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signed by Mr Jordi AYET PUIGARNAU, Director

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Third Annual Report on the Implementation of the EU-Colombia/Peru
Trade Agreement

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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**Third Annual Report on the Implementation of the EU-Colombia/Peru Trade
Agreement**

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Third Annual Report on the Implementation of the EU-Colombia/Peru Trade Agreement

1. INTRODUCTION

2016 was the fourth year of implementation of the Trade Agreement between the European Union and its Member States, of the one part, and Colombia and Peru, of the other part¹ (hereafter the "Agreement"). The Agreement has been provisionally applied with Peru since March 2013 and with Colombia since August 2013².

The Agreement saw its first amendment with the Protocol of Accession of Croatia to the EU. After completion of the ratification procedure by Peru on 6 April 2017, the Protocol entered into force with Peru on 1 May 2017.

The Agreement also saw its second amendment with the Protocol of Accession of Ecuador, which has been provisionally applied since 1 January 2017. The ratification process in Colombia and Peru as well as in EU Member States is ongoing³.

In accordance with Article 13 of Regulation (EU) No 19/2013 of the European Parliament and of the Council of 15 January 2013 implementing the bilateral safeguard clause and the stabilisation mechanism for bananas of the Trade Agreement between the European Union and its Member States, of the one part, and Colombia and Peru, of the other part⁴ (hereafter the "Regulation"), the Commission committed to submit an annual report to the European Parliament and the Council on the application, implementation and fulfilment of obligations of the Agreement and the Regulation. The report responds to this requirement.

2. METHODOLOGY USED FOR THE ANALYSIS

The analysis of bilateral trade flows is based on a comparison of EUROSTAT data for the fourth year of implementation of the Agreement (calendar year 2016) with the data for the calendar year immediately preceding the Agreement (2012). For trade in services and investments flows and stocks, the analysis is based on annual data until 2015.

Overall it should be noted that the causes for the fluctuation of trade flows reflect a multitude of factors and cannot be attributed solely to the existence or degree of advancement in the implementation of the Agreement.

¹ OJ L 354, 21.12.2012, p. 3.

² <http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2011057>

³ <http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2016044>

⁴ OJ L 17, 19.1.2013, p. 1

3. EVOLUTION OF TRADE (YEAR-TO-YEAR AND SINCE THE START OF PROVISIONAL APPLICATION)

3.1 Trade in Goods

Colombia

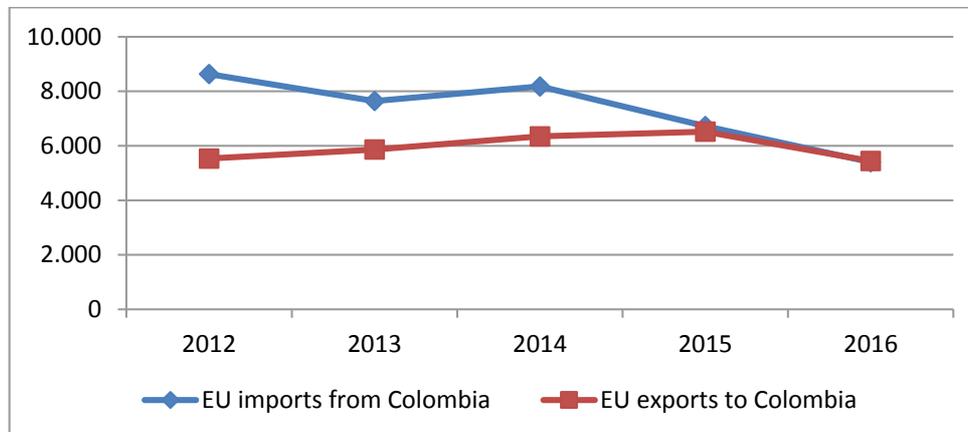
The EU is Colombia's second trading partner, after the US. Following an increase between 2012 and 2014, trade between the EU and Colombia declined in the past two years. This appears mainly due to a slow-down in external demand in Colombia and the fall in international commodity prices, which affected Colombia's export of mineral products. While bilateral trade in 2016 was 23.5% lower than in 2012, Colombia's total trade with the rest of the world decreased by about 36% during the same period.

In 2016, bilateral trade amounted to 10.8 billion EUR compared to 14.2 billion EUR in 2012, resulting in a small trade surplus for the EU for the first time in a decade.

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.

EU imports from Colombia amounted to 5.4 billion EUR in 2016, decreasing from 6.7 billion EUR in 2015 and 8.6 billion EUR in 2012 (37.5% drop). However, Colombia's overall exports decreased by 48% over the same period.

Table 1: EU-Colombia bilateral trade in goods 2012-2016 (million EUR)



Source: Eurostat

Sectoral effects

In terms of EU exports to Colombia, the most important categories in 2016 are:

- Machinery and mechanical appliances (HS84), 16.1% of EU exports, declining by 24.6% compared to 2012, mainly due to lower investment demand;
- Pharmaceutical products (HS30), 13% of exports, increasing by 12.5%;
- Vehicles and parts (HS87), 8.5% of EU exports, increasing by 2.1%;
- Medical (and other) instruments (HS90) and plastics and plastic articles (HS39) increased each by 11%;

- Total EU exports of agricultural products (HS01 to 24) increased by 82% since 2012, a trend across most product categories largely attributed to progress in the implementation of the Sanitary and Phytosanitary chapter.

As for EU imports from Colombia, the main categories are:

- Minerals (HS27), 51.3% of EU imports, versus 68.5% in 2012;
- Fruits (HS08), 18% almost doubling from 9.6% in 2012 (besides bananas, other tropical fruits registered important increase);
- Coffee (HS09), increasing by 44.9%, now representing 10.9% of EU imports;
- Total EU imports of agricultural products (HS01 to 24) increased by 32.9% since 2012.

Peru

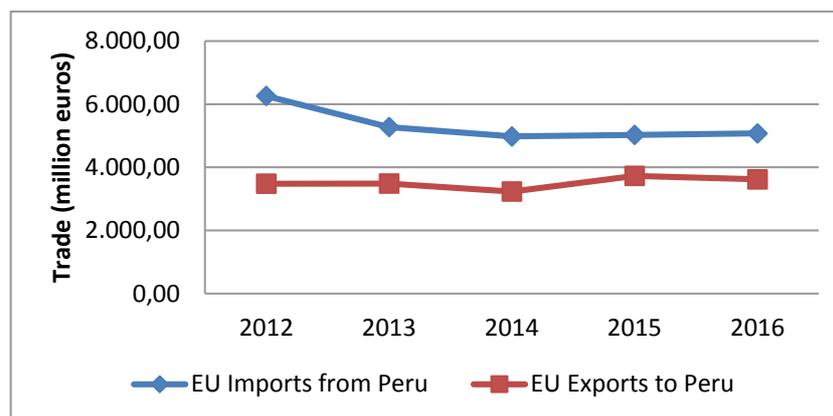
The EU is Peru's third trading partner, after China and the US. In 2016, bilateral trade slightly declined, mainly due to the reduction in external demand and the fall in global prices of raw materials. Peru's overall trade with the rest of the world decreased by 18% between 2012 and 2016, compared to 11% with the EU.

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

EU imports from Peru declined by 4% since 2012, compared to a decline in global exports from Peru of 14%.

EU exports to Peru have grown by 4% over the same period, in contrast to a decrease by 22% in overall imports from Peru.

Table 2: EU-Peru bilateral trade in goods 2012-2016 (million EUR)



Source: Eurostat

Sectoral effects

In terms of EU exports to Peru, the most important categories in 2016 are:

- Machinery and mechanical appliances (HS84), 27% of exports versus 34% in 2012;
- Electrical appliances (HS85), 9% of exports, a 15% decrease since 2012;
- Motor vehicles (HS87), 8% of exports, with cars increasing by 17% and trucks by 9%;
- Pharmaceutical products (HS30), 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%).

As for EU imports from Peru, the main categories are:

- Ores, slag and ashes (HS26), 24% of all EU imports, but with a 40% decrease since 2012;
- Mineral fuels and oils (HS27), 7% of EU imports, a 48% decline since 2012;
- Fruits (HS08), now 18% of EU imports, increased by 120% (key products being avocados, table grapes, mangoes, blueberries besides bananas);
- Coffee (HS09), now the third largest EU import category with 7% of imports, though decreasing by 32% since 2012, mainly due to a pest problem;
- Fish and molluscs (HS03), 5% of imports with a 30% increase;
- Vegetables (HS07), 4% of imports (77% of which asparagus), increasing by 22%.
- Cocoa increased by 226% and represent 5% of EU imports.

3.2 Trade in Services and Investment

3.2.1. Trade in Services

Table 3: EU-Colombia bilateral trade in services 2010-2015 (million EUR)

	2010	2011	2012	2013	2014	2015
EU28 imports	987	1,355	1,447	1,434	1,615	1,496
EU28 exports	1,953	2,636	2,857	2,576	2,485	2,866
Balance	967	1,281	1,410	1,141	870	1,370
Total trade	2,940	3,992	4,304	4,010	4,100	4,362

Source: Eurostat

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.

Table 4: EU-Peru bilateral trade in services 2010-2015 (million EUR)

	2010	2011	2012	2013	2014	2015
EU28 imports	898	849	855	831	879	803
EU28 exports	1,067	1,094	1,503	1,704	1,472	1,667
Balance	169	245	648	873	593	864
Total trade	1,964	1,943	2,358	2,535	2,351	2,469

Source: Eurostat

For 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.

3.2.2. Investment

Table 5: EU-Colombia investment flows and stocks 2013-2015 (million EUR)

	Inward			Outward		
	2013	2014	2015	2013	2014	2015
Stocks	4,788	4,248	4,418	17,528	16,258	18,163
Flows	1,365	-192	371	-278	183	1,458

Source: Eurostat

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

Table 6: EU-Peru investment flows and stocks 2013-2015 (million EUR)

	Inward			Outward		
	2013	2014	2015	2013	2014	2015
Stocks	243	245	1,536	9,135	9,512	10,465
Flows	129	264	672	4	618	1,473

Source: Eurostat

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.

3.3 Preference Utilisation rate

The use of the tariff preferences can be estimated by assessing the fraction of the trade flow carried out within the framework of the Agreement.

EU statistics indicate that over 95% of both Colombia and Peru's exports to the EU are made under the aegis of the Agreement.

Based on statistics from Colombia, preference utilisation rate by the EU in Colombia amounted to 70.6% in 2016 (versus 55.7% in 2014, indicating that EU exporters are making better use of the Agreement). It has not been possible to obtain statistics on preference utilisation rate by the EU in Peru.

3.4 Impact on SMEs

According to data from **Colombian** authorities, 2,002 companies exported to the EU in 2016, compared to 1,656 in 2012. Among those exporting at least 10,000 USD to the EU, 314 are Small and Medium-Sized Enterprises (SMEs)⁵ and 634 micro-enterprises⁶. SMEs are strongly represented in non-mineral exports, which increased by 35% since 2012. Micro-enterprises increased their exports to the EU by 81% since 2012.

⁵ A SME is a company which exports between 500,000 USD and 5mn USD FOB in total.

⁶ A micro-enterprise exports less than 500,000 USD in total.

According to **Peru's** Export and Tourism Promotion Board, since the entry into force of the Agreement, 2,269 new companies have exported to the EU, of which 857 were from the agro-industrial sector and 458 from the textile sector. New exporting companies are mainly SMEs (95.3%), in fast-growing exports of products, such as fruits, vegetables, food preparations and fishery products.

4. ACTIVITIES OF THE IMPLEMENTATION BODIES

The third meeting of the Trade Committee of the EU-Colombia/Peru Trade Agreement took place on 9 December 2016 in Brussels, Belgium, with prior meetings of all eight Subcommittees. The main conclusions of these meetings are as follows:

a) Subcommittee on Customs, Trade Facilitation and Rules of Origin (28-29 November 2016 – by video-conference)

Parties discussed the provision defining direct transport, concerning a possible change to allow for the splitting of consignments for products transiting a third country. No agreement was reached and the matter would be looked at further.

The EU raised the issue of the customs overvaluation in Peru for the import of trout eggs. Peru explained that the issue was dealt with and the customs value would be based on the transaction value with importers entitled to refunds of any overpaid duty.

Colombia and Peru raised issues related to proof of origin and to the number of verification requests from Spain.

b) Subcommittee on Government Procurement (2 December 2016 – by video-conference)

With Peru, EU expressed concerns that technical specifications might refer to standards in such a way to create a barrier for EU operators to access the procurement market.

With regard to Colombia, the EU raised market access at sub-central level, notably for decentralised (municipal) entities responsible for infrastructure. The Parties agreed to continue discussions to find a solution.

c) Subcommittee on Technical Barriers to Trade (5 December 2016 – for Peru by video-conference)

With Colombia, the EU raised the implementation of the National Quality Subsystem, in particular changes introduced in regulatory practices, which affect the development of technical regulations. The Parties discussed trade facilitating initiatives on conformity assessment to improve the recognition of certification carried out in the territory of the other Parties. Colombia presented a proposal for the recognition of such certificates.

Towards Peru, the EU raised concerns on the recognition of Member States with "strong health monitoring" status for exports of pharmaceutical and medical devices products and insisted that all Member States receive the same treatment.

d) Subcommittee on Sanitary and Phytosanitary Matters (6-7 December 2016)

The Parties acknowledged progress in the implementation of the SPS provisions, notably in establishing harmonised import conditions and certification for dairy products and meat

products. Peru and Colombia accepted the implementation of the regionalisation principle, and the removal of the requirement “*the animals must be born, raised and slaughtered in the same Member State*”. Peru and Colombia expressed interest in cooperating with the EU on antimicrobial resistance. On animal welfare, Colombia and Peru confirmed interest in collaboration and in exchange of information on actions in this field. Parties agreed on a working plan to improve trade conditions.

e) Subcommittee on Agriculture (7 December 2016)

The Parties reviewed trade flows and utilisation of quotas, stabilisation mechanism for bananas and EU support program to the Colombian dairy sector and possibilities of further cooperation in agricultural issues.

On spirits which is subject to ongoing dispute settlement at the WTO, Colombia informed that a new Spirits law has been adopted. The EU raised concerns about the discriminatory taxes in Peru between Pisco and imported spirits, as well as the heavy metal analysis legislation which excludes Pisco but is imposed on similar imported goods.

f) Subcommittee on Trade and Sustainable Development (7-8 December 2016)

The Parties held the meetings of the institutions in charge of monitoring the implementation of the Trade and Sustainable Development provisions of the Agreement (see part 5 below).

g) Subcommittee on Intellectual Property (8 December 2016)

The discussion on Geographical Indications (GIs) covered remaining problems in registering GIs, enforcement issues and reflections on a simplified procedure for updates of GI lists. Peru and Colombia signalled intention to add new GIs to be protected.

On other IPR, the EU raised points relating to pharmaceutical patents: with Colombia, concerns about the role of the Ministry of Health in patent examination and with Peru, issues relating to regulatory data protection (such as clinical test data). The EU raised issues on copyright and related rights: in Colombia, about the enforcement of the ‘public performance right’ on public transportation and in Peru problems relating to collecting societies in terms of transparency, distribution of revenues and supervision.

The EU raised issues on enforcement, based on stakeholders' concerns. Peru informed on positive developments, such as quicker procedures and adoption of precautionary measures, as well as on-going work to strengthen IP courts. Colombia referred to their new enforcement strategy on priority areas, which was under first-year implementation review.

h) Subcommittee on Market Access (8 December 2016)

Parties exchanged views on trade flows, including use of preferences and tariff rates quotas.

On market access with Colombia, the EU highlighted concerns on the truck scrapping policy. Colombia referred to an upcoming implementing regulation to Decree 1517 to improve market access until the policy would be fully phased out by the end of 2018. The EU also raised the application of a 30,000 USD FOB threshold, above which a higher tax rate applied to sold passenger cars as well as the obligation, enacted in 11 Colombian departments, to attach strip stamps for imported beers.

In relation to Peru, the EU raised concerns about the application of its duty drawback system.

Trade Committee (9 December 2016)

The Trade Committee took stock of the work in the subcommittees. The EU reiterated some of its main concerns, notably: direct transport and splitting of consignments in Colombia and Peru, EU market access to public procurement at sub-central level in Colombia, continued discrimination of imported spirits in Peru, lack of enforcement for GIs in Peru (Oporto and Feta), obligation for imported beers to attach strip stamps in some departments in Colombia. Peru raised concerns about EU Regulation (EU) 2015/2283 on novel foods.

The EU gave an update on the ratifications of the Agreement by Member States. Colombia and Peru informed about the ratification process of the Protocol of Accession of Croatia. The Parties welcomed the ongoing ratification process of the Protocol of Accession of Ecuador and its provisional application as of 1 January 2017.

5. IMPLEMENTATION OF THE PROVISIONS ON TRADE AND SUSTAINABLE DEVELOPMENT

5.1. Sub-Committee on Trade and Sustainable Development

The third meeting of the Sub-Committee on Trade and Sustainable Development (hereafter the "Sub-committee") was held in Brussels on 7 and 8 December 2016.

5.1.1. Implementation of labour-related provisions

The EU informed on the ratification of ILO Conventions by its Member States, in particular the 2014 Protocol on Forced Labour and ILO Conventions on Domestic Workers and on Work in Fishing. It informed about the European Platform on Undeclared Work as a tool to address the informal economy and about an ongoing review of EU Health and Safety legislation. 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. Colombia also informed on work to implement the labour policy recommendations in the context of the accession process to the Organisation for Economic Co-operation and Development (OECD). Colombia highlighted positive experiences with social dialogue and with mechanisms for the resolution of labour conflicts. It noted the challenges brought by the peace process regarding decent work and informality in rural areas. It gave an update on measures aimed at reinforcing labour inspection and tackling subcontracting and informal labour practices.

Peru set out the priorities of the new government: formalization; social dialogue; preventing and eradicating child and of forced labour; labour inspection. It referred to its recent ratification of the ILO Maternity Protection Convention and mechanisms to involve social partners through the National Council of Labour and Promotion of Employment.

5.1.2. *Implementation of environment-related provisions*

The EU highlighted developments under multilateral environmental agreements, and actions to implement its Paris Agreement commitments. On the Conference of the Parties to the Convention on International Trade in Endangered Species (CITES), the EU encouraged Colombia to implement its commitments on robust control mechanisms for trade in CITES-listed crocodile and caiman skins. Colombia indicated that it would come back to the EU with additional information on the measures adopted to address this issue. The EU presented the circular economy package and its interest in related business meetings to Colombia.

Peru highlighted its strategy axes “Perú Limpio” and “Perú Natural” and the priorities of the new government: sustainable use of biological diversity, especially forests; climate change adaptation and mitigation; efficient management of solid waste; integrated coastal zone management; prevention and control of pollution and eco-efficiency. It highlighted the need for an adequate institutional framework and for work across sectors and at different levels of government.

5.2. **Domestic consultation and Sub-Committee sessions with civil society**

Domestic consultation

Since its establishment, the EU civil society consultation mechanism ("domestic advisory group") met five times, with the European Economic and Social Committee providing three members as well as the Secretariat.

Colombian civil society representatives held several meetings at the EU Delegation in Bogota, including one with the Chair of the EU domestic advisory group, to discuss the possibility of establishing sub-group(s) of its consultation mechanisms to follow up the Agreement.

Sub-Committee session with civil society

An open session of the Sub-Committee with civil society was held on 8 December 2016 with approximately 60 representatives. It was web-cast live. The Parties informed civil society of the Sub-Committee's discussions through an oral and written report, followed by a question and answer session and debate. Civil society representatives from the EU, Colombia and Peru submitted a joint statement, which raised labour, environment and human rights issues, access to markets for small producers and SMEs and made recommendations concerning civil society participation.

5.3. **Further work and other activities**

All sides agreed to intensify contacts to develop activities implementing the Trade and Sustainable Development provisions. Besides environment and labour, the Parties discussed potential work on Responsible Business Conduct/Corporate Social Responsibility as a cross-cutting instrument.

On the request from Colombia and Peru, the EU organised a technical seminar on 6 December 2016 with video link to Bogota and Lima, where it presented and discussed methodologies used in impact assessments of EU trade agreements.

Colombia

In December 2016, the EU participated in a regional OECD seminar in Colombia on responsible mineral supply chains, focussing on its forthcoming Regulation on conflict minerals. As an outcome, the EU Delegation in Bogota set up a coordination group on illegal mining with other embassies to coordinate positions and plan joint actions.

During the visit of EU Commissioner for Agriculture Phil Hogan in February 2016, the EU and Colombia agreed to start negotiations on a bilateral agreement on trade in organic products.

A number of events were organised to raise visibility on sustainable development and its link to the peace process, including visits in areas affected by the conflict. The latest event was a conference in February 2017 on how the Trade Agreement can contribute to creating economic opportunities in the context of the peace process. To increase understanding of the labour situation in Colombia, the EU Delegation organised a 3-day workshop to discuss the implementation of labour standards.

Peru

As part of the project "Promoting Corporate Social Responsibility/Responsible Business Conduct in Latin America and the Caribbean – Pilot phase", the EU Delegation in Peru held the seminar "Towards OECD membership: Promoting Responsible Business Conduct in Peru" in Lima on 29 November 2016.

The EU Delegation in Peru participated in NEXOS +1, a seminar on environmentally sustainable business models which took place in Lima, on 24 October 2016.

6. SPECIFIC AREAS SUBJECT TO REPORTING OR MONITORING

6.1. Use of Tariff-rate quotas

The Agreement provides for tariff rate quotas (TRQs) which grant the other Party preferential tariff treatment up to the quota's quantitative threshold, above which imports are subject to the applicable Most-Favoured Nation tariff.

Tariff quotas established by the EU

Tables 7 and 8 show the rates of utilisation of TRQs established by the EU for Colombia and Peru. Only TRQs that were used are mentioned.

Colombia's use of the TRQ for cane or beet sugar and chemically pure sucrose has increased from 88.4% to 96.2%. Other TRQs are hardly or not utilised.

Table 7: Rate of utilisation of EU TRQs by Colombia

	2013	2014	2015	2016
Cane sugar and chemically pure sucrose	88,4%	85.72%	93.8%	96.2%
Other sugar confectionery	1,37%	1.32%	1.23%	1.5%

Source: TAXUD, Surveillance Database

TRQ for cane sugar has been almost fully utilised by Peru since the entry into force of the Agreement. TRQ for corn has also a high rate of utilisation. Peru is starting to take advantage of the TRQ on garlic. Other TRQs have very low utilisation rate.

Table 8: Rate of utilisation of EU TRQs by Peru

	2013	2014	2015	2016
Cane sugar	100%	100%	3,5%	99,8%
Sweetcorn	21%	76%	83,2%	87,3%
Garlic	0%	0%	2,4%	53,8%
Rum	0%	0%	0%	7%
Maize (corn)	0.7%	2,9%	1,8%	6,1%
Sugar confectionery	0.02%	0.01%	0,16%	0,1%

Source: TAXUD, Surveillance Database

Tariff quotas established by Colombia

The EU is fully using the TRQs established for mushrooms, dairy products such as yogurt and milk and cream in powder, whey, preparations for infant use and sweetcorn, to a lesser extent TRQ on ice cream (though increasingly), and barely its TRQs on cheese (average of 8%) and on sugar confectionery (average of 3%).

Table 9: Rate of utilisation of Colombia TRQs by the EU

	2013	2014	2015	2016
Mushrooms	1.6%	5%	100%	100%
Milk and cream in powder	0%	34.9%	100%	100%
Whey	57.6%	50%	92.9%	No more TRQ
Preparations for infant use	40.4%	67.5%	99.1%	100%
Yogurt	0%	0.5%	0.8%	100%
Sweetcorn	0.42%	54.2%	100%	100%
Ice cream	5.26%	13.4%	7.4%	25.9%
Cheese	9%	8%	8.2%	7.9%
Sugar confectionery	1.8%	3.4%	3.1%	3.8%

Source: DIAN (Dirección de Impuestos y Aduanas Nacionales)

Tariff quotas established by Peru

The EU is fully using the TRQ for butter and milk powder, and almost fully for ice cream. Other TRQs are barely used.

Table 10: Rate of utilisation of Peru TRQs by the EU

	2013	2014	2015	2016
Butter	0%	0%	96.0%	100%
Cheese	0%	0%	0%	4.3%
Ice cream	58.6%	89.6%	98.5%	95.6%
Milk powder	0%	4.1%	99.7%	100%
Milk for babies	0%	0%	0%	29.9%
Chewing gum	0.3%	0%	0.1%	2.2%
Sugar	0%	0%	0%	0.8%
Rum	3.5%	0.0%	3.5%	5.8%

Source: SUNAT (Superintendencia Nacional de Aduanas y de Administración Tributaria)

6.2. Implementation of Regulation (EU) No 19/2013 of the European Parliament and the Council implementing the bilateral safeguard clause and the stabilisation mechanism for bananas

Regulation (EU) No 19/2013 of the European Parliament and the Council of 15 January 2013 implementing the bilateral safeguard clause and the stabilisation mechanism for bananas of the Trade Agreement between the European Union and its Member States, of the one part, and Colombia and Peru, of the other part⁷ (hereafter the "Regulation") provides for the possibility to initiate a safeguard investigation or introduce prior surveillance measures under conditions set out in the Regulation. In accordance with Articles 3 and 13 of the Regulation, the Commission has been monitoring the evolution of imports of fresh bananas (HS 08039010) from Colombia and Peru.

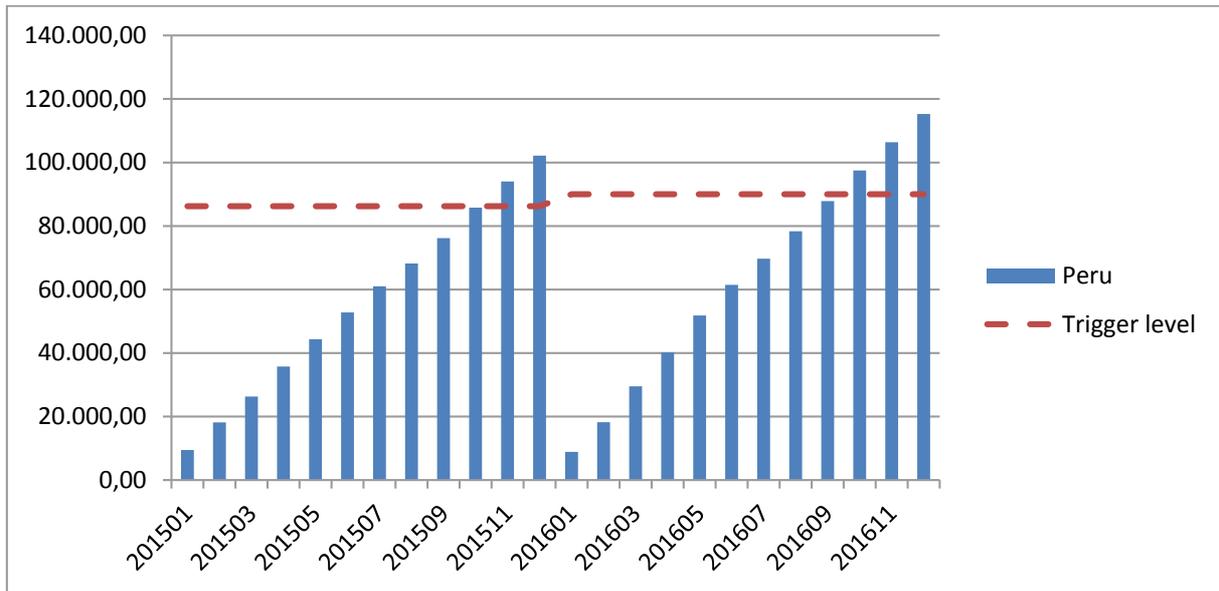
In 2015, EU imports of fresh bananas from **Peru** increased by almost 5% in volume compared to 2014. This trend continued in 2016, with an increase of almost 10% compared to 2015. In 2015 and 2016, EU imports from Peru reached in October the trigger import volume established by the Agreement (86,250 tonnes in 2015 and 90,000 tonnes in 2016). Pursuant to Article 15(3) of the Regulation, the Commission examined the impact on the EU banana market, taking into account, inter alia, the effect on the price level, developments of imports from other sources and the overall stability of the Union market.

The Commission concluded: (1) that given that the EU imports of fresh bananas from Peru represented only around 4% of total imports in 2015 and slightly less than 2% in 2016, (2) that imports of fresh bananas from other traditional exporting countries remained largely below the thresholds defined in comparable stabilisation mechanisms, (3) that the average wholesale banana price did not register notable changes and (4) that there were no indications of a negative effect for the stability of the EU market, EU producers or the EU outermost regions, the suspension of the preferential duty on bananas originating in Peru was not appropriate⁸.

⁷ OJ L 17, 19.01.2013, p.1.

⁸ OJ L 328, 12.12.2015, p. 116 and OJ L 326, 1.12.2016, p.16.

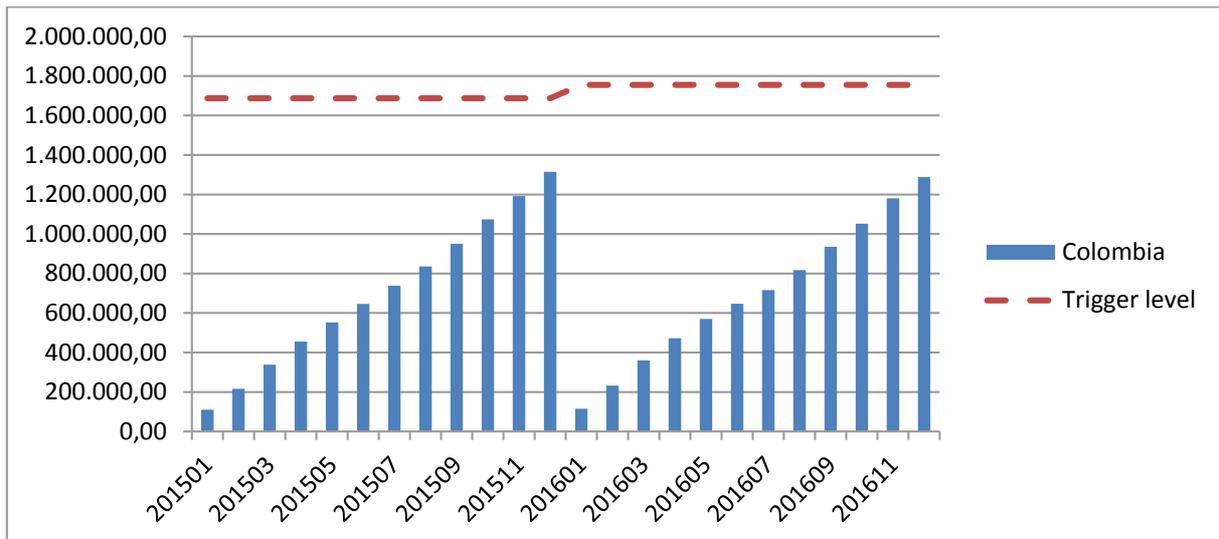
**Table 11: EU imports of bananas from Peru in 2015 and 2016
(aggregate volumes in tonnes)**



In 2015, EU imports of fresh bananas from **Colombia** increased by 21% in volume compared to 2014. Yet, in 2016, they decreased by 4% (from 1,307,458 tonnes in 2015 to 1,249,513 tonnes in 2016).

Colombia remained significantly below (at about 75%) the trigger import volume as established by the Agreement, i.e. 1,687,500 tonnes in 2015 and 1,755,000 tonnes in 2016.

**Table 12: EU imports of bananas from Colombia in 2015 and 2016
(aggregate volumes in tonnes)**



7. CONCLUSIONS

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 (approximately 36% for Colombia and 18% for Peru).

While the share of mineral products in the exports of Colombia and Peru to the EU has decreased and is today significantly lower than to the rest of the world, 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 Small and Medium-sized Enterprises, which are strongly represented in the fast-growing categories of exports of agricultural products.

Full implementation of the Agreement continues to be of key importance to bring the expected benefits to both sides. 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.

The taxation of spirits - a long standing issue in Colombia and following the initiation of Dispute Settlement case by the EU (DS502) - has registered major progress with the adoption of a reform law on spirits. Law 1816, entered into force on 1 January 2017, reformed the spirits regime by removing the fiscal discrimination and also disciplined the monopolies exercised by the Colombian departments over the production, introduction and distribution of spirits. The Commission is closely monitoring the implementation of these steps. In contrast, the discriminatory taxation on spirits is still 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.

The implementation of the Trade and Sustainable Development chapter has progressed and there has been an increasingly open dialogue on labour with both countries. Challenges nevertheless remain both on labour and environment issues and to support the implementation of this chapter, further efforts are necessary including cooperation activities.

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 Ecuador, so that citizens, economic operators and other stakeholders on both sides are able to fully benefit from the opportunities the Agreement creates. The

Commission calls upon the EU Member States and the European Parliament to continue to actively contribute to this process.