

EU/Central America Association Agreement

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PURPOSE: to conclude an Agreement establishing an Association between the European Union and its Member States, on the one hand, and Central America on the other

PROPOSED ACT: Council Decision

BACKGROUND: at the European Union - Latin America and Caribbean Summit held in Vienna on 12 - 13 May 2006, the Heads of State and Government of the European Union and of certain Central American Republics decided to open negotiations on an Association Agreement between the two regions, including the establishment of a Free Trade Agreement. Negotiations were formally launched in October 2007 and were successfully concluded in May 2010.

The text of the agreement was initialled on 22 March 2011.

The proposal aims to conclude the Agreement on behalf of the European Union.

IMPACT ASSESSMENT: no impact assessment was undertaken.

LEGAL BASIS: Article 217 in conjunction with Article 218(6)(a) TFEU.

CONTENT: the Commission proposal aims to conclude the Agreement between the EU and its Member States, of the one part, and Central America, of the other, is hereby approved on behalf of the European Union. Overall the Agreement will lock-in and promote – above and beyond WTO rules – policies of openness and respect at the domestic level for internationally agreed rules and best practices while securing a transparent, non-discriminatory and predictable environment for EU operators and investors in the region.

Its main provisions are as follows:

Political Dialogue: the Agreement includes all the political clauses as an essential element which reflects EU values. The main objective of the Political Dialogue is:

- to develop a privileged political partnership based on values, principles and common objectives;
- to reinforce human rights;
- conflict prevention;
- good governance;
- regional integration;
- poverty reduction;
- the fight against inequality;
- sustainable development.

Strengthening cooperation: cooperation should be manifested in concrete actions in every aspect of common interest, including economic development, social cohesion, natural resources, culture, justice and the sciences.

Trade: the trade part of the Agreement between the EU and Central America establishes the conditions for EU economic operators to take full advantage of the opportunities and the emerging complementarities between their respective economies. Over the course of its implementation, the Agreement will fully relieve EU exporters of industrial and fisheries products to Central America from paying customs duties. It satisfies Article XXIV of the GATT criteria to **eliminate duties and other restrictive regulations of commerce** with respect to substantially all trade between the parties. In addition, it will reduce the scope for Central America to adopt non-tariff barriers in important areas, for example in the field of labelling requirements for textiles. Central America will benefit from substantial new access to the EU market in particular for their key agriculture exports: bananas, sugar, beef and rum while the EU will grant 100% duty-free coverage for industrial products and fisheries of Central America origin at entry into force of the Agreement.

On services and establishment, commitments obtained from Central American Republics go beyond their commitments under the GATS (General Agreement on Trade in Services) and match key EU interests in relevant sectors (notably in telecom services, environmental services and maritime services as well as in other transport services) while respecting EU sensitivities, e.g. in terms of temporary presence of natural persons for business purposes.

With regard to certain sectors, the commitments offered by Central American Republics reach effective parity with other agreements concluded by Central America such as the CAFTA or even go beyond in areas such as market access in non-services sectors or maritime transport services.

In procurement, the deals concluded with Central America provide important access both on the level of central government and below (including for example procurement related to the Panama Canal).

The Agreement also establishes a set of disciplines which go beyond those agreed in the multilateral framework notably on:

- intellectual property (e.g. 224 EU geographical indications protected, data protection conditions clarified);
- sustainable development (the Agreement is GSP+ equivalent or above on labour and environmental issues and contains specific commitments on sustainable fisheries);
- competition (disciplines on monopolies – transparency obligations on subsidies);
- technical barriers to trade (market surveillance, transparency in regulation procedures and disciplines on labelling and marking);
- sanitary and phytosanitary measures (WTO+ measures on animal welfare, regionalisation, approval of export establishments, on-the-spot inspections, import check) among others.

Institutional framework: the Agreement establishes an effective institutional framework for its implementation including both an Association Council as well as an Association Committee supported by a set of sub-committees to allow for work and consultations on the various areas covered in the trade part of the Agreement and a bilateral dispute settlement mechanism.

Provisional application: Member States of the EU will also be Party to this Agreement because of certain commitments in the Protocol on Cultural Co-operation. Accordingly, the Agreement needs to be ratified by them according to their internal procedures. This could take a considerable period of time. In order to ensure prompt application of the trade part of the Agreement pending full ratification by the Member States, the Commission therefore proposes to provisionally apply the trade part. In light of the significance of the Agreement, the Commission considers that the Council should send the notifications referred to in Articles 353(2), 353(3) and 353(4) only after a certain lapse of time so as to allow **the European Parliament to express its views on the Agreement**. The Commission is ready to work with the Council and the European Parliament so that the trade part of the Agreement can be provisionally applied in 2012.

BUDGETARY IMPLICATIONS: the proposal has no implications for the EU budget.