



Department for  
International Trade

# **Continuing the United Kingdom's Trade Relationship with the Republic of Colombia, the Republic of Ecuador and the Republic of Peru**

Trade agreement between the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Republic of Colombia, the Republic of Ecuador and the Republic of Peru, of the other part.

June 2019





# **Continuing the United Kingdom's Trade Relationship with the Republic of Colombia, the Republic of Ecuador and the Republic of Peru**

Presented to Parliament

by the Secretary of State for International Trade

by Command of Her Majesty

June 2019



© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3)

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/government/publications](http://www.gov.uk/government/publications)

Any enquiries regarding this publication should be sent to us at [enquiries@trade.gov.uk](mailto:enquiries@trade.gov.uk)

ISBN 978-1-5286-1370-5

CCS0619391678

06/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

# Contents

<b>Introduction</b>	<b>6</b>
Legal approach	7
Resources	8
<b>Economic Background</b>	<b>9</b>
Trade between the UK and Colombia, Peru and Ecuador	9
Immediate impact if not entered into force	13
<b>Explanation of this Agreement, including Significant Differences between the UK-Andean Countries Trade Agreement and the EU-Andean Countries Trade Agreement</b>	<b>16</b>
<b>General Provisions</b>	<b>17</b>
Removal and replacement of references to the EU	17
Territorial Application	17
Continuation of Time Periods	17
Institutions and Committees	17
Amendment Clauses	17
Entry into Force and Provisional Application	18
Trade Remedies and Dispute Settlement	19
<b>Annexes and Protocols</b>	<b>20</b>
Goods	20
Tariff Rate Quotas (TRQs)	20
Agricultural Safeguard Measures	26
Rules of Origin	31
Origin Quotas	32
Banana Review Mechanism	37
Intellectual Property and Geographical Indications (GIs)	39
Sustainability	39
Government Procurement	39
Technical Barriers to Trade	40
Competition, Subsidies/State Aid and State-Owned Enterprises	40
Services	40

## Introduction

1. In line with commitments provided for in the Trade Bill 2017-19, this report explains the Government's approach to delivering continuity in the UK's trade relationship with the Republic of Colombia, the Republic of Ecuador and the Republic of Peru (hereafter, the 'Signatory Andean Countries') as we leave the European Union (EU).
2. As the UK leaves the EU, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no-one's interests to disrupt existing trade flows.
3. To achieve this, the Government has developed new bilateral agreements that replicate, as far as possible, the effects of the UK's trade agreements with existing partners. The agreements provide for entry into force when the existing agreements between the EU and a third country cease to apply to the UK, whether the UK leaves the EU with no agreement or at the end of the Implementation Period if the Withdrawal Agreement is ratified. In either event, the agreements will form the starting point for the UK's future trade agreements with partners.
4. Wherever possible, the Government has sought a technical replication of these agreements, but in some cases, it has applied bespoke solutions for individual agreements as necessary to ensure continuity of effect in a bilateral context.
5. In accordance with the commitments provided for in the Trade Bill 2017-19, this report gives details of, and explains the reasons for, any significant differences between:
  - a. The trade-related provisions of the Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and the Signatory Andean Countries ("the UK-Andean Countries Trade Agreement"); and
  - b. The trade-related provisions of the existing Trade Agreement between the European Union and the Signatory Andean Countries ("the EU-Andean Countries Trade Agreement").
6. The report first sets out the general drafting changes necessary across all the UK's short form continuity trade agreements and which have no significant impact on the UK's current trade relationships. The report considers articles of the UK-Andean Countries Trade Agreement and explains any significant differences between the trade-related provisions of the UK-Andean Countries Trade Agreement and the corresponding provisions of the EU-Andean Countries Trade Agreement.
7. To assist the reader, we have included some discussion of the economic impacts as appropriate. This report focuses solely on the changes made to the trading arrangements between the UK and the Signatory Andean Countries in preparation for the UK ceasing to be bound by the EU-Andean Countries Trade Agreement and entering into the UK-Andean Countries Trade Agreement. Any wider economic impacts resulting from the UK's exit from the EU or the nature of the Future Economic Partnership (the "FEP") have been excluded from this report.

## Legal approach

8. The UK has agreed with many third countries that the most appropriate and proportionate form of legal instrument to ensure continuity is a short form agreement which incorporates by reference the relevant provisions of the underlying agreements between those countries and the EU, with relatively few necessary modifications, and this is the approach taken in the UK-Andean Countries Trade Agreement. The approach is like that used in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Article 1 of which incorporates by reference the provisions of the Trans-Pacific Partnership Agreement, of 4 February 2016, into and makes them part of, *mutatis mutandis*, the CPTPP. The advantages of this approach include:
  - a. The short form agreement may more easily be adapted to accommodate different scenarios, such as the various possible outcomes of the UK's ongoing negotiations with the EU regarding the end state of the UK-EU relationship;
  - b. The format itself will send a clear message to businesses, consumers and investors in both the UK and third countries that the aim is simply to secure continuity in existing trading arrangements, with the only changes being the ones clearly specified on the face of the Agreement; and;
  - c. The approach will provide a clear legal text, making rights and obligations unambiguous where they had by necessity changed, yet reduce the burden on both countries of legal scrubbing, translation, domestic procedures and, potentially, ratification.
9. The UK-Andean Countries Trade Agreement reproduces the effects of the EU-Andean Countries Trade Agreement as closely as possible, including the establishment of institutional arrangements between the UK and the Signatory Andean Countries (such as the Trade Committee) that allow for the ongoing management and updating of the Agreement.
10. Many of the general changes to the EU-Andean Countries Trade Agreement (such as replacing "EU" with "UK") are applied *mutatis mutandis*, that is, with the technical changes necessary to apply the Agreement as if it had been concluded between the UK and the Signatory Andean Countries in the first instance. The interpretive *mutatis mutandis* principle also applies to most references to EU law so that, where appropriate, such references are to be read as references to retained EU law or to EU law incorporated in the law of the included territories for whose international relations the UK is responsible when relevant EU law ceases to apply to the UK, or legislation in the UK or in these territories that replaces that legislation. This has avoided the need to reproduce every page and has significantly reduced the volume of text required.
11. Where more substantive modifications to the EU-Andean Countries Trade Agreement were required to ensure operability in a bilateral context, or where the UK and Signatory Andean Countries jointly agreed that *mutatis mutandis* would not deliver adequate certainty over rights and obligations, detailed modifications have been included in the Annex to the UK-Andean Countries Trade Agreement.

## Resources

12. This report is intended to aid Parliament, businesses and consumers in understanding any significant differences made to the UK's trade relationship with the Signatory Andean Countries by the UK-Andean Countries Trade Agreement and the reasons for any changes, and their impact.
13. Should readers wish to view the EU-Andean Countries Trade Agreement as originally published, it can be found online on the [[European Commission's website](#)] and in hard copy in the Houses of Parliament Libraries.
14. More detail, including decisions of the Trade Committee established under the EU-Andean Countries Trade Agreement for the purpose of administering the UK-Andean Countries Trade Agreement, can be found on the [[EUR-Lex website](#)].
15. Should readers wish to view the full text of the UK-Andean Countries Trade Agreement, it will be laid in Parliament alongside an Explanatory Memorandum as part of the UK's treaty ratification process in accordance with the Constitutional Reform and Governance Act 2010. The text will also be available on GOV.UK.

## Economic Background

16. This section provides a country-specific background analysis of trade between the UK and the Signatory Andean Countries.

### Trade between the UK and Colombia, Peru and Ecuador

17. Total trade in goods and services between the UK and Colombia,<sup>1</sup> Peru and Ecuador ('the region') was £2.6 billion in 2017.<sup>2</sup> Colombia is the UK's 70<sup>th</sup> largest trading partner, accounting for 0.1% of total UK trade. Peru is the UK's 83<sup>rd</sup> largest trading partner, accounting for 0.1% of total UK trade. Ecuador is the UK's 108<sup>th</sup> largest trading partner, accounting for less than 0.1% of total UK trade.

18. In 2017, UK exports to the region were £1.2 billion. Of this, UK exports to Colombia were £0.9 billion, making it the UK's 62<sup>nd</sup> largest export market (accounting for 0.1% of all UK exports). The UK exported £0.2 billion to Peru, making it the UK's 98<sup>th</sup> largest export market (accounting for less than 0.1% of all UK exports). The UK exported £0.1 billion to Ecuador, making it the UK's 115<sup>th</sup> largest export market (accounting for less than 0.1% of all UK exports).

19. In 2017, UK imports from the region were £1.4 billion. Of this, the UK imported £0.6 billion from Colombia, making it the UK's 72<sup>nd</sup> largest import market (accounting for 0.1% of all UK imports). The UK imported £0.5 billion from Peru, making it the UK's 76<sup>th</sup> largest import market (accounting for 0.1% of all UK imports). The UK imported £0.2 billion from Ecuador, making it the UK's 95<sup>th</sup> largest import market (accounting for less than 0.1% of all UK imports).

**Table 1: Trade between the UK and Colombia, Peru, Ecuador, 2017 (£, billion)**

	Trade in goods	Trade in services	Total trade
UK exports to the region	0.7	0.5	1.2
UK imports from the region	1.0	0.4	1.4
Total trade	1.6	0.9	2.6

Source: [ONS, \(2018\). UK trade: August 2018](#); [ONS, \(2018\). UK trade in services by partner country experimental data: April to June 2018](#) (accessed 5<sup>th</sup> November 2018).

20. Using data from HMRC for trade in goods only, Table 2 shows the top goods exported to the region were in machinery and mechanical appliances (£161 million in 2017) and mineral fuels or oils, products of their distillation (£88 million), representing over a third of the total value of goods exported to the region. The UK's top goods imported from the region were in edible fruit and nuts (£435 million in 2017), representing just under half of the total value of goods imported from the region.

---

<sup>1</sup> EU members are treated as individual trading partners with the UK.

<sup>2</sup> [ONS, \(2018\). UK trade: August 2018](#); [ONS, \(2018\). UK trade in services by partner country experimental data: April to June 2018](#).

**Table 2: Top 5 UK goods exports to & imports from the region, 2017 (at HS2<sup>3</sup>, £ million)**

<b>Top 5 UK goods exports to the region</b>	<b>Value</b>	<b>Top 5 UK goods imports from the region</b>	<b>Value</b>
Machinery and mechanical appliances	161	Edible fruit and nuts	435
Mineral fuels or oils, products of their distillation	88	Mineral fuels or oils, products of their distillation	88
Vehicles other than railway or tramway stock	79	Machinery and mechanical appliances	81
Pharmaceutical products	78	Coffee, tea and spices	74
Beverages, spirits and vinegar	66	Preparations of meat or fish	52

Source: [HMRC trade statistics by commodity code](#) (accessed 5<sup>th</sup> November 2018). Sectors classified according to Harmonised System chapters. Data presented is recorded on a 'physical movement' basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

21. Table 3 presents services data for Colombia only, as sector data is not available for Ecuador and Peru. In 2017 other business services (comprised of sectors including legal, accounting, management consulting, and others) was the largest UK service exported to Colombia (£133 million). Government services was the largest UK service imported from Colombia (£16 million). Data was only available in three sectors for UK imports from Colombia.

**Table 3: Top 5 UK services exports to & imports from Colombia, 2017 (£ million)**

<b>Top 5 UK services exports to Colombia</b>	<b>Value</b>	<b>Top 5 UK services imports from Colombia</b>	<b>Value</b>
Other business services	133	Government	16
Travel	79	Other business services	5
Telecommunications, computer and information services	34	Transportation	4
Transportation	28		
Construction	14		

Source: [ONS, \(2018\). UK trade: August 2018](#); [ONS, \(2018\). UK trade in services by partner country experimental data: April to June 2018](#) (accessed 5<sup>th</sup> November 2018).

<sup>3</sup> The Harmonized System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes.

*Note: Data for ‘manufacturing’, ‘maintenance and repair’, and ‘financial’ (import) sectors have been omitted by the ONS as the data might be disclosive, but the values are included in the overall totals. Services data is always reported on a ‘change of ownership’ (Balance of Payments) basis.*

*ONS data is recorded on a ‘Balance of Payments’ or ‘change of ownership’ basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between the resident of the reporting country and non-residents. Goods exports (imports) are recorded by HMRC if a good physically leaves (enters) the economic territory of a country.*

## **UK businesses exporting to and importing from the region**

22. In 2017, HMRC estimated that 1,500 VAT registered UK businesses exported goods to and 400 imported goods from Columbia; 600 VAT registered UK businesses exported goods to and 200 imported goods from Ecuador; and 1,300 VAT registered UK businesses exported goods to and 500 imported goods from Peru.<sup>4</sup> As these figures only include businesses trading in goods they are likely to underestimate the number of businesses trading with Colombia, Peru and Ecuador.
23. For context, provisional survey data from the ONS<sup>5</sup> shows that around 340,500 (non-financial) registered businesses in Great Britain traded either goods or services or both in 2017 with another country. This was just under 15% of all VAT/PAYE registered businesses. There were around 203,900 (non-financial) registered businesses in Great Britain engaged in goods trade with another country and 194,600 (non-financial) registered businesses trading in services in 2017. Some of these businesses traded in both goods and services. There will be other businesses trading internationally, which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

## **Economic impact of the EU-Andean Countries Trade Agreement**

24. The EU-Andean Countries Trade Agreement has been provisionally applied between the EU, Peru and Colombia since 2013, with the end of the implementation period for services in 2013, and goods in 2030. The arrangement has been provisionally applied between the EU and Ecuador since 2017, with the end of the implementation period in 2034. The deal reduces tariff and non-tariff barriers.
25. In 2012 the Department for Business Innovation and Skills (BIS) published an impact assessment of the EU-Colombia-Peru Trade Agreement.<sup>6</sup> It estimated that there would be a £1.85 billion welfare gain for the UK after 10 years.

---

<sup>4</sup> HMRC, (2018). [Regional Trade Statistics Interactive Analysis](#). Please note that these numbers may not be mutually exclusive – i.e. it is possible that some of the businesses exporting to Columbia also export to Peru, and vice versa.

<sup>5</sup> ONS, (2018). [Annual Business Survey: Non-financial business economy, exporters and importers in Great Britain](#) 2017.

<sup>6</sup> BIS. (2012). [Impact assessment of a Free Trade Agreement between the European Union and Signatory Countries of the Andean Community](#).

26. In 2018 the Department for International Trade (DIT) published a further impact assessment of Ecuador's accession into the EU-Colombia-Peru Trade Agreement.<sup>7</sup> It was estimated that for the UK there would be an increase in GDP of between £6.7 million and £10.1 million due to Ecuador joining the Agreement. The net benefits to the UK are estimated to equal £288 million over a 15-year period.
27. The European Commission's 2016 Impact Assessment estimated that as a result of the Agreement, the main increases in EU exports to Ecuador would be in machinery and chemicals.<sup>8</sup> The main increases in EU imports from Ecuador are estimated to be in vegetable and fruit, and other food products.
28. A 2018 European Commission report looking at implementation of EU free trade agreements (FTAs) included information on the EU-Andean Countries Trade Agreement.<sup>9</sup> It reported positive results - with bilateral trade having increased for all three countries in 2017, following declines in some flows in previous years. More broadly, the report notes that given the impact of falling commodity prices on the economies of the region, the arrangement has stabilised trade. Of EU exports, the report highlights that pharmaceuticals, machinery and vehicles have gained from the Agreement. In the most recent full year for which data is available, EU goods exports to Colombia have increased by 10.5% whilst imports have increased by 3.5% from 2016-2017. With Peru, EU goods exports have increased by 12.2% and imports by 18.7%, while goods exports to Ecuador have increased by 36.2% and imports by 10.8%.

### **Potential loss to UK if the UK-Andean Countries Trade Agreement is not entered into force**

29. Not being able to ratify, and therefore bring this transitioned agreement into force, would result in UK businesses losing the preferences negotiated in the EU-Andean Countries Trade Agreement. This would include the re-imposition of many tariffs, returning to Most Favoured Nation (MFN) treatment with the region. The benefits derived from trading under preferences within the EU-Andean Countries Trade Agreement, such as increases in trade flows, may then be reversed.
30. However, it is unlikely that the entire effect of the Agreement achieved so far would disappear. While tariffs would revert to MFN rates, discussed in further detail below, it could take longer for some of the other benefits to be lost. Some gains might endure even in the long-run. For example, the UK might still benefit from any regulatory arrangements agreed because of the Agreement. Business connections formed because of the EU-Andean agreement might continue.
31. In addition, the existing agreement has only been in place since 2013 (in respect of Peru and Colombia) or 2017 (in respect of Ecuador), with the end of implementation not occurring until 2030 or 2034 (depending on the partner country). Therefore, the full benefits of the EU-Andean Countries Trade Agreement have yet to materialise.

---

<sup>7</sup> DIT. (2018). ['Ecuador Accession to the EU-Andean Free Trade Agreement'](#).

<sup>8</sup> European Commission. (2016). [Assessing the economic impact of the accession of Ecuador to the EU-Colombia/Peru Trade Agreement](#). *European Commission*, pp. 1-41.

<sup>9</sup> European Commission. (2018). ['Individual reports and info sheets on Implementation of EU Free Trade Agreements'](#). *European Commission*, pp. 1-267.

32. The size of the impact of not ratifying and bringing into force the proposed UK-Andean Countries Trade Agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of provisions within the Agreement.<sup>10</sup>

## Immediate impact if not entered into force

### Tariffs

33. Much international goods trade takes place in products for which MFN rates are already zero. However, FTAs provide additional opportunities by reducing tariffs in products where this is not the case. If the UK-Andean Countries Trade Agreement was not ratified and brought into force, tariffs between the two countries would revert to MFN rates for all goods trade. This would lead to an increase in duties on some UK exports to and imports from the region.
34. To estimate the potential impact of losing tariff preferences, assumptions have to be made. If all current trade between the UK and the region occurred at the negotiated preferential tariff rate and if current patterns of trade remained unchanged in future, reverting to the UK and the region's current MFN tariff rates would result in an annual increase in total duties of around £107 million. This would predominantly be duties on imports from the region which could see increases up to £72 million, with duties on UK exports increasing by up to £34 million.<sup>11</sup> Around half of the annual increase in total duties is made up of duties on traded goods with Colombia (up to £54 million). This corresponds with Colombia making up the majority of UK trade flow with the region. Total duties on goods traded with Ecuador would increase by up to £27 million and total duties on goods traded with Peru would increase by up to £26 million.
35. However, these estimates assume that all tariff preferences offered under the current agreement are fully utilised by exporters. This is unlikely to be true. In 2016, DIT estimates suggested that 98% of the UK's eligible goods imports from Colombia, Peru and Ecuador (defined as those which occurred under tariff lines where a preferential rate was offered under the Agreement) were imported utilising the preferences under the Agreement.<sup>12</sup>

---

<sup>10</sup> Head K and Mayer T. (2014). ['Gravity Equations - Workhorse, toolkit and cookbook'](#). *Handbook of International Economics*, 4, pp. 131-195.

Dhingra S, et al. (2018). ['Beyond Tariff Reductions: What Extra Boost From Trade Agreement Provisions?'](#). *CEP Discussion Paper No 1532*, LSE, pp. 1-38.

<sup>11</sup> DIT's own calculations using tariff data from [ITC Market Access Map \(MacMap\)](#) and [HMRC trade statistics](#) (accessed February 2019). Implied additional duties are calculated using the difference in MFN and preferential tariff rates and the 2017 value of trade for each product at HS6 level. Different approaches and data sources for this analysis are likely to yield different results. The estimate of implied additional duties may be different to which would be generated if trade and tariff data at a more disaggregated level (CN8 level) were used.

<sup>12</sup> DIT's own calculations using data from [Eurostat](#) (accessed 19<sup>th</sup> November 2018). Note that using a single year does not account for fluctuating trends in bilateral trade flows, which can be significant. In general, data on the preference utilisation of trade deals is not readily accessible and should be treated with caution. They indicate whether businesses trading in goods are benefitting from negotiated preferences, but do not tell us which or how many businesses are using these preferences. Nor do they cover services trade.

36. The European Commission has recently published available data on preference utilisation of exports to selected FTA partner countries.<sup>13</sup> For these countries, 68% of UK eligible goods exports were traded under preferences.<sup>14</sup> Specific data is available for Colombia, where 75% of UK eligible goods exports were traded under preferences to Colombia. Similar data on UK eligible goods exports is not publicly available for Peru or Ecuador. This evidence suggests that the actual increase in duties could be lower than the estimates above.
37. The total duty which would in fact be charged on exports and imports would depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.
38. The indicative estimates show that the largest implied increases in UK export duties would be for vehicles other than railway or tramway stock (HS87) of up to £10 million and machinery and mechanical appliances (HS84) up to £6 million. These feature in the top UK goods exported to the region. The remaining products would all have duty increases below £5 million. On the import side, the largest implied increase in duties, accounting for over half of the import duties, would be in edible fruit and nuts (HS08) of up to £40 million (around £20 million of these increases are on imports from Colombia), followed by preparations of meat or fish (HS16) of up to £12 million. The remaining products all have duty increases below £10 million.
39. Indicative estimates of implied additional tariff duties are provided above to give a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and the region's governments. However, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices, and ultimately economic growth and welfare.

## Businesses

40. Additional duties could be absorbed by either UK or Signatory Andean Country businesses (depending on whether it is the importer or exporter paying the duty), passed on to consumers, or existing trade patterns could be interrupted. This could impact UK competitiveness, leading to disruptions in supply chains and job losses in the short term.
41. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on regional inputs to export goods to the rest of the world. In 2015 (latest data), around 15.1% of the value added in UK's gross exports reflected imports from abroad, including less than 0.1% from Colombia and Peru.<sup>15</sup> No equivalent information is available for Ecuador. UK companies which rely on imports from Colombia, Peru or Ecuador would become less competitive. Given the small share of UK trade under this agreement, in

---

<sup>13</sup> Albania, Chile, Colombia, Costa Rica, Dominican Rep., Egypt, FYR Macedonia, Israel, Kosovo, Lebanon, Mexico, Montenegro, Morocco, South Africa, Korea, Switzerland, Turkey. Data were not available for all partner countries.

<sup>14</sup> Nilsson L and Preillon N. (2018). '[EU Exports, Preferences Utilisation and Duty Savings by Member State, Sector and Partner Country](#)'. *European Commission*, pp. 1-17. This report uses data collected by EU Delegations from relevant authorities in countries with which the EU has bilateral reciprocal trade agreements in place.

<sup>15</sup> OECD, 2018. '[Trade in Value Added database: Origin of Value Added in Gross Exports 2018](#)'. Experimental statistics.

this case we would expect these impacts to be relatively small, but could be noticeable for some specific companies.

## **Consumers**

42. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. This could disproportionately affect certain groups of consumers, for example those at the lower end of the income distribution, depending on the specific sectors affected. Consumers might also see a reduction in choice of products and services available. Given the small share of UK trade under this agreement, in this case we would expect these impacts to be relatively small overall, but could be noticeable on specific product lines.

## **Longer term impact if not entered into force**

43. In the long run, the UK would forgo the longer-term benefits that the UK-Andean Countries Trade Agreement would have brought to UK. This could result in the long-term UK GDP marginally decreasing if a deal is not reached. Given the small share of UK trade under this agreement, we would expect the impact on GDP to be relatively small.

## **Explanation of this Agreement, including Significant Differences between the UK-Andean Countries Trade Agreement and the EU-Andean Countries Trade Agreement**

44. The UK-Andean Countries Trade Agreement follows the short form approach explained above in paragraphs 7 to 10. Beyond the general *mutatis mutandis* changes explained above, this section describes global changes made to continuity free trade agreements following the short form approach and goes on to provide a detailed discussion of the UK-Andean Countries Trade Agreement.

## General Provisions

### Removal and replacement of references to the EU

45. Where necessary, references to EU institutions have been replaced with appropriate references to the equivalent institutions in the UK (for example, the Competition and Markets Authority). References to (for example) “European Union”, the “EU”, “EU Party” and “Member States” are to be read, *mutatis mutandis*, as references to the UK but are not explicitly replaced.

### Territorial Application

46. Territorial application provisions in a treaty outline the territory to which a treaty applies and how it applies to them. In the EU-Andean Countries Trade Agreement, the relevant provisions define the territorial application of the Agreement by reference to the EU Treaties and EU legislation. Article 3 of the UK-Andean Countries Trade Agreement establishes that the Agreement applies to the Republic of Colombia, the Republic of Ecuador and the Republic of Peru, and the UK, Gibraltar, the Channel Islands and the Isle of Man to the extent and under the same conditions that the EU-Andean Countries Trade Agreement did immediately before it ceased to apply to the United Kingdom.

### Continuation of Time Periods

47. Certain substantive provisions of the EU-Andean Countries Trade Agreement provide for a transitional period, requiring a party to complete an action within a certain timeframe, but which may not yet have been fulfilled under the conditions of the Agreement. These periods have been amended in the UK-Andean Countries Trade Agreement so that it retains the remaining time in which the obligation must be fulfilled. Where a time bound commitment has been completed, reference to the time period has been left in and is covered by the interpretative *mutatis mutandis* principle to reflect any continuing obligations of either party. The general commitment to continue time periods in the EU-Andean Countries Trade Agreement can be found in Article 4 of the UK-Andean Countries Trade Agreement.

### Institutions and Committees

48. All the institutional provisions and bodies provided for in the EU-Andean Countries Trade Agreement are incorporated and retained *mutatis mutandis*. The newly established Trade Committee in the UK-Andean Countries Trade Agreement will adopt, *mutatis mutandis*, the relevant decisions that the EU-Andean Countries Trade Committee made prior to when it ceased to apply to the UK.

### Amendment Clauses

49. Amendment clauses set out the process that must be followed if the parties agree to amend the provisions of the Agreement after it enters into force. Though parties to an agreement are generally free to amend it as they deem necessary, amendment clauses serve to make the process clearer and more transparent.

50. As per the underlying EU-Andean Countries Trade agreement and pursuant to the continuity principle, the UK-Andean Countries Trade Agreement retains the general amendment provision in Article 334 which outlines the process that must be followed if the Parties agree to amend the Agreement after it enters into force. Article 13(2)(d) of the EU-Andean Countries Trade Agreement, as incorporated by the UK-Andean Countries Trade Agreement, also enables the Trade Committee to consider modifications or amendments to the Agreement, subject to the completion of the internal legal procedures of each Party.

51. Article 334 of the EU-Andean Countries Trade Agreement, as incorporated, provides that the Parties may mutually agree in writing to amend the text of the Agreement. This provision sets out how such amendments may be made. In this regard, the parties may agree in writing to any amendment to the Agreement. Amendments will enter into force on the first day of the month following the date of the later of the Parties' notifications to the Depository confirming that they have completed their internal procedures or on such date as the Parties otherwise agree. In the UK context, amendments made via this Article would engage the process of parliamentary scrutiny set out in the Constitutional Reform and Governance Act 2010.
52. The Trade Committee may also make modifications by decision, within the scope of Article 13(2)(g) of the EU-Andean Countries Trade Agreement, as incorporated, to help achieve the objectives of the Agreement, such as accelerating the tariff reductions within the Agreement. Any such decisions must be adopted subject to the respective applicable legal procedures, in order to have effect. It is in our interest for the Committees to have this function, both to ensure continuity as far as possible and to streamline the process of making amendments to the treaty for technical or administrative changes, if required.

## **Entry into Force and Provisional Application**

53. Entry into force provisions specify the date from which the terms of the agreement will bind the parties. Existing entry into force provisions have been replaced with new provisions to ensure that, whatever the scenario in which the EU-Andean Countries Trade Agreement ceases to apply to the UK, the UK-Andean Countries Trade Agreement may enter into force as swiftly as possible.
54. As with the EU-Andean Countries Trade Agreement, the UK-Andean Countries Trade Agreement can enter into force bilaterally between the UK and each Signatory Andean Country individually. Article 8 of the UK-Andean Countries Trade Agreement states that for the Agreement to enter into force, each Party shall notify the other through diplomatic channels of the completion of its internal procedures required for the entry into force of the Agreement. The Agreement will enter into force between the UK and each Signatory Andean Country on the later of: (a) the date on which the EU-Andean Countries Trade Agreement ceases to apply to the UK; or (b) the first day of the month following the date of the later of the UK and Signatory Andean Country's notifications that they have completed their respective domestic legal requirements and procedures. Alternatively, another date for entry into force may be agreed between the UK and each Signatory Andean Country. Before the Agreement may be ratified, it must be laid before Parliament under the Constitutional Reform and Governance Act 2010.
55. Provisional application is a mechanism which allows an agreement to be applied prior to its entry into force. This means that the treaty can be provisionally applied prior to completion of the procedures required by the domestic law of the respective negotiating States for its entry into force, provided any necessary domestic implementing measures are in place.
56. Where the negotiating states have agreed that a continuity agreement may be provisionally applied from the date the underlying EU agreement ceases to apply to the UK, the treaty may be operated provisionally from that date if this becomes necessary while, in the case of the UK, the treaty completes the procedures set out in the Constitutional Reform and Governance Act 2010.
57. A number of the existing EU agreements provide for provisional application and were provisionally applied by the UK as an EU Member State.
58. Article 8 of the UK-Andean Countries Trade Agreement provides that pending entry into force of this Agreement, each of the Parties may, in accordance with their own internal procedures, provisionally apply the Agreement, fully or partially. If the UK and a signatory Andean

Country have agreed the provisional application of the UK-Andean Countries Trade Agreement, it shall begin on: the later of: (a) the first day of the month following the date of the later of the UK and the Signatory Andean Country's notifications that they have completed their internal procedures required for provisional application; or (b) the date on which the EU-Andean Countries Trade Agreement ceases to apply to the UK. Alternatively, another date for provisional application may be agreed between the UK and each Signatory Andean Country. Only those provisions in the Agreement where necessary domestic implementation is in place, including in the relevant territories for whose international relations the UK is responsible, may be provisionally applied.

## **Trade Remedies and Dispute Settlement**

59. Trade remedies provide a safety net for domestic industry against unfair or injurious trading practices caused by dumping, subsidies or unexpected surges of imports of goods. Most World Trade Organization (WTO) members have a trade remedies regime. The UK will operate its own regime once outside the EU.
60. The economic benefits of a trade agreement can only be realised if they are faithfully implemented and complied with. A dispute settlement mechanism in an agreement signals the parties' intention to abide by the agreement, thereby increasing business and stakeholder confidence that commitments set out in the agreement can, and will, be upheld. The dispute settlement mechanism therefore provides an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes arising.
61. The UK-Andean Countries Trade Agreement replicates the effects of the trade remedies and dispute settlement provisions in the EU-Andean Countries Trade Agreement *mutatis mutandis*.
62. One of the impacts of transitioning the dispute settlement chapters in the existing EU trade agreements is that, in the event that a dispute arises, the UK will be directly responsible for any relevant costs associated with the dispute settlement process.

# Annexes and Protocols

## Goods

63. Goods chapters in trade agreements set out the treatment and the level of access to the domestic market granted to goods of the respective parties. Such provisions include setting tariff levels and quotas on various products, establishing agricultural safeguards and determining the rules of origin for goods to qualify for preferential treatment.
64. Commitments on tariffs for both the UK and Signatory Andean Countries have, other than in those cases detailed below, been transitioned without changes. This means that tariff preferences applied by the UK for products from Signatory Andean Countries will remain the same as those applied by the EU on the date the UK ceases to be bound by the EU-Andean Countries Trade Agreement, and, likewise, Signatory Andean Countries will continue to apply the same preferences to products from the UK that they are applying to products from the EU.
65. The only two exceptions to the tariff commitments that are being transitioned without modifications relate to the size of tariff-rate quotas and agricultural safeguards (see below), which can be found in Sections A, B, C and D of modifications to Annex I to the UK-Andean Countries Trade Agreement, as these have to be resized to deal with the fact that the UK will no longer be a member of the EU. These changes are detailed further below.

## Tariff Rate Quotas (TRQs)

### Justification for policy

66. Tariff-rate quotas allow a certain quantity of a product to enter the market at a zero or reduced tariff rate. Imports above the quota are subject to a higher tariff rate – usually the MFN rate. The EU has agreed TRQs, both for imports to the EU and to partner countries, in some of its trade agreements. In order for products to be able to continue to benefit from the use of TRQs in trade between the UK and its FTA partners, these quotas need to be present in the new UK agreements with those partners.
67. TRQs administered by the UK and by FTA partners have been re-sized to reflect the fact that the UK is a smaller importer and exporter than the EU28. Solutions were agreed with the Signatory Andean Countries to set quotas at a sufficient level to allow for continuity of historical trade flows, for importers and exporters from both sides.
68. Tables 4 to 9 set out the new UK-Andean Countries Trade Agreement quotas applicable under the Agreement. TRQs have been re-sized based on a range of evidence including historical usage data, trade flow data and customs data. In order to address future market access opportunities for UK and Andean country businesses, it was also agreed to use a proxy indicator to set TRQs where data showed historic trade was low. This includes instances where the UK or Signatory Andean Countries' usage of a TRQ was zero. Doing so allows future market access opportunities for UK and Andean businesses using a fair and evidence-based methodology.

### Impacts

69. Without transitioning these TRQs, and without any other mitigating actions, goods imported from Signatory Andean Countries that are currently covered by TRQs in the existing EU

agreement could face MFN tariffs. This could make these imports more expensive. The nature of the impact of this will depend on a number of factors, including existing trading patterns and the behaviour and responsiveness of domestic consumers and businesses to the change in tariff.

70. Trade in goods currently exported from the UK to the Signatory Andean Countries could also be adversely affected if the relevant TRQs are not transitioned. In the absence of any explicit action by Andean country governments, that trade would face MFN tariffs. As explored above for UK imports, the nature of the impact will depend on a number of factors.
71. As total UK trade with Signatory Andean Countries is relatively low, we expect that the overall, immediate, impact on UK producers and consumers resulting from this approach to resizing TRQs will be limited.

## Inward TRQs

**Table 4: List of TRQs applied by the UK for imports from Colombia and new quota volumes (tonnes, unless otherwise specified)**

Quota No.	Product description	New UK quota volume	Agreed annual increase in UK quota volume*
AV0-MM	Mushrooms	10.4	0.4
AV0-SC	Sweet corn	20.8	0.8
AV0-SP	Multiple sugar products	1890.4	48.1
BF	Meat of bovine	717.7	44.9
CM	Milk and cream [with added sugar]	3.5	0.1
RM **	Rum	168.2	8.0
SR	Sugar	5860.1	149.0
YT	Yoghurt	10.4	0.4

\*The agreed annual increase in UK quota volume is aligned to the annual increases in quota volumes agreed as part of the EU-Andean Countries Trade agreements.

\*\*Hectolitres

**Table 5: List of TRQs applied by the UK for imports from Peru and new quota volumes (tonnes, unless otherwise specified)**

<b>Quota No.</b>	<b>Product description</b>	<b>New UK quota volume</b>	<b>Agreed annual increase in UK quota volume*</b>
BF	Beef	469	29
BK	Yoghurt	414	26
BR	Butter and spreads	109	7
CE	Cheese and curd	545	34
GC	Garlic	324	20
IE	Ice cream	33	2
ME	Maize	2179	136
MM	Mushrooms	22	1
MP1	Milk and cream	654	41
MP2	Milk and cream	1308	82
PK	Pork	416	26
PY	Poultry	1634	102
RE	Rice	7409	463
RM **	Rum	218	14
SC	Sweet corn	153	10
SP	Multiple confectionary products	1966	50
SR	Cane sugar	4325	110
YT	Yoghurt	7	1

\*The agreed annual increase in UK quota volume is aligned to the annual increases in quota volumes agreed as part of the EU-Andean Countries Trade Agreement.

\*\*Hectolitres

**Table 6: List of TRQs applied by the UK for imports from Ecuador and new quota volumes (tonnes, unless otherwise specified)**

<b>Quota No.</b>	<b>Product description</b>	<b>New UK quota volume</b>	<b>Agreed annual increase in UK quota volume*</b>
GC	Garlic	27	0
MM	Mushrooms	5	0
MZ	Maize	2079	59
RI	Rice	265	0
MC	Manioc	159	0
RM**	Rum	14	1
AV0- SC1	Sweet corn	21	0
AV0- SC2	Sweet corn	16	0
SR	Raw cane sugar	2166	61
SP	Confectionary products	546	8

\*The agreed annual increase in UK quota volume is aligned to the annual increases in quota volumes agreed as part of the EU-Andean Countries Trade Agreement.

\*\*Hectolitres

## Outward TRQs

**Table 7: List of TRQs applied by Colombia for imports from the UK and new quota volumes (tonnes)**

<b>Order Number</b>	<b>Product description</b>	<b>New Andean quota volume</b>	<b>Agreed annual increase in Andean quota volume</b>
MA	Sweet corn	14.6	0.6
HO	Mushrooms	3.5	0.1
HE	Ice Creams	31.2	1.2
YG	Yoghurt	10.4	0.4
PA	Confectionary products	630.1	16.0
AZ	Cane sugar	1,953.4	49.7
DB	Animal offal and by-products	194.4	7.5
LC	Condensed milk	10.4	0.4
TX	Other food preparations	384.5	24.0
LP1	Milk powder	172.8	10.8
Q	Cheeses	296.0	18.5
LM	Infant milk	141.0	8.8

\*The agreed annual increase in UK quota volume is aligned to the annual increases in quota volumes agreed as part of the EU-Andean agreements.

**Table 8: List of TRQs applied by Peru for imports from the UK and new quota volumes (tonnes, unless otherwise specified)**

<b>Order Number</b>	<b>Product description</b>	<b>New Andean quota volume</b>	<b>Agreed annual increase in Andean quota volume</b>
BF	Beef	234	15
BR	Butter and spreads	67	4
CE	Cheese and curd	545	34
GC	Garlic	81	5
IE	Ice cream	15	1
ME	Maize	2179	136
MM	Mushrooms	11	1
MP	Milk powder	654	41
FP	Infant milk	109	7
PK	Pork	872	54
PY	Poultry	817	51
RE	Rice	1768	111
RM*	Rum	133	8
SC	Sweet corn	76	5
SP	Sugar products	983	25
SR	Cane sugar	1768	45

\*Hectare litres

**Table 9: List of TRQs applied by Ecuador for imports from the UK and new quota volumes (tonnes)**

<b>Order Number</b>	<b>Product description</b>	<b>New Andean quota volume</b>	<b>Agreed annual increase in Andean quota volume</b>
B	Animal food	115	3
B1	Animal food	115	3
D	Guts, bladders and stomachs of animals	28	1
L1	Multiple dairy products	23	1
L2	Multiple dairy products	35	2
L3	Multiple dairy products	29	1
L4	Cheese	58	3
M	Sweet corn	16	0
MC	Frozen or preserved sweet corn	21	0
PA	Potatoes	14	1
P	Pig bellies, sausages and ham	45	1
SP	Multiple confectionary products	102	0

## **Agricultural Safeguard Measures**

72. Agricultural safeguard measures are included in this agreement. These allow Andean countries to impose higher import duties on specific products if the import volume exceeds a threshold (trigger import volume). The existing trigger levels are set for the EU28 and have been resized to reflect the import of UK goods into Andean countries. The amended levels have been resized in accordance to TRQ methodology and we do not expect this change to have an impact.

**Table 10: List of Agricultural Safeguard Measures for UK Goods to Colombia Staging Category LP1**

<b>Tariff lines</b>	<b>Year</b>	<b>Trigger Import Volume (Metric Tonnes)</b>
04021010 04021090 04022111 04022119 04022191 04022199		
	<b>Entry into Force</b>	<b>20% in addition of the pro – rated quota</b>
	2019	207
	2020	220
	2021	233
	2022	246
	2023	259
	2024	272
	2025	285
	2026	298
	2027	311
	2028	324
	2029	337
	2030	350

**Table 11: List of Agricultural Safeguard Measures for UK Goods to Colombia Staging Category LP2**

<b>Tariff lines</b>	<b>Year</b>	<b>Trigger Import Volume (Metric Tonnes)</b>
04022911 04022919 04022991 04022999 04029110 04029190 04029990		
	<b>Entry into Force</b>	<b>20% in addition of the pro – rated quota</b>

	2019	77
	2020	82
	2021	87
	2022	91
	2023	96
	2024	101
	2025	106

**Table 12: List of Agricultural Safeguard Measures for UK Goods to Colombia Staging Category LS**

Tariff lines	Year	Trigger Import Volume (Metric Tonnes)
04041010 04041090 04049000		
	Entry into Force	20% in addition of the pro – rated quota
	2019	384
	2020	409
	2021	433
	2022	457
	2023	481
	2024	505
	2025	529

**Table 13: List of Agricultural Safeguard Measures for UK Goods to Colombia Staging Category Q**

Tariff lines	Year	Trigger Import Volume (Metric Tonnes)
04062000 04063000 04064000 04069040 04069050 04069060 04069090		
	Entry into Force	20% in addition of the pro – rated quota
	2019	355

	2020	377
	2021	400
	2022	422
	2023	444
	2024	466
	2025	488
	2026	511
	2027	533
	2028	555
	2029	577
	2030	599

**Table 14: List of Agricultural Safeguard Measures for UK Goods to Colombia Staging Category LM**

<b>Tariff lines</b>	<b>Year</b>	<b>Trigger Import Volume (Metric Tonnes)</b>
19011010 19011091 19011099		
	<b>Entry into Force</b>	<b>20% in addition of the pro – rated quota</b>
	2019	169
	2020	180
	2021	190
	2022	201
	2023	211
	2024	222
	2025	233
	2026	243
	2027	254
	2028	264
	2029	275
	2030	285

**Agricultural Safeguard Measures for UK Goods to Peru**

73. Peru may apply an agricultural safeguard measure when the amount of imports exceeds 54 metric tonnes. This amount shall be increased by 5 metric tonnes each year.

**Table 15: Agricultural Safeguard Measures for UK Goods to Ecuador Category L4**

<b>Tariff lines</b>	<b>Year</b>	<b>Trigger Import Volume (Metric Tonnes)</b>
04064000		
04069040		
04069050		
04069060 A		
	<b>Entry into force</b>	<b>20% in addition of the prorated quota</b>
	2019	70
	2020	73
	2021	77
	2022	80
	2023	84
	2024	88
	2025	91
	2026	95
	2027	98
	2028	102
	2029	106
	2030	109
	2031	113
	2032	116
	2033	120
	2034	124

## Rules of Origin

74. In FTAs, Rules of Origin are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good typically has to “originate” in the territory of one of the parties to the Agreement. FTAs may also allow materials originating and/or processing in a country other than the exporting Party to count towards meeting the specific origin requirements for preferential treatment, a process known as “cumulation”.
75. There are two categories relevant to determining whether goods “originate” in the exporting country for the purposes of a free trade agreement:
- a. **Wholly obtained** – These are goods that are wholly obtained or produced entirely in a single country. Examples include mineral products extracted from the soil and live animals born and raised there.
  - b. **Substantial transformation** – These are goods that are made from materials which come from more than one country, and the origin is therefore defined as that of the country where the goods were last substantially transformed. This can be determined in three ways:
    - i. **Value added** – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
    - ii. **Change in Tariff Classification (“CTC”)** – This type of rule requires that the final product be sufficiently different from the imported materials so that it moves to a different tariff classification altogether.
    - iii. **Specific processing or manufacturing** – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.
76. As a member of the EU, all UK content is currently considered as “originating” in the EU and UK exports are designated as “EU origin”. This means that originating materials from, and processing in, the UK and the rest of the EU can be used interchangeably in bilateral trade with existing EU FTA partners. This will no longer be the case when existing EU FTAs stop applying to the UK.
77. At this point, the designation of UK exports will shift from “EU” originating to “UK” originating and EU content will (unless specific provision is made in new agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This would have implications for goods traded between the UK, EU and Signatory Andean Countries.
78. To address these implications and to provide maximum continuity for business, the UK-Andean Countries Trade Agreement provides that EU materials can continue to be used, and count as originating (i.e. cumulated), in the UK and Andean exports to one another. Furthermore, EU processing can continue to be used and count as originating in UK exports to the Signatory Andean Countries.
79. The cumulation arrangements are set out in detail in the modifications to Section 2 (definition of the concept of "originating products") and are subject to satisfying certain conditions specified in the Agreement.

## Impact

80. If cumulation of EU content for the UK and the Signatory Andean Countries were not permitted under the UK-Andean Countries Trade Agreement, some UK and Signatory Andean Country-based exporters could find themselves unable to access preferences as they are currently able to under the EU-Andean Countries Trade Agreement.
81. UK exporters to Signatory Andean Countries who rely on EU inputs might have to revert to paying MFN tariff rates, if they continued using EU inputs, or they might have to review and reassess their existing supply and value chains as a result of this change to existing terms. The impact would, of course, vary across sectors.
82. The UK-Andean Countries Trade Agreement provides only for trade between the UK and Signatory Andean Countries and does not provide for either party's direct trade with the EU, including, for example, where UK and Andean country-based exporters use content from each other in exports to the EU.

## Origin Quotas

### Justification for policy

83. Origin Quotas allow a volume of specific product lines to be exported under a more lenient rule of origin. They allow exporters who may have struggled to meet the origin requirements in the list of product-specific rules to secure preferential access for a specified volume of their product.
84. The Origin Quotas in the EU-Andean Countries Trade Agreement include both inbound (Signatory Andean Countries to EU) and outbound (EU to Signatory Andean Countries) quotas for specific products and were agreed upon in relation to the size of the EU and Signatory Andean Countries' markets. In order for products to be able to continue to benefit from the use of Origin Quotas in trade between the UK and Signatory Andean Countries, these quotas need to be present in the new UK-Andean Countries Trade Agreement.
85. To maintain the market access for importers and exporters offered under the original quotas for these products, the UK and the Signatory Andean Countries have re-sized Origin Quotas to reflect the bilateral trade flows observed in recent years and the fact that the UK is a smaller market than the EU28.
86. Tables 10 and 11 set out the new UK-Andean Countries Origin Quotas applicable under the UK-Andean Countries Trade Agreement. Where possible, Origin Quotas have been re-sized based on usage data. In order to preserve future market access opportunities for UK and Signatory Andean Country businesses, it was also agreed to use a proxy based on trade flow data where usage data showed historic trade was very low.

### Impacts

87. Without transitioning the Origin Quotas, goods traded between the UK and the Signatory Andean Countries that are currently covered by these quotas in the existing EU-Andean Countries FTA could face more restrictive rules of origin under the new UK-Andean Countries FTA, and potentially even MFN tariffs. The nature of the impact of this will depend on a number of factors, including existing trading patterns and the response of domestic consumers and businesses to the change in tariff.

We expect that the overall, immediate, impact on UK producers and consumers resulting from this approach to resizing Origin Quotas will be limited.

## Inward quotas

**Table 16: List of origin quotas from Signatory Andean Countries to the UK and new quota volumes**

Product description	New UK quota volume (metric tonnes unless otherwise specified)		
	Colombia	Peru	Ecuador
Other plates, sheets, film, foil and strip, of plastics, non-cellular and not-reinforced, laminated, supported or similarly combined with other materials	2,043	2,043	2,043
Women's or girls' briefs and panties, knitted or crocheted of man-made fibres	27	27	27
Men's or boys' swimwear knitted or crocheted of synthetic fibres	3	3	3
Women's or girls' swimwear knitted or crocheted of synthetic fibres	14	14	14
Graduated compression hosiery (for example, stockings for varicose veins), knitted or crocheted	3	3	3
Other pantyhose and tights of synthetic fibres measuring per single yarn less than 67 decitex, knitted or crocheted	5	5	5
Other pantyhose and tights of synthetic fibres measuring per single yarn 67 decitex or more, knitted or crocheted	2	2	2
Other women's full-length or knee length hosiery, measuring per single yarn less than 67 decitex	3	3	3

Pantyhose, tights, stockings, socks and other hosiery, including graduated compression hosiery (for example, stockings for varicose veins) and footwear without applied soles, knitted or crocheted, other, of synthetic fibres	24	24	24
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated	13,620	13,620	13,620
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated	13,620	13,620	13,620
Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated	13,620	13,620	13,620
Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated	13,620	13,620	13,620
Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel	13,620	13,620	13,620
Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling	13,620	13,620	13,620
Angles, shapes and sections of iron or non-alloy steel	13,620	13,620	13,620
Wire of iron or non-alloy steel	6,810	6,810	6,810

Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	6,810	6,810	6,810
Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406,4 mm, of iron or steel	6,810	6,810	6,810
Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	13,620	13,620	13,620
Structures and parts of structures, of iron or steel; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron or steel	6,810	6,810	6,810
Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas rings, plate warmers and similar nonelectric domestic appliances, and parts thereof, of iron or steel	2,724*	2,724*	2,724*
Table, kitchen or other household articles and parts thereof, of iron or steel; iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, of iron or steel	6,810	6,810	6,810
Other cast articles of iron or steel	6,810	6,810	6,810
Twine (cordage) and nets		108	

Frozen mackerel "Scomber scombrus" and "Scomber japonicus"		666	
Frozen anchovies "Engraulis spp."		20	
Horse mackerel "scad" "Caranx trachurus, Trachurus trachurus", frozen		10	
Frozen squid "Ommastrephes spp.", "Nototodarus spp." and "Sepioteuthis spp.", with or without shell (excl. "Ommastrephes Sagittatus")		700	
Squid "Ommastrephes spp.", "Nototodarus spp.", "Sepioteuthis spp.", dried, salted or in brine, with or without shell (excl. "Ommastrephes Sagittatus")		417	
Fillets of mackerel of the species Scomber scombrus and Scomber japonicus, prepared or preserved		333	
Mackerel of the species Scomber scombrus and Scomber japonicus, prepared or preserved, whole or in pieces (excl. minced mackerel and fillets of mackerel)		133	
Prepared or preserved mackerel of species Scomber australasicus, whole or in pieces (excl. minced)		3	
Prepared or preserved anchovies, whole or in pieces (excl. minced)		67	

Prepared or preserved anchovies (excl. whole or in pieces)		6	
Mussels, snails and other molluscs, prepared or preserved (excl. mussels of the species Mytilus and of the species Perna)		83	

\* units

## Outward quotas

**Table 17: List of origin quotas from the UK to Signatory Andean countries and new quota volumes**

Product description	New Andean quota volume (metric tonnes)		
	Colombia	Peru	Ecuador
Roasted coffee of the variety Arabica	16	5	15
Cocoa powder, not containing added sugar or other sweetening matter	14	61	16

## Banana Review Mechanism

88. The EU-Andean Countries Trade Agreement commits the parties to examining the tariff liberalisation of bananas in 2019. Any outcomes of this review, which are adopted by a decision of the Trade Committee of the EU-Andean Countries Trade Agreement whilst the EU-Andean Countries Trade Agreement continues to apply to the UK, will be adopted by Article 6 of the UK-Andean Countries Trade Agreement.
89. We are rolling over this commitment to reflect our continuity approach, with a modified date of review. The UK-Andean Countries Trade Agreement commits partners to undertake this review no later than two years after the entry into force of the Agreement between the UK and all Signatory Andean Countries. This modification reflects the variance in ratification periods amongst the parties, while streamlining replication of existing commitments.

## Customs

90. We replicated the EU-Andean Countries Trade Agreement customs provisions *mutatis mutandis*. However, minor changes were made. Article 70 of the EU-Andean Countries Trade Agreement was not incorporated because the two-year derogations for Peru and Ecuador have elapsed.

## Mutual administrative assistance in customs matters

91. The UK-Andean Countries Trade Agreement incorporates Annex V (Mutual Administrative Assistance in Customs Matters) of the EU-Andean Countries Trade Agreement with minor modifications. This annex allows for customs cooperation in areas such as the exchange of information and requests for assistance with a view to ensuring the correct application of customs legislation.

92. The UK-Andean Countries Trade Agreement makes minor changes to Article 6 of Annex V, to stipulate that requests shall be submitted to a Signatory Andean Country in either Spanish or English, and in the case of the UK party, in English. Minor changes have been made to Article 13 to establish that the relevant authority responsible for the implementation of Annex V is Her Majesty's Revenue and Customs.

## Sanitary and Phytosanitary (SPS)

93. SPS articles in trade agreements concern the application of food safety and animal and plant health regulations. SPS provisions in trade agreements allow countries to set standards and regulations that allow for the protection of human, animal or plant life and health. SPS provisions in FTAs can increase transparency in trading by allowing the recognition of equivalent measures in relation to animal health, and import requirements, including health certification.

94. The SPS provisions of the EU-Andean Countries Trade Agreement are set out in Annex VI. Minor, non-substantive changes have been made to Annex VI. These changes remove the reference to EU competent authorities as referred to in the EU-Andean Countries Trade Agreement and include a provision which requires the UK to notify Signatory Andean Countries of its competent authorities on the date of entry into force of the Agreement.

95. Provisions relating to equivalence, transparency, verifications, import procedures, notifications and the SPS Sub-committee, including detailed appendices, are maintained and applied *mutatis mutandis* in the UK-Andean Countries Trade Agreement. This will have no impact on the operation of the Agreement.

96. Article 105 of the EU-Andean Countries Trade Agreement provides for, *inter alia*, movement of goods subject to SPS measures across the 'internal' borders between countries within each regional bloc. The provisions of the article in the EU-Andean Countries Trade Agreement apply specifically to the relationship between the two trading blocs and was inspired by the operation of the EU Single Market, which it is UK policy to leave. Therefore, we have agreed to remove the entirety of Article 105 from the UK-Andean Countries Trade Agreement. Removal of this article does not impact the UK's ability to continue trading on current conditions.

## **Intellectual Property and Geographical Indications (GIs)**

97. We have ensured that our existing obligations on intellectual property remain in place. The UK will remain a member of the World Intellectual Property Organization (WIPO), and remain fully compliant with those WIPO treaties to which we are already a party. We will also remain fully compliant with the WTO's agreement on the trade related aspects of intellectual property rights (TRIPS).
98. The UK-Andean Countries Trade Agreement retains the protections provided in the EU-Andean Countries Trade Agreement for UK and Signatory Andean Country GIs. The retained protections include those for Irish Whisky, Irish Whiskey/ Uisce Beatha Eireannach and Irish Cream, which are GIs that extend to the territory of both Northern Ireland and the Republic of Ireland, known as 'transborder GIs'.
99. The United Kingdom has allowed Peru, Colombia and Ecuador 12 months to make necessary amendments to their register in order to enable them to continue protecting the transborder GIs under the UK-Andean Countries Trade Agreement. However, in the meantime there will be no impact on the continued use and protection of these transborder GIs as they will continue to be protected under the EU-Andean Countries Trade Agreement.
100. The UK-Andean Countries Trade Agreement also includes a new Joint Declaration on the treatment of 14 new pending GI applications the Signatory Andean Countries have made to the EU.
101. The Joint Declaration reflects the current UK GI regime relating to the treatment of pending GIs and provides sufficient flexibility to account for any changes to the UK GI regime in these regards prior to entry into force of the Agreement. It also affirms the UK's commitment to processing these applications in an efficient and transparent manner from the point at which the applications are made to the UK after the EU-Andean Countries Trade Agreement ceases to apply to the UK.

## **Sustainability**

102. The UK has long supported the promotion of our values globally and this will continue as we leave the EU. We want to ensure economic growth, development and labour and environmental protection go hand-in-hand. The Trade and Sustainable Development chapters in EU FTAs have played an important role in this to date and they have been replicated in their entirety in the new UK-Andean Countries Trade Agreement.
103. Sustainability chapters often refer out to other (non-EU) international agreements on issues like labour and environment, which the UK and the partner country is a member of in our own right and so these provisions will continue to apply once the UK has left the EU.

## **Government Procurement**

104. Government procurement commitments in trade agreements provide enforceable rules and standards for a transparent and non-discriminatory framework on government procurement. They also liberalise specific procurement markets between the parties and provide enforceable market access commitments.

105. The UK-Andean Countries Trade Agreement has retained the commitments on public procurement that relate to the UK and Signatory Andean Countries.
106. An amendment has been made in Annex XII of EU-Andean Countries Trade Agreement to reflect the fact that the UK will update its means of publication of procurement notices and contract awards in the UK once such a means of publication has been determined. The UK has agreed to notify Signatory Andean Countries of this means of publication on entry into force of the Agreement. Subject to the terms of the final agreement with the EU, this may replace the reference to the information system for European public procurement and the Official Journal of the European Union. These changes are not expected to have an impact.

## **Technical Barriers to Trade**

107. Technical Barriers to Trade articles in trade agreements cover aspects relating to regulations, standards and conformity assessment for goods. In particular, Article 105 of the EU-Andean Countries Trade Agreement relates to the movement of goods across the 'internal' borders between countries within each regional bloc. The EU's commitments are based on the operation of the EU Single Market, which it is UK policy to leave. The UK and Signatory Andean Countries have therefore agreed it is appropriate to remove Article 105 from the Agreement.

## **Competition, Subsidies/State Aid and State-Owned Enterprises**

108. Chapters or articles in trade agreements relating to competition, subsidies/state aid and state-owned enterprises help to ensure a level playing field exists for both parties. They detail key principles and can refer to domestic laws for each party.
109. Minor non-substantive technical changes have been carried out in the area of competition to ensure that the effect of the provisions is replicated without altering the substance. The UK-Andean Countries Trade Agreement will not have any effect on the financial support the Government provides to our agricultural and fishing industries.

## **Services**

110. Services chapters and corresponding annexes in trade agreements set out the treatment and the level of access to the domestic market granted to that trade partner's service suppliers and services. Commitments build upon the level of access and the treatment granted to all WTO members, whilst protecting governments' right to regulate the domestic markets.
111. Amongst the EU's FTAs with third countries, the content of the services chapters and depth of the commitments undertaken vary considerably. The variety of these services provisions have in some cases necessitated a bespoke approach to deliver continuity in services commitments between the UK and the third country. Some agreements have not required amendment whilst others have required technical alteration to their text to deliver continuity of effect. Where such technical changes have been necessary the effects of the original commitments have been replicated as far as possible.
112. Throughout the services chapters and the corresponding annexes, text with specific reference to the obligations and commitments of other EU Member States will not apply to the UK.
113. Throughout Annexes VII and VIII of the UK-Andean Countries Trade Agreement, minor changes have been made, including to market access reservations requiring that aircraft used by Community air carriers be registered in the Member State licensing the air carrier or elsewhere in the Community. For these reservations, the phrase 'or elsewhere in the

European Union' and a reference to the licensing European Member States have been removed as they are no longer required in the bilateral context.

114. The reservation requires that aircraft used by UK carriers be registered in the UK in certain circumstances. We would expect that any economic impact of this change would be limited. UK carriers will continue to benefit from a network of Air Services Agreements.
115. References to EU internal waterway arrangements, such as the 'Rhine-Main-Danube link' have been removed as they no longer apply in a bilateral context. There is no envisaged economic impact of this change.
116. Annex IX of UK-Andean Countries Trade Agreement has removed the two reservations that clarified that recognition of diplomas required in order to practise regulated professional services by non-Community nationals remained within the competence of each Member State, as this is not applicable in a bilateral context. There is no envisaged economic impact of this change.
117. The Ecuadorian schedule of commitments on cross-border supply of services includes a financial services commitment to accept the risk rating by an agency recognised by the European Securities and Markets Authority (ESMA) as a "Nationally Recognised Statistical Rating Organisation – NRSRO". The reference to ESMA has been changed to the Financial Conduct Authority (FCA) and the reference to an NRSRO has been changed to a "Credit Rating Agency" to reflect the UK domestic regulatory framework post-EU withdrawal. There is no envisaged economic impact of this change.





ISBN 978-1-5286-1370-5

CCS0619391678