



INFOCARD ELANBiz

Opportunities and challenges for European companies facing the economic integration of the Central American market ¹

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This Infocard presents information on the state of economic integration in Central America, its institutionality and, particularly, the framework of the economic integration system of Central America - SICA. It describes the Central American market opportunities and the challenges regarding the economic integration from the standpoint of the European exporting company to any of the SICA member countries. It describes the online access tool for Central American companies to promote trade with European companies. It also discusses the opportunities that European companies can benefit from under the European Union and Central America Association Agreement (EU-CAAA) and the support of international cooperation for Central American integration.

Introduction

With 45 million inhabitants, the Central American region is of great economic interest to Europe for several reasons, one of which is the size of the integrated market (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama). Other reasons are that the same Spanish language, the same time zone and climate, as well as similar patterns of consumption are shared in the region. Despite that each economy has its own currency, international commercial transactions are handled in US dollars.

According to [CEPAL](#), expansion in 2016 was forecast at 3.9% of GDP in Central America, compared to the rest of Latin America and the Caribbean, where it was expected to fall by 0.9%. As the [7th largest economy](#) in Latin America and the Caribbean, Central America has 7 international airports with renowned airlines and 15 ports with capacity to serve panamax and feeder ships.

¹ "Content information provided in this document, is of general nature only. For more detailed information, events and commercial trade offers as well as commercial business contacts, please contact the Commercial Offices on the member States, the European trade organizations and bilateral chambers of commerce."



Although the region is in the process of economic integration through the Central American Economic Integration System (SICA), the advances allow considerable advantages as a common external tariff for more than 90% of the products.

However, AACUE marked a new scenario in trade relations between Central America and the European Union, creating a stable and long-term legal framework. It is a region-to-region agreement that the Central American republics negotiated as a block aimed at fostering regional integration and reducing barriers to trade for European companies.

It is worth mentioning that in 2015, bilateral merchandise trade between Central America and the European Union reached € 10,926 million. Since the entry into force of trade, exports from the EU to Central America (CA) have increased by 3.5%².

The Integration Process in Central America

The Secretariat of Central American Economic Integration (SIECA) is the regional body that facilitates the economic integration of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, which are all member countries of the Central American Integration System (SICA). In terms of economic integration, it has the capacity to foster the union ([SIECA](#), 2016, s.f.). SIECA has its headquarters in Guatemala City as well as its administrative, operational and budgetary duties.

SIECA plays a similar role to that of the European Commission. Since the 1960s in Central America, there have been talks about the idea to unify the region as a Customs Union, promoting Central America as a strategic commercial zone, for its natural advantages and strategic position from the geographical and political - commercial standpoint.

The SIECA committees have been participating in the various negotiation processes on key issues in the negotiation of trade agreements of the region. Recently, SIECA participated in topics such as rules of origin, tariff preferences, phytosanitary regulations and international transport under the framework of the EU-CAAA.

² https://eeas.europa.eu/delegations/costa-rica/1106/costa-rica-y-la-union-europea_es



Opportunities for European Companies within the CA Integration

- European products that are imported into SIECA member country will pay a **common tariff** for all countries
- one single administrative document for **customs declarations** (DUCA)
- a Central American **Harmonized System** - SAC (i.e. system of import tariffs and classification) - the tariff headings are unified in 10 digits for all countries except for Costa Rica which has 12 (due to a greater opening of the previous subheadings)
- the Central American **Technical Regulations** are harmonized in several sectors (i.e. food labeling, clothing and footwear, pharmaceutical products), although many regulations remain to be harmonized
- it complies with the regional regulations on the administration of quotas negotiated in the EU-CAAA
- there is a system of mutual recognition of the [sanitary registration](#) for processed foods in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua (in the future it will be expanded for medicines).

Challenges of CA integration affecting European exports

- transport of goods in the region still transit at low speeds and freight transit costs are still very high
- resources have already been allocated to modernize the border controls in Nicaragua, Panama and Costa Rica. Guatemala, Honduras, and El Salvador³ do not have so
- four countries in the region (Nicaragua, Honduras, El Salvador and Panama) have ratified the trade facilitation agreement in Bali; Costa Rica and Guatemala³ are still lacking to do so
- there is still individual discretion among the staff at entities involved in cross-border trade⁴
- the lack of harmonization of intraregional trade processes⁴
- lack of knowledge of regional legislation⁴

³ <http://www.estrategiaynegocios.net/lasclavesdeldia/977705-330/uni%C3%B3n-aduanera-centroamericana-se-expandir%C3%A1-a-todo-el-ca-4>

⁴ <http://www.laprensa.com.ni/2017/03/01/economia/2190659-centroamerica-union-aduanera-dos-velocidades>



- little or no interinstitutional coordination of entities involved in regional trade (agricultural, phytosanitary and animal health authorities, police, health, migration and customs authorities)⁴
- inadequate infrastructure at border posts⁴

Tariffs applied to European products

Under the EU-CAAAA⁵, tariffs are eliminated either upon entry into force of the Agreement or progressively, with terms ranging from 5 to 15 years. Some products have been excluded from the tariff elimination process, thus those tariffs will remain unchanged.

It is important to point out that the EU-CAAAA is a region-region agreement, in which there is a single list for tax exemption that all Central American countries should apply to imports from the EU (except for Panama, which has a separate list). For certain products facing different tariffs in each Central American country (disharmonized tariffs), it was decided to use a system of "dragging", in which the rate of tariff reduction is determined by the "base rate CA" (the highest applied between the Central American countries). For further information please refer to the ELANBiz InfoCard "[Association Agreement Central America and Europe](#)".

Can a European company export its product to a country in Central America and re-distribute it to the other countries of the region without re-paying tariffs under the AACUE ?

Within the framework of the EU-CAAAA, the Title IX Regional Economic Integration, ARTICLES 303 - 330 clearly define the treatment for such commercial situations so that it would not have to pay twice the customs duties and taxes. Specifically, Article 304 states:

Customs Procedures

1. No later than two years after the entry into force of this Agreement, the customs authority of the Republic of the first CA Party shall grant reimbursement of the duty paid when such goods are exported to another Republic of the CA Party. Such goods

⁵ Consideration for importing from UE to Costa Rica:
<http://www.comex.go.cr/tratados/vigentes/aacue/consideraciones/Consideraciones%20para%20importar%20a%20CA%20en%20el%20marco%20del%20AACUE%202015-04-20.pdf>



shall be subject to the customs tariffs of the Republic of the importing Party.

2. The Parties shall deem to put in place a mechanism to ensure that goods originating in Central America or the European Union in accordance with Annex II (Concerning the definition of the concept of "originating products" and methods of administrative cooperation) of this Agreement which enter their territory and have been dispatched at the customs office of importation, may not be subject to customs duties or charges having equivalent effect.

3. The Parties agree that their respective customs legislation and procedures shall provide for the use of a single administrative document or its electronic equivalent in the EU Party and in CA Party, respectively, in order to establish customs declarations for import and export. The CA Party undertakes to achieve this objective three years after the entry into force of this Agreement.

4. The Parties shall also ensure that customs legislation, customs procedures and import requirements applicable to goods originating in Central America or the European Union are harmonized at the regional level. The CA Party undertakes to achieve this objective no later than five years after the entry into force of this Agreement.

However, in the case of goods imported from EU countries and re-exported to the rest of Central America, without having undergone any transformation, it can be done as long as they have been kept in a fiscal warehouse (under customs control).

For these movements, the preferential tariff treatment of the AACUE would apply, provided that the exporter requests the approval of the **substitute certificates** (requested by Customs or Single-window office, as applicable). To request a substitute certificate, the company must provide the original of the certificate of origin issued in Europe, and a copy of all documents that protected the importation in the Central American country. At the same time, they must provide the substitute certificates, with a copy of the supporting documents (for example the commercial invoice made in Costa Rica for export).

Services offered by SIECA

SIECA offers a complete set of information platforms of customs, commercial and legal nature in which all the relevant documentation on the integration processes of each of the Central American nations can be found, as follows:



- **Legal Services:** This section provides information on Regulations, Resolutions, Trade Agreements, Jurisprudence, among others, so that they can be consulted in case of doubts in a business relationship process.
- **Arbitration:** This is an option that can be used in the writing of commercial contracts which is endorsed by the agreement of the GATT and the WTO and can be invoked in case of inconvenience in commercial relations. The team of inter-disciplinary experts with arbitrators specialized in International Trade issues
- **Economic Integration:** In this section, complete information can be found and consulted on the progress of integration of the different countries in the region with accountability of the progress in the integration processes
- **Statistical Information Systems:** This is a portal that provides data on the movements of international trade among the countries of the Central American region.

Plataforma Red Centroamericana de Comercio REDCA (SIECA)

SIECA offers all companies and other European stakeholders in the Central American market a business management platform called **REDCA** (Central American Trade Network). It is a virtual meeting point for Latin American companies and companies from all over the world to promote commercial



relations of goods and services in the region. The platform provides information to participants on business intelligence issues as well as online tools to generate business networking. The platform offers the advantage of providing a comprehensive business directory in a completely secure online environment, among others.

The services offered by this platform are:

- ✓ Find what you're looking for: It provides a wide range of interconnected information systems and useful statistics for users interested in business intelligence tools.
- ✓ Keep me informed: This makes available to an information portal that disseminates all the contents and news with the current economic center of the Americas in real time. It has basic themes such as:



- Empty Transits.
 - Business Opportunities.
 - Macroeconomic Studies
 - Business catalogs
- ✓ Doing business: In line with the main objective of this platform, this section provides the users of 10 Virtual Networking Rooms, so that users can contact in virtual way with all the technological facilities like possibility of sharing screen and documents to be easier to manage and close deals.

To access this platform for free, please refer to these links:

- ❖ [Plataforma REDCA. https://www.redca.sieca.int/](https://www.redca.sieca.int/)
- ❖ [Video Tutorial Registro en REDCA](#)
- ❖ [Video Presentación del REDCA](#)

EU Cooperation framework with Central America

Through European Commission finance, SIECA carries out the project PRAIAA (Project to Support Central American Economic Integration and the Implementation of the Association Agreement) which has a direct impact on the progress of Central American economic integration, the initiatives of the Council of Ministers of Economic Integration (COMIECO), and the facilitation of trade and the fulfillment of the commitments assumed by Central America in the framework of the Association Agreement with the European Union. The project provides all CA countries with technical assistance, training and equipment to support the adoption and consolidation of common mechanisms and tools, to facilitate trade between the two regions.

PROYECTO PRAIAA

<http://www.praiaa.sieca.int/praiiaa/>





LINKS OF INTEREST

- **Infocard ELANBiz "EU and Central American Association Agreement":** Information on rules of origin, import tariffs, labeling regulations, export of services, public procurement, etc.

<http://www.elanbiz.org/costa-rica>

- **SIECA:** Secretariat of Central American Economic Integration.

<http://www.sieca.int/General/Default.aspx>

- **PLATAFORMA REDCA:** Central American Trade Network.

<https://www.redca.sieca.int/>

- **PROYECTO PRAIAA:** Project to Support Central American Economic Integration and the Implementation of the Association Agreement.

<http://www.praiaa.sieca.int/praiiaa/>

- **SIECA Cooperación:** Special section for Cooperation Projects of SIECA:

<http://www.sieca.int/Portal/Pagina.aspx?PaginaId=1018>

- **CINDE** – investment promotion agency of Costa Rica:

<http://www.cinde.org/es/por-que/incentivos>

- **Código Aduanero Único Centro Americano (CAUCA).**

<http://www.sieca.int/PortalData/Documentos/C39E471D-14C9-4C72-9202-7A26DC694AE9.pdf>

- **Fundamental aspects of the EU-CAAA.**

http://www.eeas.europa.eu/delegations/nicaragua/documents/press_corner/news/20130204_brochure_pilar_comercial_es.pdf

- **Text of the Agreement:**

<http://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=OJ:L:2012:346:FULL&from=ES>



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