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On the EU Trade Agreement with Colombia and Peru

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

Speaking points before the International Trade Committee of the
European Parliament (INTA)

Brussels, 16 March 2010

As promised at my hearing, I am here today to have a thorough political discussion with you on the Free Trade Agreement with Colombia.

But before starting the debate, let me first say a few words about the agreement not only with Colombia but also Peru.

I will first explain why I think this a good agreement – a good agreement for Colombia and Peru, a good agreement for Europe and, potentially, a good agreement for the entire region.

As I know that some of you have questions about whether the EU should engage with Colombia at this stage, against the backdrop of its past human rights record. I will give you my view on why I think this is the right time for Europe to have a trade agreement with Colombia.

General comments

As regards the content of the agreement, we have in front of us a deal that contains the necessary ingredients to anchor Peru and Colombia's own reform agenda and their choice of an open economy. The term "open economy" has a very real meaning here, as one of Colombia's neighbours recently blocked Colombia's exports to its markets for political reasons. With this agreement, they will be able to fully benefit from their competitive advantages, and generate the conditions for increased foreign and domestic investment into their growing markets. Greater prosperity is vital to their political and economic stability.

The agreement is ambitious and contains significant commitments from all three parties, the EU, Colombia and Peru. It will generate new opportunities for economic operators and act as an incentive for Andean countries to push through their reform agenda but also – more importantly – to develop the means to offer improved social protection. This would ultimately contribute to the alleviation of poverty.

Benefits for Colombia and Peru

Economic benefits

The main drive of this agreement for our Andean partners has been the substantial new market access that is offered to them on bananas and sugar. The new regime of importation of these two products into the EU under this agreement – though preserving the vital margin of preference for our producers and our ACP partners - will trigger massive tariff savings for Colombia and Peru.

On Bananas, we reached the tariff of 75€/ton which will apply as of 2020. This was the tariff at which these Andean countries used to be able to participate with their exports in a quota of 2,653,000 tons between 2002 and 2005.

With the two quotas of 62,000t and 22,000t that we have given to Colombia and Peru respectively on sugar, we have both satisfied an important request of these countries and at the same time protected our fundamental interests by limiting the offered quantities to less than 1% of global EU sugar consumption.

But other products will also benefit from substantial market access increases e.g.: beef, rice and maize to name a few. All these products were not covered by our GSP+ preferential regime. For beef and pork, the quotas negotiated represent only 0.1% and less than 0.1% respectively of the EU market.

Besides goods, both sides have taken some strong commitments in services and establishment as well as in the public procurement chapter of our FTA. As regards investment, there will be guaranteed access to the manufacturing sector for investors on both sides. This can have structural implications for development:

these are all areas for which Colombia and Peru have a great interest in attracting foreign participation: to boost investment; improve their infrastructure while encouraging the transfer of know-how and technology – thereby lowering costs and developing their production capacity.

Broader benefits

The Agreement also addresses labour and environmental protection standards. It contains an ambitious chapter on Trade and Sustainable Development. Its aim is to create a platform for the improvement of labour and environment standards in our partner countries by including obligations to ensure an effective application of domestic labour and environment laws and establishing more specific legal commitments on the respect and effective implementation of key international labour and environmental conventions. Even more importantly, the monitoring of these commitments will be impartial and transparent, with the specific involvement of civil society stakeholders.

As often evoked by this assembly, the outcome reached with Colombia and Peru also respects the right of other Andean Community members to join the trade agreement whenever they consider it appropriate. An accession procedure has been foreseen and the ambition to ultimately form a region to region partnership has been reaffirmed on both sides. This is to ensure that the door remains open for both Ecuador and Bolivia to participate in this common initiative. In this regard, I would like to mention that we have already received an official confirmation of Ecuador's interest in resuming the negotiations. We shall soon start discussing with them the modalities and the opportunity for taking such a step.

Benefits of the Agreement for Europe

Mr. Chairman, dear honourable members, If this deal is good for Colombia and Peru, it is also good for Europe.

To start with, we have secured access to these markets for our major offensive agricultural products and Processed Agricultural Products, namely: milk powder, cheese, whey, pork meat, cereals, olive oil, wines and spirits. You know how vital this is to our farmers. It's in the package.

With regard to industrial products, we have ensured 100% coverage - although with a considerable degree of asymmetry - which means that all our manufactured products will enter these markets free of duty within 10 years while Andean exports of manufactured products to the EU will be completely liberalised at entry into force.

The agreement also respects the EU fundamental red lines across the board and notably in terms of agriculture.

I can also assure you that this compares favourably to the benefits obtained by the USA in their trade agreement.

Besides the economic benefits, we should also assess this agreement from a *political* point of view. Because it is important for us to strengthen our ties with Latin America – a continent which has always been close both culturally and economically to the EU I consider it a key priority of our bi-regional relationship to complement our cooperation efforts on social cohesion, science and technology, competitiveness etc. with strong economic and business ties.

Why this agreement now?

Finally, let me tell you why I think that it is important for Europe to engage at present with Colombia and Peru.

We do not deny the reality. We know that that there have been violations of Human Rights. However, it is equally true that Colombia is genuinely striving to put a final marker to its history of violence and despair.

I think we need to carefully consider two aspects here:

First, that recent reports of the UN High Commissioner for Human Rights (UNHCHR) confirm the government's openness to international scrutiny and to cooperation with the UNHCHR in particular. We feel that the Colombian government has been open to dialogue on human rights with its international partners in a way that probably is unparalleled in the world. The letter by Foreign Minister Bermúdez to HR/VP Ashton which has followed the recent visit of a group of MEPs to Colombia is a tangible example of this.

Secondly, as a result of the fact that Colombia has shown its readiness to take ownership of suggestions arising from such dialogues and act upon them we see that the situation has been steadily improving in recent years – although, indeed, still far from being perfect.

Overall, the government's considerable efforts to strengthen the rule of law, deserve, and require our support. This support should of course be neither unconditional nor uncritical. But the Commission firmly believes that a policy of engagement, dialogue and scrutiny is the best way to promote the respect for human rights in Colombia.

However, if this were not the case, the Agreement contains a solid HR clause. It allows for the immediate and unilateral adoption of appropriate measures - including suspension - whenever an essential element of the Agreement has been violated. In an effort to encourage dialogue, the other Party is of course entitled to call for consultations, but it is important to note that in no way is it necessary to wait for these, or for the emergence of a consensual solution to be able to cancel autonomously and immediately the trade preferences granted under the FTA.

If you compare it to previous agreements signed by the EU, the threshold for unilateral suspension is, significantly lower since - in this case - there is no requirement of a qualified violation of an essential element, but a simple violation would suffice.

A word about GSP+, which I know to be an issue to some of you. Through our GSP+ implementation dialogue we have contributed to the creation of a climate of engagement between the government of Colombia and the UN and ILO. The government of Colombia has undertaken in August 2009 to implement some key measures to address the recommendations of these two bodies in particular on human rights. This is a very fundamental development and there is a palpable official commitment in the country to redress these issues and to take responsibility for the implementation of this agenda. We have taken this commitment to be a serious one.

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Mr Chairman. Dear honourable members,

we should not underestimate the role of trade openness and economic interdependency in reinforcing democracy, freedom and the rule of law. For this crucial *political* reason - that is particularly relevant for Colombia but also applies fully to Peru - I will advise both our Member States and the European Parliament to support this agreement.

In this respect and as I said on the 12 January, I am ready to engage with you in a serious political discussion on the role the EU is expected to play through this agreement. We all concur, it seems to me, that the situation in Colombia notably for trade unionists still is far from satisfactory and that the EU must not remain

indifferent to both the collective challenge and the individual tragedies happening there. We also concur that the situation in Peru needs to be monitored closely. In both cases, we thank the two governments for their constructive attitude and openness to engage on dialogue and in action.

The actions that the government in Colombia has been taking to combat human rights violations need to be given firm support. We will remain equally committed to engage with the new government that will result from the forthcoming Presidential elections in Colombia and continue our dialogue with the authorities in Peru.

This agreement is an instrument that can and should assist in this objective. I am determined to leverage this agreement to the maximum possible extent to promote and ensure respect for human rights, democracy and the rule of law.