



29 February 2012

EU – COLOMBIA AND PERU TRADE AGREEMENT EUROPEAN PARLIAMENT HEARING

29 FEBRUARY 2012

SPEAKING POINTS FOR ADRIAN VAN DEN HOVEN DIRECTOR FOR INTERNATIONAL RELATIONS, BUSINESSEUROPE

I. FTA EU - Colombia and Peru

1. General comments

The content of the agreement is based on an open regional economy, and will enable, Colombia and Peru, to fully benefit from their competitive advantages, and generate the conditions for increased foreign and domestic investment into their growing markets.

This agreement contains significant commitments from all three parties, the EU, Colombia and Peru. It will generate new opportunities for economic operators and act as an incentive for Andean countries to push through their reform agenda but also to develop the means to offer improved social protection. This would ultimately contribute to the alleviation of poverty.

It should also be noted that with the US' recent approval of the US-Colombia FTA, it is important to ratify this FTA so as to ensure that the EU companies will not face a competitive disadvantage. This FTA will establish parity between the EU and US companies in these markets.

2. Economic benefits for Colombia and Peru

The Commission's impact assessment of the FTA suggested for example that the value of Colombian exports to the EU could increase by 9.9% and that dynamic long term effects would result in income gains representing 1.3% of GDP as a result of an ambitious agreement. Furthermore, the study finds that the impact on employment over the long run could be as great as +2 to + 3% in Colombia and Peru, with also a positive outcome on average national wages for skilled and unskilled workers.

The main drive of this agreement (for Colombia and Peru) has been the substantial market access on bananas and sugar. The new regime of importation of these two products into the EU under this agreement (though preserving the vital margin of preference for European producers and ACP partners) will trigger massive tariff



savings for Colombia and Peru. On Bananas, the European Commission reached the tariff of 75€/ton which will apply as of 2020.¹

The European Commission has given to Colombia and Peru the two quotas of 62,000t and 22,000t on sugar. The European Commission has satisfied an important request of Peru and Colombia and at the same time limited the offered quantities to less than 1% of global EU sugar consumption – meaning the impact will be in consequence for all producers.

Other products will also benefit from substantial market access increases (e.g.: beef, rice and maize). All these products were not covered by the European GSP+ preferential regime. And for beef and pork, the quotas negotiated represent 0.1% and less than 0.1% respectively of the EU market.

For BUSINESSEUROPE, these arguments will support the potential negative effects of GSP reform for those important partners.

There are also strong commitments in services. And as regards investment, there will be guaranteed access to the manufacturing and services sectors for investors on both sides. This can have structural implications for development: these are all areas for which Colombia and Peru have a great interest in attracting foreign participation.

The Agreement also addresses labour and environmental protection in the sustainability chapter.

And the outcome reached with Colombia and Peru also respects the right of other Andean Community members to join the trade agreement whenever they consider it appropriate. An accession procedure has been foreseen.

3. Benefits of the Agreement for Europe

Firstly the European Union have secured access to these markets for our exports in agricultural products and Processed Agricultural Products such as milk powder, cheese, whey, pork meat, cereals, olive oil, wines and spirits. For this sector in particular, the agreement will i) eliminate the 15% import tariff on EU spirits, ii) end the current discriminatory tax practices against importer spirits, and iii) end discriminatory monopoly practices. BUSINESSEUROPE welcome these achievements.

Secondly, with regard to industrial products, a 100% coverage is ensured. But all European manufactured products will enter these markets free of duty within 10 years while Andean exports of manufactured products to the EU will be completely liberalised at entry into force.

Thirdly, the services chapters are very ambitious and they set an important example for international liberalisation in services. The commitments taken by Colombia and Peru

¹ This was the tariff at which these Andean countries used to be able to participate with their exports in a quota of 2,653,000 tons between 2002 and 2005.



in virtually all services sectors surpass by far the levels of legally binding commitments undertaken in the Uruguay Round of the GATS and will effectively offer new market access to our companies in a majority of sectors. Sectors of particular note in Colombia, for example, are Business, Telecommunication, Construction, Distribution, Financial and Transport services where large-scale commitments have been made for the first time.

4. FTA Peru – Colombia – EU

a) Initial Provisions

1. Respect of the democratic principles and fundamental human rights (as laid down in the Universal Declaration of Human Rights).
2. Cooperation between the parties in order to countering the proliferation of weapons of mass destruction.
3. Establishment of a free trade area in conformity with
 - Article XXIV GATT : progressive and gradual liberalization of trade in goods;
 - Article V GATS: progressive liberalization of trade in services.

Objectives of the Agreement

1. Progressive and gradual liberalization of trade in goods and services.
2. Development of a favourable environment in order to increase investment flows. This environment should be improved on the basis of the principle of non-discrimination.
3. Facilitate trade and investment through the liberalization of current payment and capital movement related to direct investment.
4. Opening of public procurement markets
5. Protection of intellectual property rights: this agreement will ensure the balance between the rights of the IPR holders and public interest.
6. Conduct economic activities in conformity with the principle of free competition.
7. Establishment of an effective dispute settlement mechanism.
8. Promote international trade in order to contribute to the objective of sustainable development.
9. Cooperate for technical assistance and trade capacities in order to contribute to the implementation of this agreement.
