



INFOCARD ELANBiz

Multiparty Trade Agreement between Peru, Colombia and the European Union

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This Infocard provides a general overview of the Multipart Commercial Agreement, the main commercial aspects linked to it and presents perspectives for EU companies

Why is The Trade Agreement with Perú important for European companies? ¹

The agreement promotes high quality and sustainable business, opening market opportunities for major export industries of the European Union (EU), which benefit of tariff elimination. The agreement includes: progressive and reciprocal liberalization of trade of goods and services, liberalization of investment and related payments, public procurement on both sides, protection of intellectual property rights, cooperation in the field of competitiveness and the establishment of mechanisms for dispute resolution.

The Agreement establishes a legal framework that increases the stability in business relationships allowing the creation of long term business. This is an ambitious agreement covering various aspects of trade and includes commitments that go beyond the multilateral framework of trade relations, including a chapter on cooperation and dispositions on the protection of human rights and democracy as well as commitments to effectively implement international conventions on labour rights and environmental protection

The Agreement promotes best practices on an international level, ensuring non-discriminatory and predictable transparent environment for traders and investors through a mechanism to address non-tariff barriers as well as an advanced dispute settlement mechanism.

¹ Source: http://eeas.europa.eu/delegations/peru/eu_peru/trade_relation/trade_related_tech_assistance/index_es.htm



The multiparty agreement provides an adhesion clause which opens the door to the participation of other Andean Community countries. In this regard, Ecuador is part of the Agreement, since 2016.

Which products benefit from the Agreement? ²

According to the principle of asymmetry, various periods of tariff reductions were established for European products in order to prevent the impact of the rapid liberalization in the Peruvian market. The agreement covers the entire tariff universe. On the other hand, Peru has benefited with an immediate tariff reduction of 99.3% of its exports to the EU, which represent 95% of tariff items. The Agreement fully eliminates from the first day, all tariffs on EU industrial and fishery products

Additionally, it provides immediate liberalization to 89.8% of tariff lines on the agricultural goods. Products that benefit are decaffeinated coffee, asparagus, avocados, guavas, mangoes, artichokes, paprika peppers, among others. For products traditionally protected in the EU, such as bananas, rice, sugar, meat and dairy products, tariffs are reduced or quotas are established and increase each year.

On the other hand, Peru offers immediate liberalization and a 5 five year of interest rate to products from the EU, such as iron and steel bars, compressors, some medications, diesel 2 engines, vehicles, machine parts, chemicals, lubricants, additives food, whiskey, malt, food preparations, animal feed, hop cones, whey, among others.

Regarding the access to non-agricultural products, those that are sensitive for Peru, in sectors like plastic, textile and clothing/confections, footwear and mechanical metal are included in tax liberalization in a period of 10 years. These products represent a bit more than 800 tariff lines and 9 % of imports to Peru from the EU. ³

Which tariffs are applied to European goods?

Not all tariffs were eliminated at the same time. The commercial Agreement between Peru and the EU was initiated on March 1st, 2013, the process of tariff liberalization is in the lead, to the date this card is being prepared. To know the tariff liberalization scheduled for a specific

² Source: Peruvian Government, Trade Agreements: <http://www.acuerdoscomerciales.gob.pe/>

³ Source: Notes on the Multiparty Commercial Agreement between Peru, Colombia and the EU. César Larraín. César Larraín. Embassy of Peru in Spain.



product, it is recommended consulting the Schedules of Tax liberalization, included in the Agreement⁴. The Agreement provides the gradual elimination of tariffs: ⁵

Category	Period to Liberalization
0	Immediate
3	Progressive until January 1st. Year 4
5	Progressive until January 1st. Year 6
6	Progressive until January 1st. Year 7
7	Progressive until January 1st. Year 8
10	Progressive until January 1st. Year 11
12	Progressive until January 1st. Year 13
15	Progressive until January 1st. Year 16
E	Will maintain
BF	No tariff elimination; Peru allow free import tariff quota added of 1 075 tons from the entry into force of the Agreement, with an annual increase of 107 tons.
BR	No tariff elimination; Peru will allow free tariff import for a quota added of 250 tons from the entry into force of the Agreement, with an annual increase of 25
CE	It remains at base rates until the end of year ten; beginning on January 1 of year eleven, tariffs will be reduced in seven equal annual stages, and that goods will be tariff-free January 1 of the year eighteen; Peru will allow free import of tariff quota added of 2 500 tons from the entry into force of this Agreement, with an annual increase of 250 tons.
GC	No tariff elimination; Peru allow free import tariff quota added for 375 tons from the entry into force of the Agreement, with an annual increase of 37 tonnes.
EXCL	For more information on other categories please review the Agreement Annex.

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http://www.acuerdoscomerciales.gob.pe/index.php?option=com_content&view=category&layout=blog&id=50&Itemid=73

5 Source:

http://www.acuerdoscomerciales.gob.pe/images/stories/union_europea/importar_exportar_2012_06/Anexo_I_AP1_SecC_es.pdf



What is the "rule of origin" and what requirements must European products comply to benefit from the preferential tariff regime?

Annex II of the Agreement is established what will be considered to be original products: those which are entirely produced in the EU or in Peru, and those that incorporate materials which have not been totally obtained in these territories, providing that these materials have been sufficient object of production or transformation in the EU or in Peru.

In general, original products of the EU are considered, goods even using imported materials, have experienced a rise in tariff classification or not original materials do not exceed a percentage between 20 and 50% of the price Franc factory of the transformed product. Rules of origin describing the tariff rise and the specific conditions for each product are listed in Annex II of the Trade Agreement concerning the definition of originating products and methods for cooperation.

The Annex also includes some provisions on accumulation of origin. Materials originating in the EU are considered materials originating in a signatory Andean Country when a product obtained in that country is incorporated, it is not necessary that above mentioned materials have been an object of sufficient working or processing in the Andean country. On the other hand, materials originating in a signatory Andean Country shall be considered materials originating in the EU when they are incorporated into a product obtained there.

Products originating in the EU, imported into the Andean signatories' countries, and products originating in an Andean signatory Countries, to be imported to the EU will benefit with the trade agreement presenting a certificate of traffic of goods EUR.1 (Appendix 3 Annex II of the Trade Agreement, see link of interest at the end of this card).

How are standards, technical regulations and conformity assessment procedures covered in the Agreement?

The agreement indicates that international standards will be in used as a basis for drawing up technical regulations; except if those international procedures would be an ineffective or inappropriate way to fulfil or reach the legitimate objective pursued.

Regarding procedures of evaluation and conformity the results will be recognized and issued by the competent authorities through a multilateral accreditation agreement and the celebration



of agreements with private certification organisms, which will help to homogenize the standards of the evaluation.

An article on labelling is also included and marked for the textile and footwear items: permanent labelling should be limited to information that is relevant to the consumer, avoiding the possibility of including other information that hinders both understanding and the labelling process. The parties agreed not require prior approval or registration label, except to protect human, animal or plant health, as might occur in pharmaceuticals.

The incorporation of internationally recognized pictograms is permitted on textiles and footwear, which historically has developed an unnecessary labelling, the information provided will be limited. In case of further information is necessary, it will be made by non-permanent labels.

It is foreseen the coordination and creation of a Committee for the implementation, monitoring and solution of problems, as well as technical assistance (from the EU) and a Subcommittee is established in order to ensure the implementation of the Agreement.

How are sanitary and phytosanitary regulations covered by the Agreement?

Sanitary and Phytosanitary Rules (MSF) are measures that apply to protect the life of people and animals or to preserve plants/vegetables from risks arising from additives, contaminants, toxins or disease-causing present organisms food products, or to protect a country from the damage caused by the entry, the establishment or the dissemination of parasites or pests.

MSF have placed a highly important Agreement, defining rules of game applicable to bilateral level in two essential fields: sanitary admissibility and defence of the sanitary national status. The Agreement contains specific provisions on harmonization of MSF measures and standards, clear aspects to facilitate trade, to define the recognition of sanitary status, to proceed to the regionalization and equivalence with specific rules and procedures for national inspection and verification of establishments information, transparency, information exchange, emergency measures and alternatives that do not hinder trade flows, with special and differential treatment, technical cooperation and a new procedure of technical consultations and access to the dispute settlement provisions

Perhaps the most important aspect of the Agreement regarding MSF, is to create a "Sub-Committee on Sanitary and Phytosanitary Measures" to solve the problems, define sanitary



priorities with the authorities on both sides, as well as track and monitor the actions on this subject made by the Parties. It is expected that this committee represents a significant strengthening of the real access for agricultural and agro-industrial products from the EU to the Peruvian market.

How does the Agreement regulate the trade in services and investments?

Regarding trade in services, two fundamental principles apply: the "Most Favoured Nation Treatment" and "National Treatment". These two principles ensure that services providers of either part benefit from the same market access conditions as its nationals. Furthermore, a limit cannot be imposed on the number of services providers, the total value of transactions or assets, the total number of services operations or the shares owned by foreign entities.

- Progressive liberalization of trade in services in all its forms, including establishment/settlement.
- Facilitate foreign direct investment and guarantee stability and legal certainty for investors.
- General rule of national treatment.
- Provide temporary stay for business persons and service provision.

The Agreement provides investors of both parts important opportunities in a wide range of areas, including manufacturing, service industries, energy production, etc. On the other hand, it consolidates and provides market access for cross-border services and ensures the establishment in key areas such as financial services, professional services, maritime transport, and distribution and telecommunications services.

The Agreement contains a specific chapter in which the parties undertake to facilitate a temporary stay in their territories of short-term business visitors as well as service providers who have been contracted to provide a service in the EU to a final consumer (architecture, engineering, medical services, research and design, market research, trade/commercial fairs, tourism, etc.) as well as to liberalize current payments and capital movements, which will benefit the free traffic of services, investment and establishment.

What opportunities exist regarding government procurement?

The main benefits include:

- Access to all levels: national, sub-national and public bodies.



- Transparent and open procedures
- Equality and non-discrimination conditions.
- Thresholds and exceptions (to promote SMEs)

The text establishes the general principles and the scope of the Agreement as Annex establishes the contracting entities comprise, the threshold for the value of the contracts on which they apply and the provisions and any contract that remains excluded (e.g. support to the agriculture, social programs and sensitive defence equipment). The Annex establishes the main characteristics of the process for the award of public contracts: publication of tenders, the documentary requirements, contract awards and terms.

Overall, the Agreement enables a large proportion of public procurement to companies by granting national treatment. However, this "liberalization" applies only to procurement entities covered by country programs that exceed contractual thresholds that apply to each type of procurement. Thresholds are set to maximize the coverage, while conformity costs are minimized and adjust to the provisions of the Government Procurement Agreement of the WTO. It should be noted that the new regulation is still in process of implementation. See INFOCARD ELANBiz "Public Procurement".

Relevant links

- **Agreement Text:**
http://www.acuerdoscomerciales.gob.pe/index.php?option=com_content&view=category&layout=blog&id=50&Itemid=73
- **European commission:** <http://trade.ec.europa.eu/doclib/press/index.cfm?id=694>
- **Trade Agreement Perú-UE (Delegation of the UE in Perú):**
http://eeas.europa.eu/delegations/peru/eu_peru/trade_relation/trade_related_tech_assistance/index_es.htm
- **Sistema Integrado de Información de comercio Exterior:**
http://www.siicex.gob.pe/siicex/portal5ES.asp?_page_=160.00000
- **Certificate of goods circulation:**
http://www.acuerdoscomerciales.gob.pe/images/stories/union_europea/importar_exportar_2012_06/certificado_origen_espanol.pdf
- **Virtual Office of Certificates of Origin:** <http://www.e-camara.net/sueltos/co/page01.html>.
- **The Window of Exterior Trade - VUCE:** <https://www.vuce.gob.pe/>
- **Portal Technical Peruvian Regulations:**
<http://www.mincetur.gob.pe/newweb/Default.aspx?alias=www.mincetur.gob.pe/newweb/webregtec>
- **Criteria of origin in the commercial agreements and Preferential Rate**
<http://www.mincetur.gob.pe/newweb/Default.aspx?tabid=3099>



- **Anexo II of the Agreement “Rules of Origin”**
- http://trade.ec.europa.eu/doclib/docs/2011/march/tradoc_147742.pdf

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