

MEETING OF THE ASSOCIATION COMMITTEE
Antigua, Guatemala
June 27, 2019

[working translation]

In accordance with the provisions of Article 8 of the Association Agreement between Central America and the European Union (AA), the Association Committee met in Antigua, Guatemala, on 27 June 2019, to discuss the topics covered by the trade pillar of the Agreement. Senior officials from Central America (CA) and European Union (EU) participated in the Committee. In accordance with Article 7 of the AA, the Association Committee is the body that assists the Association Council in fulfilling its duties, and is fundamentally responsible for the application of the Agreement. The agenda items and main discussions are presented below.

1. Welcome and introduction.

Guatemala, as the Presidency Pro Tempore (PPT), welcomed everyone present, and referred to the importance of the joint efforts between Central America and the European Union to continue with the positive results from the Association Agreement between Central America and the European Union (hereinafter referred to as "Association Agreement").

The European Union, for its part, stressed the importance of the Association Agreement as a bilateral treaty between regions and the need to continue to cooperate with a view to deepening its effective implementation and the liberalization of trade.

2. Approval of the agenda.

The Parties approved the agenda.

3. Evolution of commercial exchange between the European Union and the Republics of the Central American Party.

Guatemala, as PPT, made a presentation on the commercial exchange between Central America (CA) and the European Union (EU) based on Central American statistics, in the context of which it highlighted the growth in commercial exchange since the Agreement's entry into force. In addition to the positive evolution of bilateral flows, data on the distribution of exports and imports per country was presented, including on main products exported and imported and the use of quotas in both directions.

The EU presented its own report on commercial flows between both regions, highlighting the commonality of statistics presented by each region. Finally, the EU welcomed the fact that statistical data could be collected from all the countries of the region for the calculation of preference utilization rates in compliance with the objectives agreed upon at the previous meeting. The EU emphasized the importance of the availability of such solid data, as well as to continue cooperating with a view to improving the use of the Agreement in the interest of economic operators in Central America.

4. Implementation of the Agreement:

4.1. Review of the results of the technical groups:

CA countries provided an overview on the main results achieved in various sub-committees and technical groups, as described below:

i. Subcommittee on Market Access for Goods

On the issue of sugar, Guatemala indicated the existence of differences in accounting for EU imports of sugar and products with high sugar content from CA. To address this situation, the EU requested re-sending the documentation for the exportation of sugar and products with high sugar content under a quota (formats for export certificates, stamps, among others). Parties also agreed to exchange information on the use of this quota on a monthly basis between both Parties for the purpose of improved control. CA committed to sharing monthly data on the use of quotas allocated to the EU.

Guatemala indicated that a possible solution would be the allocation of the quota per country, which should be discussed at the Central American level before formally proposing it to the EU.

The preferential treatment for bananas in the Central American region was examined, as established under paragraph 3, Appendix 3, Annex 1 of the Agreement. The EU expressed the impossibility of improving the existing preferential tariffs. The examination was thus considered concluded.

Lastly, in relation to the textiles quotas (chapters 61 and 62, Note 4 of Appendix 2 A of the AA), the interest of Costa Rica in modifying the distribution of this quota was reiterated. The EU requested the latest proposal in writing in order to evaluate it.

For its part, the EU welcomed the information presented and intervened stating that it is willing to assess the problems raised and find solutions. In addition, it expressed concern with the low use of tariff quotas.

The EU mentioned some issues that it considers to be pending. With respect to Costa Rica, it reiterated the commitment of Costa Rica to review taxes on alcoholic beverages and domestic and foreign beers. Costa Rica indicated that in relation to carbonated drinks, the legislation has already been modified. In relation to taxes on alcoholic beverages, it stated that these apply to both domestic and foreign products. Finally, on the subject of taxes on imported beer, Costa Rica mentioned that it is awaiting the resolution of the Constitutional Chamber in this regard.

Finally, the European Union expressed concerns about Panama's decision to proceed with the investigation to determine the appropriateness of safeguard measures regarding pork. In response, Panama stated that the investigation is an administrative procedure for the possible imposition of safeguard measures based on WTO regulations and regional regulations. It indicated that a decision was issued to initiate proceedings and notified to the WTO. It also reported that comments were received from the European Union. The information will be analysed, in accordance with the applicable legislation.

ii. Subcommittee on Customs, Trade Facilitation and Rules of Origin

Guatemala explained the main issues addressed in this sub-committee:

On the cumulation of origin between CA and the countries of the Andean Community, it informed that the Secretariat of Central American Economic Integration (SIECA) had already sent the EU a joint note with its counterpart from the General Secretariat of the Andean Community (SG-CAN) to allow the cumulation of raw material in exports from these regions to the EU. CA is awaiting an acknowledgment of receipt from the EU.

In addition, El Salvador reiterated its concern of not having provisions under the AA relating to accounting segregation necessary to implement the 15% tolerance for tuna products; and the possibility to consider the adequacy of the tuna quota without modifying the annual volume, which, prior to its acceptance, must be valued and agreed upon between the Central American countries.

Finally, they discussed the commitment to conclude the Decisions on adapting the V and VI Amendments to the Harmonised System of the rules of origin; and the decision on explanatory and filling instructions.

iii. Subcommittee on Sanitary and Phytosanitary Issues

Costa Rica gave an account of the main issues addressed in this subcommittee. It highlighted the group's efforts to improve mutual understanding of the SPS regulation that regulates the entry of products into the markets of all parties. It referred to the EU's offer to conduct videoconferences in a timely manner on issues of propagation material and the fruit fly which could affect mango exports. It indicated the need for these videoconferences to take place soon, given the imminent entry into force of this legislation.

Costa Rica highlighted that the Parties reviewed the status of the SPS sanitary requests and procedures of interest and thanked the EU for its availability to respond to the request for information on the requirements for exporting honey and related products.

It was noted that during the subcommittee meeting, the EU emphasized other issues considered particularly important, such as the obligation of the Central American countries, including Honduras, to publish the list of establishments authorized to export (pre establishments - listings), the lack of progress for authorizations related to market entry applications in Panama for pork and chicken, and the importance of cooperating on the issue of antimicrobial resistance. The parties stressed the importance of exchanging information on the subject.

During the meeting of this subcommittee, CA submitted in writing to the EU a joint declaration through which the six countries of the region expressed their concern regarding the policy of modification and reduction of maximum residue limits and their impact on the exports of Central American agricultural products.

Finally, the Parties exchanged information on a series of topics of interest and undertook to continue with a fluid and constructive dialogue in order to attend to the topics of interest of all the participants and guarantee the best possible use of the benefits achieved in the commercial agreement.

iv. Subcommittee on Technical Barriers to Trade

Panama indicated that the issues related to the explanation of renewable energy regulations that affect palm oil (RED II), mainly for Guatemala since it is the highest performing country and the

EU's commitment to facilitate the points of specific contact, in order to channel the doubts and queries of the Central American part to the competent authorities in the matter. Likewise, reference was made to the Delegated Act of RED II and to the concern of Central America on the form of approval of the act and the lack of consideration of the comments submitted prior to its approval.

Equally, reference was made to the non-renewal of the use of chlorothalonil by the EU and CA's concern because, despite having on the market substitute products of chlorothalonil, these are more expensive and would impact the price competitiveness of CA bananas. It was mentioned that this substance has been widely studied in CODEX which clearly establishes the maximum residue limits. CA requested the transfer of these concerns to the competent authorities of the EU.

The European Union mentioned its concern on the subject of electrical installations and security to extinguish fires in Costa Rica and thanked Costa Rica for its distribution to continue with a technical dialogue to ensure that the regulations comply with the obligations of the Agreement.

v. Intellectual Property Subcommittee

El Salvador reviewed the main issues addressed. It highlighted the progress in the text regarding the simplified procedure for the incorporation of new Geographical Indications (GI) to Annex XVIII of the Agreement; and indicated that this text will continue to be revised through electronic means. In this regard, it highlighted the limitations of the Central American countries encounter in modifying their legislation on the subject , particularly with regard to the collection of fees and legal representation requirements.

It was indicated that a workshop on Geographical Indications (IP Key) will be held in Costa Rica from December 2 to 4, 2019.

Costa Rica, El Salvador, Guatemala and Panama mentioned their interest in submitting applications to register new geographical indications in the European Union.

Finally, the EU expressed its dissatisfaction with the treatment to the term Parmigiano (and its translations) in Guatemala and considers that Guatemala is under obligation to recognize and protect the term as a protected geographical indication. In this regard, Guatemala clearly indicated that this issue is being reviewed by the Constitutional Court for its resolution. Through the separation of powers, the Executive cannot interfere in its decision. A further concern is the publication by Honduras in 2016 of a list of generic names affecting EU geographical indications and urged CA to respond to these concerns. Honduras for its part, indicated that they will provide the respective explanations requested at the meeting of the subcommittee. Finally, the EU requested that additional information be sent to establish that the use of IG "Queso Manchego" in Costa Rica respects the commitments of the Agreement. Costa Rica clarified that the commercialization occurred before the entry into force of the Agreement, that the labels were adequate and that the requested information will be sent.

i. Ad-hoc Group of Public Purchases

Honduras referred to the main issues addressed in the meeting held by the Ad-hoc Group through videoconference. The main points discussed were the single point of access, both parties agreed

that it is a matter of mutual interest. CA will analyse the appropriate way to comply with the commitment of Article 212 of the Agreement.

The Central American countries indicated that their contracting systems are open and available to the public.

Finally, the need to disclose the provisions of the Public Sector Purchasing Chapter of the Agreement was discussed and that more effort is needed for more use by contractors and contractors.

ii. Trade and Sustainable Development Board

Nicaragua developed the main results of the Board of Trade and Sustainable Development, with particular reference to the presentations made by the parties on the implementation of articles related to labour and environmental issues, monitoring bilateral issues of interest discussed at the meeting and the establishment of a procedure to respond to the comments of the advisory groups .

It also referred to the presentation of the cooperation programme by the European Union and the presentation of SIECA and the projects financed with European cooperation in matters of Regional Economic Integration, Climate Change, among others that have an impact on sustainable development issues.

In addition, consideration was given to the recommendations received from Advisory Groups of the European Union and the Central American countries, which met for the first time in plenary session. On the next steps to be followed, the EU's commitment to submit a first draft of a matrix on cooperation issues related to the Trade and Sustainable Development Title was highlighted, which allows for better monitoring, making cooperation more visible and presenting more concrete results .

4.2. Other Chapters not covered by the technical groups:

- *Advances in the fulfilment of commitments related to competition matters (Title VII of the Agreement).*

Guatemala indicated that the draft competition law in its country is in its Legislative Assembly. In relation to the Central American Competition Regulation, CA indicated that it is working to comply with the commitment of the Association Agreement in time.

- *Services and investment: overview (Central America and the EU) in light of the commitments of the Association Agreement (Article 168).*

The EU presented its latest progress in investment regulation with the approval of a Regulation for the Monitoring of Foreign Direct Investments, explaining its content.

Likewise, Costa Rica announced the modifications that were recently made to its Free Zones Law. The European Union appreciated the information.

4.3. Decisions of the Association Council.

Reference was made to pending origin decisions, related to the transposition to the V and VI Amendments to the Harmonized System; as well as the explanatory notes and the filling instructions. Both parties indicated the importance that the discussion at a technical level take place before September with a view to agreeing on the text and that the decisions can be approved in the shortest time.

4.4. Report of Central America on the evolution of its integration process.

Guatemala, as Presidency Pro-Tempore, proceeded to give an executive report on the most relevant advances of the Central American Economic Integration, based on Article 307 of the Agreement, highlighting the application of the Central American Single Declaration (DUCA).

4.5. Protocol to the Association Agreement between Central America and the European Union to take into account the accession of the Republic of Croatia to the European Union.

The parties agreed on the final text of the Protocol for the Accession of Croatia. With this step, they will initiate the necessary internal procedures in the EU and in CA, so that Croatia can be part of the Agreement.

4.6. Status of the ratification of the Association Agreement by the Member States of the European Union.

The EU announced that Austria recently ratified the Association Agreement, with Belgium and Greece pending, with the expectation that the national parliaments of these countries ratify in the short or medium term.

1. Trade Negotiations:

5.1. Negotiations in course on the part of the European Union.

The EU reported that it is currently in the process of negotiating the modernization of trade agreements signed with Chile and Mexico. It also has ongoing negotiations for the adoption of trade agreements with MERCOSUR, Vietnam, Japan, Korea, Singapore, Indonesia, Australia and New Zealand.

Finally, it reported briefly on the possible scenarios of the UK's departure from the EU.

5.2. Negotiations in progress on the part of Central America or the Central American countries.

Panama spoke about the negotiation it currently has with the People's Republic of China to reach a new trade agreement.

Honduras followed by explaining that it is negotiating a partial agreement Ecuador.

Finally, on behalf of Central America, Nicaragua made reference to the progress made in talks with the UK for the adequacy of the Association Agreement, indicating that an early conclusion of this process is expected; finally it was clarified that this is not a negotiation process.

5.3. Multilateral negotiations

- **World Trade Organization**

The EU presented the need to work together with the countries of CA in order to preserve the multilateral trading system of the World Trade Organization (WTO), and especially, avoid the risk of a paralysis to the dispute settlement system, as a consequence of a shift toward unilateral measures that contravene international standards. CA was invited to maintain the dialogue on the relevant issues of negotiation and reform of the WTO.

CA indicated that it shares the concerns expressed by the EU regarding the stability of the multilateral trading system, in particular the dispute settlement mechanism and the importance of strengthening the WTO. CA expressed its willingness to collaborate and support in this sense.

- **United Nations Commission on International Trade Law**

In the context of the United Nations Commission on International Trade Law, the EU proposed the creation of a multilateral investment Court, to replace the current system used in bilateral investment treaties. It explained that in the new investment agreements that are being negotiated, an investment court is established, which allows greater transparency. And that, for this purpose, a working group will initiate a search for multilateral solutions. In this regard, it asked the Central American countries to be involved in this proposal and be more vocal in their support of the reform of the current system for the resolution of investment disputes.

Guatemala expressed its concern about the way in which some investor-State dispute resolution issues are handled and shared the practical experience of Guatemala in international arbitrations.

Guatemala, Nicaragua, El Salvador, and Panama expressed their interest in becoming further involved in this process, requesting additional information in this regard.

For its part, Costa Rica said it is studying the EU initiative and that it is interested to learn more details to assess it properly.

2. Other topics of mutual interest.

6.1. Cooperation related to trade.

The EU informed about the cooperation projects currently in force with the CA countries. At the same time it explained the planning and project financing of future cooperation in trade matters.

CA thanked the EU for the support provided.

6.2. Information from the European Union about the subsequent evaluation study on the Association Agreement with Central America five years after its implementation.

The EU informed that it is in the process of drafting an independent study on the results of the Association Agreement to be launched in 2020. The roadmap of the evaluation is open for comment until the end of August 2019. As a transparency exercise, during the evaluation process there will be numerous opportunities for the involvement of different actors, including CA trade authorities.

CA expressed interest in the study and proposed that it be possible to comment on the report prior to the publication of its final results. The EU undertook to analyse the viability of this proposal.

Nicaragua raised the possibility of a joint study.

3. Establishing the date of the next meeting.

The parties agreed that the next meeting will be held in Brussels, Belgium during the month of June 2020. They also agreed that in December 2019 they would assess whether the meeting will be held at the level of Association Committee or Association Council.

4. Approval of the Joint Communiqué of the meeting.

The parties approved the Joint Statement attached hereto.