

Highlights of the Trade Agreement between Colombia, Peru and the European Union

The European Commission has finalised the legal review of the Trade Agreement with Colombia and Peru. Once endorsed, this agreement would open up markets on both sides and increase the stability of this trade relationship that was worth €16 billion in bilateral trade in goods in 2010. The agreement includes far-reaching measures on the protection of human rights and the rule of law, as well as commitments to effectively implement international conventions on labour rights and environmental protection. The key elements of this agreement are outlined in this Memo.

1/ Substantially improved market access for EU exports to Colombia and Peru

Tariff elimination

The recently initialled Trade Agreement between the EU, Colombia and Peru establishes the conditions for EU economic operators to take full advantage of the opportunities and the emerging complementarities between our respective economies. Over the course of its implementation, the Agreement will fully relieve EU exporters of industrial and fisheries products to Peru and Colombia from paying customs duties. At the latest 10 years after its entry into force, EU exporters of these products will be saving at least €250 million annually in tariffs to these two countries. After a gradual liberalisation over a slightly longer period (up to 17 years) an additional €22 million will be saved annually on exports of agricultural and processed agricultural products, bringing the total benefit for the EU export sector at the end of the transition period to more than 270 million a year.

This means concrete gains for specific sectors that are already exporting to the region as well as new opportunities for those who are still out of those markets. For instance, exports in the automotive and car parts sector will be relieved of over €33 million in tariffs. EU chemicals producers that export to Peru and Colombia will save more than €16 million on duties each year. The textiles industry will see significant savings of over €60 million annually. The telecoms equipment industry alone will save €18 million annually, not to mention the basis it creates to support the development of an EU telecommunications services industry in the region. Finally, pharmaceuticals products will be relieved of the current €16 million in duties that are paid annually.

Addressing other obstacles to trade in goods

Tariff elimination is meaningless if other technical or procedural obstacles to trade remain to hamper EU exports. The proposed Trade Agreement with Colombia and Peru addresses these matters beyond existing commitments in the WTO through systemic mechanisms but also in a very concrete and targeted way.

Systemically, the Parties will cooperate on market surveillance and will improve transparency by enhancing communication and cooperation in the area of technical regulations, standards and conformity assessment. Concretely this means extended

deadlines for comments to draft technical regulations as well as an obligation to make publicly available through official websites both the comments received and the final regulations adopted. Recourse to generally agreed international or regional standards is encouraged as well as is the mutual acceptance of results in certain conformity assessment procedures. These systemic improvements will have a positive impact on pharmaceutical exports but also on the sale of medical devices, optical instruments, automotive and other types of machinery in which the EU is highly competitive but disadvantaged by burdensome foreign standards or technical regulations.

The Trade Agreement will also address specific concerns related to a number of EU key export industries. In textiles for example, the Agreement provides for new disciplines in labelling and marking that will limit the amount of information that can be required on a permanent label and thereby prevent overly burdensome and unnecessary labels that are not of strict relevance to consumers.

Improved market access in government procurement and services

Opening their government procurement market beyond what they have done so far with any given third country, Colombia and Peru have committed to full access to the procurement of local municipalities in addition to that of central authorities above the pre-determined thresholds. This will leave ample room for EU bidders to participate in any significant market. EU operators will in addition benefit from improved conditions in Colombia regarding service concessions and airports as well as the purchase of engineering and printing services.

The services and establishment commitments obtained from Colombia and Peru are very significant and respond to specific EU interests. The agreement will open for EU firms establishing themselves in Colombia and Peru in a broad range of areas including manufacturing industries, services industries, energy production or mining and extraction. It will consolidate and provide market access for cross-border services and for establishment in areas of key interest to the EU, such as financial services, professional services, maritime transport or telecommunication services.

2/ Common rules to level the playing field

Intellectual Property Rights

The protection of IPRs is crucial to innovation and the competitiveness of entire sectors of the EU industry at home and abroad. Through this Agreement we will ensure an effective level of protection of intellectual, industrial and commercial property rights including on a key interest of many small and medium-sized EU producers with the successful protection of more than 200 geographical indications on the Colombian and Peruvian markets.

The Agreement also contains elaborate provisions on enforcement of IPRs to ensure an effective implementation of these rights to the benefit of all right holders. EU right holders will have the necessary tools to defend these rights effectively for example via civil and administrative measures and procedures as well as border enforcement measures. The latter are stronger than the ones already covered at the multilateral level and will cover copyrights, trademarks and - in a subsequent phase - also GIs.

More Competition and enhanced transparency on subsidies

At the entry into force of the Agreement, EU operators will benefit from an open, fair and reliable competition environment in which the Parties are required to ban through their national and regional legislation the most harmful anticompetitive practices including restrictive agreements, cartels and abuse of dominance. Mergers which significantly

impede competition are also prohibited and independent competition authorities will be required to enforce the above rules in a transparent, timely and non-discriminatory manner, respecting the principles of procedural fairness and rights of defence.

In addition to the commitments taken on transparency in many specific areas of the Agreement, more transparency on subsidies is imposed on central governments to disclose through regular reports: the legal basis, form, amount or budget and where possible, the recipient of the subsidy granted by the government of one of the Parties or any of its public bodies.

Dispute settlement

The Trade Agreement between the EU, Colombia and Peru includes an efficient and streamlined dispute settlement system in accordance with the principles that the EU considers to be most important such as transparency (open hearings and amicus curiae briefs) and sequencing (no right to impose retaliation until such time as non-compliance is verified). In addition, the Agreement includes a mediation mechanism for non-tariff barriers to trade in goods allowing for more conciliatory and expeditious solutions to emerge.

3/ An Agreement for Sustainable Development

New opportunities for development through trade

Given the relative size of our economies the economic and social impact in Colombia and Peru of the proposed Trade Agreement will by far outweigh – in relative terms - the benefits it will generate for the EU. According to an independent study, this Agreement could boost Colombian GDP by 1.3% and Peruvian GDP by 0.7% on the long term. Both imports and exports of these countries are likely to increase by 6% in the medium term and by 8% over the long run with direct positive consequences for local producers in the agriculture and the processed agricultural goods sectors; for manufacturers of light industrial goods such as textiles, clothing and leather goods; as well as in the heavy industrial goods sector and mining.

These considerable gains will result from the new opportunities generated for Andean exporters by the immediate elimination of all EU tariffs on industrial goods and fisheries as of the date of entry into force of the Trade Agreement which will encourage these countries to move up the value-added chain and benefit from a totally open EU market of some 500 million consumers. In agriculture, the deal carefully preserves our strategic interests in sensitive sectors. Nonetheless, the tariffs savings that EU commitments will entail for Colombian and Peruvian exporters will amount - in this area alone - to more than €150 million yearly at the end of the transition period. These are reduced costs that will have a direct beneficial impact on growth, jobs and well being in entire sectors of these countries' economies.

Sustainable Development

The proposed Agreement offers adequate guarantees to ensure that the new architecture of our trade and investment relations works in favour of sustainable development by promoting and preserving a high level of labour and environmental protection standards on all sides. The Agreement therefore incorporates a confirmation of the parties' right to develop and improve labour and environmental policies, while respecting their international commitments in those areas and aiming at a high level of protection. The Agreement includes firm commitments to effectively implement core labour standards, as contained in the ILO Fundamental Conventions, and eight key environmental international conventions. It furthermore includes commitments to refrain

from waiving or derogating from protection standards to encourage trade or investment, and to effectively implement domestic legislation and standards.

The Agreement seeks to provide a framework for addressing any issues that may arise regarding the interaction between trade, social and environmental objectives. Particular attention is given to issues such as sustainable forest management, illegal fishing, cooperation on climate change issues, no discrimination in working conditions, or the adoption of precautionary protection measures.

In order to ensure the effective implementation of these provisions, the Agreement establishes two mechanisms consisting in an arbitration system and an engagement process with civil society. In terms of arbitration, an independent group of experts can be requested by one Party to examine and assess the Parties' fulfilment of their obligations and issue reports, which are to be public, on an impartial basis allowing for remedial action to be decided. Moreover, the proposed Trade Agreement establishes an obligation of transparency coupled with mechanisms of consultation of and engagement with civil society organisations on matters related to its implementation. This affords an adequate degree of public accountability regarding initiatives of the authorities that could carry consequences for labour and/ or the environment.

Cooperation

Finally, the Agreement also provides for technical assistance and capacity building initiatives aimed at promoting – in the framework of our traditional cooperation channels – the competitiveness and innovation potential of Peru and Colombia. This will be achieved notably by modernising production processes, facilitating trade, and allowing for adequate transfer of technology between the Parties. This will take place in areas of common interest and in particular on technical barriers to trade and IPR.

For more information

Text of the Agreements

<http://trade.ec.europa.eu/doclib/press/index.cfm?id=691>

More details on the benefits of the Trade Agreement

<http://trade.ec.europa.eu/doclib/press/index.cfm?id=698>

On EU-ANDEAN trade relations

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/andean/>