

EU/Central America Association Agreement

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The Commission presented a report on the Annual Report on the Implementation of Part IV of the EU-Central America Association Agreement.

The EU signed the Association Agreement with Central America on 29 June 2012. Part IV of the Agreement, covering Trade, has been provisionally applied as from 1 August 2013 with Nicaragua, Honduras and Panama, 1 October 2013 with El Salvador and Costa Rica and finally as from 1 December 2013 with Guatemala.

This report contains:

- a summary of the statistics and an **overall assessment of trade flows**, as well as information on the activities of various bodies responsible for monitoring the implementation of the Agreement, including on fulfilment of obligations under the Title on Trade and Sustainable Development;
- information as regards the implementation of the bilateral safeguard clause and the stabilisation mechanism for **bananas** of the Agreement, in accordance with [Regulation \(EU\) No 20/2013](#) of the European Parliament and of the Council.

Information on the application of the Agreement: the Commission considers that the **limited availability of data** that could be used for this first annual report prevents drawing firm conclusions on the impact of the Agreement.

The report noted that **trade between Central American countries** as well as between this region and the rest of the world contracted by 1% to 2%. Similarly, global EU trade flows decreased by 3%.

Despite this overall decline in trade flows, there has been an upward trend in trade flows for certain countries and specific goods. EU trade flows with the region remained stable or even increased, except with Panama where trade suffered a significant contraction in comparison with 2012 (-11.9 %).

The main destination of EU exports to Central America was Panama (46%) followed by Guatemala and Costa Rica (16% each). The main exports were machinery and transport equipment (32.7%) followed by chemicals (17.5%). EU exports to Central America decreased by 6.3%.

EU exports to Central America show a significant variability (both positive and negative) for products such as heavy machinery, railway, planes and vessels which represents a large share of total exports and for which trade flows are linked to industrial or capital investment. Among the EU exports to Central America which increased the most in relative terms, 9 out of the 15 benefit from a preferential tariff treatment in application of the Agreement.

The main EU imports from Central America were equipment and machinery (42%) followed by food and live animals (39.4%). The main sources of EU imports from Central America are Costa Rica (62%) followed by Honduras and Panama (11% each).

Overall, **EU imports from Central America increased by 3.4%** during the first year of implementation despite the fact that imports of the two most traded products decreased (assemblies for data processing machine and coffee were down by 7.2% and 17% respectively).

It has been agreed with Central America to carry out a **technical review of the statistical methods** and data on trade flows which should allow a more detailed analysis in the future.

Use of tariff rate quotas (TRQs): the EU has agreed to provide **eight TRQs** in favour of Central America on products that did not have any preferential access to the EU market before the implementation of the Agreement. No use of these TRQs was made by Central American economic operators in 2013 except for the TRQs for sugar which were used at 95%.

In 2014, TRQs were only used for two categories (cane sugar and rum).

Central America granted TRQs to the EU on four specific products (cured ham, milk powder, cheese, whey and prepared pork meat). All EU exports covered by these TRQs were increased.

The report concluded that the **relatively low utilisation rate of the available TRQs** points to the possibility to further increase bilateral trade flows between the two regions.

Trade and sustainable development: activities in the first year of implementation of the Agreement have focussed on establishing the institutional structures set out in Title VIII on Trade and Sustainable Development.

Focus was on:

- the implementation of International Labour Organization (ILO) Conventions;
- the implementation of multilateral environmental agreements;
- the development of a positive agenda for trade and sustainable development.

The overall conclusion of the Commission after the first year of implementation is that it has brought about a rapid set-up and **functioning of the institutional framework of the Agreement** and that the process of implementation is overall positive. The formal process between the Parties for the implementation of the Agreement will continue in the context of the meetings of the various implementation bodies which are expected to take place by mid-2015.

The focus of the second year of application remains the **proper implementation of the Agreement**. The Commission is engaged in actions aimed at increasing the awareness of the economic operators as regards the opportunities presented by the Agreement. These actions take place both in the EU and Central America including through cooperation projects in Central America.