAC imports consist of primary and NRBM goods while the other half are technology goods. From the latter category, they import electrical machinery and equipment (microcircuits, telecommunication equipment, electrical apparatus for making and breaking electrical circuits), machinery and mechanical appliances and vehicles and their parts (motor vehicle parts and accessories of tractors and passenger vehicles, internal combustion piston engines). Among primary and NRBM goods, they import petroleum products, natural gas, aluminium, food products (meat, maize, wheat, fruits and nuts, oil seeds, vegetables), paper and rubber articles.

C. The intensity of intraregional trade

In LAC, four different integration economic processes exist based on the idea of establishing a common market, which is similar to the EAEU process. The oldest is the Central American Common Market (CACM) created in 1960 by Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua that was joined by Panama in 2012. In 1969, the Plurinational State of Bolivia, Colombia, Ecuador and Peru¹⁰ founded the Andean Community (CAN). The third group is CARICOM, established in 1973 by English-speaking parts of the Caribbean. Currently, its full members include all English-speaking Caribbean countries, plus Belize, Guyana, Haiti and Suriname. Finally, in 1991, Argentina, Brazil, Paraguay and Uruguay¹¹ created the Southern Common Market (MERCOSUR).

¹⁰ In 1973, the Bolivarian Republic of Venezuela joined the Andean Community, but in 2006 the country announced its withdrawal, reducing the Andean Community to its original four members.

¹¹ The Bolivarian Republic of Venezuela joined the Mercosur as a full member in 2006, but it has been suspended since 2016. The Plurinational State of Bolivia is negotiating to become a full member.

Inside the LAC region, some countries are not members of any of these groups: Chile, Cuba, the Dominican Republic,¹² Mexico and the Bolivarian Republic of Venezuela. While these have not fully integrated with any such collective integration group, they are part of other trade agreements among LAC countries.

The Eurasian Economic Union is a more recent economic process than those mentioned above. As described earlier, it went through several iterations, but EAEU was eventually founded with its current membership in 2015.

Among those integration processes, CACM has the highest share of intraregional trade. It steadily increased over the last 58 years and in 2018, the intraregional exports reached 31% of total exports (excluding free zones exports). Though this percentage seems small when compared to integration groups like the European Union, with an intraregional export share above 60%, it offers an opportunity to expand the production of high value-added goods. This experience was the case for CACM and MERCOSUR countries, in which more than half of their intraregional exports are manufactured with some grade of technology incorporated. For CAN, CARICOM and EAEU, the percentage of products rather than primary and NBRM in intraregional exports constitute correspondingly 39%, 19% and 45%.

Table II.2 looks at a selected number of countries and their primary export markets. The high level of dependence for Central American countries on CACM is immediately clear. The other noteworthy observation is that Mexico, despite its size does not play an important role as an export destination for most countries, due to its deep trade integration with the North American market.

Table II.2
Selected Latin America and the Caribbean countries: intraregional exports, circa 2019
(Percentages)

Exporters	Brazil	Caribbean	Central America	Mexico	South America
Argentina	50	3	3	3	42
Belize	0	81	14	1	4
Bolivia	39	1	0	0	59
Brazil	0	4	7	13	75
Chile	30	3	6	13	49
Colombia	12	14	26	11	38
Costa Rica	1	14	71	9	6
El Salvador	0	5	89	5	1
Guatemala	1	6	76	11	6
Jamaica	1	74	5	1	19
Mexico	20	6	32	0	42
Paraguay	46	0	1	0	52
Peru	26	3	8	7	57
Uruguay	48	4	2	8	38

Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

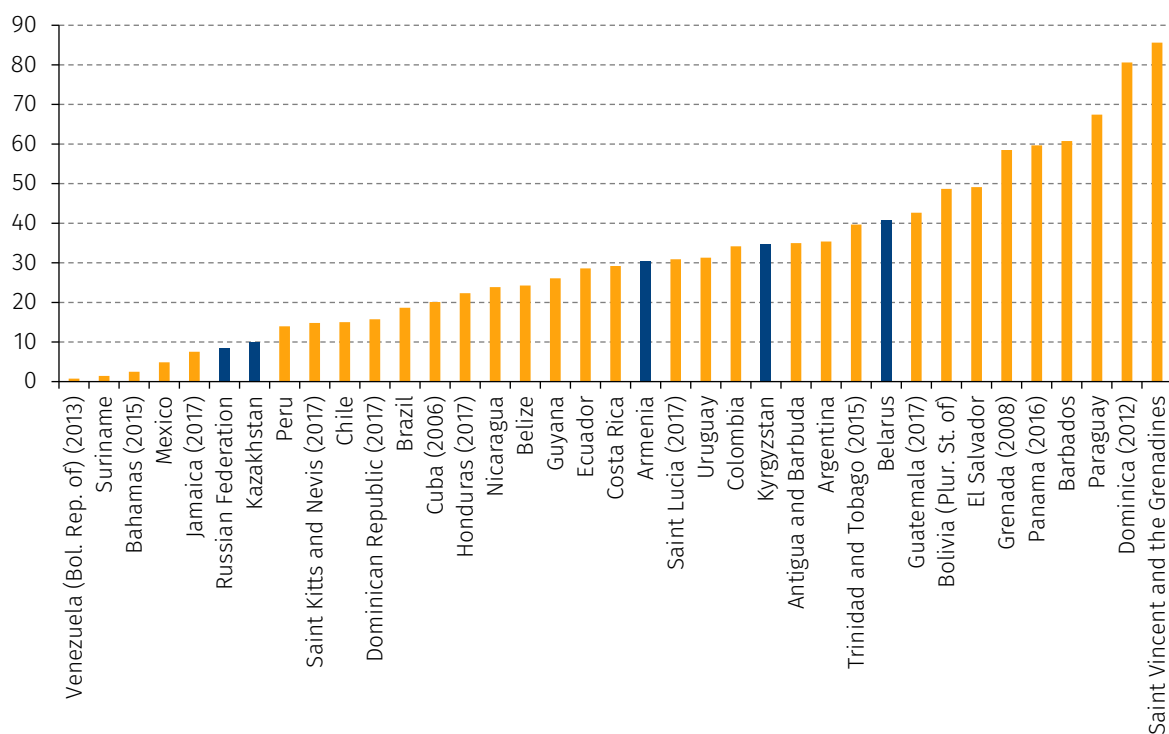
Note: Green and dark green cells indicate intraregional export shares of more than 30%. Yellow cells point out intraregional exports between 1 and 30% share. Red cells imply intraregional exports of less than 1%.

¹² The Dominican Republic is member of the Central American Integration System since 2013, though not of its Common Market.

When analysed by country, intraregional trade is heterogeneous inside both LAC and EAEU. In 2018, LAC countries on average directed 32% of their overall exports to their regional market. For EAEU countries, the corresponding indicator constitutes 25% in the same year. However, as shown in figure II.2, the percentage varies widely in both regions. In LAC, Saint Vincent and the Grenadines and Dominica (in 2012) showed the highest intraregional export shares, at 86% and 81%, respectively. In both cases, they exported more than 65% of their goods to the CARICOM, their economic integration group. The same occurs with other countries like Paraguay, Barbados, El Salvador, or the Plurinational State of Bolivia, which exported more to their economic groups, than to the rest of the region. In EAEU, Belarus, Kyrgyzstan and Armenia showed the highest intraregional export percentages, 41%, 32% and 28%, respectively.

However, in both regions there are countries for which the scenario is different: the Bolivarian Republic of Venezuela, Suriname, Bahamas, Mexico—in the LAC region, the Russian Federation and Kazakhstan—in EAEU. The intraregional export shares of the listed States have been inferior to 10%.¹³ For Brazil and Mexico, the share of intraregional trade is smaller: the former exported only 19% and the latter 5% to the LAC region. In the case of Brazil, most of its intraregional exports were directed towards MERCOSUR. A similar scenario can be observed in EAEU, where the Russian Federation, its largest exporter, sells only a small fraction of its goods in EAEU (9%).

Figure II.2
Eurasian Economic Union and Latin America and the Caribbean: intraregional exports inside their regions by country, circa 2018 (Percentages)



Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

¹³ During the last available year for each country.

The Russian Federation is not only the largest EAEU exporter, but also the top destination market for the other members. As shown in table II.3, Armenia, Belarus and Kazakhstan sent around 90% of their total intraregional exports to the Russian Federation. As a result, the interrelation among the EAEU member States other than the Russian Federation seems to be small with the exception of mutual trade between Kyrgyzstan and Kazakhstan. In 2018, the former exported 42% of its intraregional products to the latter. However, Kyrgyzstan's leading partner is still the Russian Federation.

Expectedly, intraregional exports from the Russian Federation are more diversified. In 2018, the country sent 59% of its intraregional exports to Belarus, 33% to Kazakhstan and the remaining 8% went to Armenia and Kyrgyzstan. The vast distances between EAEU markets, the lack of infrastructure and the high cost of transportation are amongst the obstacles that complicate an expansion of trade between EAEU member States (Vinokurov, 2018). These same hurdles have been identified between LAC countries and could also be challenges to tackle when promoting bilateral trade between the two regions.

Table II.3
Eurasian Economic Union: intraregional exports by country, 2018
(Percentages)

Exporter	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russian Federation
Armenia	-	1.8	1.5	0.1	96.6
Belarus	0.3	-	5.7	0.9	93.2
Kazakhstan	0.1	1.7	-	10.9	87.3
Kyrgyzstan	0.0	1.9	42.3	-	55.8
Russian Federation	3.5	58.9	33.4	4.2	-

Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

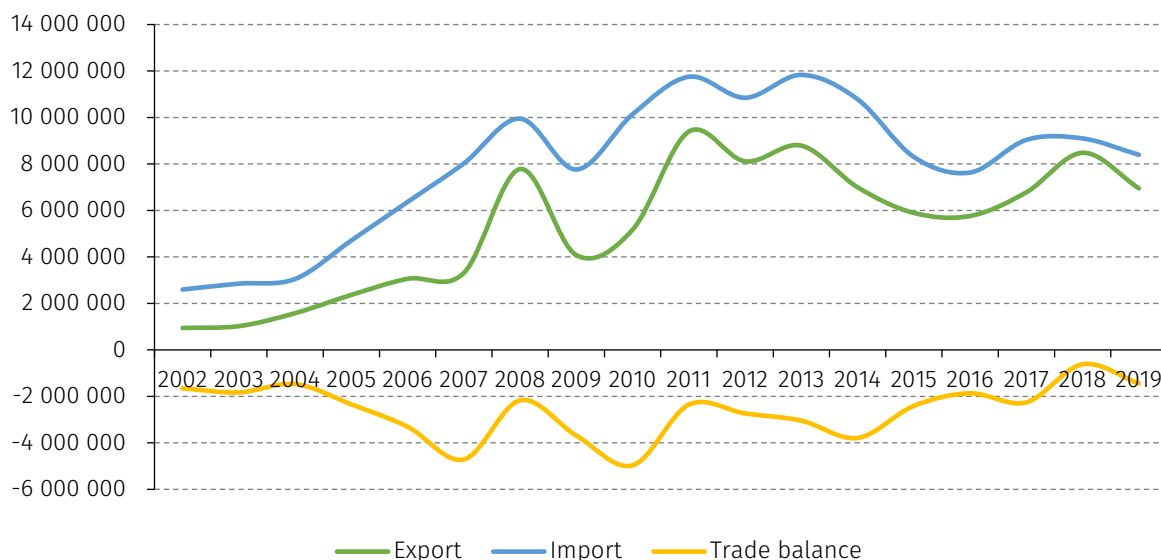
Note: Green and dark green cells indicate intraregional export shares of more than 30%. Yellow cells point out intraregional exports between 1 and 30% share. Red cells imply intraregional exports of less than 1%.

D. Trade between Latin America and the Caribbean and the Eurasian Economic Union

The volume of trade turnover between EAEU and LAC has tended to steadily expand. Between 2002 and 2019, it increased from US\$ 3.54 billion to US\$ 15.35 billion, implying an annual average growth rate of 9%.¹⁴ The described dynamic has resulted from the generally synchronized evolution of exports and imports (see figure II.3). Correspondingly, the trade balance tended to be stable and negative for EAEU countries throughout most of the period. However, provided the most recent deficit-narrowing trend, 2018's US\$ 617 million trade shortfall appeared to be the smallest since 2005. However, the deficit rebounded to US\$ 1.44 billion in 2019.

¹⁴ Hereinafter, if not stated otherwise, trade statistics are based on data as reported by the EAEU countries.

Figure II.3
Eurasian Economic Union: bilateral trade with the Latin America and the Caribbean region, 2002-2019
 (Thousands of dollars)



Source: Prepared by the authors, on the basis of information from the International Trade Centre (InTraCen).

However, due to the uneven country distribution of both EAEU and LAC economies, the analysis of aggregate trade volumes should be undertaken with due caution as it primordially reflects trade between the Russian Federation and several LAC States, most notably Brazil, Mexico and Ecuador. In 2019, the Russian Federation accounted for 89% of total EAEU exports and 93.6% of imports to the LAC region, levels in keeping with those of previous years. At a country level, out of 31 Latin American and the Caribbean countries the Russian Federation exported to in 2019 (i.e. of all the LAC States but for Antigua and Barbuda and Saint Lucia), the Russian Federation's share in total EAEU-originated export to 24 of them was at or above 90%. The LAC countries with the least significant shares were Paraguay (62%) and Brazil (79%). Similarly, out of 32 LAC States that supplied Russia in 2019 (all excepting Saint Vincent and the Grenadines), 28 directed 90% or more of their EAEU-directed trade flow to the Russian Federation.

As of 2019, the LAC States' second largest EAEU trading partner is the Republic of Belarus (10% of total EAEU exports to LAC and 2% of total LAC imports from EAEU) followed by Kazakhstan (1% and 2.8%, respectively), Armenia (0.01% and 1.4%) and Kyrgyzstan (0.0001% and 0.2%).

Box II.1

The structure of Eurasian Economic Union and Latin America and the Caribbean bilateral trade

It is important to underline general differences in the structure of bilateral trade flows compared to what is generally typical of developing countries.

Overall, EAEU exports are based on primary goods and NRBMs, while its imports are primarily technology manufactures. However, in their bilateral trade with LAC, EAEU countries export mostly medium-technology products and import primary goods and NRBMs^a, as shown in table below. This trend is especially evident for Belarus and the Russian Federation, for which the category of primary goods and NRBMs as a share of total exports to LAC has not exceeded 2.4% and 5.8%, respectively. The observed result most likely reflects the high expense involved in exporting mineral fuels to the LAC region compared to that of sending such supplies within the Eurasian region, where the necessary infrastructure is in place.

Table
Eurasian Economic Union and Latin America and the Caribbean: bilateral trade with the other region^b and product type^a, circa 2019

(Percentages of exports and imports, deficit and surplus in trade balance^c)

Year	Country	Exports		Imports		Trade balance	
		Primary and NRBM	Tech manufactures and others	Primary and MBNR	Tech manufactures and others	Primary and MBNR	Tech manufactures and others
2019	Argentina	84.2	15.8	26.4	73.6	↑	↓
2019	Armenia	51.9	48.1	86.2	13.8	↓	↓
2018	Belarus	2.4	97.6	85.9	14.1	↓	↑
2018	Bolivia (Plur. St. of)	100.0	0.0	24.2	75.8	↓	↓
2018	Brazil	63.9	36.1	34.1	65.9	↓	↓
2019	Chile	99.4	0.6	49.8	50.2	↑	↓
2018	Colombia	96.9	3.1	9.0	91.0	↑	↓
2018	Costa Rica	99.6	0.4	7.9	92.1	↑	↓
2017	Dominican Republic	64.2	35.8	86.4	13.6	↓	↓
2018	Ecuador	100.0	0.0	46.9	53.1	↑	↓
2019	El Salvador	97.4	2.6	7.7	92.3	↓	↓
2019	Guatemala	99.0	1.0	7.0	93.0	↑	↓
2018	Guyana	1.9	98.1	7.6	92.4	↓	↓
2017	Honduras	86.3	13.7	17.6	82.4	↑	↓
2017	Jamaica	86.3	13.7	64.5	35.5	↑	↑
2019	Kazakhstan	49.5	50.5	28.2	71.8	↓	↓
2018	Kyrgyzstan	37.6	62.4	62.0	38.0	↓	↓
2019	Mexico	2.8	97.2	16.4	83.6	↓	↓
2018	Nicaragua	99.9	0.1	50.5	49.5	↓	↓
2018	Paraguay	100.0	-	13.8	86.2	↑	↓
2018	Peru	98.4	1.6	17.3	82.7	↑	↓
2019	Russian Federation	5.8	94.2	78.0	22.0	↓	↑
2017	Saint Lucia	85.7	14.3	-	100.0	↑	↓
2018	Suriname	100.0	-	1.9	98.1	↓	↓
2018	Uruguay	99.6	0.4	24.8	75.2	↑	↓

Source: Prepared by the authors, based on information from the United Nations Commodity Trade Database (COMTRADE).

^a By primary and natural-resourced-based manufactures (NRBM) and technology manufactures and non-classified others.

^b For EEU, the trade reported is with the LAC region; for LAC countries it is trade with EAEU.

^c An arrow pointing up (down) signifies a surplus (deficit) in the trade balance of the specific group of products.

In contrast, most LAC countries exported primary goods and NRBM to EAEU during the latest year available for each country. The only exceptions were Guyana and Mexico, for which that product category made up less than 3% of exports, while technology manufactures contributed more than 95%. It is interesting to note that Central America and the Caribbean countries, which are generally grouped with Mexico in the Northern LAC region, follow the same export pattern as South America in their bilateral trade with EAEU. For LAC countries, except for Brazil and the Dominican Republic, primary products and NRBM goods made up more than 80% of their overall exports to EAEU. For some countries, including the Plurinational State of Bolivia, Ecuador, Paraguay and Suriname, primary products and NRBM goods make up 100% of their EAEU exports.

Source: Prepared by the authors, on the basis data from the United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

The paragraphs to follow provide a short overview of the current structure of trade between the LAC region and each of the EAEU member States, as well as major trends in its dynamics. Most importantly, the analysis of mutual trade broken down by EAEU States reveals that the two regions' countries have not ensured equitable advances in identifying market niches overseas. Correspondingly, the prospects for deepening (or, in certain cases,

commencing) trade are not equitable and neither are recommendations for improving its efficiency. The volumes and structure of trade between the LAC region and both Armenia and Kyrgyzstan are subject to drastic changes from year to year. Trade flows are dominated by one-off supplies, relatively brief spurts of shipments of specific goods that tend to taper off within 2-4 years. Such volatility has also been typical of trade between the other EAEU member States and LAC, but it has been different in nature. The dynamics of Belarus imports have been dominated by a single transaction of petroleum oil supplies from Venezuela, the value of which has exceeded that of all other imports. In other cases, including exports from Belarus and LAC's trade with Kazakhstan and the Russian Federation, trade flows tend to be dominated by commodities (agricultural products, processed foods, inputs used in agriculture) and natural resources, the demand for which is highly dependent on international prices and the importing country's general economic cycle. Exceptions to this trend, such as high value-added imports from Mexico that may include assembled and re-assembled manufactured goods, exports of spacecraft from Kazakhstan and arms from the Russian Federation, are quite limited. Given that examples of trade in other sectors indicate that neither general trade policy regulations nor even the long distances and high logistics costs involved are so steep as to deter businesses from all interactions, it appears that impediments to increasing trade in diverse value-added products can be identified either in sector-specific regulations, including non-tariff barriers, a lack of competitiveness, or peculiarities of demand dynamics.

The Republic of Armenia

The evolution of Armenia's exports to the LAC region can be considered as the aggregation of sporadic supplies rather than a trend. Exports from Armenia to LAC have shown very low values of overall trade volume. Until 2006, they included exports of vegetable fats and oils¹⁵ to the Bahamas. In 2008, Armenia supplied US\$ 8.6 million worth of molybdenum ores to Chile and in 2009-2012, the country exported aluminium foil to Colombia. More recently, Mexico has received building stones and precious metal jewellery from Armenia. Belize tended to be Armenia's key export destination during 2010-2019 except for 2017. Still, trade with Belize is highly volatile and after reaching a US\$ 13.9 million record high in 2012 it has tapered off, having failed since 2016 to reach as high as US\$ 0.5 million in a single year. The two leading export goods —steel scrap and waste, and precious metal jewellery— constituted more than 86.5% of Armenia's exports to LAC in 2019.

Diagram II.1 identifies the major items in Armenia's trade with LAC in 2019. The country's trade structure is subject to considerable yearly variations, which is why it is important to stress that the diagram simply reflects the state of relations for a single year and no trend can be inferred from it.

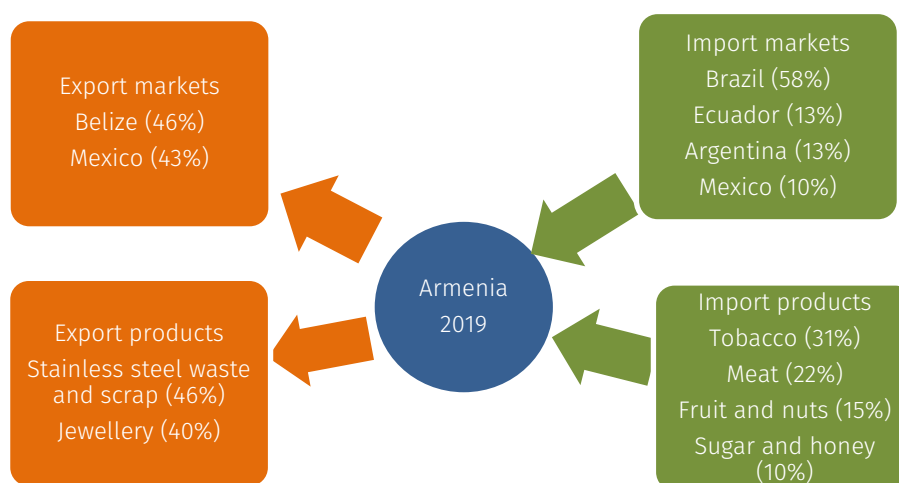
Whereas Armenia's imports from LAC have recently tended to exceed its exports to the region (from 117 times in 2019 to 482 times in 2018), its volume is quite stable near US\$ 100 million or 2.3% of total Armenian imports in 2019. However, unlike its LAC exports, Armenia's imports from LAC countries seem to be more diversified in both markets and products, and appear to be characterized by a mere established structure.

In 2019, the most significant LAC exporters to Armenia were Brazil, which accounted for 58% of Armenia's LAC imports, followed by Ecuador (13%) and Argentina (13%). These three leading exporters in the aggregate have accounted for more than 80% of imports from LAC in almost every year since 2006, with 2012 and 2017 being the exceptions. Any recent reductions in these countries' share of the export market can be partly explained by an expansion of Mexico's participation: in 2019, that country supplied Armenia with 9.5% of its total LAC imports. From the perspective of trade structure, each of the top-three LAC exporters to Armenia has

¹⁵ Hereinafter, the major exported/imported products are identified at the 6-digit level of HS classification.

quite a pronounced specialization: main products imported from Brazil include tobacco, cane sugar and products of meat (cuts and offal of *Gallus domesticus*, meat of swine, carcasses and half-carcasses of swine). Costa Rica and Ecuador specialize in bananas while Argentina primarily supplies tobacco. The structure of imports from Mexico has not been stable and comprised medical needles, catheters and cannulae in both 2019 and 2018, and certain chemical preparations until 2017.

Diagram II.1
Armenia-Latin America and the Caribbean trade highlights, 2019
(Percentages)



Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

The Republic of Belarus

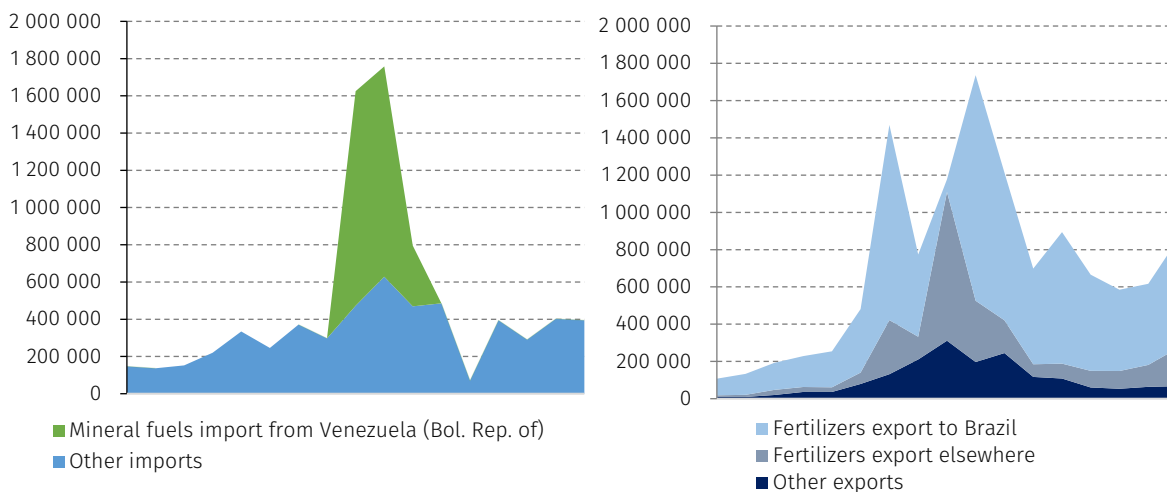
In recent years, Belarus trade with the LAC region has been highly volatile. To illustrate, whereas between 2009 and 2011 trade turnover more than doubled, in 2011-2014 it fell nearly four-fold. However, in contrast to trade between Armenia and LAC, the path of Belarus-LAC trade development is subject to the dynamics of oil supplies from Venezuela to Belarus in 2010-2012 and fertilizer exports, since the remaining trade volumes are far more stable (see figure II.4). Provided the aforementioned volatility of oil and fertilizers, Belarus exports to LAC have nearly continuously exceeded the country's imports from the region and the trade balance retains its dependence on the unstable conjuncture for fertilizer markets.

As follows from figure II.4, the major destination of Belarus products to LAC is Brazil, which accounted for 69% of Belarus exports to the region in 2018. Meanwhile, 99% of Belarus' exports to Brazil consist of fertilizers and Brazil consumes approximately $\frac{3}{4}$ of the fertilizers supplied to LAC. Other Belarus export destinations in LAC are Colombia, Ecuador, Argentina, Uruguay, with fertilizers apparently the major export product in each case. Goods with the most dynamic growth trends and the LAC countries they are exported to include:

- parts suitable for use solely or principally with transmission and reception apparatuses (Cuba and Peru);
- threaded articles of iron and steel (Peru); and,

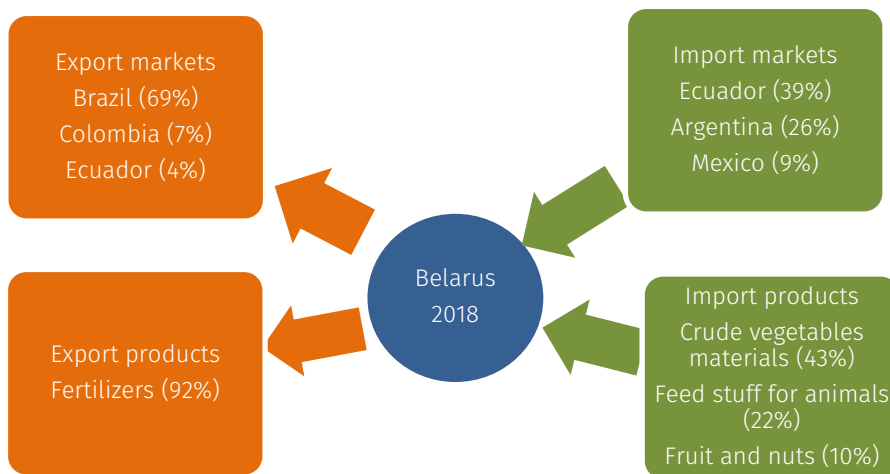
- pneumatic tires used on agricultural or forestry vehicles and machines (Cuba, Brazil, Nicaragua and the Dominican Republic).

Figure II.4
Sources of volatility in Belarus-Latin America and the Caribbean trade, 2002-2018
(Thousands of dollars)



Source: Prepared by the authors, on the basis of information from the International Trade Centre (InTraCen).

Diagram II.2
Belarus-Latin America and the Caribbean trade highlights, 2018
(Percentages)



Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

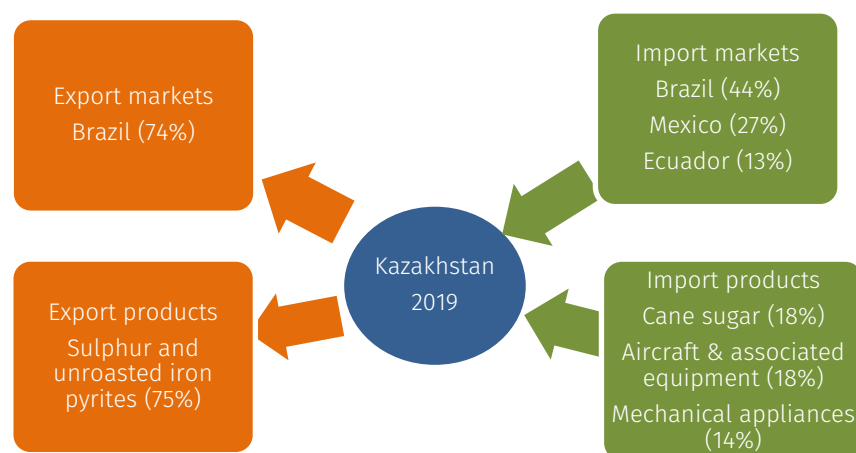
Belarus imports from LAC countries are more diversified in the number of products, value and markets of origin. In 2018, Belarus' leading suppliers were Brazil (38%), Argentina (20%), Ecuador (9%) and Cuba (7%). Its import structure is dominated by agricultural products and processed food. The number of imported goods from the region has increased from 309 to 834. In 2018, the top product was fresh cut flowers and flower buds (42%), acquired mainly from Colombia and Ecuador, but also from Chile, Mexico and Peru. Demand in Belarus for this

product has increased remarkably, climbing at an annual average growth rate of 66% between 2002-2018. The second most important product was oilcake and other solid residues (22%), the demand for which increased during the same period 19% on average. Other products that show increased demand are peaches, Atlantic salmon, needles used in medical sciences, peppers (genus capsicum) and pimenta (a flowering plant), among others.

The Republic of Kazakhstan

Kazakhstan's LAC trade balance is largely negative. In 2019, when its deficit fell to its lowest value since 2004, its LAC imports were 3.5 times greater than its exports; by comparison, in 2013 they exceeded exports 15.8 times. Prior to 2010, the list of top-LAC countries importing Kazakhstan's products could change from year to year. To illustrate, Brazil's share of LAC imports from Kazakhstan reached 82% in 2008; in 2009, Argentina received 85% of Kazakhstan's exports to the region. Such a drastic change in trade flow destination was possible due to one year of sodium triphosphate deliveries to Brazil followed by three years of natural uranium shipments to Argentina. Neither prior to 2008, nor since 2009 has Kazakhstan exported comparable amounts of any inorganic chemicals. In contrast, since 2010, Brazil has emerged as the major destination of Kazakhstan's exports to LAC with its share having yet to fall below 75%. In turn, the consolidation of Brazil's importance to Kazakhstan's LAC exports has been the result of expanded sulphur shipments. Sulphur may have become Kazakhstan's main specialized export to LAC as its share varied between 68% and 98% in 2011-2019.

Diagram II.3
Kazakhstan-Latin America and the Caribbean trade highlights, 2019
(Percentages)



Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

The geography of Kazakhstan's imports from LAC appears more stable than that of its exports to the region. In 2019, pretty much in keeping with previous years, Kazakhstan's most significant LAC suppliers were Brazil, Mexico and Ecuador, which jointly accounted for 84% of its total LAC imports. Meanwhile, each of these exporters have a particular specialization. Major Brazilian exports to the country include cane sugar (volumes of which have been relatively stable, but are demonstrating signs of decline), and aircraft and spacecraft, with these latter items indicating the existence of intra-industry trade among the partners (see box II.2). Imports from Mexico include a diversified supply of high value-added products, such as mechanical and electrical machinery and medical appliances. In contrast, virtually the entire volume of

imports from Ecuador consists of cut flowers and bananas. Correspondingly, the structure of Kazakhstan's imports from LAC States in the aggregate is diversified and the level of value added comprised by the imported items differs significantly.

Box II.2 Aerospace industry

Aerospace is a major sector in the global economy that was worth US\$ 323 billion in 2017 (Deloitte, 2018). This sector is dominated by some very large companies and is primarily concentrated in the United States and Europe. Based on revenue figures from different companies, Deloitte estimates that 53% of aerospace sector revenue is associated with companies from the United States and 36% with companies from Europe. Considering the combination of aerospace and defence, Boeing is the largest company in this sector with revenues of US\$ 93 billion in 2017, followed by Airbus with US\$ 75 billion and Lockheed Martin with US\$ 51 billion.

However, beyond Europe and the United States, there are also substantial activities in other countries. For example, China is an upcoming player with a fast-growing domestic aerospace industry. LAC and the EAEU are also active in this important sector. The aerospace sector grew steadily during the first decade of 2000 in Argentina, Brazil, Chile and Mexico.

Brazil is one of the best positioned countries in the region with more than 100 companies in the industry. The State of São Paulo has the largest aerospace hub in Latin America. With around 100 facilities for aircraft manufacturing, the state accounts for 73% of all facilities in Brazil and 85% of employees in the sector in Brazil. The biggest representative company within the Brazilian aerospace industry is Embraer, a firm that produces commercial, military and executive aircraft. The Mexican aerospace industry has been growing over 15% annually for more than a decade while benefiting from its proximity to Canada and the United States. The Mexican Federation of Aerospace Industries identified 330 companies active in the industry in 2018 and argues that Mexico was the world's 12th largest exporter of aerospace products.

The EAEU aerospace manufacturing sector is primarily concentrated in the Russian Federation. This sector saw solid growth during the first decade of 2000 as growth in air transportation resulted in increasing aerospace industry demand. In the Russian Federation, the aerospace industry was originally closely aligned with the defence industry, but in 2006 the Government launched a programme called the United Aircraft Corporation (UAC) aimed at consolidating private and state-owned aircraft manufacturing companies in order to protect and develop the scientific and industrial potential of the Russian aircraft industry, the security and defence of the state and the concentration of intellectual, industrial and financial resources to implement long-term aviation programs.

Today, the Russian aircraft industry is not only competitively positioned in the military aerospace industry, but it is also home to substantial initiatives regarding civilian transportation, led by the company Sukhoi and their Superjet 100. Sukhoi is an important industrial group of aerospace engineering companies founded by the engineer Pável Sukhói in 1939 in Moscow, which still hosts its headquarters.

An interesting feature of the aerospace industry is the existence of parallel imports and exports. While both LAC and EAEU are home to substantial aerospace manufacturers, they are not merely exporting, but also importing. For example, while Embraer sells jets in the LAC region with exports to countries such as Colombia, Ecuador and Mexico, it has also sold aircraft to Air Astana from Kazakhstan, selling its first aircraft in 2018. At present, Air Astana operates six Embraer airplanes.

In parallel, since the late 1990s and the early 2000s, Sukhoi has exported multiple military aircraft, starting with Peru and followed by the Bolivarian Republic of Venezuela, as well as civilian Sukhoi airplanes to Mexico.

Data from UN Comtrade show that exports from Brazil to the EAEU are primarily concentrated in Belarus, Kazakhstan and the Russian Federation, while exports from the Russian Federation to the LAC Region are primarily heading to Mexico, the Bolivarian Republic of Venezuela and Peru.

Source: Prepared by the authors, on the basis of Deloitte (2018) and United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

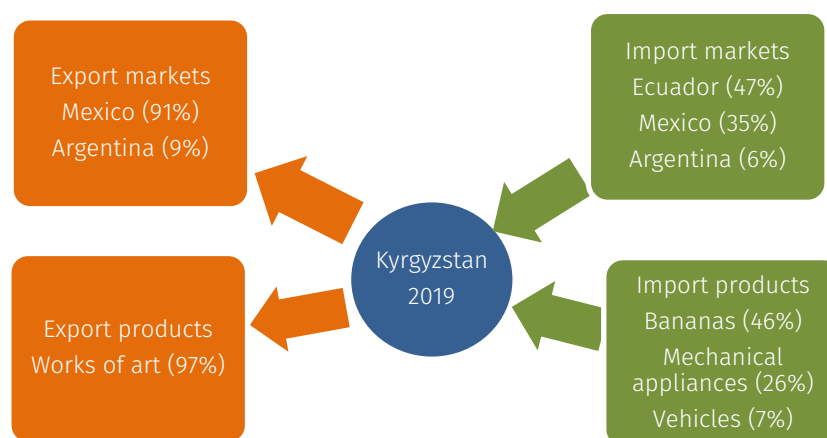
Kyrgyz Republic

Between 2002 and 2019, exports from Kyrgyzstan to LAC countries were negligible and almost stagnant, having failed to reach US\$ 100,000. They consisted primordially of works of art. Exceptions were observed in 2009 and 2011-2013, when Kyrgyzstan reported sporadic shipments to Mexico (kidney beans), Argentina (rusks) and Belize (not specified commodities).

In contrast, in select years Kyrgyzstan's imports from the LAC region have exceeded US\$ 20 million leading to a constantly negative trade balance. The countries that have most frequently been among Kyrgyzstan's three main LAC exporters in 2002-2019 have included Ecuador, Mexico, Argentina and Brazil, however, from one year to another numerous other LAC States, including Guatemala, Chile, Cuba, Barbados and Colombia, have ranked in the top three.

During 2018, Kyrgyzstan exported goods only to Mexico, Argentina, Ecuador, Chile and Cuba (see diagram II.4). Exports to other LAC markets are almost non-existent or have only occurred during a solitary interval of a year or two throughout the 2002-2018 period. In 2018, the country exported only six different products: collections and collectors' pieces to Mexico, tortoise shell to Argentina, medium oils and petroleum preparations to Ecuador, bones and horn-cores to Mexico, unused postage to Chile and laminated safety glass to Cuba.

Diagram II.4
Kyrgyzstan-Latin America and the Caribbean trade highlights, 2019
(Percentages)



Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

Although Kyrgyzstan's imports from LAC States exceed its exports significantly, its import volumes remain below US\$ 30 million, thus contributing a mere 0.1-1% to Kyrgyzstan's total imports. Existing import volumes consist of ad hoc supplies and thus are subject to considerable fluctuations. In 2019, top Kyrgyzstan suppliers in the LAC region were Ecuador and Mexico, which jointly accounted for 82% of trade inflows. Other LAC States have appeared on that list in previous periods, but always as a result of dissimilar types of short-term trade bursts. To illustrate, the rise in Argentina's position has come primarily in response to sporadic shipments of gas pumps. Imports from Brazil and Cuba have been driven by cane sugar while bananas serve that role in the case of Costa Rica, etc. The frequency of LAC exports to Kyrgyzstan suggest long-term trade trends have yet to emerge and that there is room to search out niche markets and for further work on identifying and removing potential barriers to trade.

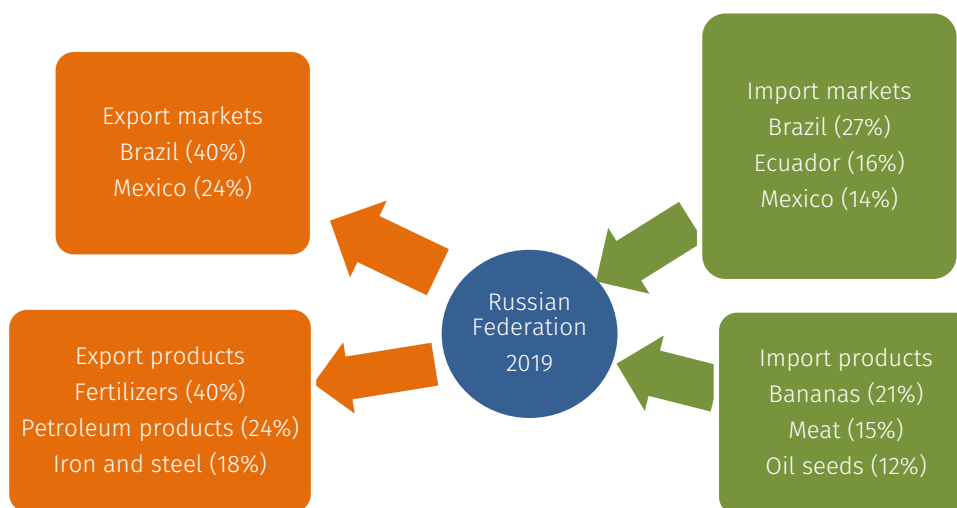
Russian Federation

As mentioned before, the Russian Federation is the LAC region's largest EAEU trading partner. Nevertheless, LAC's share of the Russian Federation's total trade turnover has not historically exceeded 2.6% and the Russian Federation's share in LAC turnover has been continuously inferior to 1%, which underlines the extent to which the intensity of trade relations between the two regions remains moderate.

Exports from the Russian Federation to LAC have tended to exceed its imports from LAC with both trade flows maintaining synchronized dynamics. Coherence in trade growth rates reflects the susceptibility of both imports and exports to general economic activity indicators and in turn stems from the mutual orientation towards trade in commodities and natural resources. In contrast to other EAEU member States, trade between the Russian Federation and LAC is characterized by clear specializations. Whereas the Russian Federation supplies the LAC region with oil products, non-alloy steel and nitrogenous fertilizers, its LAC imports are to a great extent concentrated on agricultural products.

Two major LAC markets for goods originating in the Russian Federation are Brazil and Mexico (see diagram II.5). Whereas nitrogenous fertilizers are the major export product to both partners, Brazil's imports from Russia are also considerably weighted toward petroleum oil and Mexico's toward semi-finished, non-alloy steel products. The three above-mentioned Russian Federation exports appear to have already established their niche and sustain stable shares in Russian Federation supply to LAC market during the last 20 years. What is more, all the noticeable changes in trade turnover between the Russian Federation and other LAC States have followed the dynamics of the oil volumes being supplied to these countries. For example, growth in export oil volumes explains the increased shares of Ecuador in 2019, Trinidad and Tobago in 2016-2018, Peru in 2015, etc. A certain exception is the Bolivarian Republic of Venezuela, a country endowed with oil and for which the Russian Federation is an important source of arms, mechanical appliances and vehicles. The Bolivarian Republic of Venezuela ranked among the top three LAC destinations for Russian Federation exports in 2006-2008 and 2011-2014.

Diagram II.5
Russian Federation-Latin America and the Caribbean trade highlights, 2019
(Percentages)



Source: Prepared by the authors, on the basis of United Nations Commodity Trade Database (UN Comtrade Database) [online database] <https://comtrade.un.org/>.

Similarly, the base of LAC exports to the Russian Federation appears to have been established and is represented by bananas and meat (mostly frozen bovine boneless meat). Brazil and Ecuador are the primary exporters of those products to the Russian Federation. These two products and trade partners have played an important role in Russian Federation imports from LAC throughout the 20 years considered. Another important trade item that has expanded its import share since 2014 is soya beans (other than seed) supplied from Brazil and Paraguay in virtually equal proportions. Prior to 2002-2011, the list of top import items of LAC origin included cane sugar supplied from Brazil and Guatemala. But such exports to the Russian Federation were more than halved in 2012-2019, replaced by rising domestic (beet) sugar production.

As previously indicated, trade between EAEU member States and LAC suggests that not all such States have established the sort of long-term business relations necessary for ensuring steady deliveries. EAEU member States that have achieved steady trade volume levels in cooperation with their LAC partners show a clear specialization in supplying low value-added items. It appears that more prolonged trade is stifled by certain trade barriers. Other barriers to trade can include domestic impediments (i.e. low competitiveness, such as price or quality related issues) and external ones, such as expensive logistics, administrative costs, regulatory requirements, etc. In addition to the aforementioned obstacles, attention should be paid to the absence of trade facilitation agreements between the two regions. The first step to deepen trade and economic relations between the two regions was taken in 2018 when the Eurasian Economic Commission and MERCOSUR signed a memorandum on trade and economic cooperation. Currently, the EEC and SIECA are on their way to concluding a Memorandum of Understanding.

E. Prospects for deepening trade relations

A suitable starting point for analysing the prospects for deepening cooperation is to identify the spheres in which the two regions are actively trading with other developing countries, while alternative supply sources exist in a partnering region. In other words, if an EAEU member State's imports can be supplied by LAC countries, it could allow a LAC supplier to occupy that niche.

Below follows a general overview of the categories of goods for which import demand exists. In order to be able to classify identified niches with a real potential for deepening trade relations, further work would be needed to ensure that the observed lack of trade is not due to insurmountable hurdles, such as expensive logistics and transport costs, a lack of necessary infrastructure, poor competitiveness, administrative burdens, or technical barriers. It is in the sphere of competence of national trade promotion agencies to improve business awareness overseas and shed light on existing opportunities; overcome technical and other non-tariff barriers and promote efficient lines of infrastructural development. In this vein, the prospects to follow might guide policy makers in determining the path of trade policy.

Table II.4 lists top-10 products for which LAC countries could provide exports to the EAEU, according to the above-mentioned considerations.¹⁶ This list is marked by a trend towards the

¹⁶ The shortlisting procedure comprises three filters. The first identifies the products (six-digit level of the Harmonized System 2017) for which EAEU imports either exceed a determined critical value (α_1) or are characterized by a yearly rate of growth exceeding a reference point (α_2). The second filters the items for which LAC's share of supply to the EAEU has been inferior to a reference point (α_3). The third selects the ones that could indeed be supplied from LAC, i.e. those for which exports from the region have exceeded an established threshold (α_4). The reference point for identifying actively growing imports (α_2) has been defined as 25% yearly. The critical value for declaring low LAC share to the EAEU (α_3) has been established at 5%. As the EAEU member States' import volumes differ considerably and, thus, the strictness of absolute values of thresholds α_1 and α_4 would be uneven, it is recommended to identify the reference values for defining imports to the EAEU and exports from LAC as significant based on the share of the corresponding country's (region's) overall imports (exports). The shares have been established so as to filter out top-10 priority products for each of the EAEU member States, which has led to thresholds at nearly 0.01-0.02% of total trade flow depending on the state. The analogic methodology is applied to identify the prospects for deepening EAEU supply to LAC.

prevalence of high-value added products, such as electronic and mechanical appliances, as well as vehicles. These products are actively imported from non-LAC developing countries.

Among other selected items, there is the category of agricultural products and processed food, including the prospective supply of soya beans to all EAEU member States except the Russian Federation, as well as coffee or maize to Armenia. LAC countries have long experience in exporting some of these items including some to EAEU, so elsewhere. However, trade prospects with EAEU from geographically distant LAC countries are associated with logistical and cost challenges, and both regions will have to work on these matters to overcome transportation cost issues.

Finally, the short list comprises certain items produced in the oil extraction and processing industry. These products require very specific transport infrastructure and have little to no import substitution opportunity.

The results of applying the same procedure for exploring EAEU opportunities to expand exports to LAC are presented in the table II.5. It comes naturally that this list comprises petroleum oils and preparations thereof, as well as electric energy, as these products constitute the basis of EAEU exports and are not being supplied to the LAC region due to cost of logistics and absence of infrastructure. The one-off supply of petroleum oil to Belarus from Venezuela that was discussed above illustrates this issue: the deliveries could not have translated into full-scale long-term supply due to the transportation costs involved.

By analogy, it could have been expected that being an important producer of copper and waste thereof, EAEU would not supply these to LAC, which in turn is among the world's major exporters of both products. The resources on the list include unwrought palladium supply for which the Russian Federation is both one of the world's few producers and its leading source. This item has wide applications in oil cracking and, thus, might be of interest to LAC petroleum exporters.

The agricultural products present on the list are mainly those in which EAEU specializes, above all wheat and meslin (Russia, Kazakhstan) and wines (Armenia). The impediments to trade in primary products with a long-distance partner persist as far as EAEU export opportunities are concerned.

Some higher value-added products on the list could be re-exported rather than exported from EAEU, which could be the case of motor cars from Armenia, or electronic appliances from Belarus and plastics from Kyrgyzstan. On the other hand, the supply of precious metals and jewellery thereof may be a niche with export potential that has yet to be fully explored due to a lack of business awareness, which still requires further investigation.

Further efforts to identify the two regions' prospects for deepening trade appear worthwhile, beginning with an exploration of the reasons for weakness in mutual trade of products shortlisted as encompassing considerable trade potential. An insufficient intensity of mutual trade may correspond to barriers engendered by trade policy regulations (tariff and non-tariff barriers), internal barriers (poor logistics within the country of destination, insufficient government support relative to that of competitors, burdensome administrative regulations for exporters etc.), as well as difficulties in establishing a rapport with distant partners (complexity of searching for a partner, lack of awareness of foreign markets regulations or of products produced overseas). The work of eliminating these hurdles could involve trade facilitation negotiations, transportation projects, customs and logistics infrastructure development, the organization of business fairs and ensuring tools for sharing information on doing business overseas with the stakeholders. However, many firms need to improve their competitiveness abroad in order to increase their presence in foreign markets.

Unsatisfactory quality, low productivity and high prices are the challenges firms face for competing abroad. Provided the long distances between both regions and the higher trade costs they entail it is especially important to take into account the opinions of entrepreneurs when determining the strategy for expanding trade between EAEU and LAC countries.

Given the preliminary nature of the above analysis of prospective niches for deepening trade cooperation, additional research is necessary. Nevertheless, certain conclusions may already be proposed:

- Provided the detrimental effects distance between both regions might have on costs and, hence, the price and competitiveness of prospective exports, opportunities for expanding mutual trade should be discovered where either price elasticity to logistic costs, or demand elasticity to price is low.
- The first condition might highlight the importance of trade in services unaffected by long distances and will be discussed later in this document.
- There are opportunities for producers of goods that have no substitutes in nearby regions or for which higher quality offsets transportation costs. Examples of such products include (1) endemic primary products, such as LAC coffee and Russian Federation palladium; (2) products with peculiar characteristics that would require marketing campaigns to highlight their peculiarities, such as Armenian wines; (3) high value added products in which countries in the region specialize, such as precious-metal jewellery produced in EAEU.

Table II.4
Prospects for increasing Eurasian Economic Union import from Latin America and the Caribbean: top-10 prospective products
(Thousands of dollars)

EAEU importer	Product code	Product label	EAEU member State import from LAC			EAEU member State import from world			LAC's export to world		
			2017	2018	2019	2017	2018	2019	2017	2018	2019
Russian Federation	'260111	Non-agglomerated iron ores and concentrates (excluding roasted iron pyrites)	0	0	0	336 984	310 919	424 371	18 194 916	18 093 272	21 439 947
Russian Federation	'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	4	11	10	807 935	836 891	827 896	11 852 041	16 690 852	12 564 417
Russian Federation	'740311	Copper, refined, in the form of cathodes and sections of cathodes	0	0	0	23 996	4 039	10 702	17 623 673	18 859 444	15 691 301
Russian Federation	'847150	Processing units for automatic data-processing machines, whether or not containing in the same ...	28 145	26 355	26 008	1 068 921	1 449 200	1 508 484	12 228 234	18 840 467	20 190 248
Russian Federation	'851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	33 516	31 728	43 732	1 437 891	1 597 161	1 737 558	16 169 299	14 308 333	10 517 102
Russian Federation	'852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	85	164	30	285 040	344 967	295 642	10 597 386	10 354 906	10 529 840
Russian Federation	'854430	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships	3 528	2 816	3 825	166 946	209 086	242 743	8 818 279	9 283 038	8 956 482
Russian Federation	'870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0	0	3 329	309 082	345 580	471 388	11 057 243	12 969 745	12 082 813
Russian Federation	'870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, ...	0	0	0	7 208	8 861	11 384	17 346 149	16 583 318	18 273 018
Russian Federation	'999999	Commodities not elsewhere specified	167 334	210 462	61 550	8 014 821	7 053 690	6 153 790	12 030 468	18 023 111	82 874 854
Armenia	'090111	Coffee (excluding roasted and decaffeinated)	711	598	616	24 064	23 749	22 596	11 204 281	10 316 086	10 137 788
Armenia	'100590	Maize (excluding seed for sowing)	0	0	0	7 562	11 478	11 884	9 379 270	8 679 900	13 756 726
Armenia	'120190	Soya beans, whether or not broken (excluding seed for sowing)	0	0	0	12	165	15	31 751 060	37 355 033	32 146 906
Armenia	'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	0	0	0	147 782	168 161	172 878	11 852 041	16 690 852	12 564 417
Armenia	'710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...)	0	0	0	54 286	83 750	112 488	21 116 586	22 831 460	19 523 426
Armenia	'852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	24	3	10	17 621	25 892	27 083	10 597 386	10 354 906	10 529 840

EAEU importer	Product code	Product label	EAEU member State import from LAC			EAEU member State import from world			LAC's export to world		
			2017	2018	2019	2017	2018	2019	2017	2018	2019
Armenia	'870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	3	6	19	1 500	2 681	4 464	11 057 243	12 969 745	12 082 813
Armenia	'870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	471	387	1 084	27 961	62 295	86 238	31 803 302	36 090 641	32 978 633
Armenia	'870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, ...	0	0	25	1 814	1 493	2 742	17 346 149	16 583 318	18 273 018
Armenia	'999999	Commodities not elsewhere specified	0	0	0	2 517	2 399	2 228	12 030 468	18 023 111	82 874 854
Belarus	'120190	Soya beans, whether or not broken (excluding seed for sowing)	0	0	0	52 433	165 370	2 545	31 751 060	37 355 033	32 146 906
Belarus	'270900	Petroleum oils and oils obtained from bituminous minerals, crude	0	0	0	5 338 082	6 822 678	6 551 114	80 666 025	103 788 277	84 246 088
Belarus	'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	6	0	0	940 134	790 166	121 876	11 852 041	16 690 852	12 564 417
Belarus	'740311	Copper, refined, in the form of cathodes and sections of cathodes	0	0	0	1 036	1 495	1 290	17 623 673	18 859 444	15 691 301
Belarus	'847150	Processing units for automatic data-processing machines, whether or not containing in the same ...	715	572	0	43 542	68 355	35 128	12 228 234	18 840 467	20 190 248
Belarus	'851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	835	3 080	0	90 744	113 777	103 560	16 169 299	14 308 333	10 517 102
Belarus	'870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	3	3	0	21 139	37 760	61 374	11 057 243	12 969 745	12 082 813
Belarus	'870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	3 166	4 036	0	368 997	514 704	676 436	31 803 302	36 090 641	32 978 633
Belarus	'870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, ...	23	48	0	14 352	15 541	18 481	17 346 149	16 583 318	18 273 018
Belarus	'999999	Commodities not elsewhere specified	3	0	0	774 041	1 170 192	2 996 400	12 030 468	18 023 111	82 874 854
Kazakhstan	'120190	Soya beans, whether or not broken (excluding seed for sowing)	0	0	0	103	20	26	31 751 060	37 355 033	32 146 906
Kazakhstan	'260111	Non-agglomerated iron ores and concentrates (excluding roasted iron pyrites)	0	0	0	334	1 013	670	18 194 916	18 093 272	21 439 947
Kazakhstan	'270900	Petroleum oils and oils obtained from bituminous minerals, crude	0	0	0	445	651	502	80 666 025	103 788 277	84 246 088
Kazakhstan	'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	0	0	0	329 404	318 128	380 379	11 852 041	16 690 852	12 564 417

EAEU importer	Product code	Product label	EAEU member State import from LAC			EAEU member State import from world			LAC's export to world		
			2017	2018	2019	2017	2018	2019	2017	2018	2019
Kazakhstan	'710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	0	0	0	229	242	271	21 116 586	22 831 460	19 523 426
Kazakhstan	'847150	Processing units for automatic data-processing machines, whether or not containing in the same ...	93	68	31	4 670	7 759	14 415	12 228 234	18 840 467	20 190 248
Kazakhstan	'870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0	0	0	9 965	12 620	1 201	11 057 243	12 969 745	12 082 813
Kazakhstan	'870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0	0	0	9 649	6 775	7 268	31 803 302	36 090 641	32 978 633
Kazakhstan	'870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, ...	0	0	0	1 311	1 680	1 233	17 346 149	16 583 318	18 273 018
Kazakhstan	'999999	Commodities not elsewhere specified	0	0	0	7 431	3 360	4 893	12 030 468	18 023 111	82 874 854
Kyrgyzstan	'120190	Soya beans, whether or not broken (excluding seed for sowing)	0	0	0	1 485	1 893	14 804	31 751 060	37 355 033	32 146 906
Kyrgyzstan	'260111	Non-agglomerated iron ores and concentrates (excluding roasted iron pyrites)	0	0	0	4 310	116	35	18 194 916	18 093 272	21 439 947
Kyrgyzstan	'260300	Copper ores and concentrates	0	0	0	32 936	81 993	8 634	31 856 191	36 378 669	34 960 540
Kyrgyzstan	'270900	Petroleum oils and oils obtained from bituminous minerals, crude	0	0	0	13 302	9 865	11 138	80 666 025	103 788 277	84 246 088
Kyrgyzstan	'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	0	0	0	520 238	572 036	412 057	11 852 041	16 690 852	12 564 417
Kyrgyzstan	'710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	0	0	0	24 388	8 694	276 493	21 116 586	22 831 460	19 523 426
Kyrgyzstan	'740311	Copper, refined, in the form of cathodes and sections of cathodes	0	0	0	190	132	72	17 623 673	18 859 444	15 691 301
Kyrgyzstan	'870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0	0	57	345 732	405 188	507 445	31 803 302	36 090 641	32 978 633
Kyrgyzstan	'870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, ...	34	33	58	53 854	52 094	51 744	17 346 149	16 583 318	18 273 018
Kyrgyzstan	'999999	Commodities not elsewhere specified	6	26	0	49 783	28 206	20 825	12 030 468	18 023 111	82 874 854

Source: Prepared by the authors, on the basis of International Trade Center (InTraCen).

Table II.5
Prospects for increasing Eurasian Economic Union export to Latin America and the Caribbean: top-10 prospective products
(Thousands of dollars)

EAEU exporter	Product code	Product label	LAC's imports from EAEU			LAC's imports from world			EAEU member State export to world		
			2017	2018	2019	2017	2018	2019	2017	2018	2019
Russian Federation	'100199	Wheat and meslin (excluding seed for sowing and durum wheat)	157 642	354 880	78 420	4 173 432	4 675 512	3 832 271	5730 120	8 321 729	6 315 520
Russian Federation	'270112	Bituminous coal, whether or not pulverised, non-agglomerated	180 231	246 139	270 985	5 241 000	5 641 063	4 405 956	11 898 508	14 606 792	13 616 669
Russian Federation	'270799	Oils and other products of the distillation of high temperature coal tars; similar products ...	797	859	1 283	28 988	54 998	102 079	872 283	2 798 135	3 983 450
Russian Federation	'270900	Petroleum oils and oils obtained from bituminous minerals, crude	795 137	552 880	0	12 614 689	21 879 046	18 226 533	93 306 412	129 049 146	121 443 990
Russian Federation	'271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	312 908	396 017	182 573	32 993 990	40 242 388	30 610 307	12 909 371	16 750 754	14 160 911
Russian Federation	'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	253 874	430 356	494 757	35 533 855	49 498 304	48 278 576	45 335 013	61 357 826	52 726 494
Russian Federation	'271111	Natural gas, liquefied	0	17 443	0	4 094 988	5 294 394	2 603 771	3 173 802	5 285 983	7 920 048
Russian Federation	'271112	Propane, liquefied	0	0	0	4 385 260	5 660 055	3 771 049	1 056 284	1 664 644	1 236 085
Russian Federation	'711021	Palladium, unwrought or in powder form	66 644	89 581	126 232	214 453	324 701	481 875	2 448 253	2 808 706	4 255 992
Russian Federation	'999999	Commodities not elsewhere specified	562 169	394 057	776 774	17 548 753	25 723 864	89 611 951	52 887 528	63 746 027	55 265 424
Armenia	'220421	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested ...	41	66	0	848 489	897 379	855 439	9 791	8 554	11 137
Armenia	'260300	Copper ores and concentrates	1	0	0	1 226 424	1 385 038	996 330	571 485	525 475	626 668
Armenia	'271600	Electrical energy	0	0	0	975 801	1 130 868	969 606	71 047	80 037	65 569
Armenia	'300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	475	1 469	1 344	12 261 711	11 997 225	11 560 707	9 929	8 369	8 778
Armenia	'610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	3	0	5	1 081 741	1 403 830	1 331 471	1 749	4 700	3 045
Armenia	'711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	0	0	0	917 265	993 651	1 131 996	24 043	35 635	39 840
Armenia	'740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	0	0	0	34833	76822	132387	6253	9684	7273
Armenia	'870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	10 623	9 006	730	19 271 237	17 730 532	13 161 962	8 691	14 473	15 647
Armenia	'870324	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	0	27	0	3 161 688	3 167 504	2 304 378	1 910	2 945	4 010
Armenia	'940540	Electric lamps and lighting fittings, n.e.s.	537	288	73	778 201	876 881	796 706	35 636	14 719	2 501

EAEU exporter	Product code	Product label	LAC's imports from EAEU			LAC's imports from world			EAEU member State export to world		
			2017	2018	2019	2017	2018	2019	2017	2018	2019
Belarus	'271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	312 908	396 017	182 573	32 993 990	40 242 388	30 610 307	1 489 752	1 938 830	126 143
Belarus	'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	253 874	430 356	494 757	35 533 855	49 498 304	48 278 576	3 815 891	4 549 359	666 898
Belarus	'300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	475	1 469	1 344	12 261 711	11 997 225	11 560 707	111 322	129 183	127 171
Belarus	'401110	New pneumatic tyres, of rubber, of a kind used for motor cars, incl. station wagons and racing ...	5 479	7 152	5 642	3 001 567	2 988 773	2 791 874	68 373	92 034	61 379
Belarus	'401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding tyres with ...	4 411	5 436	1 346	2 796 410	2 959 092	2 796 950	66 187	85 901	62 345
Belarus	'848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...	2 048	843	1 185	3 285 621	3 656 163	4 911 031	62 449	67 603	60 422
Belarus	'852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	2	4	3	3 053 270	3 462 244	2 845 622	51 029	90 871	101 284
Belarus	'854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	266	91	367	2 909 706	2 993 522	2 825 342	89 665	88 084	110 845
Belarus	'950300	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; ...	264	326	322	2 374 388	2 502 409	2 399 090	64 417	62 245	62 451
Belarus	'999999	Commodities not elsewhere specified	562 169	394 057	776 774	17 548 753	25 723 864	89 611 951	1 179 589	1 519 826	132 963
Kazakhstan	'100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	157 642	354 880	78 420	4 173 432	4 675 512	3 832 271	520 762	814 998	870 492
Kazakhstan	'260300	Copper ores and concentrates	1	0	0	1 226 424	1 385 038	996 330	1 080 350	1 185 483	1 153 834
Kazakhstan	'270112	Bituminous coal, whether or not pulverised, non-agglomerated	180 231	246 139	270 985	5 241 000	5 641 063	4 405 956	132 442	121 333	189 724
Kazakhstan	'270900	Petroleum oils and oils obtained from bituminous minerals, crude	795 137	552 880	0	12 614 689	21 879 046	18 226 533	26 584 364	37 796 202	33 563 062
Kazakhstan	'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	253 874	430 356	494 757	35 533 855	49 498 304	48 278 576	1 154 568	1 216 749	969 666
Kazakhstan	'271112	Propane, liquefied	0	0	0	4 385 260	5 660 055	3 771 049	432 987	509 878	436 741
Kazakhstan	'711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	0	0	0	917 265	993 651	1 131 996	42 085	58 221	82 652
Kazakhstan	'721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	92	8 369	10 158	1 914 357	1 919 856	1 555 627	289 958	281 541	168 688
Kazakhstan	'721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, grooves or other deformations ...	0	6 516	5 723	932 084	1 174 361	1 013 099	73 945	61 307	75 985
Kazakhstan	'740311	Copper, refined, in the form of cathodes and sections of cathodes	0	0	0	1 402 904	1 717 084	1 119 575	2 003 658	2 248 672	2 277 286
Kyrgyzstan	'040210	Milk and cream in solid forms, of a fat content by weight of <= 1.5%	0	0	0	1 104 792	1 157 530	1 018 328	2 062	6 624	10 067

EAEU exporter	Product code	Product label	LAC's imports from EAEU			LAC's imports from world			EAEU member State export to world		
			2017	2018	2019	2017	2018	2019	2017	2018	2019
Kyrgyzstan	'190590	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion ...	0	210	146	756 324	80 1817	810 977	6 407	10 827	11 190
Kyrgyzstan	'270900	Petroleum oils and oils obtained from bituminous minerals, crude	795 137	552 880	0	12 614 689	21 879 046	18 226 533	4 706	17 258	16 183
Kyrgyzstan	'271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	312 908	396 017	182 573	32 993 990	40 242 388	30 610 307	3 198	15 760	8 351
Kyrgyzstan	'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	253 874	430 356	494 757	35 533 855	49 498 304	48 278 576	43 654	68 762	67 286
Kyrgyzstan	'391910	Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, in ...	22	12	19	844 652	890 032	847 950	1 533	1 509	2 623
Kyrgyzstan	'392330	Carboys, bottles, flasks and similar articles for the conveyance or packaging of goods, of ...	12	122	0	751 043	838 238	799 343	1 969	5 276	14 215
Kyrgyzstan	'392390	Articles for the conveyance or packaging of goods, of plastics (excluding boxes, cases, crates ...	21	44	19	854 580	914 288	914 407	3 682	5 050	10 588
Kyrgyzstan	'740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	0	0	0	34 833	76 822	132 387	16 170	87 065	62 919
Kyrgyzstan	'999999	Commodities not elsewhere specified	562 169	394 057	776 774	17 548 753	25 723 864	8 9611 951	6 788	5 723	6 317

Source: Prepared by the authors, on the basis of International Trade Center (InTraCen).

1. Existing restrictions on trade in goods

The following paragraphs analyse trade policy impediments to deepening trade between the two regions. As discussed above, these restrictive measures may not be the main reason for weak trade relations. Whereas peculiarities in foreign partners' trade policies may affect trade, they may not explain per se all the variables endogenously impeding business relations. Existing trade restrictions affect a narrow list of the goods selected above as prospective trade drivers, such as wheat or wines, as well as numerous products on the short lists, as may be concluded from the measures listed below.

As far as non-tariff barriers are concerned, some quantitative trade restrictions remain in place. For example, EAEU countries apply quotas to certain agricultural products, including fresh, frozen and chilled meat and certain types of dairy products¹⁷; deliveries exceeding the quota are not allowed. As a LAC example, the Dominican Republic applies very high out-of-quota tariffs. Deliveries of rice, garlic, sugar, chicken, onions, shallots and beans outside the quota are subject to import duties of 85%-99%, while products supplied within the quota are taxed at 20% to 25%. If the quantitative limit on dried milk and corn is exceeded, the duty rate increases from 20% to 65%.¹⁸ Another example is Brazil, which establishes a 0% import tariff for wheat imports within a yearly quota of 750,000 tons.¹⁹

Some LAC States also apply certain contingent trade protection measures on products produced in EAEU member States, especially the Russian Federation and Kazakhstan. Brazil has imposed anti-dumping duties on Russian Federation magnesium metal (US\$ 890.7 per ton);²⁰ tires for buses and freight vehicles (US\$ 2,934-4,059 per ton)²¹ and N-butyl alcohol (80.7%).²² Mexico applies anti-dumping duties on Russian Federation rolled carbon steel sheets (36.8%),²³ hot rolled steel plate in coils (29.3%);²⁴ and cold-rolled sheet originating from the Russian Federation and Kazakhstan (15% and 22%, respectively).²⁵ EAEU countries do not currently apply any anti-dumping duties in relation to products originating from LAC States. Safeguards and countervailing measures are not applied between the regions.

In addition, there are very specific forms of import bans and non-automatic import licensing, the detection of which requires careful examination of the countries' trade policy legislation. For example, Brazil prohibits the import of wine in containers of more than 5 litres²⁶ and a wide range of repaired goods (including earthmoving equipment, automobile parts and medical equipment) and all types of used goods.²⁷ Another case in point, exporters willing to supply chemical products or textiles, items of clothing and shoes to Argentina must obtain a

¹⁷ See [online] <https://www.alt.ru/tamdoc/19kr0127/#pril>.

¹⁸ See [online] <http://cnmsf.gob.do/Portals/0/docs/Texto%20Legales/Resoluciones/Sanidad%20Vegetal/Resolucion%20No.%2032-2016.%20Estable%20Algunas%20Directrices%20Sobre%20el%20Registro%20y%20el%20Control%20de%20Plaguicidas.pdf>.

¹⁹ See [online] <https://www.in.gov.br/en/web/dou/-/resolucao-no-10-de-12-de-novembro-de-2019-227652776>.

²⁰ See [online] <http://www.camex.gov.br/component/content/article/62-resolucoes-da-camex/em-vigor/1998-resolucao-no-18-de-27-de-marco-de-2018>.

²¹ See [online] <http://www.camex.gov.br/component/content/article/62-resolucoes-da-camex/em-vigor/1427-resolucao-n-107-de-21-de-novembro-de-2014>.

²² See [online] <http://www.camex.gov.br/component/content/article/62-resolucoes-da-camex/em-vigor/1871-resolucao-n-48-de-5-de-julho-de-2017>.

²³ See [online] http://www.dof.gob.mx/nota_detalle.php?codigo=5451779&fecha=07/09/2016.

²⁴ See [online] http://www.dof.gob.mx/nota_detalle.php?codigo=5481166&fecha=02/05/2017.

²⁵ See [online] http://www.dof.gob.mx/nota_detalle.php?codigo=5398992&fecha=01/07/2015.

²⁶ See [online] <http://www.in.gov.br/en/web/dou/-/instrucao-normativa-n-12-de-28-de-junho-de-2019-187160162>.

²⁷ See [online] <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf> (p. 58).

license from the Ministry of Labour of the Argentine Republic in advance²⁸. Non-automatic licensing also applies to certain household chemical goods, as well as fertilizers and certain textile bedding for delivery to Paraguay²⁹ and the supply of certain foodstuffs to Ecuador.³⁰ When exporting footwear, sewing and textile products to Brazil, enterprises from countries that are non MERCOSUR members face additional monitoring, reinforced by inspection.³¹

Thus, a prerequisite for intensifying trade relations between regions is the effort necessary for identifying and reducing existing trade barriers and organizing information and analytical support for potential trade counterparts.

2. Main patterns of trade in services

Trade in services follows similar patterns in the EAEU and LAC. In 2018, EAEU exported almost US\$ 84 billion worth of services, which accounted for nearly 12% of its goods exports and 1.4% of global services exports. LAC exported US\$ 190 billion in services, which were equal to 16% of its goods exports and 3.3% of global services exports. The services trade has grown at a slower pace than the goods exports have. EAEU services exports increased an annual average of 7.2% and its services imports rose 3.3% between 2005 and 2018. For LAC, the corresponding rates constituted 5.4% and 2.6%, respectively, during the same period.

ECLAC groups services exports into two categories for the purpose of facilitating their analysis: traditional and modern services. Trade in traditional services involves those that have always formed part of trade statistics: services related to goods, transportation, travel, construction, personal, cultural and recreational services, and government services. Modern services refer to services that are marketed mainly through the Internet and other digital media, such as telecommunications, computing and information services, financial services, insurance and pension services, royalties and other business services. This category also refers to knowledge-intensive services (ECLAC, 2017). Most EAEU and LAC services exports are considered traditional services (see figure II.5).

In 2018, 71% of EAEU services exports were classified as traditional services and 29% referred to modern services. Most of EAEU exports in services were transport, travel and other business services,³² making up 36%, 19% and 17% of the region's total, respectively (see figure II.5). This pattern was like that of LAC services exports, even if travel was its single most valuable service. In 2018, 73% of LAC services exports consisted of traditional services and 27% of modern services. Travel exports made up more than half its total services exports (53%), followed by other business services (17%) and transport (15%).

Figures II.5 and II.6 show that the import and export patterns of services are similar in both regions. Both regions see higher imports than exports of other business services, resulting in increased participation of modern services in imports. For EAEU and LAC, modern services make up 37% and 40% of services imports, respectively. Transport and travel are also important category of services imports for both regions.

²⁸ See [online] <http://servicios.infoleg.gob.ar/infolegInternet/anexos/275000-279999/276625/texact.htm>, <http://servicios.infoleg.gob.ar/infolegInternet/anexos/305000-309999/305752/norma.htm>, <http://servicios.infoleg.gob.ar/infolegInternet/anexos/305000-309999/308278/norma.htm>, <http://servicios.infoleg.gob.ar/infolegInternet/anexos/310000-314999/314238/norma.htm>.

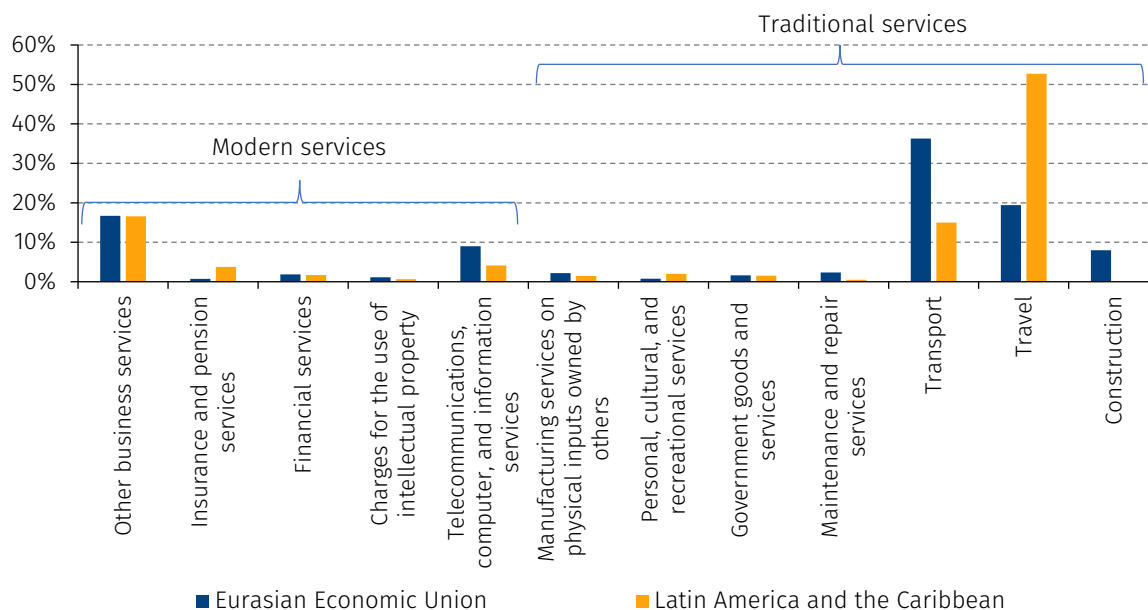
²⁹ See [online] <http://www.snin.gov.py/publico/>.

³⁰ See [online] <http://extwprlegs1.fao.org/docs/pdf/ecu154886.pdf>.

³¹ See [online] <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf> (p. 59).

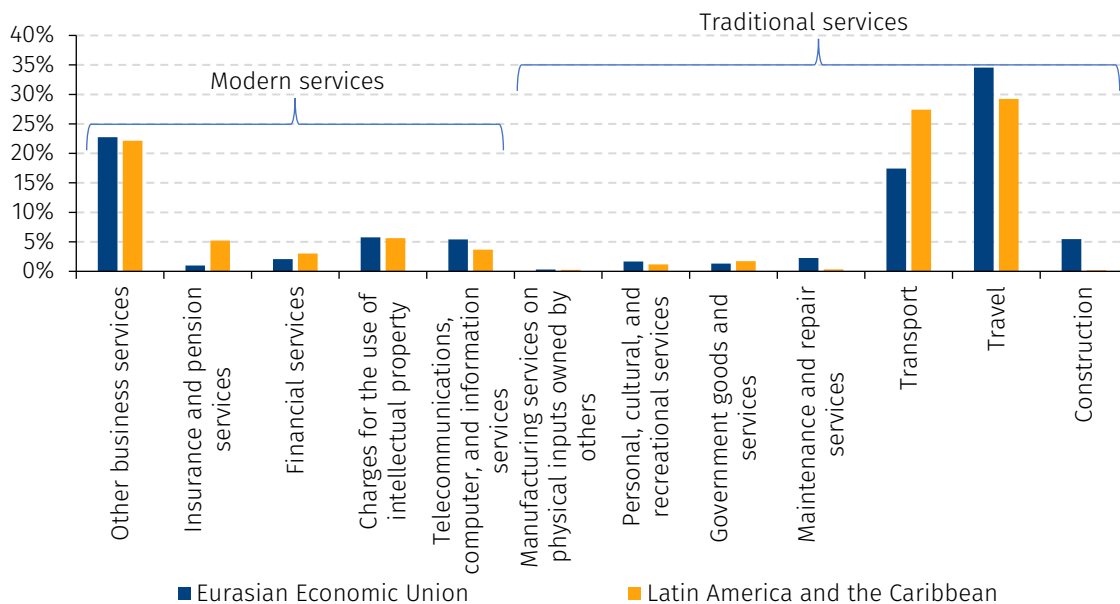
³² Other business services include research and development, professional and management services, and technical, trade related, and other business services.

Figure II.5
Eurasian Economic Union and Latin America and the Caribbean: exports in services, 2018



Source: Prepared by the authors, on the basis of United Nations Conference on Trade and Development (UNCTAD), UNCTADstat [online database] <https://unctadstat.unctad.org/EN/#1>.

Figure II.6
Eurasian Economic Union and Latin America and the Caribbean: imports of services, 2018



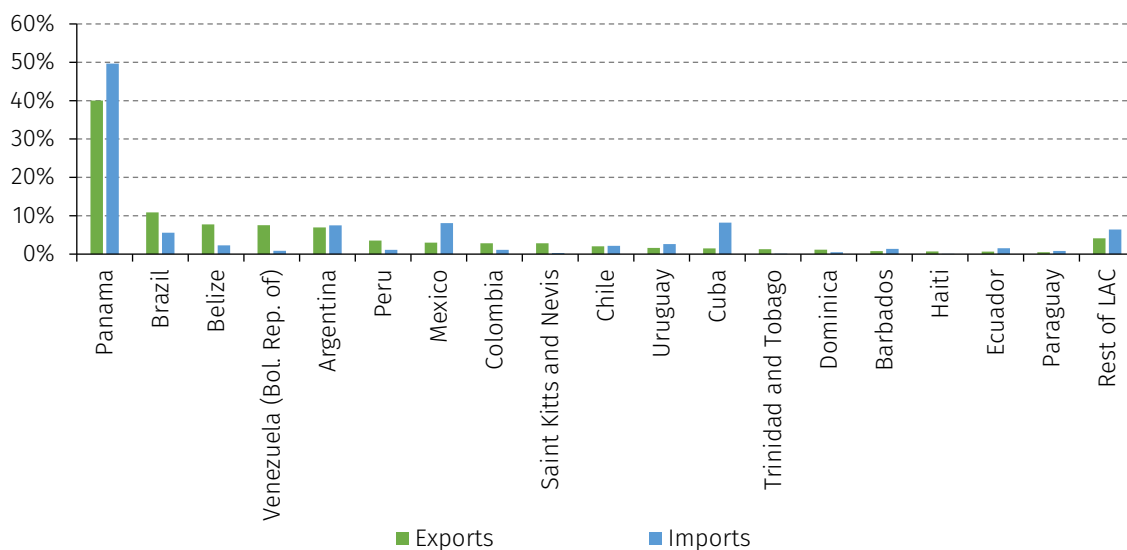
Source: Prepared by the authors, on the basis of United Nations Conference on Trade and Development (UNCTAD), UNCTADstat [online database] <https://unctadstat.unctad.org/EN/#1>.

According to the EEC data, the key export markets for the services of EAEU member States (excepting Armenia) in 2019 were Europe and Asia. Europe consumed 50% of EAEU services, Asia–28%, the United States–7% and the LAC countries–1.3% only, which is proximate to the LAC share in EAEU goods exports. Market shares are comparable for imports of services; 56% of EAEU services imports originated in Europe, 24% from Asia, 4% from the United States and 1.4% from LAC.

Once again, among EAEU member States for which the statistics are available, Russian Federation leads the international trade in services, being responsible for 81% of trade turnover in tertiary sector, followed by Kazakhstan (10%), Belarus (8%), and Kyrgyzstan (1%).

The largest LAC services exporter to the EAEU was Panama, providing 40% of total LAC services exports. Panama's role as a services exporter to the EAEU reflects the trend toward offshoring to the country that is leading to increased demand for its financial services, as well as the transportation services provided by the Central American country's logistics hub. Other relevant LAC suppliers were Cuba, Mexico, Argentina and Brazil. Those five countries made up 79% of overall EAEU imports in services from LAC (see figure II.7). With respect to exports, Panama is also an important destination for EAEU services exports. In 2012, 40% of EAEU services exports to LAC were destined for Panama. Other important markets were Brazil (11%), Belize (8%), the Bolivarian Republic of Venezuela (8%) and Argentina (7%). The market concentration of those five countries was 73%.

Figure II.7
Eurasian Economic Union: trade in services with Latin America and the Caribbean countries, 2018



Source: Prepared by the authors, on the basis of Organisation for Economic Co-operation and Development (OECD), OECD Data [online database] <https://data.oecd.org/>.

As discussed above, there appears to be a great potential for developing trade between the two regions in spheres in which long distances might not detract from the attractiveness of supply, as in the case of trade in services. The ICT services sector does not require movement from suppliers or consumers, while being the segment with the greatest value added and potential for boosting technological advances and is, thus, especially attractive from the perspective of EAEU-LAC trade. Meanwhile, the fact that in the majority of the two regions' States the ICT services sector is just now emerging while certain countries, such as Belarus or Brazil, have already gained experience in this sphere, results in two important conclusions. On the one hand, there is a non-zero probability that the current lack of intensive cooperation stems from low entrepreneurial awareness of the prospects for doing business overseas. On the other hand, 'early bird' experience and cooperation might lead the other States by example. Nevertheless, and similarly to our considerations on trade in goods, the choice of strategy for developing cooperation in trade in services will require in-depth investigation of the two regions' regulatory peculiarities and identifying which ones represent barriers to trade intensification.

Chapter III

Prospects for mutual investments

A. Global context

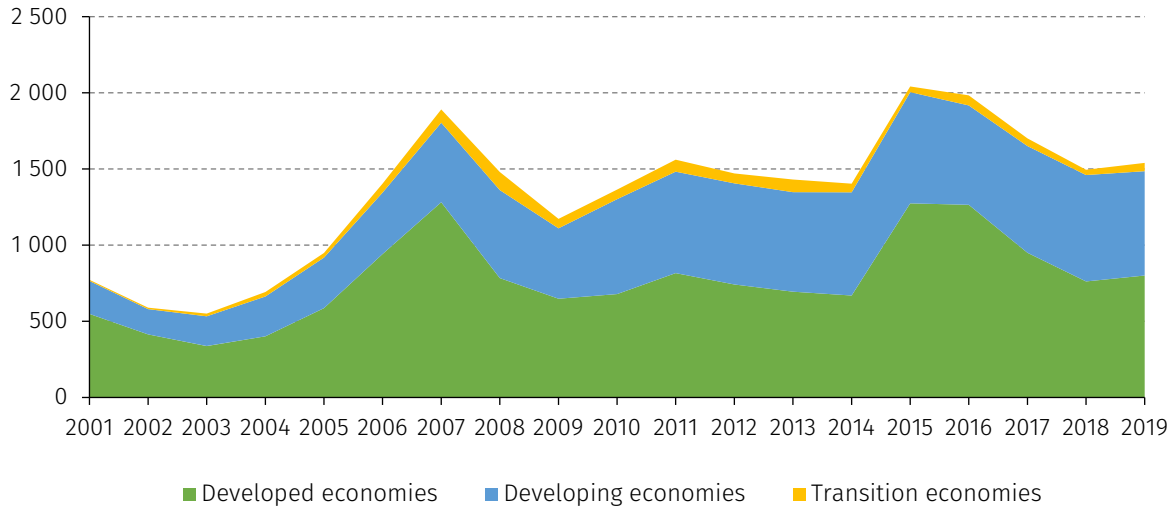
At the global level, Foreign Direct Investment (FDI) flows were declining even before the COVID-19 health crisis heightened global economic uncertainty. According to UNCTAD (2020b), global FDI flows increased to US\$ 1.54 trillion in 2019, 3% higher than in 2018, after having peaked in 2015 at US\$ 2.04 trillion. The drop in global FDI can be primarily ascribed to declines in FDI flows towards developed countries, which in 2019 received US\$ 800 billion, down from the US\$ 1.27 trillion peak of 2015. In contrast, 2019 FDI inflows into developing countries are estimated to have reached US\$ 685 billion, only 6% below the 2015 peak and the result of a very steady increase in FDI flows to developing countries over past decades. Finally, FDI flows to transition economies increased by 59% year-on-year, but this rise comes after two years of particularly meagre inflows. In 2019, transition economies received an estimated US\$ 55 billion, which is still 18% below the 2007-2018 average. Figure III.1 summarizes global FDI flows since 2001.

As for the geographical distribution of these flows, the United States has long been the major international FDI destination, receiving around 18% of all such flows between 2000 and 2018, and 16% in 2019, worth US\$ 246 billion. China, the second-largest recipient of FDI received 9% of flows in 2019, worth US\$ 141 billion. These levels reflect remarkable growth as the country received only around 3% of global FDI as recently as 2000. For 2000-2018, China received slightly less than 8% of FDI on average.

Figure III.2 shows how FDI flows to the LAC and EAEU regions have evolved since 2000. Whereas the absolute value of FDI entering LAC increased substantially between 2000 and 2011, the increase was less pronounced as a share of global flows. A slump since 2011 has also been in keeping with global trends and thus has not had a major impact on the region's share of global FDI flows. On average, between 2000 and 2018 the LAC region received 10% of flows, a figure that edged slightly higher to 11% in 2019. As for EAEU, there was a clearly rapid rate of

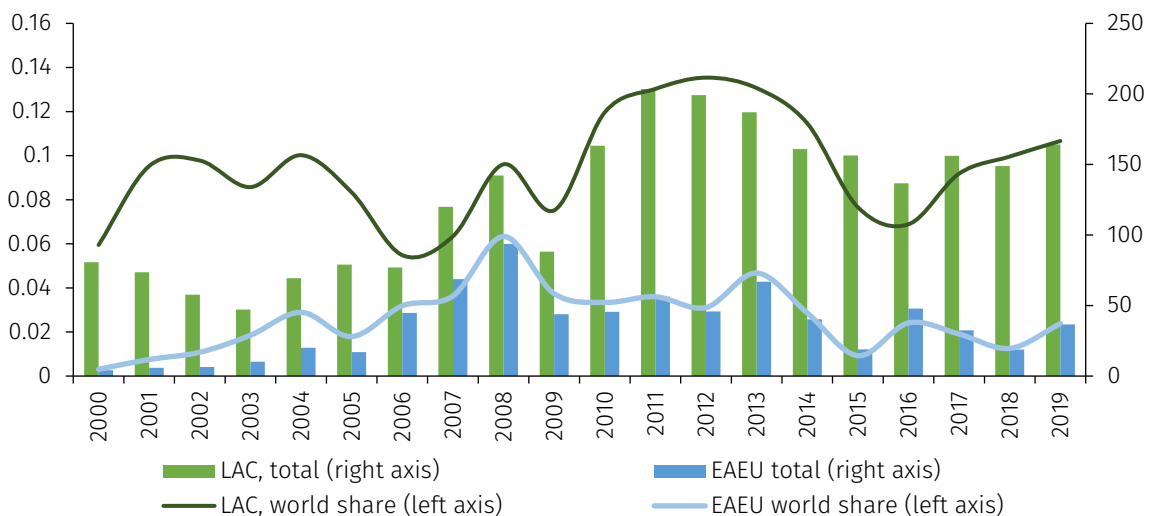
FDI growth in both absolute numbers and as a global share between 2000 and 2007-2013, but it has been followed by an equally rapid decrease. Over the entire 2000-2018 period, the EAEU share of global FDI inflows averaged 2.9%, falling to around 2.4% in 2019.

Figure III.1
Foreign Direct Investment inflows by group of economies and total, 2001-2019
(Billions of dollars)



Source: Prepared by authors, on the basis of United Nations Conference on Trade and Development (UNCTAD), UNCTADstat, 2020a [online database] <https://unctadstat.unctad.org/EN/#1>; *World Investment Report 2020*, Geneva, 2020b and *Investment Trends Monitor*, Issue 33, 2020c.

Figure III.2
Latin America and the Caribbean and Eurasian Economic Union: FDI flows, 2000-2019
(Billions of dollars and as a share of global flows of FDI)



Source: Prepared by authors, on the basis of United Nations Conference on Trade and Development (UNCTAD), UNCTADstat, [online database] <https://unctadstat.unctad.org/EN/#1>.

In the following subsections, the structure of FDI flows into both the LAC region and EAEU will be described. Dunning (1994, 1998) proposes an important taxonomy for distinguishing different types of FDI. The FDI taxonomy is based on the factors that determine that a company invests in a specific market according to its internationalization advantages. According to Dunning (1994, 1998), companies go international to seek natural resources, expand their markets, seek greater efficiency, or to acquire strategic or technological assets. These four company internationalization objectives provide a typology with which to characterize identifiable trends in both LAC and EAEU, and also serve as a mean to design an FDI attraction policy based on these firms' motivations.

B. FDI in Latin America and the Caribbean

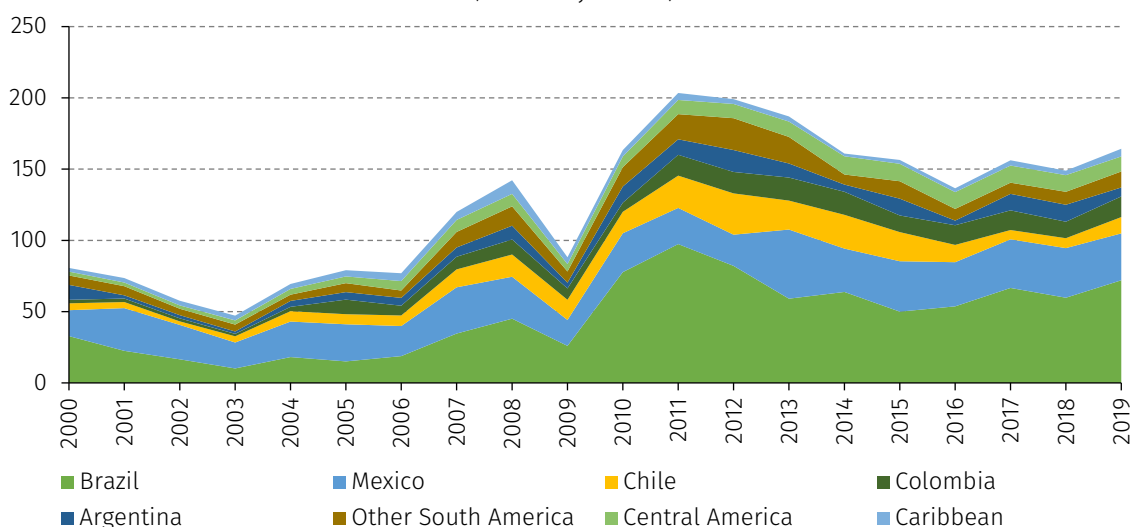
Since the LAC region has such a broad range of diverse economies, the FDI trends that we can observe are also broad. With their high degree of integration into North American value chains, countries like Mexico are large recipients of FDI flows in the manufacturing sector, especially in the automotive industry. Mexico's role in many value chains is a form of efficiency-seeking corporate behaviour that benefits from the country's relatively low wages. At the same time, countries such as Chile and Peru are major exporters of natural resources and are thus host to substantial flows of natural resource-seeking FDI in the mining industry. The Caribbean is a different example of natural resource-seeking FDI, which is generally concentrated in the tourism industry, and where the sought-after natural resources consist of nature and beautiful beaches. Market-seeking FDI is a major driver of FDI in Brazil, which is a giant market overall and in certain sectors, such as retail and other services. An interesting point to note is the role of translatin (intra-LAC) investments in certain sectors, which tends towards being market-seeking as well.

Figure III.3 shows the distribution of FDI inflows per country or country grouping while shedding light on the distribution of FDI flows among LAC countries. Brazil is the dominant destination of FDI in the LAC region, receiving 36% of all inflows, followed by Mexico with 22% and Chile with 10%.³³ In recent years (2016-2018), Brazil has assumed even greater importance, receiving 41% of all inflows, at the same time as that of Chile shrank notably to less than 6%. The former development can be attributed to increased interest in the Brazilian consumer market and a strong depreciation of the Brazilian real which has rendered investments relatively more affordable. The latter is the result of depressed prices for natural resources that for a long time were central to the Chilean export-led growth model.

Looking at some of the smaller economies in Central America and the Caribbean, in absolute numbers, three countries are clearly dominant. The most important is Panama, which has become the broader LAC region's seventh largest recipient of FDI, behind the five large South American economies and Mexico despite having a population of only around 4 million. Panama's average inflow during 2016-2019 was US\$ 4.8 billion annually and was primarily directed at the logistics and real sectors and Panama Canal related ventures. The second most notable recipient is the Dominican Republic, which received an annual average of US\$ 2.8 billion during 2016-2018, which was focused primarily on the tourism sector and some extractive industries. Benefitting from its political stability and its proximity to the United States, the country is appealing both as a tourism destination and for certain offshore activities. One last country that punches significantly above its weight is Costa Rica. Between 2016 and 2019, the Central American country of just 5 million received an average of US\$ 2.4 billion that was focused on a wide diversity of sectors, including BPO (Business Process Outsourcing) and manufacturing.

³³ These percentages include the offshore financial centres in the British Virgin Islands and the Cayman Islands, which on paper receive substantial flows of FDI, but which are not used for productive investment in those countries.

Figure III.3
Latin America and the Caribbean: inflows of FDI by country or country grouping, 2000-2019
 (Billions of dollars)



Source: Prepared by authors, on the basis of United Nations Conference on Trade and Development (UNCTAD), UNCTADstat, [online database] <https://unctadstat.unctad.org/EN/#1>.

On the other hand, many of the small economies in the Caribbean are major FDI recipients relative to their GDP levels. While most of the larger economies report FDI-to-GDP ratios between 2% and 4%, some economies in the Caribbean (as well as some in Central America) report ratios above 10% in some years. This shows the importance of FDI to these economies.

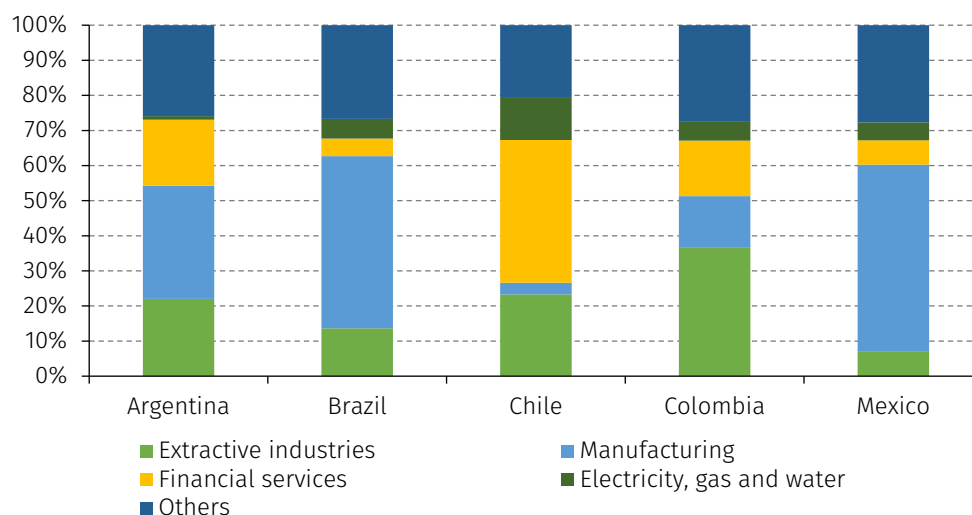
The sectoral makeup of FDI in the LAC region reveals distinguishing trends across the different regions and countries. In smaller economies, such as Guyana and Suriname, the absolute value of FDI flows is small and highly concentrated in the extraction of petroleum or metals such as bauxite and gold. Other countries in greater LAC in which the extractive sector dominates include the Bolivarian Republic of Venezuela and the Plurinational State of Bolivia: the first has a strong presence in the oil and gas sector, while the second has large mineral deposits, as well as substantial oil and gas extraction activities.

However, the largest players in the extractive sector are Chile, Colombia, Peru and to a certain degree Argentina. In Chile, in the period 2012-2018, mining made up 23% of inflows, though the recent has been downward. The financial services sector is now the largest recipient in Chile, displaying a positive trend over the same period. Peru unfortunately does not publish sectoral data, but mining plays an important role in the country's economic fortunes. In Colombia, natural resources make up around 36% of inflows, mainly focused on the extraction of petroleum, as well as coal (see figure III.4). In much of the Caribbean, tourism is the principal recipient, though notable exceptions are Haiti, where the limited FDI that arrives in the country is directed at market-seeking and efficiency-seeking activities, and Trinidad and Tobago, which is a hub for the gas and petroleum industry.

FDI in the two largest economies, Brazil and Mexico, are dominated by the manufacturing sector, though with a different focus. While Brazil is also an important player in global value chains, much of the incoming FDI is in fact market-seeking. In Mexico, on the other hand, the manufacturing sector is more strongly driven by efficiency-seeking FDI due to its integration with the North American market. Of course, the sizeable Mexican market also attracts

market-seeking strategy investments. A good example is the 2013 acquisition of the Modelo brewery by the Belgian international Anheuser-Busch InBev for around US\$ 17 billion, one of the largest LAC acquisitions ever. Financial services, also highlighted in figure III.4, are another good example of market-seeking investment, with international firms eager to benefit from the growing middle class in the LAC region.

Figure III.4
Selected countries in Latin America and the Caribbean: inflows of FDI by industry, 2012-2019^a
(Percentages of total inflows)



Source: Prepared by authors, on the basis of official sources.

Note: Brazil published sectoral data for only two of the three components of FDI (inter-company lending and equity capital). Reinvested earnings are excluded.

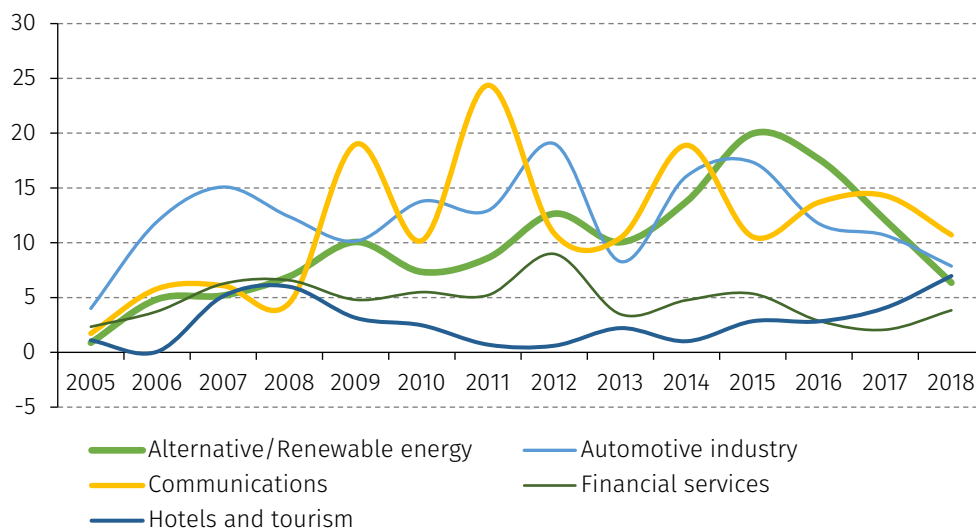
^a Data for Argentina refer to 2012-2016, and for Chile to 2012-2018.

Some trends can be discerned in the services sector as well. Figure III.5 shows newly announced FDI projects³⁴ in some selected services sectors, as well as the automotive sector for comparison. Renewable energy is one of the sectors with the most notable growth rate. By 2015, it was the sector that received the largest share of announced FDI with 20% of all investment. This investment is concentrated in a small number of countries, specifically in Chile (29% of all renewable energy FDI announced between 2005 and 2018), Mexico (22%) and Brazil (22%), followed at some distance by Panama (5%). The communications sector follows waves of technological advancement that require great capital investment. With the upcoming rollout of 5G technology, one would expect this sector to be announcing more investments in the coming years. Finally, tourism also tends to follow international economic trends and between 2012 and 2018 increased its share of FDI announcements from less than 1% to 7%.

The origin of FDI in the LAC region tends to be dependent on geographic location and the sectoral makeup of investment. Countries closer to the United States (Central America, Mexico, Caribbean) generally tend toward having a larger influx of FDI from the United States, while countries in South America (especially Brazil) have a greater European presence. Central America and Colombia are also important destination for intra-LAC FDI.

³⁴ As recorded or estimated by the *Financial Times* (2018).

Figure III.5
Latin America and the Caribbean: share of announced investments in selected sectors, 2005-2018
 (Percentages of the total value of announcements)



Source: Prepared by authors, on the basis of data from Financial Times, fDi Markets, 2018 [online] www.fdimarkets.com.

While in some countries the origin of FDI tends to be defined by their geographic location, in others the investor profile is largely determined by the sectoral overview of an economy. Many investors in the extractive industry, for example, are from Canada, China or Switzerland. As for investment in export-oriented manufacturing, there is a relatively strong presence on the part of firms based in the United States or Asia. Finally, market-seeking investors tend to be from other countries in the region, or from Europe.

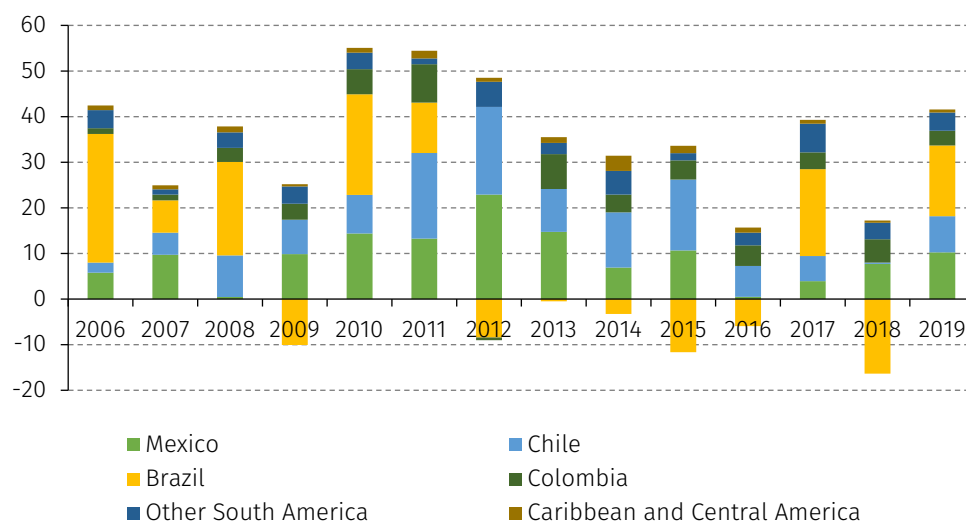
Intraregional investment has increased in importance over time in countries such as Colombia, but such trans-Latin investors have also become highly relevant in Central America. In this context, it is interesting to see the difference between inflows and outflows. Brazil, as the largest economy in the region, is also the recipient of the largest inflows. In the case of outflows, on the other hand, it is only the third-most important country, having been responsible for 14% between 2006 and 2018. As can be observed from figure III.6, it has been six out of seven years between 2012 and 2018 that Brazilian companies were repatriating more investments than finding new ones. This is partly due to the nature of Brazilian outgoing investment, which includes a strong extractive component, led by Petrobras and Vale, the largest and fifth-largest companies in Latin America in 2019, respectively³⁵. As a result, the reduction in outward investment from Brazil mirrors the reduced inflows into more natural-resource driven economies in the LAC region during the same period in response to global demand for natural resources.

The largest source of outgoing investment is Chile, which was the origin of 30% of outgoing investment, followed by Mexico with 29% between 2006 and 2018. Chile is home to many dominant enterprises and it has a relatively diversified portfolio with three main pillars: extractive industries, retail and renewable energy. The country has a strong position in each of these, with the retailer Cencosud being the prime example. This retailer's different operations are ranked as five different entities amongst the region's largest 500. When adding up the sales

³⁵ The magazine *América Economía* (2019) publishes an annual estimate of the largest enterprises in Latin America by sales: <https://www.americaeconomia.com/negocios-industrias/estas-son-las-500-empresas-mas-grandes-de-latinoamerica-2019>.

of these different activities, the company ranks as the largest native retailer in Latin America with sales of US\$ 20.5 billion.³⁶

Figure III.6
Latin America and the Caribbean: FDI outflows, 2006-2019
(Billions of dollars)



Source: Prepared by authors, on the basis of United Nations Conference on Trade and Development (UNCTAD), UNCTADstat, 2020a [online database] <https://unctadstat.unctad.org/EN/#1>; *World Investment Report 2020*, Geneva, 2020b.

C. FDI in the Eurasian Economic Union

In recent years, the dynamics of EAEU FDI inflows have been subject to two important factors: political reality and hydrocarbon market expectations. The sanctions against the region's largest economy, the Russian Federation, accompanied by oil market uncertainty, have affected inward investment, which decreased by 79.4% between 2016 and 2018.

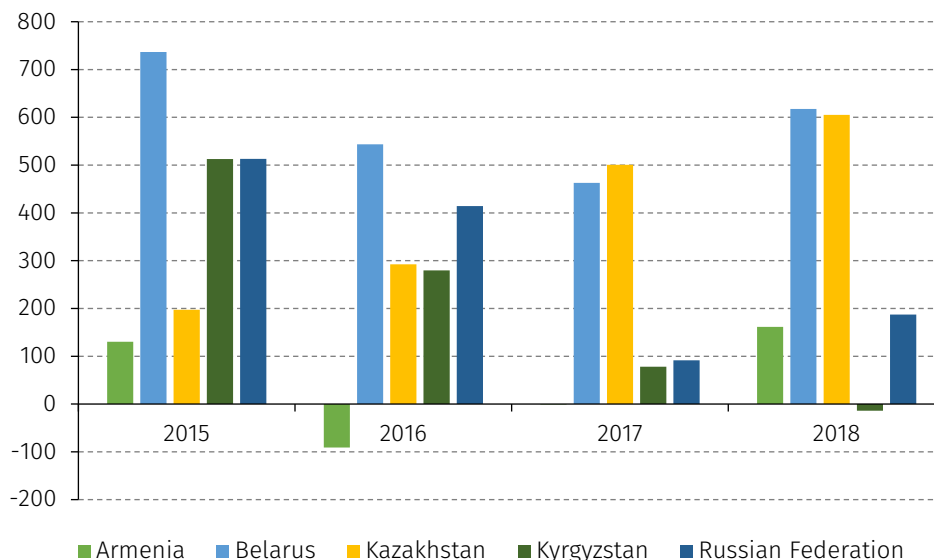
The attractiveness of intra-EAEU investment activity has unfortunately been outweighed by the complex external environment. The share of mutual investment in total EAEU FDI inflows varied from as low as 2.8% (2016) to 14.4% (2018). As expected, there are substantial differences between EAEU countries: the Russian Federation and Kyrgyzstan experienced substantial declines, while investment in Kazakhstan and Belarus slightly increased, and dynamics in Armenia have not been so notable due to overall low investment volumes (see figure III.7).

The geographic structure of FDI inflows to EAEU member States reveals the importance of offshore investments. Whereas the orientation of EAEU-LAC investment activities towards offshoring will be discussed further, it is important to note that this trend is typical of EAEU investment flows overall. Therefore, foreign direct investment flows to the Russian Federation, as well as in Belarus and Armenia are predominantly from Cyprus and Netherlands, countries associated with offshore operations. Among other important sources of FDI are the United Kingdom, Switzerland and, recently, China. The latter has recently been engaged in the implementation of numerous projects in EAEU member state territories, including those under

³⁶ To be clear, different Walmart (United States) operations are also included five times in the same list, summing to a much greater US\$ 55.2 billion.

the auspices of the Belt and Road Initiative. EAEU FDI outflows are also associated with Cyprus, the United Kingdom, Switzerland, the Cayman Islands and Virgin Islands.

Figure III.7
Eurasian Economic Union: inflows of intra-EAEU FDI, 2015-2018
 (Millions of dollars)



Source: Eurasian Economic Commission (EEC), "Direct investments in the Eurasian Economic Union 2018", *Statistical Bulletin*, Moscow, 2019c.

Other major destinations for EAEU FDI are former Soviet Union States, however, their share of total investment outflows and stocks is on average lower in all EAEU States but Belarus, for which Ukraine and Lithuania are the two major destinations according to FDI stocks.

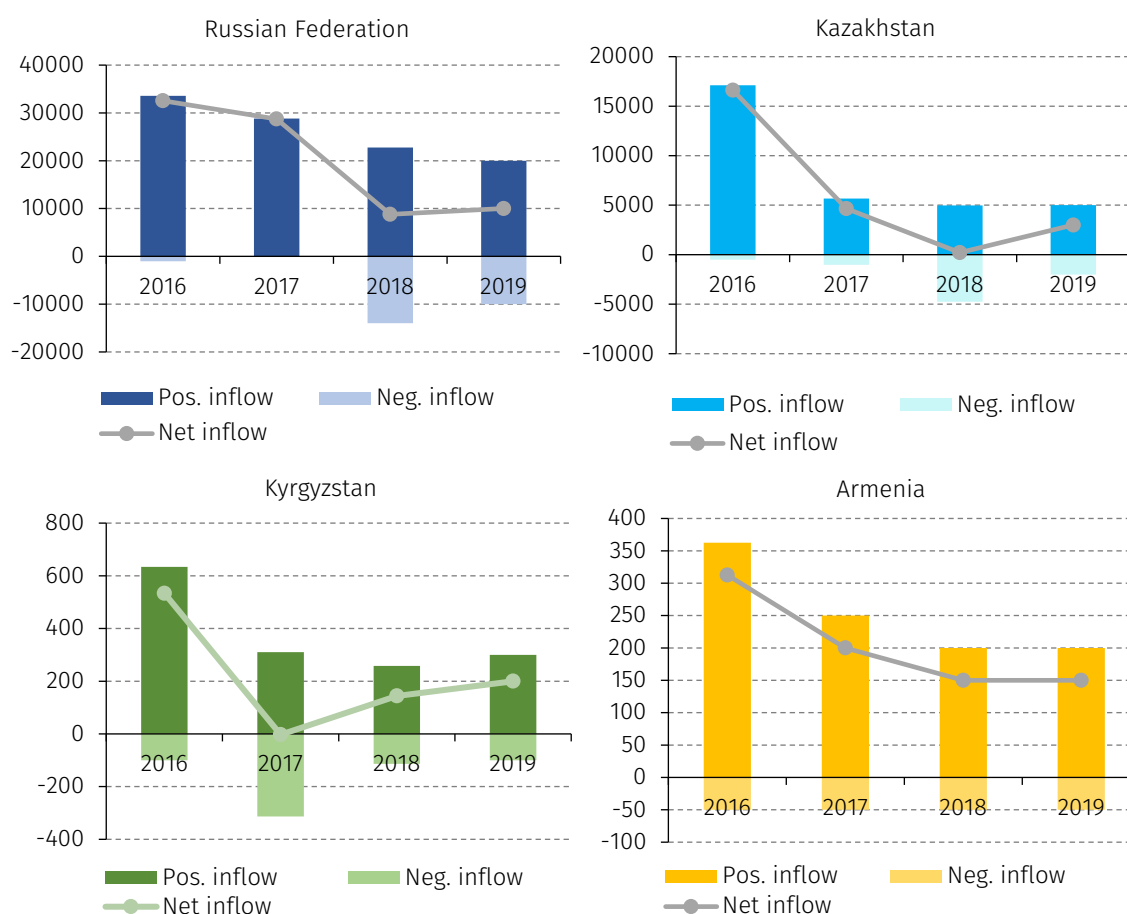
In addition to balance of payments statistics, more precise information on the evolution of mutual investment in the EAEU region and its structure by type of economic activity can be inferred from sectoral analysis. According to EDB (2017), in 2016, the energy sector accounted for over 43% of EAEU mutual investment stock, stemming primarily from Gazprom (Russian Federation) participation in Belarusian projects and Lukoil (Russian Federation) extraction activities in Kazakhstan. Other important recipients of mutual investment are non-ferrous metallurgy companies in Armenia and Kazakhstan (financed by Russian capital), as well as the chemical industry, in which the Russian Federation and Belarus are balanced.

Recently, the expansion strategies of Information and Communication Technology (ICT) companies from the Russian Federation have increased investment in other EAEU economies. Furthermore, investment from Kazakhstan and the Russian Federation have tended to accumulate in the EAEU banking sector. Other important investment destinations include transport services (primarily driven by Kazakhstan's investment into Russian airports) and infrastructure projects (to a great extent accounted for by Russian capital in Armenian electricity infrastructure), as well as agriculture, wholesale and retail and tourism.

To analyse inward FDI in EAEU economies, it is useful to consider both positive inflows and negative inflows and the balance of the two. Negative inflows can be the result of either depreciation of existing assets in an economy or active divestment by a company. In either case, it implies dwindling investor interest in a sector. Negative inflows are primarily an issue

for the Russian Federation, associated with the imposition of international sanctions. Data is presented for all countries, except Belarus, in figure III.1, showing that all countries had positive net inflows of FDI. The only exception is Kyrgyzstan, which reported a very small negative balance in 2017. Discouragingly, figure III.8 shows that the last three years have seen a negative trend for the entire EAEU.

Figure III.8
Selected Eurasian Economic Union member States: FDI inflows, 2016-2018
(Millions of dollars)



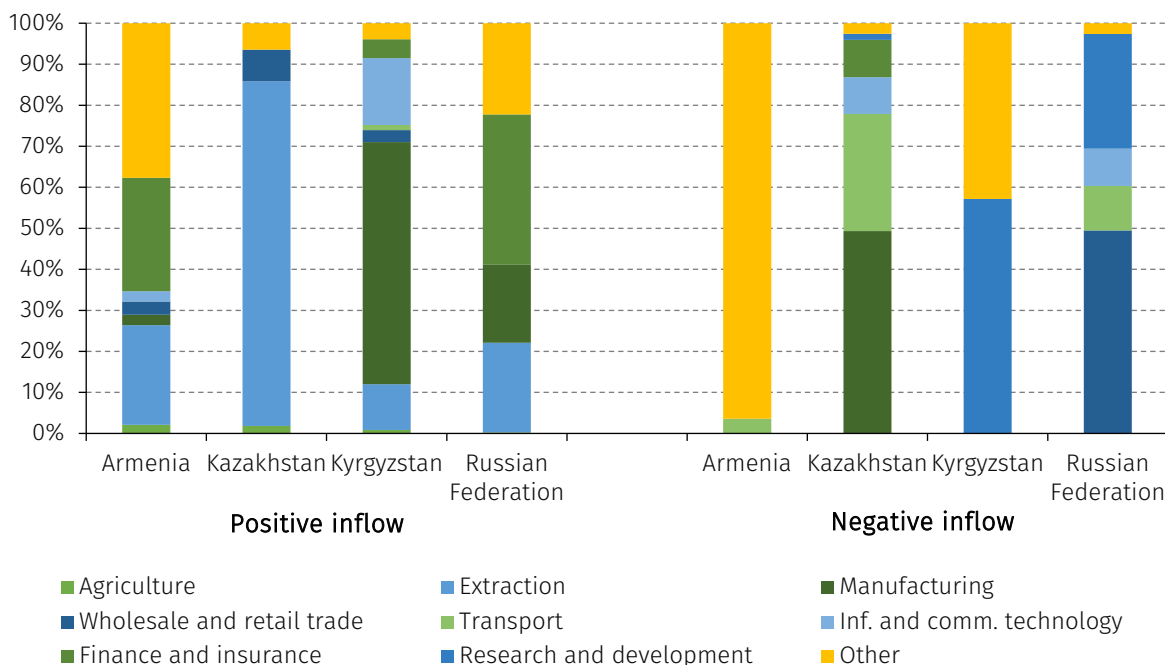
Source: Eurasian Economic Commission (EEC), "Direct investments in the Eurasian Economic Union 2018", *Statistical Bulletin*, Moscow, 2019c.

In the 2018 breakdown for all four EAEU countries by type of economic activity, extractive industries appear among the major investment attractors (see figure III.9). Apart from this commonality, the sectoral structure of investment and divestment is highly heterogeneous. In Armenia and the Russian Federation, the financial sector was among the principal recipients during 2018. Perhaps the most encouraging investment situation might be observed in Kyrgyzstan, where inflows are directed to the manufacturing and ICT sectors. Manufacturing attracts FDI in the Russian Federation as well. As expected, FDI inflows in Kazakhstan are dominated by the extraction of natural resources, with a small share of wholesale and retail.

A worrisome sign is the substantial divestment in the Research and Development sector (R&D), especially in Kyrgyzstan and the Russian Federation. Another knowledge-intensive

sector seeing considerable divestment is the ICT sector primarily affecting Kazakhstan and the Russian Federation. Other divestments are relatively heterogeneous affecting different sectors.

Figure III.9
Selected Eurasian Economic Union member States: positive (left) and negative (right) inflows of FDI by sector, 2018



Source: Eurasian Economic Commission (EEC), "Direct investments in the Eurasian Economic Union 2018", *Statistical Bulletin*, Moscow, 2019c.

The divestments seen in certain technologically advanced sectors (R&D, ICT) in EAEU countries, seem to primarily be the result of the economic sanctions imposed against the Russian Federation restricting foreign capital participation in its economic activities. This may have had knock-on effects for other EAEU enterprises due to the important role of investors from the Russian Federation. For example, in 2016 in Belarus, Russian investment in the Ritzio International gambling club network was cancelled and the Russian participation in the Osipovichi automotive plant was sold. In Armenia, the Russian Federation's Gazprombank had to sell its assets in Areximbank.³⁷

Growing uncertainty in the world economy and international relations were present prior to the global COVID-19 pandemic that has since aggravated the problem, thereby tending to divert investors from some developing countries' comparatively riskier markets and provoking further divestment in EAEU economies.

D. Investment relations between EAEU and the LAC region

Before analysing FDI flows between the two regions, it is important to acknowledge substantial data challenges. Box III.1 explores three of the main challenges and explains how they are dealt with in this document.

³⁷ It is interesting to note that the asset's buyer, Armenian Ardshinbank is also owned by a Russian citizen, but due to its corporate structure, it is now considered to be domestically owned rather than an intra-EAEU investment.

Box III.1 Data challenges

There are substantial challenges associated with the analysis of FDI. First, in all pairs of countries, there are large differences between the outflows of country A towards country B and the inflows that country B receives from country A. While these numbers should theoretically be equal, they are usually not. One major issue is the complexity of the international financial system, where financial flows may be directed through different entities to their destination. This is not necessarily done for nefarious purposes but rather has to do with the way international businesses are structured. Generally, receiving countries have stronger incentives to collect complete data and track not only the direct origin of FDI flows, but also the final origin. For that reason, whenever possible, this chapter reports data from receiving countries rather than sending countries, in line with ECLAC and United Nations data policies.

A second data challenge is that many LAC central banks do not publish data on FDI coming from any or some EAEU countries. A reason for this may be that the flows are so small that they are grouped with “other countries”, rather than published separately. A second reason could be that the flows are so specific and individualized that Central Banks remove the information for confidentiality reasons, which is more likely to happen when investments are concentrated in specialized sectors. A third reason could be that third-country routings are used that obfuscate final ownership (whether purposefully or not).

The absence of attributable data to specific countries means it is necessary to use alternative data sources. Data exists on investment announcements, for example, and in some cases sending countries’ data must be used. This challenge is dealt with on an ad-hoc basis.

The third and final data challenge is the role of offshore financial centres. The British Virgin Islands and the Cayman Islands are technically amongst the largest recipients of FDI flows in the LAC region, but these are not productive investments and they are thus not included in any LAC FDI statistics. This is more challenging for other countries that play substantial roles in the international financial system. Many of these countries, especially those located in the Caribbean, but also others, such as the Netherlands or Ireland, report domestic statistics that exclude non-productive investments, thus enabling the analyst to separate out relevant data for such countries.

However, in the case of incoming FDI in EAEU member States, a dominant presence of such financial centres can be seen. In fact, the Russian Tax Service has defined nine offshore LAC jurisdictions, which to a great extent defines the pattern of the two regions’ investment cooperation. The offshore jurisdictions are Antigua and Barbuda, the Bahamas, Belize, Dominica, Grenada, Panama, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines. FDI originating in these jurisdictions cannot be attributed to the LAC region, but the possibility cannot be discarded.

The solution used in this document is to present the data from offshore jurisdictions separately from those from the rest of the LAC region. While the definition of these nine offshore jurisdictions originates with the Russian Tax Service, the same procedure will be applied for each of the EAEU member States.

Source: Prepared by the authors, on the basis of the Russian Tax Service [online] https://www.nalog.ru/rn77/related_activities/megdunarodnoe/spisok_ofshor/.

Since 2015, a total of US\$ 19.51 billion of FDI has been registered in the EAEU from the LAC region. However, as described in box III.1, the data is difficult to interpret. Since 99.9% of these inflows originated in offshore jurisdictions, it is not clear whether these are inflows from the LAC region, or whether these jurisdictions are used to redirect flows from other locations.

Momentarily ignoring the origin of investment, table 1 shows that the Russian Federation dominates the receipt of LAC FDI, concentrating 98.6% of the total, followed at great distance by Kazakhstan. However, unique dynamics affect different countries with respect to the origin of LAC FDI. Whereas in Belarus, Kazakhstan and the Russian Federation, non-offshore FDI registered from the LAC region is, basically, non-existent, in Armenia and Kyrgyzstan, non-offshore LAC FDI makes up 87% and 100%, respectively.

Looking at the results over time, following the positive trend of previous years, there was a huge drop-off in 2018. Considering only non-offshore investment, the trends are not as clear-cut, because they are far more dynamic. Armenia has seen substantial investments in 2018 and 2019, whereas both Kazakhstan and the Russian Federation saw divestments in 2018.

Table III.1
Eurasian Economic Union: inflows of FDI from the LAC region, by type of origin, 2015-2019
(Millions of dollars and percentages)

		Absolute value <i>(millions of dollars)</i>					National share <i>(percentages)</i>
		2015	2016	2017	2018	2019	
Armenia	LAC	29.1	8.4	7.5	7.7	15.7	0.4
	LAC offshore	3.4	3.7	0.2	0.9	0.2	
Belarus	LAC	0.0	0.0	0.0	0.0	0.0	0.0
	LAC offshore	1.7	0.6	4.1	2.2	0.1	
Kazakhstan	LAC	-4.7	8.6	2.3	-25.7	-0.6	1.2
	LAC offshore	118.7	-123.7	43.7	99.3	119.1	
Kyrgyzstan	LAC	0.0	0.1	0.0	0.1	0.0	0.0
	LAC offshore	0.0	0.0	0.0	0.0	0.0	
Russian Federation	LAC	22.8	19.7	3.4	-9.1	-5.1	98.3
	LAC offshore	5190.2	5805.2	6288.3	1034.0	844.7	
EAEU	LAC	47.2	36.8	13.2	-27.0	10.0	100.0
	LAC offshore	5314.0	5685.8	6336.3	1136.4	964.1	
	TOTAL	5361.2	5722.6	6349.5	1109.4	974.1	

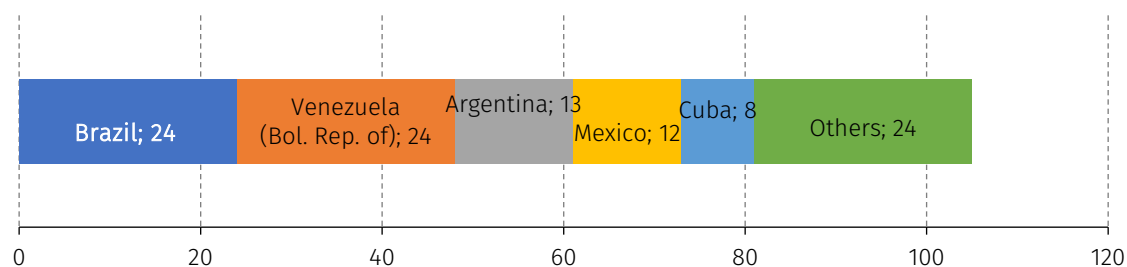
Source: Prepared by the authors, on the basis of official sources.

As for EAEU investment in the LAC region, box III.1 raises some data challenges, especially in relation to the insufficient disaggregation of origin data. Furthermore, certain countries that have received substantial flows from EAEU countries do not present geographically disaggregated data at all. As a result, it is difficult to identify officially recorded FDI inflows from EAEU. Only in the case of Ecuador is it possible to identify that between 2010 and the third quarter of 2019, 0.1% of inflows are attributable to the Russian Federation (US\$ 3.9 million in total). However, while official data may be scarce, other sources can help identify certain trends. Clearly, the presence of EAEU companies in the LAC region is still relatively limited, but they are present in a small number of sectors, primarily focused on natural resources.

With some caveats³⁸, the data from fDi Markets records investment announcements. Between 2003 and 2018, a total of 105 investment announcements were recorded from EAEU companies in the LAC region. Ninety percent of these announcements originated in the Russian Federation, and the remaining 10% are attributed to companies from Belarus. No investment announcements were recorded from Armenia, Kazakhstan or Kyrgyzstan. As shown in figure III.10, the two principal destinations are Brazil and the Bolivarian Republic of Venezuela, which each received 24 announcements. Whereas in Brazil, EAEU-based companies showed interest in a range of sectors, announced investments in the Bolivarian Republic of Venezuela are concentrated in the oil and gas sector and to a lesser degree, the automotive sector. The Minsk Automotive Plant (MAZ) of Belarus announced several investments in an assembly plant in Barinas, the Bolivarian Republic of Venezuela. In the oil and gas sector, between 2003 and 2013, investments were announced by large companies from the Russian Federation, such as Gazprom, Lukoil and Rosneft.

³⁸ These data refer to the announcement of investments, not considering whether they were eventually realized. Furthermore, the database is biased towards larger and publicly listed companies. Finally, since the numbers are relatively small, deviations in how announcements are recorded can significantly impact overall trends. Despite these considerations, the data can help to identify certain trends that may not otherwise be visible.

Figure III.10
Latin America and the Caribbean: projects announced by Eurasian Economic Union based companies, 2003-2018
 (Number of projects)



Source: Prepared by authors, on the basis of data from Financial Times, fDi Markets, 2018 [online] <https://www.fdimarkets.com/>.

While EAEU companies have announced investments in several sectors, the top sector, attracting 24% of the investment announcements (by number), is software & IT services. Several companies are active in this sector, led by the Russian Federation's Softline (see box III.2), a leading global software services company. The second-largest sector in terms of announcements is the oil and gas sector, which is responsible for 17% of all announced investments. Naturally, due to its capital-intensive nature, its share in the value of announced investments would be even greater. The automotive sector (12%) and aerospace (8%) are other sectors with a notable presence.

Box III.2

Offering IT services in the Latin America and the Caribbean region and beyond: Softline

Softline is a Russian company specialized in IT infrastructure, cybersecurity, software and hardware and business solutions, among others. It was founded in 1993 and from the beginning, the company has focused on emerging markets in Eastern Europe, the Americas and Asia. Nowadays it is present in more than 50 countries all around the world.

The company has also positioned itself as a leading IT solution and service provider among BRICS countries as well as other large fast-growing emerging markets, which were targeted as key markets for potential high-profit growth. While it has a greater presence in the Russian Federation and India, Brazil is a very important market for this company as well.

Its main clients are small and medium enterprises, public sector organizations and academic and non-profit organizations. Some of their most important partners include Microsoft, Huawei, IBM and Intel. In the Russian Federation it is positioned in the top-5 of companies active in the IT market and it is a leading company in all EAEU States.

Softline has 18 offices in LAC located in Argentina, the Plurinational State of Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, the Dominican Republic, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and the Bolivarian Republic of Venezuela. They are also Microsoft's Licencing Solution Partner (LSP) in several of those countries.

In 2018, the company grew 26% in LAC alone and recorded a turnover of US\$ 1.36 billion. Moreover, Softline's cloud services business grows faster than the cloud services market in LAC according to a recent report from the company.

Source: Softline [online] <https://softline.com/>.

Based on EAEU national statistics, and given the scarcity of LAC country data regarding FDI flows towards and from the EAEU region, this section analyses the FDI flows between both regions. As indicated in the previous section, FDI data may need to be interpreted carefully and may involve diverse types of financial relations, however, it sheds light on the increasing relations.

Investment flows between Armenia and Latin America and the Caribbean countries have evolved unevenly, and the volume of investment has fluctuated considerably during the period under review.³⁹ Overall, in 2016-2018, the LAC share in total FDI inflow to Armenia constituted nearly 3.4%. In FDI regarding the LAC region, Armenia has traditionally been a recipient. In fact, no outward flows from Armenia to the LAC region have been identified.

Unlike other EAEU countries, non-offshore investments have dominated LAC FDI in Armenia, with most LAC FDI originating from Argentina (81% over the 2015-2019Q3 period), even if that inflow decreased substantially between 2016 and 2017. Table III.2 shows the FDI inflows from LAC in more detail. In addition to Argentina, Cuba is another important investment partner. LAC FDI is notably unstable, with large peaks and troughs depending on individual investment projects.

Table III.2
Armenia: inflows from the LAC region, by country, 2015-2019
(Millions of dollars)

	2015	2016	2017	2018	2019
Argentina	27.4	7.4	5.9	7.5	14
Cuba	1.7	1	1.6	0.3	1.7
LAC offshore	3.4	3.7	0.2	0.9	0.2

Source: Prepared by the authors, on the basis of official data.

Although FDI flows in Belarus with LAC have been subject to considerable fluctuations, they remain negligible: as of 2018, it amounted to a mere US\$ 2.2 million, which was down substantially from the historic peak of US\$ 4.1 million in 2017. The region's share in total inward foreign direct investment to Belarus ranged from 0.1% in 2015 to 0.3% in 2017 (see table III.3).

Furthermore, the little FDI that can be identified as originating in the LAC region is predominantly related to offshore jurisdictions, with Dominica playing an especially outsized role. Very few FDI inflows can be identified from non-offshore origins.

Table III.3
Belarus: inflows of FDI from the Latin America and the Caribbean region, by country, 2015-2019
(Millions of dollars)

	2015	2016	2017	2018	2019
Brazil	0	0.007	0.005	0	0
Venezuela (Bol. Rep. of)	0	0	0	0	0.01
Peru	0.01	0.001	-0.05	0	0
LAC offshore	1.7	0.6	4.1	2.2	0.1

Source: Prepared by the authors, on the basis of official data.

With all the caveats discussed earlier about FDI data, some flows from Belarus in the LAC region can be identified. Investments in the Bolivarian Republic of Venezuela amounted to US\$ 6.3 million and US\$ 9.9 million in 2016 and 2017, respectively, and small flows to Brazil and Ecuador were also registered.

FDI inflows into Kazakhstan from the LAC region have also been volatile and dominated by offshore jurisdictions, as shown in table III.4. Amongst the few non-offshore LAC investors, Uruguay stands out, with substantial investments and divestments over time. Inflows from LAC offshore

³⁹ Hereinafter, between the years of 2015 and 2018, and in Q1-Q3 2019.

jurisdictions have fluctuated wildly over time, with inversions and diversions of more than US\$ 100 million annually. Saint Kitts and Nevis and Panama stand out as the most notable origin jurisdictions active in Kazakhstan. Including offshore jurisdictions, the share of Latin America and the Caribbean in total FDI inflow in Kazakhstan expanded from 1.7% in 2015 to 34.5% in 2018.

Table III.4
Kazakhstan: inflows of FDI from the Latin America and the Caribbean region, by country, 2015-2019
(Millions of dollars)

	2015	2016	2017	2018	2019
Barbados	-4.7				
Brazil	0	0	0	0	-0.01
Chile	-0.001	0	0	0	-0.6
Costa Rica	0.03	0.5	-0.2	0	0
Uruguay	0	8	2.5	-25.7	-0.001
LAC offshore	118.7	-123.7	43.7	99.3	119.1

Source: Prepared by authors, on the basis of official data.

Considering FDI outflows from Kazakhstan, only marginal data is reported towards non-offshore jurisdictions. Nearly all outflows are concentrated in a single country and a single year: in 2017, Kazakhstan reported an outflow of US\$ 637.7 million to the Bahamas (offshore jurisdiction).

Foreign direct investments between Kyrgyzstan and LAC countries are practically non-existent. According to EEC data, in the period under review (2015-2018), the only LAC FDI in Kyrgyzstan came from Cuba (see table III.5).

Table III.5
Kyrgyzstan: inflows of FDI from the Latin America and the Caribbean region, by country, 2015-2019
(Millions of dollars)

	2015	2016	2017	2018	2019
Cuba	0	0.1	0	0.1	0
LAC offshore	0	0	0	0	0

Source: Prepared by the authors, on the basis of official data.

Data from the Kyrgyz Republic National Statistical Committee that use a broader base of inflows (including FDI, but also other capital flows) identify more specific flows, most of which are from non-offshore destinations. According to this broader measure, the largest LAC investor in Kyrgyzstan as of 2018 was Peru (US\$ 4 million), followed by jurisdictions such as Belize and Dominica.

As expected, FDI in the Russian Federation dominates FDI flows from the LAC region, even if offshore jurisdictions play a very large role in these flows as well. In fact, one single jurisdiction, the Bahamas, makes up 98.7% of all identifiable LAC FDI inflows into the Russian Federation. Amongst non-offshore jurisdictions, Mexico stands out with some substantial inflows in 2015 and 2016. These investments can be directly linked to the Mexican agroindustry group Gruma, which invested around US\$ 50 million between 2014 and 2017 in a new facility in the Russian Federation. As shown in table III.6, a large drop in FDI was registered in 2018, the year in which sanctions were announced. This reverberated for both offshore and non-offshore investors from the LAC region.

Table III.6
Russian Federation: inflows of FDI from the Latin America and the Caribbean region, by country, 2015-2019
(Millions of dollars)

	2015	2016	2017	2018	2019
Argentina	0	0	0	-0.02	-0.08
Barbados	13.3	17.5			
Brazil	0.05	0.07	0.88	0.01	0
Dominican Republic	-6.25	-4.45	0.4	0.19	0.01
Costa Rica	-0.36	0	0.01	0.04	0.05
Cuba	2.5	0	0	0	0
Mexico	13.57	6.59	2.07	-9.56	-5.17
Uruguay	-0.02	0	0.004	0.2	0.08
LAC offshore	5190.2	5805.2	6288.3	1034.0	844.7

Source: Prepared by authors, on the basis of official data.

The imposition of sanctions led to large changes in the geographical structure of inward foreign direct investment in the Russian Federation. In particular, investment flows from European partners (Cyprus, France, Luxembourg, the Netherlands and others) plummeted and are being replaced by those from Asian and Latin American partners, though they are highly concentrated in offshore jurisdictions from those regions. Notably, in these years, there has been an increase in the proportion of jurisdictions that do not provide information on their residents under the Convention on Mutual Administrative Assistance in Tax Matters and the OECD standard for automatic exchange of tax information.

As of 2017, when the maximum investment flows were observed, 21.7% of total inward FDI to the Russian Federation originated in the Bahamas. With the decline of FDI from the Bahamas in 2018, the country's share in total Russian Federation FDI has recently declined, constituting 11.5% in 2018 and 3.2% in 2019. Prior to 2018, the offshore jurisdiction of the Bahamas did not share data with tax authorities, i.e. did not provide information on its residents, which explains the significant increase in investment from the country between 2015 and 2017. Thus, the decline in investment in 2018 may also be a consequence of the Bahamas joining the Automatic Data Interchange System as well as the imposed sanctions.

Table III.7
Russian Federation: outgoing flows of FDI to the Latin America and the Caribbean region, by country, 2015-2019
(Millions of dollars)

	2015	2016	2017	2018	2019
Argentina	0	0.04	0.4	0.2	0.02
Brazil	31.6	6.8	120.4	168	69.3
Barbados	0.05	0.05			0.2
Costa-Rica	0.4	4.3	0.1	0.2	0.1
Cuba	8.5	0.6	0.1	0.01	0.1
Dominican Republic	1.9	1.3	0.5	1.3	2.2
Ecuador	0	0	0	2.6	2.5
Guatemala	0	0	0.2	0	-0.01
Guyana	0.2	0	0	0	0
Mexico	5.7	17.4	1.4	1.5	2.1
Nicaragua	0	0	1.6	0.8	2.8
Peru	0.8	0.4	12.8	2.7	1.9
Uruguay	-0.01	0.1	0.4	0.1	0.04
LAC offshore	1 110.4	1 181.32	1 326.70	1 143.52	108.39

Source: Prepared by authors on the basis of official data.

FDI outflows, as registered by the authorities in the Russian Federation, totalled US\$ 5.35 million between 2015 and 2019 (third quarter), although it was also largely concentrated in the previously identified offshore jurisdictions. The concentration with regards to outflows is less than those of inflows, with 91% of outflows going to these offshore jurisdictions. Table III.7 shows that of the non-offshore jurisdictions, Brazil was the main official destination, summing to US\$ 396 million over the period.

During the period under review (2015-2018), FDI between EAEU member States and LAC countries was characterized by multidirectional trends. External factors had a significant impact on the dynamics of FDI flows between the regions, especially the sanctions applicable to the Russian Federation.

As a result of the current restrictions, the geographical structure of incoming FDI in the Russian Federation has been reoriented towards an increase in FDI from offshore jurisdictions, here including those located in the Latin American and Caribbean region. This reorientation of FDI flows led to an increase in the region's share in total FDI in the Russian Federation of 22% in 2017 and to 18.3% in the entire EAEU. However, it should be noted that the focus of these FDI flows lies with the offshore jurisdictions in the Caribbean, and that it is unclear whether these FDI flows are associated with companies in the LAC region.

As discussed above, there are certain impediments to analysing investment statistics, which underscores the importance of undertaking some cases studies on FDI between both regions as well. Annex contains a long list of examples of successful FDI activities. Sectors where FDI occurs go beyond those identified via investment announcements. The two regions' businesses, including state-owned enterprises, private ventures and even scientific institutions, have undertaken cooperative projects in numerous areas, the coverage of which goes beyond the traditional primary and extractive activities (which, have a large presence on the list of collaborative initiatives) and include those in the spheres of the automobile industry, infrastructure, IT services, transport, engineering, pharmacy, among others. This structure of investments ties, combined with comparatively insignificant amounts of registered non-offshore FDI mentioned above, underlines the idea that the two regions' businesses demonstrate the preparedness to and interest in embarking on further investments operations, despite the partners' distance.

Chapter IV

Inclusive and sustainable growth in the two regions: assessments, challenges, opportunities

The previous chapters have described the observed rates of economic growth, as well as the trade and investment patterns which characterize the current state of the economy. However, neither ensuring economic growth rates or trade and investment volumes, nor cooperation between the two regions should be any state's development goal per se. Instead, the ultimate objective should be improving the welfare of the citizenry. A perspective on the prospects for economic development, sources and external effects of growth, the uniformity of participation of economic agents in the processes of production and distribution can be formed using the concepts of sustainable and inclusive growth.

Sustainable economic growth is that which can be maintained at a stable level over a long period. In particular, economic growth largely based on the extraction and use of non-renewable natural resources risks a loss of stability with the gradual depletion of those same resources. In this regard, growth is also referred to as sustainable if its attainment is not associated with a negative impact on the environment.

According to a narrower concept, inclusive growth is economic growth accompanied by the creation of an enabling environment for improving quality of life and ensuring equality of opportunities for all of a country's population groups. Thus, ensuring economic inclusiveness is essential for sustainable economic growth.

The present chapter aims to identify the two regions' advances and challenges in ensuring inclusive economic growth and provides additional insight into such an important aspect of sustainability as ecological friendliness, resorting to progress in addressing climate change as a litmus test.

A. Inclusive growth

Governments in both regions have repeatedly declared their commitment to the 2030 Agenda for Sustainable Development and for achieving the associated UN SDGs. EEC, as well as LAC regional integration associations, have proved their commitment to the principles of sustainable development. Indeed, the issues spurring sustainable development are being incorporated into national, regional and international agendas and appropriate measures are being implemented. An important area is statistical monitoring, a necessary tool for developing a comprehensive response to the challenges faced by specific countries.

Though relevant progress has been made in many areas, in both regions there remains much to be done to ensure that all UN SDGs are achieved by 2030. Data is scarce for the most vulnerable territories, where monitoring is especially important. The profundity and effectiveness of different programs remains to be scrutinized. Capitalizing on past experiences and best practices, EAEU and LAC countries should identify their optimal approach towards sustainable development.

As part of the UN Sustainable Development Agenda, a broad range of 231 indicators was proposed, but for brevity's sake it is not feasible to discuss all of them here. Furthermore, not all indicators are tracked equally and statistical monitoring weakness affects certain indicators especially. However, relevant work and data are available for analysing the inclusive growth in both regions.

The concepts of an inclusive economy and inclusive economic growth are employed to form a broader vision of development. Inclusivity assessment provides a more profound understanding of an economy's development than can be inferred based on GDP and its derivatives. In other words, the ensuing estimates have a two-fold mission of providing: (1) an overall understanding of the degree of economies' sustainability and inclusivity based on an assessment of the progress in implementing the UN Sustainable Development Agenda in general and in particular UN SDG 8 ("Promote sustained, inclusive and sustainable economic growth [...]") and (2) an alternative to GDP in assessing and comparing levels of development that can contribute to realizing SDG target 17.19 ("By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement GDP").

Achieving inclusive growth is a priority for both regions, ECLAC and EEC. In the EAEU region, regional economic integration promotes sustainable development by its very nature. Article 4 of the Treaty on the EAEU proposes creating "conditions for stable economic development of the member States so as to improve the living standards of their people". Both LAC countries and the region's integration mechanisms have also refocused attention towards the concept of inclusive growth and development. One of the drivers behind this shift is the recognition that accelerated economic growth does not necessarily lead to improvements in the quality of life, reduced inequality, or increased participation in economic activity (ECLAC, 2018a). The LAC region is recognized as having some of the highest levels of inequality in the world. Despite relatively low unemployment rates, workers are likely to have poor to no access to the results of economic activity (OECD, 2016). For these reasons, it is important to study economic inclusivity in the LAC and EAEU regions. As shown below, both regions can benefit from mutual learning and the exchange of best practices.

EEC has a history of investigating the concept of inclusive growth and has developed a comprehensive methodology for quantifying inclusivity in cooperation with UNCTAD (EEC and UNCTAD, 2019), which forms the basis of the subsequent analysis. Following the methodology developed by EEC and UNCTAD, inclusive growth is conceived of as economic growth that is accompanied by favourable conditions for improving quality of life and ensuring equal

opportunities for all population groups. In order to classify an economy as inclusive it is necessary to analyse three characteristics: economic development, quality of life and socio-economic inequality.

The indicators characterizing progress in each of these three areas are chosen to fully describe the multifaceted phenomenon of inclusive growth, while also being guided by data availability. To illustrate, the economic development assessment includes economic openness and the unemployment rate, in addition to GDP and related indicators.

Progress achieved by a country in all three areas is assessed via a composite index of inclusive growth, combining the indicators in each area and aggregating the estimates for each using a principal component weighting methodology. This methodology allows for assigning increased weight to those indicators and components that contribute more to total data panel variance and, thus, influence inclusivity more evidently. A summary of the variables used is shown in table IV.1. For more detailed notes on the methodology, see EEC and UNCTAD (EEC/UNCTAD, 2019).

Table IV.1
Components included in the inclusive growth index

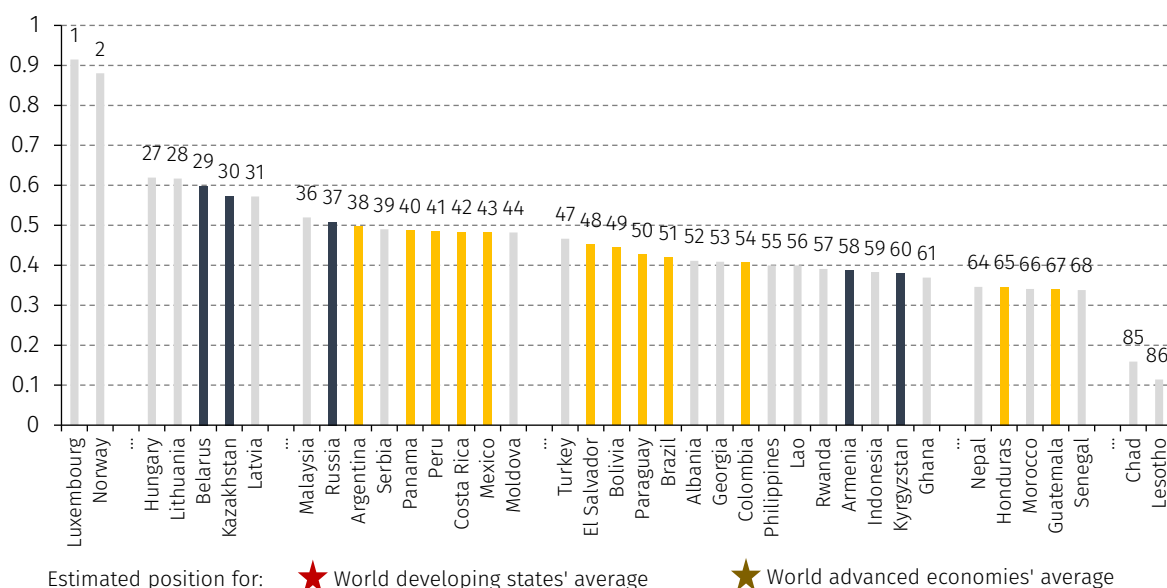
Economy	Living conditions	Inequality
GDP per capita (PPP, constant 2011 international dollars)	Under-five mortality rate (deaths per 1.000 live births; Indicator SDG 3.2.1)	Ratio of youth to adult employment rate (modelled ILO estimate)
National income per capita (adjusted net; constant 2010 USD)	Access to safe water source (percentage of population)	Ratio of female to male employment rate (modelled ILO estimate)
Labour productivity (GDP per person employed; constant 2011 PPP USD)	School enrolment, secondary (percentage gross)	Ratio of female to male labour force participation rate (percentage; modelled ILO estimate)
Electric power consumption (kWh/person)	Coverage of essential health services (indicator SDG 3.8.1)	Income concentration ratio (Gini index units)
Employment rate (ratio to labour force; percentage; modelled ILO estimate)	Logistics performance index: Overall (1=low to 5=high)	Poverty headcount ratio (at 5.50 USD a day; 2011 PPP; percentage of population)
Exports of goods and services (percentage of GDP)	Fixed Internet broadband subscriptions (units per 100 people)	School enrolment, secondary (gross), gender parity index
	Access to bank account or mobile-money services (proportion of adults (15 years and older); Indicator SDG 8.10.2)	Gender parity in the number of seats held by women and men in national parliaments (derived from SDG indicator 5.5.1)
	CO2 emissions (kg per PPP USD of GDP)	

Source: Eurasian Economic Commission and United Nations Conference on Trade and Development (EEC/UNCTAD), "Inclusive growth of the Eurasian Economic Union Member States: assessments and opportunities", 2019 [online] http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/Documents/Inclusive_growth_in_EAEU_Member.pdf.

The resulting index can be calculated for 86 countries, including all EAEU member States and 12 LAC countries. Data is only partially available for 26 LAC countries.

Figure IV.1 depicts the positions of all EAEU member States, as well as all LAC countries for which statistics are available. For illustrative purposes, the estimations for some other countries are included as well. As may be observed, Belarus, Kazakhstan and the Russian Federation have achieved greater inclusivity overall than the LAC countries under consideration. At the same time, Armenia and Kyrgyzstan are positioned below the majority of Latin American and Caribbean States. Notably, no single country from either region is included in the highest quarter of the world ranking.

Figure IV.1
Selected countries: composite index of inclusive growth, 2018
(Ranking out of 86 and index with maximum value of 1)

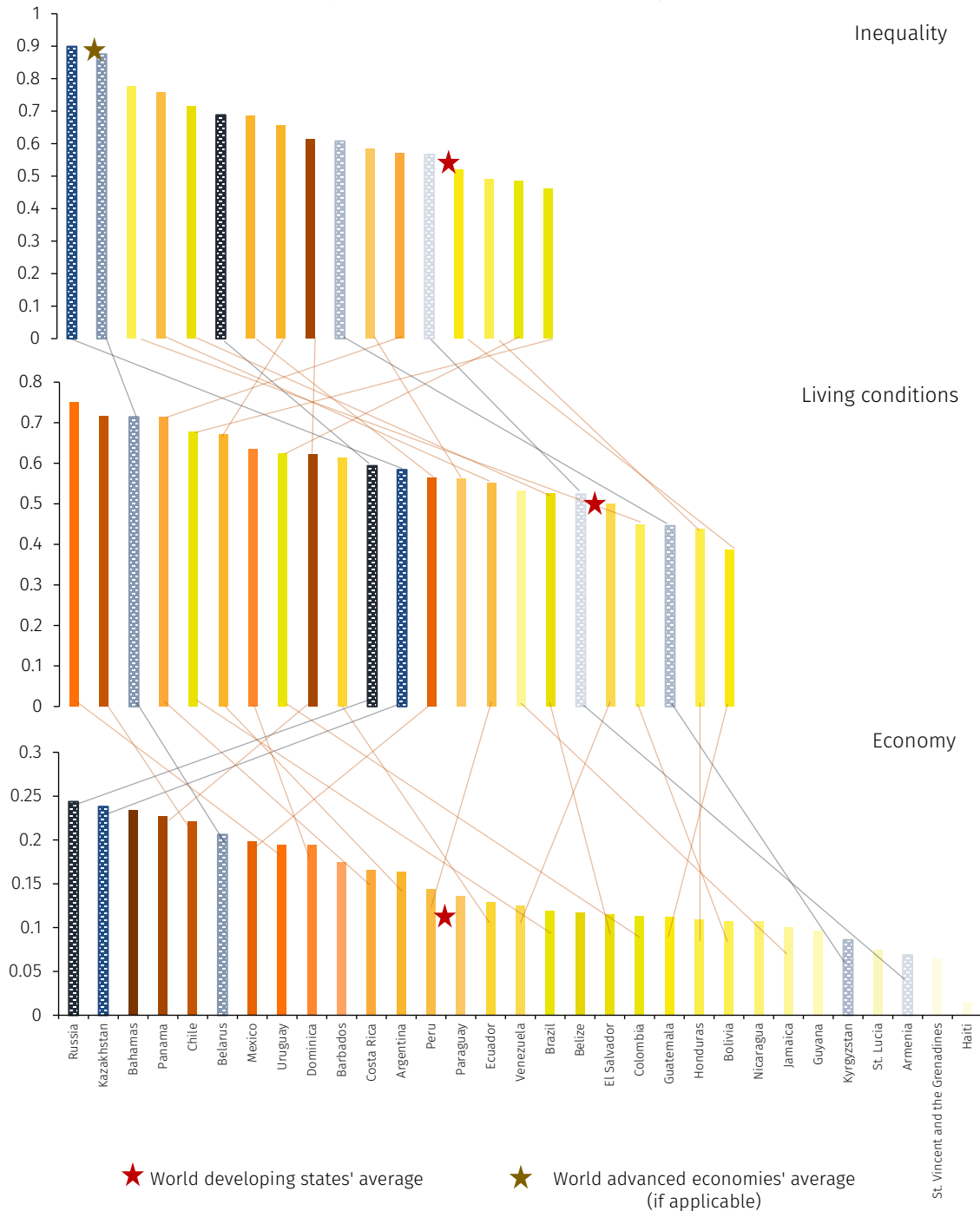


Source: Eurasian Economic Commission and United Nations Conference on Trade and Development (EEC/UNCTAD), “Inclusive growth of the Eurasian Economic Union Member States: assessments and opportunities”, 2019 [online] http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/Documents/Inclusive_growth_in_EAEU_Member.pdf.

The three policy areas included in the index provide some important information about the differences between and within the LAC region and EAEU member States. Considering the unbalanced data availability for LAC countries, figure IV.2 includes all countries for which information is available in a certain area. Progress is then traced across the different areas, where values of 1 correspond to the highest levels of economic development, best quality of living conditions and minimum inequalities.

Country rankings change substantially from one dimension of inclusive growth to another. To illustrate, in the economic policy pillar, in which GDP is not the only assessment criterion, the highest ranking EAEU country and second-highest ranked LAC country, the Russian Federation and Panama, respectively, hold middling positions with respect to living conditions and inequality.

Figure IV.2
Selected countries in Latin America and the Caribbean and Eurasian Economic Union: estimates of the three policy pillars of inclusive growth, 2018
(Indices with 1 as a maximum value)



Source: Eurasian Economic Commission and United Nations Conference on Trade and Development (EEC/UNCTAD), “Inclusive growth of the Eurasian Economic Union Member States: assessments and opportunities”, 2019 [online] http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/Documents/Inclusive_growth_in_EAEU_Member.pdf.

Note: LAC countries are indicated by yellow-orange tones and EAEU member States by shades of blue. Individual colours are chosen so that the most inclusive States are assigned the darkest shades in the bottom panel.

1. Economic development

Table IV.2 shows the rankings of countries of each region for all indicators included in the economic development pillar.

Table IV.2
Eurasian Economic Union and Latin America and the Caribbean: ranking according to all indicators for economic development, 2018
(Ranking out of 168 observations)

	GDP per capita	National income per capita	GDP per person employed	Electric power consumption	Employment rate	Export to GDP share	Total, Economic development
Armenia	98	108	100	82	78	157	149
Belarus	64	85	78	59	24	90	58
Kazakhstan	51	69	58	35	91	76	50
Kyrgyzstan	134	143	133	85	85	108	126
Russian Federation	49	65	55	29	120	74	47
Argentina	61	59	62	64	161	132	75
Bolivia (Plur. State of)	111	121	116	114	123	39	105
Brazil	76	55	82	72	156	146	95
Colombia	80	76	91	97	153	124	99
Costa Rica	71	58	75	81	98	117	73
El Salvador	110	100	106	105	115	67	97
Guatemala	109	110	107	119	143	32	101
Honduras	126	118	129	117	57	61	103
Mexico	63	66	70	79	77	40	60
Panama	56	56	59	77	64	54	53
Paraguay	85	104	104	87	83	73	81
Uruguay	58	45	63	60	134	116	62
Venezuela (Bol. Rep. of)	91	53	92	74	163	119	88
Chile	55	50	57	48	113	110	55
Dominica	52	74	77	99	45	91	63
Ecuador	94	91	101	96	136	53	85
Jamaica	102	89	112	104	95	131	116
St. Lucia	82	68	96	86	72	163	140
St. Vincent and the Grenadines	93	72	93	101	88	161	154
Bahamas	43	30	66	56	97	141	52
Barbados	65	52	79	65	76	128	69
Belize	105	97	110	103	34	122	96
Guyana	108	86	102	109	56	144	120
Haiti	155	148	153	160	142	150	167
Nicaragua	122	120	125	121	67	71	106

Source: Eurasian Economic Commission and United Nations Conference on Trade and Development (EEC/UNCTAD), "Inclusive growth of the Eurasian Economic Union Member States: assessments and opportunities", 2019 [online] http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/Documents/Inclusive_growth_in_EAEU_Member.pdf.

Note: Green and light green is used to reflect a better position in the overall ranking. Orange to red colours indicate a worse position among 168 observations.

There are important differences between countries that have achieved the most noticeable progress in the sphere of economic development. The best EAEU performers, the Russian Federation and Kazakhstan, receive high marks primarily due to high electric energy consumption that reveals economic activity hidden by formal estimations of GDP. In the LAC region, the Bahamas and Chile are characterized by high adjusted real net national income per capita; in this regard, the former country's level is comparable to that of Qatar, while that of the latter country is only around half that and is comparable to the level of Turkey. In Panama, the third-best performer, the best results from the economic sphere include a high employment level and a large degree of trade openness.

At the other extreme, the economic aspect of inclusive development has been hindered in Kyrgyzstan by low per capita income and in Armenia by low employment presumably stemming from the high incidence of informal economic activities. Unemployment has been an impediment to inclusivity in the LAC region as well, especially in countries such as Saint Lucia, Haiti and Saint Vincent and the Grenadines. Haiti also has one of the world's lowest levels of electricity consumption, adjusted for per capita GDP and net income.

Notably, none of the countries under consideration is estimated to be close to the world advanced economy average. However, the developing state average, comparable to the estimates registered for Peru and Uruguay, has been outstripped by slightly fewer than half of the economies under consideration.

2. Living conditions

The indicators reflecting quality of life show relatively limited correlation with those in the preceding economic pillar, with a different set of countries performing well. (The Bahamas – the LAC leader according to the economic development pillar – cannot be assessed in the following two pillars due to a lack of data.) Despite a good performance in per capita income, employment level and other economic activity indicators, neither the Russian Federation and Kazakhstan, nor Chile and Panama demonstrate comparable success in access to healthcare, educational and communication services, or environmental conditions. Much of the low performance level within EAEU can be attributed to the high levels of CO₂ emissions. According to this indicator, the Russian Federation and Kazakhstan are ranked 121st and 126th, respectively, out of 129 countries. Ecological concerns are urgent for Chile as well, whereas potential improvements in quality of life in Panama are concentrated in ensuring access to educational and financial services (see table IV.3).

Table IV.3
Eurasian Economic Union and Latin America and the Caribbean: ranking according to all indicators for living conditions, 2018
(Ranking out of 129 observations)

	Under-5 mortality rate	People using safe water source	School enrolment, secondary	Coverage of essential health services	Fixed Internet broadband subscriptions	Logistics performance index	Access to bank account or mobile-money services	CO ₂ emissions	Total, living conditions
Armenia	63	88	75	66	65	83	80	74	78
Belarus	19	37	39	45	19	91	46	111	40
Kazakhstan	58	46	18	53	57	66	68	126	67
Kyrgyzstan	80	84	54	70	83	95	100	122	89
Russian Federation	44	71	34	82	44	70	52	121	64
Argentina	59	17	43	33	50	57	78	86	50
Bolivia (Plur. State of)	94	75	68	88	87	113	73	92	87

	Under-5 mortality rate	People using safe water source	School enrolment, secondary	Coverage of essential health services	Fixed Internet broadband subscriptions	Logistics performance index	Access to bank account or mobile-money services	CO2 emissions	Total, living conditions
Brazil	71	59	58	28	58	52	60	49	48
Colombia	70	79	52	33	60	54	83	30	57
Costa Rica	54	55	11	40	52	68	64	27	41
El Salvador	68	73	90	28	78	90	113	41	77
Guatemala	86	87	108	93	86	109	89	53	93
Honduras	79	78	106	78	91	84	86	89	90
Mexico	66	98	49	33	59	47	103	79	68
Panama	76	69	88	40	64	36	82	24	58
Paraguay	81	43	89	61	84	69	79	7	69
Uruguay	50	36	23	21	34	79	65	17	34
Venezuela (Bol. Rep. of)	89	61	84	47	72	120	56	119	82
Chile	41	22	50	55	51	32	54	71	39
Dominica	93	63	57	45	27	80	71	72	55
Ecuador	68	72	26	40	66	58	74	77	61
Jamaica	74	74	86	88	71	98	26	104	76

Source: Eurasian Economic Commission and United Nations Conference on Trade and Development (EEC/UNCTAD), "Inclusive growth of the Eurasian Economic Union Member States: assessments and opportunities", 2019 [online] http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/Documents/Inclusive_growth_in_EAEU_Member.pdf.

Note: Green and light green is used to reflect a better position in the overall ranking. Orange to red colour indicates a worst position among 129 observations.

Countries that perform well in the quality of life pillar do not generally coincide with those performing well in the economic pillar. To illustrate, in the LAC region, the proportion of adults having bank accounts and the incidence of fixed broadband subscriptions in Uruguay and Chile are more than 50% above Panama levels. Other strong indicators of the two countries are universal health services coverage (79% in Uruguay, which is comparable to Belgium, the United Kingdom or Switzerland) and excellent access to safe water. Belarus, which has the highest rating for quality of living in EAEU, has other advantages over the previously mentioned LAC countries. These include a low under-5 mortality rate (3.6 cases per 1000 live births, like that of Germany) and a high incidence of broadband subscriptions comparable to that of the United States or Australia (33.5 subscriptions per 100 people).

To analyse inclusive development in detail, it is good to look at some of the drivers of those ranked first and those ranked last. For example, it is worth noting that poor access to financial services and environmental issues are the most problematic aspects of living conditions in Kyrgyzstan. Similarly, impediments to living conditions in Guatemala do not coincide with the best performers' strengths, but rather focus on low school enrolment and weak logistics performance.

None of the countries under consideration have reached the average of developed economies. At the same time, the number of States that outperform the developing countries' average in the quality of life pillar is far greater than in the economic pillar. Notably, the EAEU country with the least progress in the economic pillar, Armenia, has a higher quality of life than the average developing country.

3. Inequality

EAEU member States enjoy a great advantage in the struggle against inequality: all EAEU countries have achieved considerably greater progress in this pillar of inclusive growth than the average developing country. Kazakhstan even outstrips the advanced economies' average and each EAEU member State has its own strengths. To illustrate, Kyrgyzstan reports the world's most equitable access to school education between girls and boys, while Kazakhstan is characterized by the world's second most unbiased labour market for youth compared to adult workers. At the same time, Armenia and the Russian Federation are amongst the first quartile of world rankings with respect to the parity of male and female unemployment. Belarus, Kazakhstan and Kyrgyzstan are all characterized by low income concentration ratios (25.2, 27.5 and 27.7 points, respectively). The ranking of the least equitable EAEU country —Armenia (67th)— is higher than the previous two pillars' worst positions (149th and 85th). One area for improvement in Armenia is the inequality between young and more mature job applicants (see table IV.4).

Table IV.4
Eurasian Economic Union and Latin America and the Caribbean: best and worst performers according to all indicators for inequality, 2018
(Ranking out of 90 observations)

	Ratio of youth to adult employment rate	Ratio of female to male employment rate	Ratio of female to male labour force participation rate	Income concentration ratio	Poverty headcount ratio	School enrolment, secondary (gross), gender parity index	Gender parity in the number of seats held by women and men in national parliaments	Total Inequality
Armenia	86	22	57	46	63	59	66	67
Belarus	21	76	34	12	15	23	21	14
Kazakhstan	2	53	25	16	40	17	40	9
Kyrgyzstan	55	73	71	39	71	1	60	61
Russian Federation	58	20	46	73	24	20	71	51
Argentina	74	69	70	55	37	53	10	56
Bolivia (Plur. State of)	24	52	63	71	52	43	1	33
Brazil	79	77	61	77	50	55	82	77
Colombia	63	83	59	88	54	63	62	75
Costa Rica	72	78	74	80	42	62	19	66
El Salvador	37	50	75	58	55	10	26	44
Guatemala	19	55	78	75	62	60	78	70
Honduras	25	62	76	87	64	85	51	73
Mexico	20	7	77	82	58	69	3	52
Panama	42	61	69	83	45	39	65	60
Paraguay	45	59	65	77	49	64	75	64

Source: Eurasian Economic Commission and United Nations Conference on Trade and Development (EEC/UNCTAD), "Inclusive growth of the Eurasian Economic Union Member States: assessments and opportunities", 2019 [online] http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_makroec_pol/Documents/Inclusive_growth_in_EAEU_Member.pdf.

Note: Green and light green is used to reflect a better position in the overall ranking. Orange to red colour indicates a worst position among 90 observations.

The four countries ranked below the developing economy average provide another illustration of the heterogeneity of countries in the inclusiveness index: two of them (Guatemala and Honduras) are amongst the countries with the lowest quality of life, whereas the other two (Brazil and Colombia) are amongst those with the highest quality of life. In each

of these cases, the most blatant aspect of inequality is on the level of income as measured by the income Gini coefficient, with indices of 48.3, 52.1, 53.9 and 50.4 points, respectively.

The LAC States characterized by the lowest inequality levels, the Plurinational State of Bolivia, El Salvador and Peru, do not rate outstanding scores on the other two pillars of the inclusive development index. However, the citizens of these countries are experiencing an economic environment that is closest to a level-playing. In the Plurinational State of Bolivia, the share of parliamentary seats held by women (53%) is the highest among all the world's countries included in the index. For El Salvador and Peru, their strongest aspect of inclusive development is the equal access to education for boys and girls (11th and 5th positions worldwide, respectively). Furthermore, El Salvador is ranked 17th in the world with respect to its youth-to-adult unemployment ratio.

Unless progress in quality of life and equality is ensured, economic progress cannot be characterized as sustainable. The concentration of the resources in the hands of small elites renders the whole economy more susceptible to the shocks. As long as the population lacks access to equal opportunities to basic or advanced socially-oriented services or is exposed to the deterioration of the natural environment, this does not constitute of an inclusive society. If improving the welfare of its citizens is the ultimate goal of a state, striving for the kind of harmonious and consistent development inherent in the notion of inclusive growth is consistent with that goal.

Encouragingly, countries in both regions share a vision of inclusive growth and attach due importance to exploring ways to improve progress towards its attainment. Assessing inclusivity and in-depth analyses of its underlying determinants are prerequisites to achieving deliberately targeted and efficient policies.

Achieving inclusive development also will require substantial changes in both EAEU and LAC. Few countries in either region outperformed (and in some cases, substantially underperformed) the developing country average. None of the countries even comes close to the level of inclusivity observed in advanced economies. Out of 86 countries under consideration, EAEU member States are ranked between 29th and 60th, while those LAC countries for which complete data was available are ranked between 38th and 67th. The highest level of inclusive development is found in Belarus and Kazakhstan amongst EAEU member States and Argentina and Panama in the LAC region. Kyrgyzstan and Guatemala are found at the other extreme, although this may be affected by data availability. Certain countries with more challenging development conditions might have been excluded from the aggregate index rankings (in particular, Haiti).

Among the three pillars of inclusive growth – economic development, living conditions and inequality – economic development is generally the most challenging for both regions. In EAEU, Kazakhstan and Belarus are relatively equal as reflected by a respectable performance in the equality pillar, while this remains an important challenge for LAC countries. Both regions, however, have reasonable outcomes with respect to quality of life even as there is still room for improvement; the lowest rankings are 85th for EAEU and 93rd among LAC countries.

To a certain degree, both regions need to address the same kinds of challenges and impediments to achieving inclusive development, and that creates cooperation opportunities. The commonalities include the concerns and challenges that demand responses for which an exchange of good practices can be useful. Cooperative potential is also to be found in spheres of unequal progress.

To illustrate, as far as living conditions are concerned, all EAEU member States are surpassed by Uruguay, where environmental friendliness and a greater degree of universal

health coverage have been ensured. Uruguay is internationally recognized for providing all citizens and even non-residents high-quality health services free or virtually free of charge.⁴⁰

For their part, the experience of EAEU member States in improving equality may provide countries in the LAC region with examples of good practices. For instance, due to the support given its national programs for young professionals, Kazakhstan has managed to ensure labour market access equality for young and older persons. Furthermore, as previously mentioned, EAEU girls are as likely to get a school education as boys. The efficient use of young people's human capital is a prerequisite for sustainable economic growth in the years to come. Ensuring that all members of society, regardless of their sex or age, are provided an opportunity to enhance their knowledge and apply it by participating in the labour market lays the foundation for future economic development.

Meanwhile, persisting social and economic inequalities appear to be a major impediment to inclusivity for the majority of LAC countries, but the region possesses certain comparative advantages that might be of interest to EAEU countries. For example, none of the countries included in the inclusivity index has progressed farther in promoting female participation in its national parliament than the Plurinational State of Bolivia. After a long trajectory of progressively reinforcing women's rights, the country has finally enshrined their right to equal parliamentary representation in its constitution.⁴¹ While determining a country-specific pattern of gender equality achievement requires in-depth consideration, the case of the Plurinational State of Bolivia undoubtedly represents a valuable example of women rights-oriented policy implementation.

To conclude, by aiming at ensuring an improvement in the welfare of the population, both regions should take into account certain aspects of inclusivity. The heterogeneity of the progress countries has achieved so far offers a broad scope of exchangeable best practices that can serve as a promising area of cooperation between both regions.

B. Environmental sustainability of economic growth: the evidence from addressing climate change

The ecological aspect of living conditions requires additional effort from many EAEU and LAC States, especially petroleum exporters. Insufficient progress in this direction negatively affects people currently living in countries of either region, but also entails long lasting effects that will be evident to future generations, who might suffer both from unhealthy environmental conditions and unsustainable economic growth resulting from resource depletion. This issue is even more pertinent now that the only positive side-effect of the currently evolving global health crisis may be its impact on greenhouse gas emissions. Whereas during the last five years each appeared to have been among those setting new temperature records and current efforts will not allow for compliance with the Paris Agreement, several countries reported some of the lowest pollution numbers in recent years during the height of the crisis. The challenge seems to be transforming these short-term gains into long-term positive impacts.

⁴⁰ See, for instance, the assurances of respect by the former Russian Federation Minister of healthcare, Veronika Skvortsova: Minister of healthcare Veronika Skvortsova speaks at the conference in Montevideo, Uruguay. See [online] <https://www.rosminzdrav.ru/ministry/61/24/materialy-po-deyatelnosti-departamenta/globalnaya-konferentsiya-voz-po-voprosu-povysheniya-soglasovannosti-politiki-v-oblastyah-vliyayuschih-na-profilaktiku-i-epidemiologicheskii-nadzor-neinfektsionnyh-zabolevaniy/ministr-zdravoohraneniya-veronika-skvortsova-vystupila-na-otkrytii-konferentsii-g-montevideo-urugvay> (retrieved: 7 April 2020).

⁴¹ International IDEA (2014). Bolivian elections result in more women in parliament. See [online] <https://www.idea.int/news-media/news/bolivian-elections-result-more-women-parliament> (retrieved: 7 April 2020).

The ambitious emission reduction pledges of LAC and EAEU States differ substantially and appear uncorrelated with the degree to which countries are affected by future climate change, nor with their current emissions volumes. This means there is much room for improvement in efforts to combat climate change. Some countries, benefiting from their specific geographical situation, have reached certain goals ahead of time. Chile, for example, has been able to raise its objectives for the use of renewable energy on several occasions because a wave of private investment has increased output of both solar and wind energy more quickly than originally planned.

While setting goals is an important part of international cooperation, questions remain about how to achieve those objectives. In some LAC countries such as Costa Rica and Uruguay, achieving progress in climate policy is a commonly acknowledged goal by political rivals, making it easier to realize objectives. In EAEU, energy efficiency is a priority in the supranational agenda,⁴² but issues of combating climate change are the responsibility of each country.

On the level of observable progress, the LAC region is responsible for around 8.3% of global emissions, which is slightly less than its share of the global population. On a per capita basis, LAC countries are responsible for greenhouse gas emissions equivalent to around one-third of those of citizens in developed countries. However, with emissions per capita in developed countries on average 38 times as high as those in poor countries, Latin American countries are decidedly median (ECLAC, 2018b). The region appears quite sustainable compared to EAEU countries: with 2.4% of the world's population, the Union is responsible for 6.8% of the world's emissions. The major contributors to this number are the Russian Federation (5.35%), Kazakhstan and Belarus (0.91% jointly). Box IV.1 discusses some of the options for reducing the impact of climate change.

Box IV.1

Measures to reduce the impact of climate change

The European Commission (2018) describes a range of policy instruments potentially useful in climate adaptation that can help populations adjust to the coming climate impact. Examples of measures include the following:

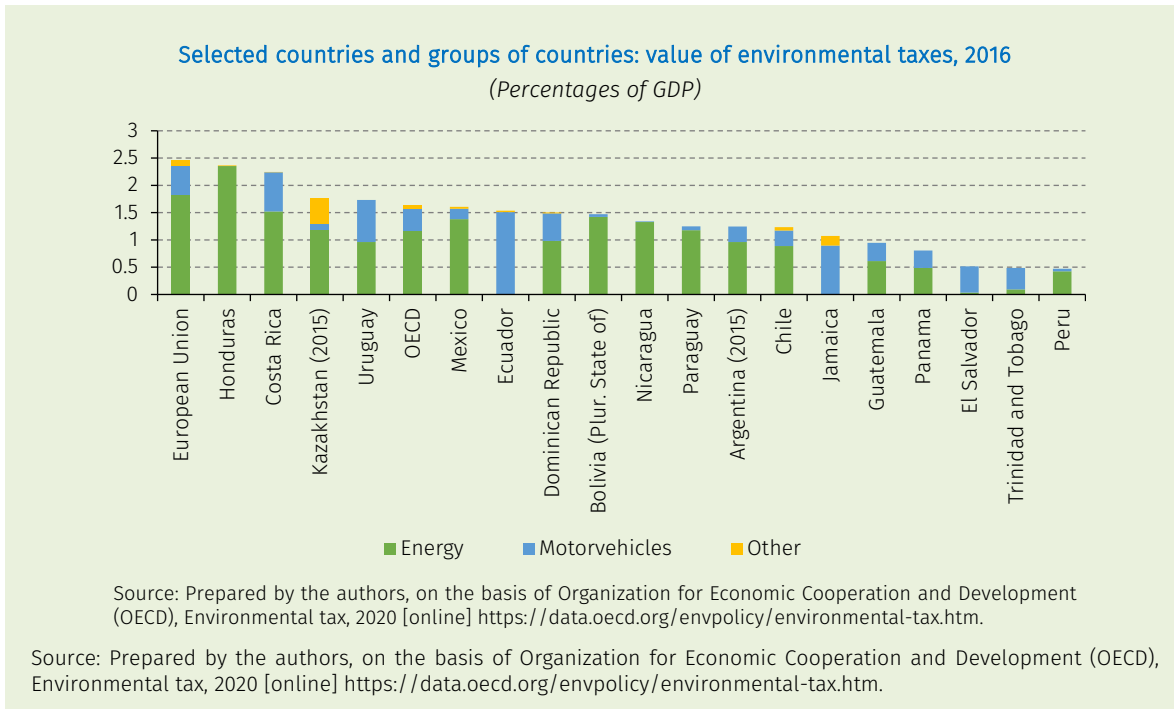
More efficient use of scarce water sources.

Adapting building codes for public and private buildings, as well as infrastructure to account for future climate conditions.

- Building flood defences.
- Developing drought-resistant crops and adapting agriculture practices to account for future conditions.
- Developing policies focused on Disaster Risk Reduction and increasing resilience for at-risk populations.
- Reinforcing long-term healthcare systems in order to accommodate climate-related health risks.

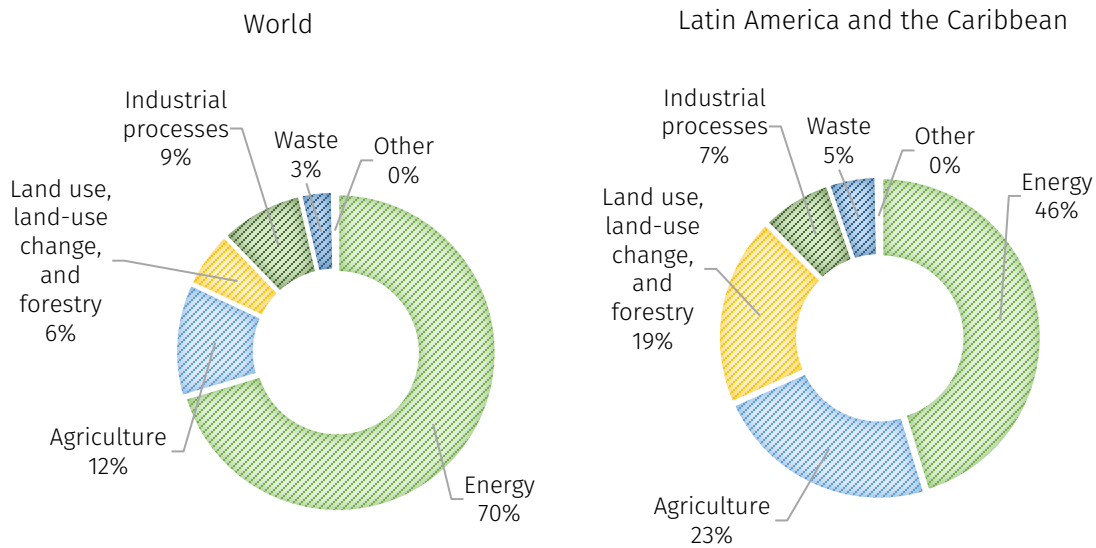
From the prevention side, the use of green fiscal policy is another important instrument. An important argument in that debate is the distributional effects that such taxation may have, with the poorer segments of the population likely to be more strongly affected. Therefore, efforts are needed to design redistribution mechanisms that counter some of these unwanted distributional effects. The figure below shows the use of environmental taxes in different countries. Compared to the European Union, the LAC use of this instrument is relatively underdeveloped, especially with respect to the taxation of energy and vehicles. The only EAEU country with comparable data is Kazakhstan, which ranks above the average OECD country in levying environmental taxes. While the range of measures that countries and regions may pursue is broad, the two regions have not been at the forefront in their adoption. They have yet to undertake the work of designing policy instruments and the funding solutions needed to afford them.

⁴² Energy efficiency is identified as one of nine “Main Directions of EAEU Economic Development” (EEC, 2015).



Importantly, the sources of LAC emissions are unlike those of the world average. As shown in the following subsection, renewables account for an important share of the LAC energy mix. As a result, energy generation is responsible for only 46% of the region’s emissions, compared to 70% for the world (see figure IV.3). Instead, agriculture and especially land use changes are important LAC drivers of greenhouse gas emissions.

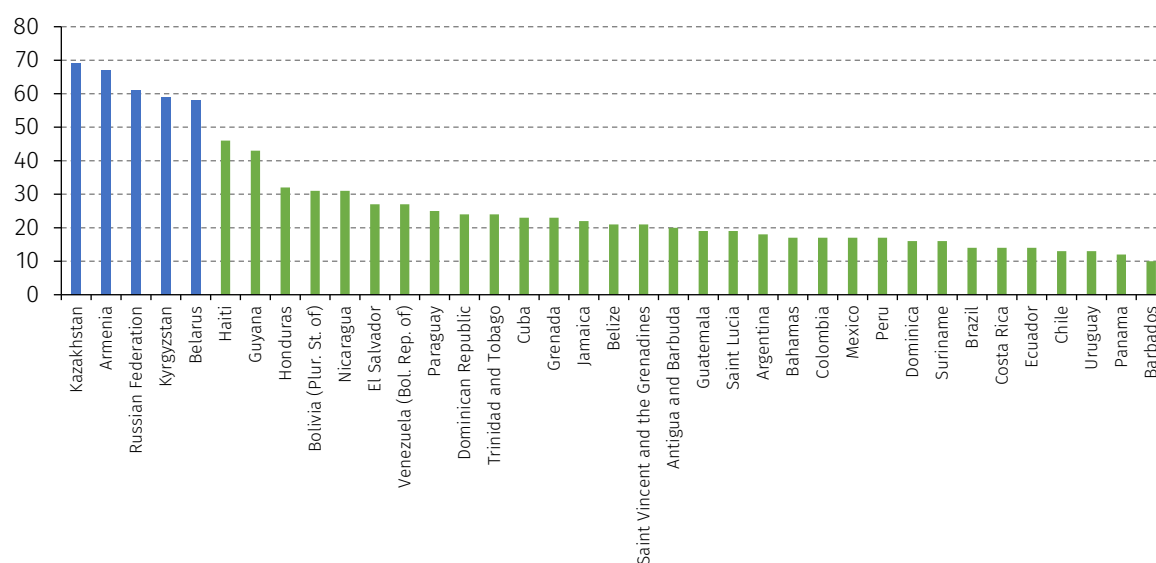
Figure IV.3
World and Latin America and the Caribbean: structure of greenhouse gas emissions, 2014
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *The climate emergency in Latin America and the Caribbean: the path ahead – resignation or action?* (LC/PUB.2019/23-P), Santiago, 2020b.

Greenhouse gases also strongly correlate with air quality. Figure IV.4 compares the death rate attributable to ambient air pollution. The worst performers in the LAC region are Haiti and Guyana, which are both far ahead of the rest of the region with 46 and 43 deaths per 100,000 population, respectively. At the other extreme, countries like Barbados, Panama and Uruguay account for the lowest fatality rates attributable to air pollution. All EAEU countries have rates substantially above those of LAC. The range between the highest and lowest death rates in Kazakhstan and Belarus is small with 69 and 58 deaths, respectively. This is an important consideration during the current COVID-19 health crisis as those who live with substantial pollution tend to be affected more severely. Thus, the pursuit of lower greenhouse gas emissions and pollution can go hand in hand in improving both short- and long-term development.

Figure IV.4
Latin America and the Caribbean and Eurasian Economic Union: Deaths attributable to ambient air pollution, 2012
(Deaths per 100,000 people)



Source: Prepared by the authors, on the basis of World Health Organization (WHO), "Ambient air pollution: a global assessment of exposure and burden of disease", 2016 [online] <https://apps.who.int/iris/bitstream/handle/10665/250141/9789241511353-eng.pdf?sequence=1?>.

An exchange of best practices is an avenue to be explored for policy instrument design. Countries may also benefit from a continued exchange of scientific research and policy experiences when designing sensible policies. In any case, solutions to the challenges posed by climate change cannot come from any single country or person, but instead require a coordinated global response. This can be a pivotal area of cooperation within the both the LAC and EAEU regions and between them.

In the sphere of fundraising for cooperation, the private sector may play an important role. In an interesting twist, the climate change problem does indeed align private interests in both regions. The development and exploitation of renewable energies is crucial to solving the climate change problem and this is an area in which the private sector can play an important role. In the subsequent subsection, the energy sector is explored as an area of opportunity. Although many traditional energy enterprises from the Russian Federation are already active in the LAC region, other opportunities may remain in the renewable energy sector.

Chapter V

Prospects for cooperation

The preceding chapters have already alluded to numerous opportunities for cooperation including many sectors of shared private interest, but also areas of policy cooperation. This section highlights areas predisposed to complementarity and shared benefits.

It is important to understand that areas of prospective business cooperation are connected to those of public interaction. In order to identify prospects for value added activities and promote increasing business participation in promising trade or investment initiatives, information should be made easier available to economic agents and diverse trade barriers should be substantially reduced. Either case seems to require public response: the former indicates the need to ensure that entrepreneurs are aware of the advances and risks of doing business overseas, whereas the latter entails alleviating administrative procedures. Moreover, cooperation and the sharing of experiences between decision-makers from the two regions may lead to institutional enhancement and a levelling of the playing field. Both are prerequisites for developing successful business projects.

While the purpose of this chapter is to summarize the major conclusions and proposals stemming from this report, a currently evolving external environment marked by the spread of the novel coronavirus appears as a temporary yet influential event that is undoubtedly going to affect current conditions for doing business in the two regions and might erect additional hurdles to partnership building. In this vein, the present chapter starts with the analysis of risks and opportunities engendered by the pandemic and further elaborates on the other cooperation opportunities, as follows from the above chapters.

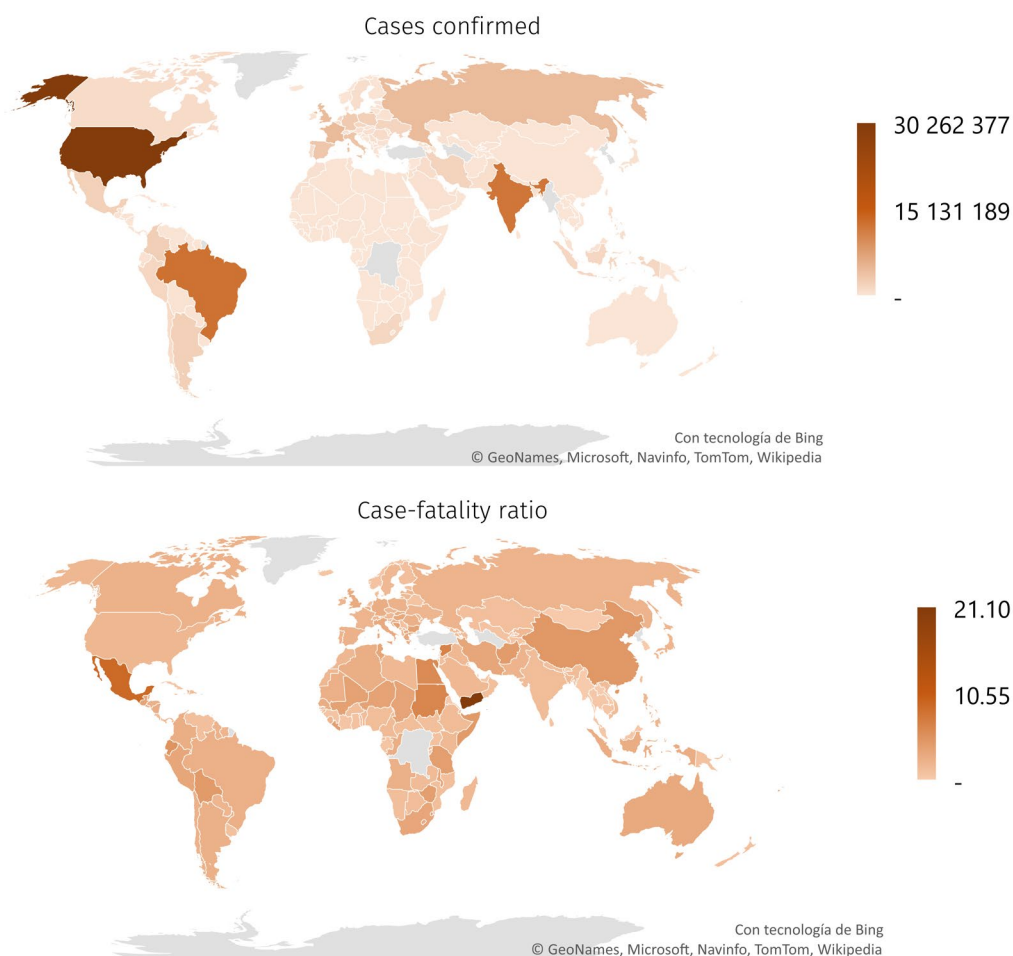
A. Supporting the multilateral system in the face of COVID-19

The unprecedented COVID-19 health crisis is perhaps the most urgent sphere of prospective collaboration. This crisis is unfolding while this document is being drafted and it has already had a major impact on many elements of the international relations.

At the outset of the pandemic, LAC and EAEU countries were not among the most affected, but in May the Russian Federation became the country with the second-largest number of cases, behind the United States. By June the situation had also worsened in Latin America with Brazil surpassing the Russian Federation in number of cases. Chile, Peru and Mexico had entered the top-10 of most affected countries by July. Discouragingly, the number of deaths in Brazil is also among the highest in the world. The total number of deaths officially attributed to COVID-19 in the LAC region reached 770,221 on 28 March 2021, while in EAEU 106,523 deaths had been attributed to the virus.

Larger countries are prone to registering more confirmed cases, so it is useful to look at the number of deaths per 100 confirmed cases. Map V.1 shows how different countries perform according to this metric, with countries such as Mexico, Ecuador and Bolivia strongly impacted in the LAC region. Finally, it should be noted that this death count refers only to those officially attributed to the disease, whereas evidence suggests that there is a significant undercount in most countries.

Map V.1
Latin America and the Caribbean and Eurasian Economic Union: number of confirmed cases and case-fatality ratio attributed to COVID-19, 28 March 2021
(Absolute numbers and per number of deaths per 100 confirmed cases)



Source: Prepared by authors, on the basis of the COVID-19 Map (Johns Hopkins Coronavirus Research Center, 2021).

Note: The boundaries and names shown on this map do not imply official acceptance or endorsement by the United Nations.

Alongside its health impact, the pandemic's economic effects are also devastating, especially for the poorer segments of the population. ECLAC (2020a) estimates that the number of people living in extreme poverty in the LAC region will increase from 67 million to 83 million due to the pandemic. Unemployment has soared since the global pandemic started and the impact is even more acutely felt by certain vulnerable countries, such as those dependent on tourism.

According to EEC estimates (EEC, 2020b), the pandemic has already threatened the employment of 18.05 million EAEU workers. Work time loss is expected to reach 40% in the months when quarantines are declared. This does not apply to Belarus, where no quarantine measures have been adopted. The work time loss has knock-on effects on productivity, workers' purchasing power and macroeconomic stability.

Global value chains, which in recent decades have become more integrated and internationalized, are also likely to be severely disrupted. Export restrictions have been put in place in response to the pandemic, even in highly integrated markets like the European Union. Furthermore, there is an increasing awareness that the corporate strategies that made them profitable and successful, such as stretched out value chains and neat just-in-time manufacturing, have also put them at risk in times of global uncertainty. This invites efforts to reduce the intensity of these value chains and to reduce dependence on far-flung places. The likelihood of reshoring or nearshoring has increased substantially.

Economic forecasts for 2020 have been downgraded throughout the world with a major recession clearly expected. The global economy is forecast to shrink by 4.9% (IMF, 2020), with the LAC region being amongst the worst impacted as its economy is expected to contract -9.4% in 2020. The Russian Federation's 2020 forecast is -6.6%, which also poses a major challenge.

At the current stage of the crisis, the world's governments are primarily focused on providing enterprises and populations access to liquidity through global interest rate decreases, alleviation of risk-assessment regulations and direct financial support. These necessary measures increase budgetary pressures and engender supplementary risks for budget sustainability, thereby threatening to translate into large-scale debt crises. According to EEC estimates (EEC, 2020b), in 2020 the majority of the EAEU member States will experience central government budget deficits above the 3% threshold stipulated by the treaty on EAEU macroeconomic stability criterion. The situation might deteriorate even further when the pandemic enters a new wave and budget reserves are depleted.

The global health crisis also deepens tensions with respect to the multilateral system. While the system should have been capable of coordinating a common response to the type of challenge the world currently faces, it has suffered a major breakdown. The European Union encountered difficulties for putting in place commonly agreed financial measures to alleviate the virus' impact. At the outbreak of the pandemic different countries within the European Union created export restrictions that affected the efficient distribution of medical equipment. The United States' withdrawal from the World Health Organization (WHO) could have exacerbated these difficulties, though recent events show that this withdrawal is not likely to take place.

All the effects of the evolving crisis described above will require a policy response from governments. The major difficulty in this sphere is that whereas history has known a number of economic downturns and political disruptions, the present one does not allow for resorting to a tried recipe: responding to such incompatible necessities as spurring economic activity and preventing physical contact between people. The COVID-19 responses already implemented have differed substantially between and within the two regions. This, in fact, highlights the importance of cooperation as a practical way to identify efficient solutions and those to be avoided.

Encouragingly, there are positive signs arising out of the current crisis. First, not all multilateral processes have broken down. In the LAC region, SICA has increased coordination and tried to put forward a common response to the challenges the region is facing. MERCOSUR has made an active effort to keep goods flowing between its member States even as most land borders have been closed.

The institutional foundations of Eurasian integration have also proved effective in this moment of crisis. Through the Eurasian Economic Commission, supranational measures of middle and long-term support were promptly adopted. The earliest response included a temporary export ban and a lowering of import duties on products vital to preventing the virus' spread and ensuring care for those infected and guaranteeing economic and food security (e.g., personal protective equipment, diagnostic reagents personal protective equipment and diagnostic reagents, as well as certain types of basic foodstuffs). Furthermore, those products were subject to import procedure simplification, such as simplifying the process for submitting certificates of origin.

In April 2020, the Eurasian Intergovernmental Council adopted a decree containing measures aimed at ensuring macroeconomic stability and supporting economic growth: the measures proposed were meant to assist EAEU governments in developing and reinforcing measures to localize the spread of coronavirus and minimize the pandemic's social and economic consequences. The propositions include permission to import goods initially intended for third countries even without the necessary labelling. In the sphere of economic recovery, the recommendations foster e-commerce and digitalize clearing procedures, but also aim to accelerate free trade negotiations. Importantly, the short- and long-term EAEU recovery measures adopted at the supranational level were elaborated based on EEC research identifying the depth and peculiarities of the economic crisis while considering what a new world order will be like. The growth forecasts and the major conclusions were stated in the EEC report "Mechanisms to address the threats to macroeconomic stability in the face of global economic crisis provoked by pandemic" (EEC, 2020b).

There have been several examples of positive cooperation in working to overcome the current crisis. China and Mexico arranged an airlift through which deliveries of Chinese emergency goods began to arrive in Mexico once the crisis had begun to ebb in the former country and was still on the upswing in the latter. Before the health crisis was strongly felt in the Russian Federation, it sent emergency aid to hard-hit Northern Italy. These are just two examples of the many forms of positive cooperation between distant and very distinct countries, many of which are also examples of South-South cooperation.

Much of the LAC region is aligned with EAEU member States in their support of and belief in the multilateral system. The two regions should be able to benefit from further cooperation in international institutions that support and coordinate the COVID-19 response and preparedness for future pandemics. The United Nations and its agencies are the obvious avenue through which such cooperation should take place. Cooperation to strengthen and, if necessary, reform international institutions should be given a prominent spot on the common policy agenda of the two regions.

B. Trade expansion

The significant peculiarity of the currently observed structure of trade between EAEU and LAC region is the fact that member States have not been equally advanced in identifying and benefiting from diverse market niches in geographically distant countries. For some EAEU States, including Armenia and Kyrgyzstan, this is evident from the ever-changing trade that

appears to be an aggregation of one-off or 'tentative' exports that are not renewed over periods of three to four years. In contrast, there are the examples of countries, including the Russian Federation and Belarus, which have had an established trade structure dominated by constant deliveries of a limited number of products of specialization. However, in each of these two cases, as well as in trade between the two regions in general, trade is mainly oriented towards primary or low value-added products.

The observed result primarily stems from the complexity of ensuring the competitiveness of products supplied from far-distant production units: high transportation costs and a lack of necessary infrastructure negatively impact the final price. To overcome competition from geographically closer partners, the remote supplier should either ensure the peculiarities of its product compensate the higher price, or be able to decrease other costs or lower margins in order to compete pricewise, although the latter option considerably undercuts the appeal of a trade expansion strategy. In other words, the prospects for expanding trade might be identified in spheres where either price elasticity to transportation cost or consumer demand elasticity to price are low.

- The price factor does not determine the product's attractiveness to consumers if the quality or certain characteristics make the exported product stand out from the substitutes. Importantly, this might be the case for high value added merchandise produced with advanced technologies not accessible to competitors. Examples of the former include artificially produced precious stones from EAEU, while the latter might comprise Latin American coffee and wines from Armenia.
- Logistical cost escalation does not severely affect the product's final price in two cases. The first is 'invisible' trade, i.e. trade in services, which in most cases it is not affected by increasing distances. From this perspective, ITC services are a particularly promising area for cooperation as they do not involve movement on the part of the supplier or consumer, and involve a nascent industry with competitive advantages for countries such as Argentina, Belarus, Brazil or Russia, among others.

The examples listed above are drawn from the analysis of spheres in which the two regions are actively trading with other developing countries and are essentially failing to engage in mutual trade with one another. The fact that businesses have not yet leveraged these and other opportunities that can be revealed analytically might stem from a lack of awareness of existing opportunities or the peculiarities of doing business overseas. However, there is a long list of other reasons, such as internal barriers (poor logistics within the country of origin, a lack of government support relative to what competitors enjoy, etc.) and external ones, including tariff and non-tariff trade restrictions. As revealed in the present report, the two regions' trade policy regulations comprise quantitative restrictions (imposed by both regions), contingent trade protection measures (enforced against EAEU countries) and non-tariff barriers on certain types of products. Importantly, these measures, except for the contingent ones, are not specific to these regions, but rather are found worldwide. Provided the considerations above, the area of transport and logistics is of particular importance. It is necessary to seek optimal options for reducing transport and logistics costs, possibly including government incentives.

Public efforts in trade regulation, infrastructure projects and ensuring prospective partners' access to urgent information on doing business overseas are promising areas for public cooperation. However, public efforts should be complemented with close interaction with business representatives and private sector initiatives to improve trade relations among both regions.

C. Building joint value chains

Due to the complexity of trade in goods with a distant partner, FDI following a market seeking strategy provides a good economic relationship opportunity. To illustrate, one of the most visible LAC companies in the Russian Federation is Mexico's GRUMA, the largest corn flour and tortilla producer in the world. In 2011, the company acquired Solntse de Mexico, a Moscow-based producer of tortilla chips. In 2017, GRUMA opened its 75th plant in Moscow at an estimated cost of US\$ 50 million. The company prides itself on being the largest investor in the Russian Federation. In turn, the EAEU region is present in numerous oil and gas extraction projects in the LAC region including the projects operated by Gazprom and Belarusneft and initiatives in multiple other sectors, such as the automobile industry, infrastructure, IT services, transport, engineering and pharmacy, among others.

Nevertheless, the analysis of mutual trade and investment flows showed that the two regions hardly participate in joint value chains. Existing interactions generally consist of straightforward trade in final goods and services while investments are usually made by large corporations involved in the extraction of resources or opening assembly plants. However, some projects are implemented to access the common markets of EAEU (CIS) countries and the LAC region. Along these same lines, potential exists for industrial cooperation and the formation of sustainable value chains, including those with access to domestic markets or markets of third countries (United States, Iran, Turkey, EU), another area of potential mutual benefit.

At present, further research is required to identify the reasons hindering more active trade and FDI between the two regions. As a first step, a more detailed analysis of the competitive advantages of the different economic sectors of EAEU and LAC countries should be undertaken describing the range of goods and services supplied and to identify their complementarity. Subsequently, the economic feasibility of forming chains must be analysed and a set of incentive measures at the national and regional levels should be developed.

D. Energy sector

Energy sector initiatives provide a promising area for creating joint value chains. Both regions are among the world's major producers and suppliers of fossil fuels and have gained substantial experience in exploration and refining, experiences each region can learn from. Current climate change challenges increase the importance of decoupling economic growth from ever-increasing energy use and expanding renewable energy use. Since the transformation towards renewable energies is slow and will take many years to complete, it is also important to find new approaches for the exploitation and use of the oil and gas sector, a traditional driver of economic investment and one in which the EAEU presence is especially notable.

1. Traditional energy

The main commercial activities in which EAEU companies engage in LAC are in the traditional energy sector (oil and gas exploitation). Several of the largest firms, especially from the Russian Federation, such as Gazprom, Lukoil and Rosneft, are undertaking non-renewable energy projects in the LAC region that are focused primarily, but not solely, on the Bolivarian Republic of Venezuela and the Plurinational State of Bolivia. Gazprom has collaborated with YPF in Argentina to explore options for oil fracking in the Vaca Muerta and Rio Negro areas and has been present in Cuba. In Brazil, Rosneft has been operating drilling operations in the Solimoes Basin since at least 2016. Both Rosneft's subsidiary Neftegaz America Shelf LP and Lukoil have been operating extraction services in Mexico.

While oil and gas exploration remain an important aspect of energy policy, new opportunities will arise throughout the LAC region that could benefit from the participation of EAEU enterprises. With newly discovered deposits in countries like Guyana, Mexico revising its national energy strategy and the prospects for international involvement, possibilities abound. This may also apply in the reverse: some LAC oil and gas enterprises may also be interested in opportunities in EAEU territory. Such opportunities would be primarily focused on the largest enterprises, such as PDVSA of the Bolivarian Republic of Venezuela, YPF of Argentina and Petrobras of Brazil.

Some of these already have broad experience in emerging markets that are quite different from their home markets. Petrobras was involved in oil exploration in Angola, for example, and is currently producing oil through joint ventures in other African nations, such as Benin, Gabon and Namibia. This hints at another potential way in which these firms could cooperate given that it is very common for international operators to cooperate in sharing costs and rewards in oil and gas operations. With the experience and financial resources of some EAEU companies, there is great potential for cooperation between LAC companies and EAEU ones in third areas as well, such as in Africa.

Notwithstanding the increasing importance of the renewables sector, oil and gas continue to play an important role in international energy markets throughout the world. While the current outlook is negative as a result of the global COVID-19 crisis, a fossil fuel rebound is foreseeable. And given the long run-up times of such projects, it makes sense to start exploring possibilities during the current slump. The newly discovered oil and gas supplies in the LAC region may increase the presence of LAC fuels in global markets.

2. Renewable energy

LAC countries are pioneers in adapting alternative energy sources to production and consumption processes. For example, the Itaipú dam on the border of Brazil and Paraguay is one of the world's largest hydroelectric projects with installed capacity of 14,000 MW and Costa Rica has managed to operate electricity production for a whole year based solely on renewable energy.

In EAEU, renewable energy (here including hydro energy) as a share of total energy production is highest in the Russian Federation, where it constitutes 17.5% (as of 2018), while in the other EAEU member States it does not exceed 15% (EEC, 2019b). Recently, this indicator has tended to climb in the Russian Federation, Belarus and Armenia, whereas in Kazakhstan and Kyrgyzstan the opposite trend has been registered. In LAC, renewable energy made up as much as 27.6% of final energy consumption (World Bank, 2020a), with five countries reporting a rate above 50%.

Chile exemplifies LAC and has especially good data on power generation and the expansion thereof, information that shows the dominance of renewable energies. Table V.1 describes all projects currently under construction in the country with a combined 5,990.3 MW of total generating capacity⁴³ that for the most part is scheduled to go into operation during 2020. Non-conventional renewables make up the bulk of planned capacity expansion while traditional thermal energy (diesel) accounts for a mere 9%. Solar energy is an especially potent source of renewable energy in Chile due to the country's geographic conditions. While solar currently ranks behind coal, natural gas, conventional hydropower and diesel in its

⁴³ Current installed capacity in Chile totals 24,068MW and projects currently under construction are expected to expand capacity by around 25% (Comisión Nacional de Energía, 2020).

contribution to installed capacity, once all current projects are completed (in 2021), it will become the principal contributor to installed generation capacity.

Table V.1
Chile: projects currently under construction, 30 March 2020
(Absolute numbers, MW and percentages)

		Projects		Capacity	
		Number	MW	Per cent	
Non-conventional renewables	Solar	69	2 819.6	47%	
	Wind	13	1 321.4	22%	
	Small ROR	10	102.1	2%	
	Biomass	2	170.5	3%	
	Geothermal	1	33	1%	
Hydro	ROR	5	987	16%	
Thermal	Diesel	12	556.7	9%	
Total		112	5 990.3	100%	

Source: Prepared by authors, on the basis of Comisión Nacional de Energía (CNE), *Reporte Mensual Sector Energético*, No. 62, Santiago, Ministry of Energy of Chile, April, 2020.

Note: ROR refers to run-of-the-river hydropower, which is a less environmentally impactful form than conventional hydropower, which uses reservoirs. Small-scale ROR projects are considered to have an especially low environmental impact.

The greatest contributors to EAEU renewable energy are hydroelectric energy stations that jointly generate 17% of the union's energy. In this, as in other categories, the Russian Federation is the predominant energy consumer and producer (EEC, 2019b). EAEU States have much experience in the construction of hydroelectric energy stations (HEES), including those inherited from the USSR.

Significantly, the two regions have experience cooperating on hydroelectric energy production. Between the 1960s and 1980s, the USSR won a tender to supply turbines for the construction of one of the world's biggest HEES, the Salto Grande dam on the Paraná river (Brazil). In those years, turbines had become one of the most important USSR exports and were supplied to other LAC HEES construction projects as well (Sizonenko, 2007). More recently, "Silovye Machinery" (Russian Federation) has been supplying and implementing HEES projects in Argentina, Mexico and Uruguay. This area has already proven to be an important field of cooperation and shows potential for the pursuit of other common interests.

For other categories of renewable energy, cooperation is not yet evident, but there are important prospects. Two factors drive the LAC renewable energy boom: market forces and government policy. Concerning market forces, over time the price of the equipment, like photovoltaic cells and wind turbines, has decreased remarkably even as they become more efficient, making those energy sources competitive in regions with suitable geographic conditions and where other energy prices remain high. Regarding government policy, environmental taxes on traditional energy generation, for example through implementation of a carbon tax, have contributed to increasing the economic viability of renewable energies. Meanwhile, many renewable energy start-ups, especially those focused on solar energy, were subsidized in their initial stages, generally through preferential purchasing agreements guaranteeing a minimum price for the newly installed power plant's output. Renewable energy generation also benefits nowadays from economies of scale due to these technologies being broadly applied throughout the region and the world.

Attractive equipment prices, suitable geographic conditions, government support and openness to international participation provide important avenues for cooperation. EAEU experts can take part in R&D to further enhance energy efficiency and EAEU companies might be interested in importing cheaper equipment or operating new plants. At the same time, the LAC success story establishes some prerequisites for adapting public policies to EAEU conditions. The similarities between the two regions (income level, financial room for government policy) and previous experience cooperating on hydroelectric and non-renewable energy lay a strong foundational for alternative energy cooperation.

E. Exchange of regulatory experience

Current uncertainty, instability and complicated world market conditions underscore the importance of exchanging economic stabilization experiences and best practices. Despite a degree of economic success, EAEU and LAC countries remain very sensitive to global market fluctuations. This is explained by their dependence on the export of natural resources, agricultural goods and raw materials, and tourist services. Trade in these goods is dynamic, depending on acute economic changes, increasing uncertainty, and limiting the horizon and quality of government policymaking. At the same time, EAEU and LAC countries have plenty of experience in minimizing the negative consequences of changing global conditions and ensuring macroeconomic stability. When planning budget revenues, including those raised from oil exports, Mexico hedges the risks of price changes using derivative securities, practices not used at the state level in the Russian Federation or Kazakhstan. The exchange of successful experiences in stabilizing economies in the face of sharp shifts in the global economic situation can thus be useful.

F. Exchange of experience in the field of regional integration

LAC countries have extensive experience in economic integration, including the formation of monetary unions and a common parliament. This practice is in demand for the Eurasian Economic Commission and EAEU countries as they develop and evaluate ways to deepen integration. In this context, an important area for an exchange of ideas would involve ways to measure the level of integration, assess the economic effects of implementing supranational measures and build an effective system for monitoring the economic development of the participating countries within the integration association framework. What is more, given that the final development goal of the States and integration associations in both regions is that of improving the welfare of all citizens, the notion of sustainability can be understood in a broader manner that also facilitates the exchange of experiences in ensuring inclusive growth as well.

G. Science and technology

Adapting to the sixth wave of innovation (Glazyev, 1993) requires government support for the development of new technologies and industries. Countries investing in human capital and the formation of new economic sectors can foster sustainable economic growth. Other countries that fail to move forward in the digital economy are doomed to depend on global technological leaders on whom they dependent for such goods, services and technologies. Certain successes by the EAEU and LAC countries in the development of digital technologies, biotechnology and materials science foster potential cooperation. Allowing an unhindered exchange of knowledge and best practices, the creation of new formats and platforms for technological entrepreneurs

to interact and institutional and financial support for joint projects may become a priority for both regions.

EAEU member States have recently experienced negative FDI flows in some areas that foster innovation and economic growth, such as the R&D and ICT sectors. The fact that such divestment was especially notable in Kazakhstan, Kyrgyzstan and the Russian Federation shows its political roots, such as the sanctions against the Russian Federation and the deteriorating financial opportunities for Russian investors that followed. Current geopolitical tensions open opportunities for LAC investors.

Collaboration between the two regions in the area of R&D is deeply rooted in the Soviet period and has been repeated in recent years. Consider, for instance, the Russian-Nicaraguan vaccine research and production venture Mechnikov's Latin American Biotechnology Institute. Elsewhere, especially in communication technologies, the EAEU is still catching up, which may offer LAC firms investment opportunities.

H. Tourism

Both regions have developed a substantial tourism sector through the years that constitutes a key economic engine in some countries. The sector was responsible for around 4% of total employment generated in both regions (WTTC, 2019). The LAC region offers multiple types of tourism such as medical and sports tourism while in some specific regions, such as the Caribbean, sun and surf seekers arrive from all over the world throughout the year. Some EAEU countries are also very active, with Kyrgyzstan promoted as the Switzerland of Central Asia due to its beautiful mountainous terrain (Traveller, 2015).

The clear benefits of tourism and the appealing landscapes both regions have to offer are not enough to guarantee the sector can thrive and results from the ambitious establishment of a visa-free regime between the Russian Federation and all Latin American countries are not yet clear. So, in order to expand interregional tourism, authorities should recognize the importance of their respective markets and use advertising to broaden the regions' appeal. Since this is generally organized at the national level, it may be difficult to encourage regional-level advertising. However, there are certain country groups that consider moving towards common advertising, such as Central America (organized through the Central American Tourism Integration System, known as SITCA), where the development of regional-level value chains is considered a high-priority. In the Caribbean, there is also some movement towards intraregional cooperation through CARICOM.

Still, it is not just bureaucratic hurdles or a lack of knowledge preventing mutual tourism. The impediments are three-fold. First, tourists may not be satisfied with the quality of infrastructure or the level of security in the country of destination. Second, since there are no direct flights between the two regions, airfares tend to be relatively expensive. To illustrate, the lowest prices for return, off-season airfares between Moscow and Mexico with a transfer in Istanbul reach as high as 50,000 roubles (roughly US\$ 700) (Aviasales, 2020), which exceeds the average monthly wage in the Russian Federation. In other EAEU States (GKS, 2020), the situation is even worse. A third factor limiting tourist flow is the lack of cultural or historical bonds, except for Cuba, with both regions having their own dominant common language.

Addressing either of the mentioned challenges requires promoting tourism-related investments. The EAEU organizers of recreational activities are close to their customers, thus ensuring the necessary expertise in the quality of infrastructure demanded by prospective voyagers to the LAC region. The EAEU tourist sector's participation in the construction of hotels

and recreational areas in LAC or logistics enhancement might improve the chances of their customers developing a LAC preference. It should also be noted that the LAC region offers a very broad range of products, from relatively low cost to extreme high-end luxury and private EAEU operators will have to get acquainted with the breadth of what is on offer.

On the other hand, the absence of interregional investments in tourism infrastructure leads to the second risk, of weak and expensive air connectivity. It appears that should the two regions manage to negotiate the launch of direct flights, tourist exchange will increase. The decision whether to open and operate specific point-to-point flights is principally a corporate one made by airlines but is strongly influenced by governments' lobbying efforts. This is another policy action worth exploring. If a no-transfer option is unavailable, it might be suggested that the stimulus for visiting the distant region might be provided via translating the necessity of long-hours transfer into an opportunity: it may be worth investigating the opportunities of multiple-location trips. Central America, SITCA and SIECA are currently investigating the possibilities of such common regional value chains in the tourism sector.

Tourism that respects the environment —also known as eco-tourism— and the cultural heritage of both LAC and EAEU, is highly encouraged. The stimuli for visiting protected areas, national parks, marine reserves will not only contribute to popularizing carbon-neutral tourist destinations, but also generates economic opportunities for indigenous populations and communities living in or around them. Whereas all countries appear to be beneficiaries of the eco-tourist inflow increase, Small Island Developing States (SIDS) appear to be especially interested.

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Annex

List of examples of interregional FDI

LAC country-investor	EAEU country-recipient	Year	Branch of the economy	Project description	Note	Status (see footnote ⁴⁴)
Argentina	Armenia	2002	Infrastructure	Concession management	"Corporación America Airports" (Argentina) concluded a concessionary agreement to operate "Zvartnots" (Yerevan) and "Shirak" (Gyumri) airports. ⁴⁵	
Brazil	Russian Federation	2011	Automobile industry	Production of buses ⁴⁶	Joint venture by "Kamaz" (Russia) and "Marcopolo" (Brazil), established in 2011, operates an assembly line in Neftekamsk. ⁴⁷	
Brazil	Russian Federation	2008-2011	Food industry	Semi-finished meat production ⁴⁸	Brazilian-Italian joint venture Inalca (created by JBS(Brazil) and Cremonini (Italy) invested US\$ 300 million in a meat plant in Orenburg, Russian Federation. JBS has sold its share in the joint enterprise in 2011. ⁴⁹	Disinvested

⁴⁴ Note. If no status is specified, it might be assumed that the investments have been directed into real production and have not been disinvested, as of June 2020.

⁴⁵ See [online] <http://www.ato.ru/content/aeroportny-armenii-poluchat-na-razvitie-pochti-40-mln-dollarov>

⁴⁶ See [online] <https://www.marcopolo.com.br/marcopolo/comunicacao/noticias/marcopolo-e-kamaz-firmam-joint-venture-para-atuar-na-russia>.

⁴⁷ See [online] http://www.nefaz.ru/news/bashkortostan-krym_svyazi-krepnut/?sphrase_id=18829.

⁴⁸ See [online] https://ozlib.com/826565/ekonomika/vzaimnye_investitsii_brazilii_rossii.

⁴⁹ See [online] <https://www.reuters.com/article/alimentos-jbs-cremonini-idARN0415935020110304>.

LAC country-investor	EAEU country-recipient	Year	Branch of the economy	Project description	Note	Status (see footnote ⁴⁴)
Brazil	Russian Federation	2006	Mechanical engineering	Production of refrigeration and freezing equipment ⁵⁰	In 2006 and 2008, Metalfrío Solutions, a Brazilian manufacturer of refrigeration equipment, acquired companies that included assets in the Russian Federation.	
Mexico	Russian Federation	2011-now	Food industry	Snacks production ⁵¹	In 2011, Gruma acquired the company Solntse de Mexico in the Russian Federation for US\$ 7 million. Between 2014 and 2017, it invested US\$ 50 million in another plant.	
Mexico	Russian Federation	2015-now	Automobile industry	Aluminium blocks ⁵²	Nemak constructed a plant in Ulianovsk region producing aluminium blocks for automobile engines with a US\$ 60 million investment.	

EAEU investor country	LAC country-recipient	Year	Branch of the economy	Project description	Note	Status
Belarus	Ecuador	2013-	Mining	Oil production ⁵³	Exploration implemented by Belarusian-Ecuadorian consortium JSC Ecuaservoil, consisting of the Belarusian Belarusneft and Edinpetrol (Ecuador).	
Belarus	Venezuela (Bol. Rep. of)	2007-	Mechanical engineering	Assembly production of MAZ vehicles ⁵⁴	In theory, Veneminsk S.A., a joint venture of Mazwen (Belarus) and the Venezuelan government, produces tractors, though it has not done so since 2014. ⁵⁵	
Russian Federation	Argentina	2017-	Chemical industry	Production of mineral fertilizer ⁵⁶	Eurochem (a Russian company offshored in Switzerland) acquired Emerger Fertilizantes (Argentina).	
Russian Federation	Bolivia (Plur. State of)	2008-	Mining	Gas production ⁵⁷	A consortium comprising Total E&P Bolívie, Gazprom International, Tecpetrol (Argentina), YPFB (Plurinational State	

⁵⁰ See [online] https://ozlib.com/826565/ekonomika/vzaimnye_investitsii_brazilii_rossii; http://www.mzweb.com.br/metalfrío/2008/web/interna_print.asp?conta=44&idioma=1&tipo=19834.

⁵¹ See [online] <https://www.delicados.ru/o-nas/gruma-v-rossii/>; <https://www.marketscreener.com/GRUMA-SABGRUMA-ADR-6492890/news/GRUMA-SABGRUMA-ADR-GRUMA-announces-the-acquisition-of-the-leading-tortilla-manufacturer-in-Russia-13707728/>; <https://www.gruma.com/en/press-room/news-and-releases/octubre-22-2017-gruma-inaugurates-modern-50-million-dollar-plant-in-russia.aspx>.

⁵² See [online] <https://russiancouncil.ru/analytics-and-comments/analytics/sotrudnichestvo-rossii-i-meksiki-ot-lepe-shek-do-sputnikov/>.

⁵³ See [online] <http://www.ecuaservoil.com/>.

⁵⁴ See [online] <http://www.veneminsk.com.ve/>.

⁵⁵ See [online] <https://elpitazo.net/investigacion/a-medias-trabajan-las-empresas-del-convenio-con-belarus/>.

⁵⁶ See [online] <https://emerger.eurochemgroup.com/en/>.

⁵⁷ See [online] <https://oilcapital.ru/article/general/27-10-2016/boliviyskiy-platsdarm?ind=1333>.

EAEU investor country	LAC country - recipient	Year	Branch of the economy	Project description	Note	Status
					of Bolivia) began commercial production at the gas condensate field "Incahuasi" ⁵⁸	
Russian Federation	Bolivia (Plur. State of)	2016-	Nuclear Energy	Nuclear energy research ⁵⁹	Rosatom has invested over US\$ 300 million in the construction of the Center for Nuclear Research and Technology. ⁶⁰ The project was temporarily suspended in 2020. ⁶¹	Project suspended.
Russian Federation	Brazil	2013-	Mining/Services	Oil exploration and mining ^{62 63}	In 2013, Rosneft (Russia) TNK-BP (United Kingdom), including a 45% stake in 21 oil and gas blocks' development in the Solimines Basin (state of Amazonas). In 2015, Rosneft expanded its share of the project.	
Russian Federation	Brazil	2015-	Mechanical engineering	Production of machinery ⁶⁴	Silovye mashiny (Russia) acquired 51% of Fezer SA, a Brazilian woodworking machine manufacturer.	
Russian Federation	Brazil	2016-	Chemical industry	Production of mineral fertilizer ⁶⁵	In 2016, Eurochem acquired Fertilizantes Tocantis (Brazil), which owns eight fertilizer factories.	
Russian Federation	Brazil	2014-	Transport	Sea terminal ⁶⁶	Uralkali acquired 25% of Equiplan Participacoes (Brazil), operator of the port terminal of Antonina, accelerating its potassium sales for US\$ 35 million.	
Russian Federation	Brazil	2004-	Space	Satellites construction ⁶⁷	In 2004, a Russian consortium invested US\$ 2.5 million in a company associated with the Alcântara Launch Center.	
Russian Federation	Brazil	2010-	Agriculture	Soybean production ⁶⁸	Sodrugestvo Group committed BRL 200 million Carol-Sodru S.A., a joint venture with	

⁵⁸ See [online] <https://www.gazprom.ru/projects/bolivia/>.

⁵⁹ See [online] <https://tass.ru/mezhdunarodnaya-panorama/6651543>.

⁶⁰ See [online] <https://news-front.info/2019/07/11/perspektivy-rossii-i-bolivii-v-antiamerikanskoj-povestke/>.

⁶¹ See [online] <https://russian.rt.com/world/news/717667-boliviya-yaderniy-centr>.

⁶² See [online] <https://www.rosneft.ru/business/Upstream/Exploration/razvitieproektovvbraziлии/>.

⁶³ See [online] https://ozlib.com/826565/ekonomika/vzaimnye_investitsii_brazilii_rossii

⁶⁴ See [online] <https://www.forbes.ru/news/283435-silovye-mashiny-priobremli-51-aktsii-brazil'skogo-proizvoditelya-stankov>.

⁶⁵ See [online] <https://bbgl.ru/news/13154>; <https://fertilizantestocantins.com.br/en/>.

⁶⁶ See [online] <https://tass.ru/info/3331792>.

⁶⁷ See [online] <https://www.armyupress.army.mil/Journals/Military-Review/English-Edition-Archives/November-December-2018/Ionescu-Brazil-Russia/>.

⁶⁸ See [online] <https://sodrugestvo.com/press-releases/148/>.

EAEU investor country	LAC country - recipient	Year	Branch of the economy	Project description	Note	Status
					Brazilian farming cooperative CAROL.	
Russian Federation	Cuba	2019-	Construction	Production of construction materials ⁶⁹	Siment Aut (Cuba) and Composit Group (Russian Federation) announced a joint venture to produce to build a construction materials plant.	
Russian Federation	Cuba	2018-	Automobile industry	Assembly cars production ⁷⁰	GAZ of the Russian Federation started assembling cars in Cuba in 2018.	
Russian Federation	Guatemala	2011-	Mining	Nickel mining ⁷¹	Since acquiring the Fenix nickel mine of HudBay Minerals (Canada), Solway Group has invested US\$ 620 million.	
Russian Federation	Guyana	2004-2020	Mining	Bauxite extraction ⁷²	Rusal extracted bauxite in a joint venture with the Guyana Government, investing US\$ 25 million. Following industrial unrest, Rusal terminated its activities in 2020.	Project terminated
Russian Federation	Jamaica	2007-	Mining	Bauxite extraction ⁷³	Rusal controls 65% of Jamaica's alumina capacity and operates three of the island's four refineries. It has suggested also investing US\$ 100 million in a coal-fired electricity plant.	
Russian Federation	Mexico	2018-	Extraction	Oil exploration and extraction ⁷⁴	In different groupings, Lukoil has worked with Eni of Italy on oil exploration and extraction in Mexico. In 2020, block 10 resulted in a major find in which Lukoil has a 20% stake. ⁷⁵	
Russian Federation	Nicaragua	2015-now	Pharmacy	Vaccine research and production ⁷⁶	The Russian Federation invested US\$ 14 million in a state-owned joint venture (Mecnikov's Latin American Biotech Enterprise) to produce	

⁶⁹ See [online] <https://russiabusinesstoday.com/construction/first-russian-cuban-joint-venture-to-produce-construction-materials/>; <https://roscomtech.com/novosti/covmestnogo-predpriyatiya-teccomp-caribe>.

⁷⁰ See [online] <http://rusautonews.com/2018/11/01/gaz-group-has-launched-the-assembly-of-gaz-and-ural-vehicles-in-cuba/>.

⁷¹ See [online] <https://solwaygroup.com/our-business/fenix-project-guatemala/>; <https://archive.is/20150130153514/http://www.mineweb.com/archive/canadas-hudbay-to-sell-guatemalas-fenix-nickel-project-to-russias-solway/>.

⁷² See [online] <https://www.rbc.ru/business/03/03/2019/5c7b99f79a79472017b774af>; <https://steelguru.com/metal/rusal-closes-operations-at-bauxite-company-of-guyana/555692>.

⁷³ See [online] <https://www.caribbean-council.org/russias-growing-caribbean-interest/>.

⁷⁴ See [online] <https://warsawinstitute.org/russias-lukoil-adds-mexico-oil-discovery-portfolio/>.

⁷⁵ See [online] <https://www.eni.com/en-IT/media/press-release/2020/02/eni-announces-a-new-oil-discovery-offshore-mexico.html>.


⁷⁶ See [online] <https://pharmvestnik.ru/content/news/rossija-investiruet-14-mln-dollarov-v-proizvodstvo-vaktsin-v-nikaragua.html>

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					vaccines and research. In 2019, the enterprise produced 3 million vaccines. ⁷⁷	
Russian Federation	Peru	2019-	Mechanical engineering/ Construction	Maintenance and repair for Russian helicopters ⁷⁸	Rostec State Corp. cooperates on the construction of a maintenance centre for helicopters operated in Peru, both military and civilian.	
Russian Federation	Venezuela (Bol. Rep. of)	2010-	Mining	Oil production: the Junin-6 project ⁷⁹	The project is being operated by joint venture PetroMiranda, 40% of which is owned by the Russian Federation's National Oil Consortium LLC and 20% by Gazpromneft.	

⁷⁷ See [online] https://nicaragua.mid.ru/ru_RU/obsaa-informacia.

⁷⁸ See [online] <https://sdelanounas.ru/blogs/127340/>; <https://www.aviationpros.com/aircraft/maintenance-providers/helicopter-maintenance/press-release/12438780/russian-helicopters-maintenance-center-for-russian-helicopters-opens-in-peru>.

⁷⁹ See [online] <https://dvp.gazprom-neft.ru/projects/currents/venezuela/>.



Establishing relations between the EAEU and LAC regions has been neither simple nor swift, but rather has resembled a tangled movement in search of mutual interests and sustainable communication. Sharing the adherence to the principles of inclusive and sustainable growth and mutually beneficial multilateral cooperation, the two regions have faced challenges in an attempt to leverage the potential of entrepreneurial, social and political contacts, primarily due to geographic remoteness and diverse historical background. Nevertheless, the common difficulties and the multifaceted strengths of the EAEU and LAC economies engender numerous opportunities both in the form of sharing public policy experience and spurring business links. The major challenges of these times, especially with regards to the COVID-19 crisis and climate change, are amongst those in which collaboration between the regions can have a positive impact.

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