

EU/Colombia and Peru Trade Agreement

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

As a reminder, on 26 June, 2012, the EU signed a trade agreement with Colombia and Peru. The Agreement has been provisionally applied with Peru since March 2013 and with Colombia since August 2013. On 12 December 2014, Ecuador's protocol of accession to the agreement was initialled by the EU and Ecuador.

The Commission is required to submit an implementation report to the European Parliament and the Council on the application of the Agreement but also on [Regulation \(EU\) No 19/2013](#) on the implementation of the safeguard clause Bilateral Agreement and the Stabilisation Mechanism for Bananas.

The main findings of the report are as follows:

General evaluation of trade flows: the Commission notes that, four years after its entry into force, **the Agreement is functioning well overall**. It is clear that the economic slowdown in Latin America and the fall in commodity prices on the global market have affected trade flows. Yet, the **decrease of bilateral trade** between the EU and Colombia (23.5%) and between the EU and Peru (11%) is lower than the overall decrease of these countries' trade with the world.

While the share of mineral products in the exports of Colombia and Peru to the EU has decreased, the Agreement has contributed to the diversification of both countries' exports. The Agreement provided opportunities for new exports, notably for **agricultural products**, which are now a key element in both Colombia's and Peru's export structure to the EU accounting respectively for almost 40% and 51% of the value of total exports to the EU. This diversification also led to an important expansion in the number of new exporters to the EU, notably SMEs.

1) Evolution of trade flows with Colombia: the EU is Colombia's second trading partner, after the US.

Following an increase between 2012 and 2014, trade between the EU and Colombia **declined in the past two years**. In 2016, bilateral trade amounted to EUR 10.8 billion compared to EUR 14.2 billion in 2012.

- **EU exports to Colombia** increased from EUR 5.5 billion in 2012 to EUR 6.5 billion in 2015, but decreased EUR 5.4 billion in 2016, a decrease of 15%. The report noted that total EU exports of agricultural products increased by 82% since 2012, a trend across most product categories largely attributed to progress in the implementation of the Sanitary and Phytosanitary chapter.
- **EU imports from Colombia** amounted to EUR 5.4 billion in 2016, decreasing from EUR 6.7 billion in 2015 and EUR 8.6 billion in 2012 (37.5% drop). Minerals represent 51.3% of EU imports, versus 68.5% in 2012. Besides bananas, other tropical fruits registered important increase). Coffee, increasing by 44.9%, now representing 10.9% of EU imports and the total EU imports of agricultural products (HS01 to 24) increased by 32.9% since 2012.

2) Evolution of trade flows with Peru: the EU is Peru's third trading partner, after China and the US.

Bilateral trade amounted to EUR 8.7 billion in 2016, an **11% decrease compared to 2012**, with the EU reducing its trade deficit compared to 2012.

- **EU exports to Peru** have grown by 4% over the same period, in contrast to a decrease by 22% in overall imports from Peru. Pharmaceutical products, 5% of EU exports (a 76% increase since 2012). Agricultural products (HS01 to 24) increased by 73% since 2012, particularly spirits (by 60%), food preparations for infant use (by 277%) and vegetable preparations (by 156%).
- **EU imports from Peru** declined by 4% since 2012, compared to a decline in global exports from Peru of 14%. The largest decrease concerns mineral fuels and mineral oils (48% since 2012). Fruit now accounts for 18% of imports into the EU, an increase of 120% (key products other than bananas being avocados, table grapes, mangoes, blueberries). Cocoa, a commodity whose imports have increased by 226%, accounts for 5% of imports into the EU.

3) Trade in services and investment:

- **Colombia:** bilateral trade in services remained **stable** in 2015 at EUR 4.3 billion EUR. According to Colombian statistics, EU share in Colombia's total trade in services accounted for 16.2% in 2016.

The EU is the first foreign investor in Colombia. The EU's foreign direct investment (FDI) stocks in Colombia increased by 4% between 2013 and 2015, totalling EUR 18.2 billion in 2015. Colombian FDI stocks in the EU decreased by 8% since 2013, totalling 4.4 billion EUR in 2015.

- **Peru:** bilateral trade in services increased by 5% in 2015 compared to 2012. While EU exports increased by 11%, Peru exports decreased by 6% over this period. Based on Peru's statistics, EU share in Peru's total trade in services represented almost 30% in 2015.

The EU is the first foreign investor in Peru. EU FDI stocks in Peru increased by 15% between 2013 and 2015, totalling 10.4 billion EUR in 2015. Peru's FDI stocks in the EU increased to 1.5 billion EUR in 2015, a 533% increase compared to 2013.

4) Trade and sustainable development: the implementation of the Trade and Sustainable Development chapter has progressed and there has been an increasingly open dialogue on labour with both countries.

The EU expressed concerns on labour issues raised by the ILO supervisory system, and further encouraged Colombia and Peru to address the identified shortcomings and improve the effective implementation of International Labour Standards.

- **Colombia** described reforms aimed at ensuring freedom of association for workers and progress in diminishing impunity and violence levels, as well as its ratification of the ILO Domestic Workers Convention;

- **Peru** set out the priorities of the new government: formalisation; social dialogue; preventing and eradicating child and of forced labour; labour inspection. It referred to its recent ratification of the ILO Maternity Protection Convention.

In conclusion, the Commission considers that while implementation is going well in most fields, some areas need further attention, for example the implementation by Peru of its obligations in the area of **sanitary and phytosanitary measures** to allow EU exports of agricultural products.

Discriminatory taxation of spirits remains an unresolved issue in Peru.

Discussions with Colombia on the implementation of the market access commitments for **procurement** at sub-central level in Colombia are also positive.

Both countries need to make further efforts to ensure the **enforcement of EU geographical indications** in both countries

Regarding the **stabilisation mechanism for bananas**, there was no indication that the stability of the EU market nor that the situation of the EU producers have been affected by the level of Colombian and Peruvian exports. The close and reinforced monitoring of banana imports and the evaluation of the market situation will continue.

The Commission will continue to pursue the implementation of the Agreement with Colombia and Peru and now also with Ecuador.