EU/Colombia and Peru Trade Agreement

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The Commission has presented the annual report on the implementation of the EU-Colombia/Peru trade agreement.

To recall, on 26 June 2012, the EU signed a Trade Agreement with Colombia and Peru. The Agreement has been provisionally applied since 1 March 2013 for Peru and 1 August 2013 for Colombia.

The Commission is committed to submit an annual report to the European Parliament and the Council on the application, implementation and fulfilment of obligations of the Agreement and Regulation (EU) No 19 /2013 implementing the bilateral safeguard clause and the stabilisation mechanism for bananas of the Trade Agreement between the EU and its Member States, of the one part, and Colombia and Peru, of the other part.

This is the first such report and is structured in three parts:

(1) An overall assessment of trade flows: in general, there has been an **upward trend in trade for specific goods**. This has acted as a mild counterbalance to an overall decline in trade flows spurred by the global negative trends in commodity prices and EU demand. While it is premature to fully extrapolate conclusions, the figures suggest that businesses in specific sectors are increasingly making use of the Agreement.

> **- Evolution of trade flows with Peru**: in comparison with the year preceding the Agreement, the value of EU imports of goods from Peru in 2013, decreased by 15.9% (EUR 995 million), mostly because of the fall in international prices for commodities. The main EU imports were raw materials (copper and zinc accounted for 29.9% of all imports) whose value suffered a significant contraction in comparison with 2012 (-15.7%). The second group of products (food and live animals, accounting for 36.8% of all imports from Peru) saw a 10.4 % decrease in value compared to the previous year. Chemicals and fisheries also experienced notable increases (24.9% and 4% respectively). The value of EU exports remained constant (increasing by 0.16% or EUR 5.7 million). The main products exported by the EU were machinery and transport equipment (55.5% of total). Exports of these products remained relatively stable. In 2013, the EU's trade balance with Peru reached a deficit of EUR 1.778 billion.
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> **- Evolution of trade flows with Colombia**: the analysis of trade flows with Colombia is affected by the fact that the Agreement has only been applied since 1 August 2013. In comparison with the period before the Agreement was provisionally applied (August – December 2012), the overall value of trade flows remained at similar levels. In terms of value of trade, Colombia remains the EU's first partner in the Andean Community and the fifth in Latin America. The value of EU imports increased by 4.2% in comparison with the previous period, totalling EUR 3.596 billion. In 2012, the total value of Colombian goods exported to the EU represented 15.2% of Colombian exports, in 2013 this figure reached 15.8% of Colombian total exports. Colombian exports remain concentrated in commodities and agricultural goods. Four types of products account for 87.2% of total exports to the EU (petroleum oils, coal, bananas and coffee). EU exports are characterised by a diversification of manufactured goods, consisting mainly of machinery and mechanical appliances, pharmaceutical products, aircrafts and parts, vehicles, technical and medical apparatus.

Use of tariff rate quotas: the Agreement provides for several tariff rate quotas (TRQs) on both sides. The preliminary analysis of quota utilisation suggests that there is still significant margin for an increase of EU

exports under these advantageous TRQs. A greater utilisation of the available TRQs represents an important unused opportunity of this Agreement.

(2) Information on the activities of various bodies implementing the Agreement: the institutional provisions of the Agreement envisage the establishment of a Trade Committee and eight specialised bodies. The annual EU-Colombia/Peru ministerial level Trade Committee plays a supervisory role and ensures that the Agreement operates properly. The first meetings of these bodies were held in 2014 in Lima, Peru.

(3) Information on the monitoring activities referred in the Regulation: in the context of these monitoring activities, the Commission has been monitoring the evolution of imports of bananas from Colombia and Peru. The Regulation provides for the possibility to initiate a safeguard investigation or introduce prior surveillance measures under certain conditions. During the first year of implementation of the Agreement, the Commission neither initiated nor received any requests to initiate a safeguard investigation or introducing prior surveillance measures.

Conclusion: the report concluded that based on about one year of implementation, it is still **early to make any conclusive assessment** of the results of the Agreement on trade and investment flows. The focus thus remains on ensuring the proper implementation of the Agreement so that business can enjoy the trade opportunities arising from it. Some implementation issues persist, notably in the area of animal and plant health and hygiene (SPS) measures. Discussions on these issues will continue in the context and follow-up of the meetings of the various Sub-Committees, with a view to finding mutually acceptable and workable solutions. It is in this context that the first year of implementation overall has brought about a **satisfactory set-up and functioning** of the institutional framework of the Agreement.