



INFOCARD ELANBiz

Successful implementation of the EU-Colombia/Peru Trade Agreement for EU companies in Colombia

Elaborated in December 2017.

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This Infocard provides a general overview of the FTA implementation for the EU companies that are doing business in Colombia.

The Third Annual Report of the Commission on the implementation of the EU-Colombia/Peru

Four years after its entry into force in August 2013, the Trade Agreement is functioning well. If the economic slowdown in Colombia due to the fall in commodity prices on the global market have affected trade flows, **positive results must be highlighted both for EU and Colombian companies.** The EU Commission supports actively the implementation of the Trade Agreement so that economic agents from both parties fully benefit from its opportunities.

Since ELANBiz aims to inform EU companies on market access requirements in the seven countries covered by the project, this Infocard mostly presents **the results of the implementation of the EU-Colombia/Peru from the point of view of the EU companies that are doing business in Colombia.**

The Agreement entered into force on 2013 with Colombia and focuses on the progressive and reciprocal liberalization of custom tariffs, services, investment and includes other issues such as public procurement and the protection of intellectual property rights, among others. The Trade Agreement establishes a legal framework and an institutional dialogue which increase the stability in trade relationship and promote long term businesses.

In this context, the European Commission has presented the Third Annual Report on the Implementation of the EU-Colombia/Peru Trade Agreement to the European Parliament and the Council. This ELANBiz Infocard has been elaborated on the basis of this Third Annual Report and presents the positive effects of the Trade Agreement on trade and EU investment as well as the progress made regarding some access market matters, and finally in relation with labour and environmental issues.



The Trade Agreement has positive effects on trade in goods.

1. Some important categories of EU exports increased significantly.

The EU is Colombia's second trading partner after the US. During 2016, bilateral trade declined slightly mainly due to the reduction of external demand and the global fall of commodity prices. EU exports to Colombia increased from 5.5 billion EUR in 2012 to 6.5 billion EUR in 2015, but decreased by 15% in 2016 to 5.4 billion EUR. This is in line with the trend of reduced imports to Colombia from the rest of the world. Nevertheless, and **in terms of EU exports, some of the most important categories increased significantly between 2012 and 2016:**

-**Total EU exports of agricultural products (HS01 TO 24) increased by 82% since 2012.** This excellent result is attributed to the progress in the implementation of the sanitary and phytosanitary chapter.

-**Pharmaceutical products (HS30), 13% of total EU exports, increased by 12.5%;**

-**Vehicles and parts (HS87), 8.5% of EU exports, increased by 2.1%;**

-**Medical (and other) instruments (HS90) and plastics and plastic articles (HS39) increased each by 11%;**

-**However, Machinery and mechanical appliances (HS84), 16.1% of EU exports, declined by 24.6% compared to 2012,** mainly due to lower investment demand.

In 2017 (Jan-Sept) EU exports of agricultural goods to Colombia decreased slightly (-1% compared to 2016 during the same period) to reach 180,7 Million EUR. Nevertheless, the following categories increased significantly:

- Beverages, spirits and vinegar, increasing by +14%
- Beer made from malt, increasing by 82%

Regarding non – agricultural goods, EU exports raised from 2.6 billion EUR to 2,9 billion EUR, increasing by 14%. The categories that registered a positive evolution are:

- Organic chemicals, increasing by +11%
- Pharmaceutical preparations (+9%)
- Essential oils and resinoids, perfumery, cosmetics or toilet (+13%)
- Soap, organic surface active agents, washing preparations (+9%)
- Plastics and article thereof (+8%)
- Textiles and textile articles (+21%)



- Machinery and Mechanical appliances, electrical equipment (+27%)
- Vehicles, aircraft, vessels and associated transport equipment (+30%)¹

2. EU companies increased the use of the Tariff Rate Quotas (TRQ's)

Several sensitive products were subject to a system of annual quotas upon the entry into force of the trade agreement. Imports within the quota are free of custom duties. For goods exceeding the quota, an extra quota customs duty level is accorded by parties in the Trade Agreement. Most of the goods subject to quota will be free of all custom duties since January 1st of 2028.

EU companies increased the use of the Tariff Rate Quotas (TRQ's) for some of the most sensitive products (reaching 100% of the quota for products, such as mushrooms, yogurts and milk in powder, whey and preparations for infant use in Colombia). As a consequence, EU exports increased significantly for these products and new opportunities are offered for EU producers in Colombia. Note that regarding ice cream (only 25,9% of use of the TRQ in 2016), cheese (7,9%) and sugar confectionary (3,8%), EU companies are not fully using the TRQs and untapped opportunities remain.

3. Preference Utilisation rate

"Preference utilization" can be described simply as the extent to which imports which are eligible for trade preferences are actually imported under these preferences. Based on statistics from Colombia, preference utilisation rate by the EU companies in Colombia amounted to 70.6% in 2016 (versus 55.7% in 2014, indicating that EU exporters are making better use of the Agreement).

Trade in services remained stable while EU investment increased

Colombia, bilateral trade in services remained stable in 2015 at 4.3 billion EUR. According to Colombian statistics, EU share in Colombia's total trade in services accounted for 16.2% in 2016. Nevertheless, **EU services exports to Colombia have remained stable** since the entry into force of the Trade Agreement.

EU investment increased as a consequence of the Trade Agreement. **The EU is the first foreign investor in Colombia and EU investments have increased since the implementation of the**

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Source: Eurostat (extracted 02/12/2017)



Trade Agreement in Colombia (+4% between 2012 y 2015). EU FDI stocks in the country represented a total amount of 18.2 billion EUR in 2015.

Progress registered regarding several market access matters.

The reports also highlights the progress registered in several market access issues in the framework of the different implementation subcommittees and related to public procurement, conformity assessment, sanitary and phytosanitary measures, agricultural issues, intellectual property and some other market issues.

- **Public procurement:** Some progress was registered regarding the EU market access at sub-central level, notably for decentralized (municipal) entities responsible for infrastructure.
- **Conformity assessment:** Colombia presented a proposal for the recognition of certificates issued in the territory of the other party.
- **Sanitary and Phytosanitary Measures:** Important progress must be highlighted in the implementation of the SPS provisions, notably in establishing harmonized import conditions for dairy products and meat. Regarding harmonized certificates of the EU for prepared meat products (“embutidos cocidos”) and dairy products, once an agreement is reached between the two sides, all 28 MS of the EU will obtain market access for their products.
- **Agricultural issues:** On spirits, which is subject to ongoing dispute settlement at the WTO, it is important to highlight the positive results of the implementation of the spirits law adopted in December 2016 in December that eliminates the discriminatory tax system between imported and alcoholic domestic beverages.
- **Intellectual property:** Regarding pharmaceutical patents, the role of the Ministry of Health in pharmaceutical patent examination remains an on-going issue as well as copyright and related rights. The EU expressed its concern about remaining problems regarding Geographical Indications registration procedure and enforcement issues.
- **Other market issues:**
 - ✓ **Truck scrapping policy.** A new regulation adopted by Colombia on truck scrapping policy should have positive results since 2018.
A favorable evolution from the Colombian government is expected regarding:
 - ✓ **the application of a 30,000 USD FOB threshold, above which a higher tax rate applied on passenger cars imports**
 - ✓ the obligation, enacted in 11 Colombian departments, **to attach strip stamps for imported beers.**



Implementation of labour provisions.

A positive evolution has been registered in the implementation of labour-related provisions with the adoption by the Colombian government of reforms aimed, among others, at ensuring freedom of association for workers and progress in diminishing impunity and violence levels. Colombia is working hard in implementing labour policy recommendations in the context of the accession process to the Organisation for Economic Co-operation and Development (OECD) and has ratified the ILO Domestic Workers Convention.

Environment related provisions.

Colombia's Congress unanimously ratified the Paris climate agreement on June 16, 2017 and the government is implementing its commitments in the framework of the Convention on International Trade in Endangered Species (CITES) regarding control in trade of crocodile and caiman skins.

Relevant links

- [Third Annual Report on the Implementation of the EU-Colombia/Peru Trade Agreement to the European Parliament and the Council.](#)
- [Text of the Agreement](#)
- [Elanbiz info card "Multipart Trade Agreement between the European Union, Colombia and Peru"](#)
- [Elanbiz info card "Public procurement in Colombia"](#)
- **Elanbiz info card "Colombian post – conflict opportunities for trade and investment from the EU"**
- [EU Delegation in Colombia](#)

This Infocard has been prepared by the ELANBiz Expert in Colombia.



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