



## JOINT MINUTES

### **Sixth Meeting of the Market Access Subcommittee of the Association Agreement between the European Union and Central America**

**[20 & 23 November 2020, 8:00 a.m.CA/ 3:00 p.m. BXL]**

#### **Webex Videoconference**

#### **1. Adoption of the Agenda**

The Parties adopted the proposed agenda.

#### **2. Presentation and analysis of trade statistics**

- **Import statistics of the European Union from Central America. Exchange of information on the use of quotas in the Agreement.**

The EU presented trade flow data between the European Union (EU) and Central America (CA) with a particular focus on the economic impact of the pandemic on global trade compared to EU-Central America trading relations. The data confirmed a general trend that our trade flows are growing since the entry into force of the agreement. The EU highlighted that despite the negative effects of COVID-19, trade of agricultural goods in 2020 (Jan. to Aug.) has been resilient, in particular as regards imports from Central America to the EU, while EU manufactured goods dropped generating a trade surplus of €0.95 billion in favor of CA. The presentation also showed that CA is well positioned to take full advantage of the booming organic market in the EU.) Both Parties exchanged perspectives and comments on Preference Utilization Rates (PURs) and Tariff Rate Quotas (TRQs).

#### **Agreements:**

- ✓ The EU offered to share more information related to trade flows and utilization rates for specific goods per CA country.
- ✓ It was agreed to continue exchanging trade data to follow evolutions of our trading relations.

#### **3. Presentation of the EU's "Farm to Fork" strategy with focus on matters of particular relevance for agricultural trade with Central America**

The EU presented the objectives, scope and rationale of the Green Deal and Farm to Fork (F2F) Strategy and emphasized on the importance of implementing policies that contribute to prevent climate change and improve



the well-being of the population. These new policies intend to tackle global concerns and might offer new economic opportunities for CA countries. CA thanked the information provided and mentioned the importance of green initiatives. Additionally, CA highlighted that these strategies represent a challenge for the region in terms of adapting agro production methods. CA also highlighted the need for technical assistance to train exporters on the new norms stemming from F2F. EU invited CA to participate in future public consultations to define regulations on these strategies and mentioned the availability of EU cooperation on these issues.

#### **Agreements:**

- ✓ Both parties agreed to continue discussing this matter through bilateral meetings.
- ✓ On request of Central America, the EU will keep Central America informed about next steps in the EU in respect of this initiative and its future regulations. CA is invited to contribute to the public debate and consultations.

#### **4. Issues of interest for the European Union:**

##### **4.1 Beers and spirits (Costa Rica)**

###### **○ Pending information on local spirits production (guaro).**

The EU asked Costa Rica to comment on the progress made to their review process of internal taxes on alcohol beverages, in accordance with the commitment made in Joint Declaration to the EU-Central America Association Agreement to review the system by end of 2017, and reminded the commitment to submit information on local production of “guaro”. Costa Rica informed that they have been reviewing local tax structures, finding that several laws previously mentioned by the EU do not infringe international commitments. Concerning local production of “guaro”, Information considered commercially sensitive by Costa Rica regarding production of “guaro”, was not available to share with the EU in this meeting, whereby the EU stressed that it was not seeking to get commercially sensitive data, but general data on production and sales volume.

#### **Agreements:**

- ✓ Costa Rica to follow-up on possibility to get more precise data on “guaro” production by the distillery based on a formal request by the EU.



- **Constitutional consultation. Taxation on imported beers.**

The EU requested further information regarding progress on the Constitutional Court consultation for taxation on imported beers and reminded Costa Rica that this situation is a violation of WTO's National Treatment Principle and Association Agreement's provisions. Costa Rica reported that the Constitutional Court has recently emitted a decision (8320-2020) that does not rule on National Treatment Principle and that this issue should exhaust administrative proceedings through the consultation to the National Customs Tribunal. In the absence of clear-cut decision by the constitutional court, Costa Rica indicated it would launch an internal analysis on beer taxation to determine future actions on this matter in the light of what is established in the corresponding Joint Declaration to the EU-Central America Association Agreement. The EU inquired about a timeline for this process, due to the long lasting case and increasing financial effects for EU exports, and asked to discuss the result of this analysis bilaterally before the next subcommittee meeting in 2021.

**Agreements:**

- ✓ Costa Rica committed to launch an internal analysis on beer taxation, to determine future actions on this matter in the light of what is established in the corresponding Joint Declaration to the EU-Central America Association Agreement.

#### **4.2 EU dairy exports**

- **Access of EU evaporated milk exports in Panama in accordance with the FTA between the EU and Central America.**

Panama reported that it considers that the schedule as part of the ratified agreement contains an error as regards its commitment to liberalize evaporated milk. According to Panama's views, its liberalization schedule is in contradiction to the information contained in the liberalization schedule of the other five CA countries on evaporated milk annexed to the Association Agreement, which contained an exclusion of evaporated milk for Panama. EU thanked Panama for having shared a correlation table between the Panama and CA scheduled and explained that its own analysis is still ongoing to determine its position on the matter. PA mentioned that once the error was identified, its competent authority was instructed to apply the MFN tariff duty. EU regretted that an European company, which intended to export in good faith evaporated milk to Panama on the basis of a 0% tariff duty as indicated in Panama's schedule was informed that it should paid MFN tariff duty when its containers reached the

Port in Panama for customs clearance. EU indicated that, both parties should first aim at reaching a consensus on the correct application, notably by providing further evidence on whether or not it was agreed at the time that parties agreed to exempt these tariff lines in Panama from liberalization, and, in case, rectify the inconsistency. Panama explained that it had the duty to notify its competent authority once the error was identified.

#### **Agreements:**

- ✓ Both Parties will continue discussing the matter with the aim to find a common understanding about the correct tariff rate to be applied. The EU will provide Panama with its analysis of the matter.
- ✓ Nicaragua, offered to provide negotiation notes on this issue in order to contribute to provide further evidence about the agreement reached at the time of concluding the negotiations on this matter.
  - **Update on the functioning of the TRQ for powder milk in Panama**

The EU requested information from Panama on their TRQ allocation process for powder milk. PA explained that all TRQs are allocated through a private auction process. Once the process is completed, the private company notifies the results to the competent authorities. EU thanked Panama for the information provided.

- **Update on revision of TRQ allocation system to ensure a more equitable use of TRQ (Costa Rica)**

Costa Rica explained the ongoing revision process and the situation that triggered the need to modify the regulation, as well as the next steps in order to conclude all administrative procedures. Costa Rica aims to conclude the process before the end of the year, to apply the new regulation to the 2021 cheese allocation. The EU thanked Costa Rica for the efforts made and for keeping the EU informed and involved in the process.

### **4.3 Market Access to services and investment**

- **KLM ground handling services and aircraft maintenance services**

The EU explained the difficulties faced by KLM to keep providing handling services and aircraft maintenance in Panama due to regulatory restrictions on



foreign providers and thanked the Panamanian Government for facilitating a solution. Current Civil Aviation regulations are in the process of being amended to bring them into line with the provisions of the Association Agreement and the World Trade Organization (WTO) in the area of services. The proposed change of the regulations is currently undergoing a public consultation. Panama explained that the Civil Aviation Board will meet soon after the conclusion of the consultation, foreseen for 28 November, to adopt the necessary resolution and modify the provision requiring 60% Panamanian capital in the current regulation from Civil Aviation (articles 73 and 77). The renewal of technical certification for KLM, a pre-condition for the exploitation license is also in the process of being finalized. The EU requested Panama to bring this matter to a positive outcome within the shortest delay and asked for an answer to the letter sent by DG Trade in October.

**Agreement:**

- ✓ Panama will share the text of the current public consultation and will follow up on this issue with the Civil Aviation authorities in the upcoming days to give a further state of play. A reply to DG TRADE Director General will be sent once the civil aviation authority has adopted the modifications to its regulation.

**4.4 Update on the management systems of regional TRQ's by Central America.**

The Central America Secretariat for Economic Integration (SIECA) presented the administrative system used to allocate regional export TRQ's to the EU. SIECA explained that Central America produced a CA regulation to control the process and created an electronic system to grant the allocation under the surveillance of SIECA. In case of export TRQs, the electronic system approves export certificates, valid for one calendar year and in correspondence to the amount granted to every specific country. Each CA country issues certificates and include the information in the system. CA confirmed that conversion formulas for Sugar and Rum were not up-loaded in the electronic system granting allocations.

**Agreement:**

- ✓ The Parties committed to a mutual exchange of data based on information extracted from export certificates. Data shall be exchanged at the level of the market access subcommittee on a monthly basis at the latest by the 15th calendar day of the following month for the previous month.



## **5. Issues of interest for Central America:**

### **5.1 Control mechanism update by the EU of export certificates issued by Central America and their control at customs (following paragraph 3 of Appendix 2, Annex I of the Agreement).**

CA explained that the control mechanisms for export certificates to the EU is of great interest to the region, due to persistent discrepancies reported by trade operators. Despite this issue being discussed in several subcommittee meetings, there are still misunderstandings and mismatches on the formula to calculate the volumes of export, specifically for sugar. EU explained the TRQs management process, and confirmed that the system is based on a first-come, first-served principle and verification of export certificates. The EU informed that since 1<sup>st</sup> of January 2020, the export certificates originating from Central America are systematically verified based on validity of export certificates and its correspondence with customs declaration. It referred to the responsibility of the importer to correctly fulfill all relevant data in the customs declaration (net weight, volume, converted volume with alcohol). The EU proposed a cross check between the certificates issued by CA versus the ones received by the EU, in order to solve any doubts or differences. CA requested confirmation if the EU differentiates by country when reviewing certificates and the EU confirmed that there is no differentiation by country; its origin is Central America. Additionally, Guatemala asked for clarification on the validity of certificates issued at the end of the year. The EU encouraged CA to extend the validity of the certificates of at least 3 months when exports to the EU are submitted at the end of the year.

#### **Agreements:**

- ✓ The Parties committed to exchange information at the level of the market access subcommittee on a monthly basis at the latest by the 15th calendar day of the following month for the previous month, in order to identify discrepancies on export certificates and customs declarations, this exchange will be at the level of the market access subcommittee.
- ✓ EU committed to send a template for data collection in order to verify the information managed by Central America and the one received by the EU. The EU asked CA to collect the data on export certificates among all countries in a coordinated manner, and submit one set of data containing all information from the region to the EU.

### **5.2 Sugar quota**



### **Monitoring of import volumes, operation and application of the conversion rate established into the Agreement (yield of 92%) by the EU**

Central America made a presentation on their calculation process and the application of the conversion rate for the sugar quota. Central America also explained how data mismatches the one provided by the EU. Furthermore, Guatemala explained that difficulties caused by differences between the calculations have left their exports out of the TRQ's benefits. In this sense, the EU confirmed that the importer needs to provide volumes and quantities in the customs declaration based on the correct product-specific conversion of the sugar content.

### **Definition of a consultation mechanism to quantify the volume of export certificates applicable to products with high sugar content.**

Costa Rica requested additional information in terms of high sugar content for banana purée and asked for a means to consult EU on the accuracy of the volumes used to issue certificates of export under the sugar TRQ.

#### **Agreement:**

- ✓ The EU will provide conversion formulas for all sugar goods and products with high sugar content that could benefit of the sugar TRQ.
- ✓ The EU as well as CA shall nominate and indicate a central contact point with whom to communicate regarding of the sugar quota

### **5.3 Rum quota**

#### **Monitoring of import volumes, operation and application of the conversion rate established into the Agreement (equivalent in pure alcohol) by the EU.**

Central America requested additional information on the monitoring of import volumes for the rum quota. EU informed that Nicaragua and Guatemala are the only user of this quota, and that the TRQ is currently exhausted. El Salvador indicated, that it had carried out operations under this quota during 2020. The EU also explained that 1 liter of rum (with a 40% volume of alcohol) is equivalent to 0.4% of pure alcohol. When calculating net mass content, 1 kg of rum is more than 1 liter.

#### **Agreement:**



- ✓ The EU committed to provide conversion formula for all alcohol products that could benefit of the rum TRQ.

#### **5.4 Issuance of certificates of authenticity by the competent authority of the beneficiary country for goods handmade or woven into manual looms, within the framework of Council regulation (EC) No.32 /2000.**

El Salvador clarified that this was not an issue pertaining to the Association Agreement, but wanted to clarify with DG-TAXUD on a request received for signatures and seals when issuing certificates of authenticity based on Council Resolution 32/2000 for handmade or woven goods into manual looms under WTO's TRQs. The EU explained general conditions and asked to send an e-mail with their specific request. Guatemala also expressed its interest on having more details. DG TAXUD confirmed that these certificates would not be required under the Association Agreement.

#### **Agreement:**

- ✓ El Salvador and Guatemala agreed to send an e-mail to the EU with the specific consultation.
- ✓ Guatemala requested the EU to send the contact point from whom information regarding this matter can be obtained.

#### **6. Others:**

- **Banana market price in the EU retail sector**

Costa Rica informed on the situation reported by the Costa Rican banana and pineapple sectors, in relation to their difficulties to supply the European market due to commercial practices of important supermarket chains in the European Union promoting a reduction in the prices of bananas and pineapple in the European Union. Costa Rica is analyzing the facts and will further inform the EU of their pertinence in light in the context of Title VII (Trade and Competition) of the Association Agreement. On this basis Costa Rica will discuss this matter bilaterally with the EU. and requested bilateral meetings with the EU to further discuss the situation.

#### **Agreement:**

- ✓ Costa Rica will send letter informing of details and the parties will further discuss the developments on this issue





## **7. Review and agreement of minutes**

At the end of the meeting, delegates of the Parties reviewed the draft minutes and reached consensus.

Final minutes agreed on 26 November 2020 as an expression of all Parties agreement.



## List of participants

### European Union

- Olivier Coupleux, DG-Trade.
- Felix Lutz, DG-Agri.
- Giulio Menato, DG-Agri.
- Patrick Wallez, DG-TAXUD.
- Massimo de Luca, Trade and Economic Section to Central America.
- Silvia Miranda, Trade and Economic Section to Central America.
- Stefan Krause, Trade and Economic Section to Central America.

### Costa Rica

- Henry Benavides, Ministerio de Comercio Exterior
- Vivian Campos, Ministerio de Comercio Exterior
- Adriana Castro, Ministerio de Comercio Exterior
- André Sagot, Ministerio de Comercio Exterior
- Alejandro Patiño, Ministerio de Comercio Exterior
- Karen Chan, Ministerio de Comercio Exterior
- Sofía Vargas, Ministerio de Comercio Exterior

### Nicaragua

- Maricruz Prieto, Ministerio de Fomento, Industria y Comercio
- Maria Auxiliadora Luna, Ministerio de Fomento, Industria y Comercio
- Urania Raudez, Ministerio de Fomento, Industria y Comercio
- Cassandra Zeledon, Ministerio de Fomento, Industria y Comercio
- Julio Silva, Ministerio de Fomento, Industria y Comercio

### El Salvador

- Margarita Ortez Quintanar, Ministerio de Economía
- Daniel Antonio Galán Alegría, Ministerio de Economía
- María Ernestina Renderos de López, Ministerio de Economía

### Honduras

- César Antonio Díaz, Secretaria de Desarrollo Económico
- Keila Bonilla Pinto, Secretaria de Desarrollo Económico
- Tatiana Morales, Secretaria de Desarrollo Económico

### Guatemala

- Alexander Cutz, , Ministerio de Economía
- Mishel Sandoval, Ministerio de Economía



- Cesar Mo/ Superintendencia de Administración Tributaria SAT
- Dinora Alvarez, Ministerio de Economía
- Giovanni Solórzano, Ministerio de Economía

## **Panamá**

- Norman Harris, Jefe de la Oficina de Negociaciones Comerciales Internacionales, Ministerio de Comercio e Industrias.
- Ruth Harding, Ministerio de Comercio e Industrias.
- Dania Villarreal, Ministerio de Comercio e Industrias.
- Leda Arrue, Ministerio de Comercio e Industrias.
- Wilfredo E. Grajales V., Ministerio de Comercio e Industrias.
- Pebbles Muñoz, Ministerio de Comercio e Industrias

## **SIECA**

- Néstor Salazar