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# **Continuing the United Kingdom's Trade Relationship with Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama)**

**Agreement establishing an Association between the United Kingdom of Great Britain  
and Northern Ireland and Central America**

August 2019





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Presented to Parliament

by the Secretary of State for Foreign and Commonwealth Affairs

by Command of Her Majesty

August 2019



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## Introduction

1. In line with the Government's commitment in the Trade Bill 2017-2019 this report explains the Government's approach to delivering continuity in the United Kingdom's ("UK") trade relationship with Central America as the UK leaves 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 existing trade agreements with existing partners through its membership of the EU. The new bilateral agreements provide for entry into force at the earliest when the existing agreements between the EU and a third country cease to apply to the UK (or as soon as possible thereafter), 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 the existing EU agreements through these new bilateral 'continuity trade 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, and to assist Parliament more generally, this report gives details of, and explains the reasons for, any significant differences between:
  - a. the trade-related provisions of the proposed Agreement establishing an Association between the United Kingdom of Great Britain and Northern Ireland and Central America ("the UK-Central America Agreement");<sup>1</sup> and
  - b. the trade-related provisions of the existing Association Agreement between the European Union and Central America ("the EU-Central America Agreement").
6. This 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. It then considers articles of the UK-Central America Agreement in turn, explaining any significant differences between the trade-related provisions of the UK-Central America Agreement and the corresponding provisions of the EU-Central America Agreement. 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 Central America in preparation for the UK ceasing to be bound by the EU-Central America Agreement and entering into the UK-Central America 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.
7. The UK has agreed with many third countries that the most appropriate and proportionate form of legal instrument to ensure continuity in the current circumstances is a short form

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<sup>1</sup> The six Central American countries which will be party to the UK-Central America Agreement are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. They are all separate parties in their own right, with the obligation of acting collectively under certain provisions of the agreement only.

agreement which incorporates by reference the relevant provisions of the EU-third country agreement with relatively few but necessary modifications; the advantages of the short form approach are set out below. However, the form used is the one that the States involved agreed was the most pragmatic and sensible in the circumstances. Accordingly, some agreements have been drafted in long form to reflect these wishes. This agreement is a short form agreement.

## Legal approach

8. The UK and the Central American countries have agreed 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 EU-Central America Agreement with relatively few necessary modifications. The approach is like that used in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), where Article 1 of the CPTPP 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 have by necessity changed.
9. The UK-Central America Agreement reproduces the effects of the EU-Central America Agreement as closely as possible, including the establishment of institutional arrangements between the UK and Central America based on existing structures (such as the Association Council) that allow for the ongoing management of the Agreement.
10. Many of the general changes to the EU-Central America Agreement (such as replacing "EU" with "UK") are applied by reading the incorporated text of the EU-Central America Agreement *mutatis mutandis*, that is, with the technical changes necessary to apply the Agreement as if it had been concluded between the UK and Central America in the first instance. This has avoided the need to reproduce every page and has significantly reduced the volume of text required.
11. Where more substantive amendments were required to ensure operability, or where the UK and the Central American countries jointly agreed that *mutatis mutandis* would not deliver adequate certainty over rights and obligations, detailed amendments have been included in the Annex to the UK-Central America Agreement.

## Resources

12. This report is intended to aid businesses, consumers and parliamentarians in understanding any significant differences made to the UK's trade or political, economic or social cooperation relationship with Central America, by the UK-Central America Agreement, the reasons for any changes, and their impact.
13. Should you wish to view the EU-Central America Agreement as originally published, it can be found online on the [European Commission's website](#).
14. More detail, including decisions of the Association Council established under the EU-Central America Agreement, can be found on the [EUR-Lex website](#).
15. Should you wish to view the full text of the UK-Central America 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 Central America.

### Trade between the UK and Central America

17. Total trade in goods and services between the UK and Central America was £1 billion in 2018, accounting for 0.1% of total UK trade.<sup>2</sup> Costa Rica is the UK's 99<sup>th</sup> largest trading partner.<sup>3</sup> Panama is the UK's 105<sup>th</sup> largest trading partner. Honduras is the UK's 129<sup>th</sup> largest trading partner. Guatemala is the UK's 135<sup>th</sup> largest trading partner. Nicaragua is the UK's 161<sup>st</sup> largest trading partner. El Salvador is the UK's joint 165<sup>th</sup> largest trading partner. Each of the Central American countries account for less than 0.1% of total UK trade.

18. In 2018, UK exports to Central America were £346 million. Of this, UK exports to Panama were £235 million, making it the UK's 92<sup>nd</sup> largest export market (accounting for less than 0.1% of all UK exports, as do the other Central American countries that are party to the Agreement). The UK exported £55 million to Costa Rica, making it the UK's joint 136<sup>th</sup> largest export market. The UK exported £24 million to El Salvador, making it the UK's joint 159<sup>th</sup> largest export market. The UK exported £22 million to Guatemala, making it the UK's joint 162<sup>nd</sup> largest export market. The UK exported £6 million to Nicaragua, making it the UK's 191<sup>st</sup> largest export market. The UK exported £4 million to Honduras, making it the UK's 199<sup>th</sup> largest export market.

19. UK imports from Central America were £685 million. Of this, the UK imports from Costa Rica were £354 million, making it the UK's 82<sup>nd</sup> largest import market (accounting for less than 0.1% of all UK imports, as do the other Central American countries that are party to the Agreement). The UK imported £131 million from Honduras, making it the UK's joint 103<sup>rd</sup> largest import market. The UK imported £86 million from Guatemala, making it the UK's joint 112<sup>th</sup> largest import market. The UK imported £62 million from Panama, making it the UK's 119<sup>th</sup> largest import market. The UK imported £38 million from Nicaragua, making it the UK's 131<sup>st</sup> largest import market. The UK imported £14 million from El Salvador, making it the UK's 149<sup>th</sup> largest import market.

20. Total trade in goods with Central America was £729 million in 2018, where UK goods exports were £228 million and goods imports from Central America were £501 million.

**Table 1: Trade between the UK and Central America, 2018 (£, billion)**

	Trade in goods	Trade in services	Total trade
UK exports to Central America	0.2	0.1	0.3
UK imports from Central America	0.5	0.2	0.7

<sup>2</sup> [ONS \(2019\), UK total trade: all countries, non-seasonally adjusted](#)

<sup>3</sup> EU members are treated as individual trading partners with the UK.

Total trade	0.7	0.3	1.0
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Source: [ONS \(2019\), UK total trade: all countries, non-seasonally adjusted](#)

21. Using data from HMRC for trade in goods only, Table 2 shows the top goods exported to Central America were vehicles other than tramway or railway rolling stock (HS87, £65 million), beverages, spirits and vinegar (HS22, £61 million), and machinery and mechanical appliances (HS84, £33 million), representing half of the goods exported from Central America. The UK's top goods imported from Central America were largely edible fruit and nuts (HS08, £240 million), representing just under half of the goods imported from Central America.

**Table 2: Top 5 UK goods exports to & imports from Central America, 2018 (at HS2<sup>4</sup>, £ million)**

Top 5 UK goods exports to Central America	Value	Top 5 UK goods imports from Central America	Value
Vehicles other than railway or tramway stock	65	Edible fruit and nuts	240
Beverages, spirits and vinegar	61	Coffee, tea and spices	61
Machinery and mechanical appliances	33	Electrical machinery and equipment	30
Pharmaceutical products	33	Fish and crustaceans	30
Electrical machinery and equipment	31	Edible vegetables	26

Source: [HMRC trade statistics by commodity code](#) (accessed 7<sup>th</sup> May 2018). Sectors classified according to Harmonised System Sections. 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.

22. Total trade in services with Central America was £302 million in 2018, where UK services exports were £118 million and services imports from Central America were £184 million. A detailed breakdown of the type of services traded is not available between the UK and the Central American countries.

*The 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 Central America

23. In 2018, HMRC estimated that around 1,300 VAT-registered UK businesses exported goods to, and around 400 imported goods from, the four Central American economies for

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<sup>4</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.

which data exists.<sup>5</sup> As these figures only include businesses trading in goods, they are likely to underestimate the number of businesses trading with Central America.

24. For context, provisional survey data from the ONS<sup>6</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-Central America Agreement**

25. The Association Agreement was signed between the European Union and Central America in 2012.<sup>7</sup> The trade pillar has been provisionally applied since 2013.
26. A 2018 European Commission report looking at implementation of EU free trade agreements included information on the EU-Central America Agreement. It highlighted that between 2012 and 2017 EU exports to Central America increased by 2.5% (but would have increased by 24% if adjusted to remove aircraft and ships, as these high unit value items had a distorting effect on trade due to record high exports in 2012) and EU imports from Central America decreased by 11% (but would have increased by almost 45% if adjusted to remove computer parts, as there was a steep reduction in imports of this category from Costa Rica after the relocation to Asia of an international company producing IT components).

## **Potential loss to UK if the UK-Central America Agreement is not entered into effect**

27. Not being able to bring into force or apply the UK-Central America Agreement would result in UK businesses losing the preferences negotiated in the EU-Central America Agreement. This would include the re-imposition of many tariffs, returning to World Trade Organization (“WTO”) Most-Favoured-Nation (MFN) treatment with Central America. The benefits derived from trading under preferences within the agreement, such as increases in trade flows, may then be reversed.
28. It is unlikely that the entire effect of the agreement would disappear. Tariffs would revert to MFN rates, discussed in further detail below, but 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 certain regulatory arrangements agreed between Central America and the EU. Business connections formed because of the trade relationship might endure.
29. The size of the impact of not being able to bring into force or apply the proposed agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of provisions within the agreement.

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<sup>5</sup> HMRC, (2018). [Regional trade statistics interactive analysis: second quarter 2018](#). Data exists for Costa Rica, Guatemala, Honduras and Panama.

<sup>6</sup> ONS, (2018). [Annual Business Survey: Non-financial business economy, exporters and importers in Great Britain](#) 2017.

<sup>7</sup> More information on the EU-Central America Agreement [can be found here](#).

## Immediate impact if not entered into effect

### Tariffs

30. Much international goods trade takes place in products for which MFN rates are already zero. However, free trade agreements provide additional opportunities by reducing tariffs on products where this is not the case. If the UK-Central America Agreement does not enter into effect, tariffs between the UK and Central America will revert to MFN rates, leading to an increase in duties on some UK exports to and imports from Central America. However, some Central American countries would benefit from preferential access to the UK market under the unilateral preference scheme that the UK is implementing after EU exit to replace the EU's General Scheme of Preferences (GSP) (see para 35).
31. To estimate the potential impact of losing tariff preferences, assumptions have to be made. If all current trade between the UK and Central America occurred at the negotiated preferential tariff rate, if current patterns of trade remained unchanged in future, and without taking into account the effect of any unilateral preferences other than the UK's Generalised Scheme of Preferences tariff rates (see para 35), reverting to the UK and Central America's current MFN tariff rates and the UK's GSP tariff rates would result in an annual increase in total duties of just under £33 million. Duties on UK imports from Central America would increase by just under £30 million, with duties on UK exports to Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua increasing by over £3 million (duties on exports data not available for Panama).<sup>8</sup>
32. However, these estimates assume that all tariff preferences offered under the EU-Central America Agreement are fully utilised by exporters. This is unlikely to be true. For example, in 2016, the evidence suggests that only 15% of the UK's eligible goods exports to Costa Rica (defined as those which occurred under tariff lines where a preferential rate was offered under the EU-Central America Agreement) actually utilised the tariff preferences.<sup>9</sup> Similar data on UK eligible goods exports to other Central American countries is not publicly available. In 2016, the Department for International Trade ("DIT") estimates suggest that 93% of the UK's eligible goods imports from Central America were imported utilising the preferences under the EU-Central America Agreement.<sup>10</sup> This means that, for exports, the actual increase in duties could be lower than the estimates above.
33. 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

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<sup>8</sup> DIT 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 2018 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 that which would be generated if trade and tariff data at a more disaggregated level (CN8 level) were used.

<sup>9</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>10</sup> DIT 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.

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. We have made the fairly strong assumption that there is no change in imports or exports, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.

34. The indicative estimates show that the largest implied increase in tariffs applied to UK exports would be for beverages, spirits and vinegar (HS22) of around £0.6 million, and vehicles other than railway or tramway stock (HS87) of around £0.4 million. These correspond to the top categories of goods which the UK exports to Central America (not including Panama).
35. The UK is implementing a unilateral preferences scheme as it leaves the EU. It is the Government's intention that countries that currently benefit from preferential access to the EU through the Generalised Scheme of Preferences (GSP) would continue to receive the same access through a new UK trade preferences scheme.<sup>11</sup> At the point of exit, the UK will follow the EU's eligibility criteria. El Salvador, Honduras and Nicaragua are classified as Lower-Middle Income Countries by the World Bank, and as such would be eligible for unilateral preferences under the UK's GSP. It is anticipated that Guatemala would also qualify for UK GSP market access. UK GSP would provide tariff reductions, but not the same level of access as that offered by the UK-Central America Agreement. Higher income partner countries, such as Panama and Costa Rica, would not benefit from these unilateral preferences.
36. Accounting for the UK and Central America's current MFN tariff rates and the UK's GSP tariff rates, indicative estimates show the largest implied increases in import duties for Central America would be in edible fruit and nuts, peel of citrus fruit or melons (HS08) of £19.6 million, apparel and clothing accessories, knitted (HS61) of just under £1.9 million, and edible vegetables and certain roots and tubers (HS07) of £1.6 million.
37. 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 Central American countries' 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.

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<sup>11</sup> The Taxation (Cross-border Trade) Act 2018 enables the UK to put in place a UK trade preferences scheme for developing countries. The necessary secondary legislation is now well advanced and regulations will be laid in Parliament ahead of leaving the EU. The Government intends to put in place a trade preference scheme which maintains the preferential market access the UK currently offers to around 70 developing countries under the EU's Generalised Scheme of Preferences (GSP). This will grant duty-free, quota-free access to Least Developed Countries which is a target in the UN's Sustainable Development Goals and is in line with UK commitments in the WTO. It will also maintain the generous tariff reductions for other developing countries.

## Businesses

38. Additional duties could be absorbed by either UK or Central American businesses, passed on to consumers, or existing trade patterns could be interrupted. This could impact competitiveness of UK businesses and could lead to disruptions in supply chains and job losses in the short term.
39. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on Central American inputs to export goods to the rest of the world. In 2015 (latest data), around 15.1% of the value added in the UK's gross exports reflected imports from abroad ('foreign value added in UK's gross exports'). Costa Rica accounted for less than 0.1% of the total value added in the UK's gross exports.<sup>12</sup> Equivalent figures are not available for the other Central American economies. UK companies which rely on Central American imports would become less competitive. Given the small share of UK trade under this agreement, we would expect these impacts to be relatively small, but they could be noticeable for some specific companies.

## Consumers

40. 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-Central American trade in total UK trade, this impact may be relatively small overall, but could be noticeable on specific product lines.

## Longer term impact if not entered into effect

41. In the long run, the UK would forgo the longer-term benefits that the UK-Central America Agreement would have brought to UK. This could result in the long-term UK Gross Domestic Product ("GDP") marginally decreasing if the Agreement does not come into effect. Given the small share of UK trade under this agreement, it is expected that the impact on GDP would be relatively small.

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<sup>12</sup> OECD, 2018. [Trade in Value Added database: Origin of Value Added in Gross Exports 2018](#). Experimental statistics.

## **Explanation of this Agreement, including Significant Differences between the UK-Central America Agreement and the EU-Central America Agreement**

42. The UK-Central America Agreement follows the short form approach explained above in paragraphs 7 to 11. 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-Central America Agreement.

### **Nature of the EU-Central America Agreement and the UK-Central America Agreement**

43. Technical transition of the EU-Central America Agreement with few changes means that the substance of the new UK-Central America Agreement is broadly the same. This includes on those issues of particular importance such as human rights, democracy and good governance.

### **Trade**

44. The main effects of the EU-Central America Agreement have been to encourage greater trade and investment between the EU and Central America. It has addressed obstacles to trade in goods and services, eliminated a majority of tariffs, banned anti-competitive practices, created a level playing field for the export of goods and services, increased transparency, moved towards international standards in a number of areas, and simplified procedures in customs. The Agreement contains clear commitments to EU and international standards on Intellectual Property (IP), and UK Geographical Indications, such as Scotch whisky and Irish whiskey, which are protected in Central American markets.

## General Provisions

### Removal and replacement of references to the EU

45. Where necessary, references to the “European Union”, “the European Community”, the “EU” “EU Party”, and “Member States” are either not incorporated or replaced by the UK. Similarly, references to EU institutions have been replaced with appropriate references to the equivalent institutions in the UK (for example, the Competition and Markets Authority). All other references to “European Union”, “the European Commission”, the “EU”, “EU Party”, “Member States” and similar are read, *mutatis mutandis*, as references to the UK but are not explicitly changed. At the request of the Central American countries, the Agreement includes a Joint Declaration on *mutatis mutandis* that sets this out.

### Territorial Application

46. In the existing EU-Central America Agreement, the territorial application article defines the Agreement’s territorial application to the EU by referencing the territorial application of the Treaty on the European Union (the “TEU”) and the Treaty on the Functioning of the European Union (the “TFEU”) and the EU customs territory. In the UK-Central America Agreement this has been replaced by Article 6, which applies the Agreement to the extent and under the conditions that the EU-Central America Agreement applied to the UK and the territories for whose international relations it is responsible. Article 6 expressly excludes application of the Agreement to the Sovereign Base Areas of Akrotiri and Dhekelia in the Republic of Cyprus. In respect of the UK, the territories to which the UK-Central America Agreement will apply are:
- a) the Crown Dependencies (Isle of Man, Jersey, Guernsey), to which, broadly, provisions relating to trade in goods and customs apply; and
  - b) Gibraltar, to which, broadly, provisions not relating to trade in goods or customs apply.

### Continuation of Time Periods

47. Provisions of the EU-Central America Agreement that require an action within a certain time period which has not yet ended under that Agreement become part of the UK-Central America Agreement reflecting only the remaining time in which the action must occur. Where time periods in such provisions in the EU-Central America Agreement have ended, any ongoing right or obligation continues to apply between the UK and Central America and the time period is not incorporated into the UK-Central America Agreement.
48. This is all provided for by Article 7 of the UK-Central America Association Agreement, which also provides an exception for time periods which relate to a procedure or other administrative matter, such as a review, committee procedure or notification. These periods are not affected and therefore ‘start again’ when the UK-Central America Agreement enters into force.

### Institutions and Committees

49. Most of the institutional provisions and bodies provided for in the EU-Central America Agreement have been incorporated and adopted *mutatis mutandis* with some modifications to remain operable in a bilateral UK-Central America context. For example, Article 4 of the

EU-Central America Agreement states that the Association Council should meet at regular intervals, not exceeding a period of two years (and extraordinarily as agreed), amended to a period not exceeding four years in the UK-Central America Agreement.

50. The primary bodies responsible for overseeing the operation and implementation of the UK-Central America Agreement are the Association Council (the “Council”) and the Association Committee (the “Committee”). The Council and Committee will be comprised of representatives of the UK and Central America.
51. Article 8 provides that, unless the Parties agree otherwise, the Council and Committee are deemed to have adopted the decisions of the Association Council and Association Committee established under the EU-Central America Agreement before it ceased to apply to the UK, to the extent those decisions relate to the UK and Central America, *mutatis mutandis*. This approach provides for continuity of effect as it ensures that the decisions in force when the EU-Central America Agreement ceases to apply to the UK continue to apply under the UK-Central America Agreement.

## **Amendment Clauses**

52. Amendment clauses set out the process that must be followed if the parties agree to amend the provisions of an 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.
53. Amendment provisions vary from agreement to agreement. In respecting the principle of continuity, the UK has aimed to keep those in trade continuity agreements as similar as possible to those in the existing EU agreements they replace. However, in some cases, it has been necessary to make changes.
54. The EU-Central America Agreement contains amendment clauses which outline the process that must be followed if the Parties agree to amend the provisions of the Agreement after it enters into force. Article 358 contains a general amendments provision which provides that agreed amendments ‘shall be approved in accordance with each Party’s internal legal procedures.’ The Association Council can also amend some provisions of the Agreement (as listed in Article 345, Article 36 of Annex II and Article 226(6), subject to the restrictions and limitations stated in each of these Articles). These Articles are incorporated into the UK-Central America Agreement.

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

55. Entry into force provisions specify the date from which the terms of an 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-Central America Agreement ceases to apply to the UK, the UK-Central America Agreement enters into force as swiftly as possible thereafter.
56. Article 10 of the UK-Central America Agreement provides that the Agreement can enter into force bilaterally between the UK and each of the Central American countries individually. Article 10 states that the Agreement will enter into force on the later of: (a) the date on which the EU-Central America Agreement ceases to apply to the UK; or (b) the date of the later of the UK and the relevant Central American country’s notifications that they have completed their respective domestic procedures.

57. For the UK-Central America Agreement to enter into force between the UK and each of the Central American countries, it must first be ratified by both the UK and the relevant Central American country. In UK domestic law, before an agreement subject to ratification may be formally ratified, it must be laid before Parliament for scrutiny under the Constitutional Reform and Governance Act 2010.
58. 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. A number of the existing EU agreements provide for provisional application and were provisionally applied by the UK as an EU Member State.
59. The UK-Central America Agreement provides for the possibility of provisional application between the UK and each of the Central American parties once their domestic legal requirements for this have been met. Given that the Government is seeking to maintain the effects of the existing EU agreements as the UK leaves the EU, this is a proportionate approach to manage the timing constraints during this unique period and reduces the risk of businesses and consumers experiencing disruption as the UK leaves the EU.

## **Trade Remedies and Dispute Settlement**

60. Trade remedies provide a safety net for domestic industry against unfair or injurious trading practices caused by dumped, subsidised or unexpected surges of imports of goods. Most WTO members have a trade remedies regime. The UK will operate its own regime once outside the EU.
61. The economic benefits of an association agreement can only be realised if the agreement is 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 provides an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes arising.
62. The UK-Central America Agreement replicates the effects of the trade remedies and dispute settlement provisions in the EU-Central America Agreement *mutatis mutandis*.
63. 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

64. 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. Commitments on tariffs for both the UK and Central America have, other than in those cases detailed below, been transitioned without changes. This means that tariff preferences applied by the UK for products from Central America will remain the same as those applied by the EU and, likewise, Central America will continue to apply the same preferences to products from the UK that it is applying to products from the EU.
65. The only exception to tariff commitments being transitioned without modifications relates to the size of tariff-rate quotas (see below), which can be found in paragraph 17 of the Annex to the UK-Central America Agreement (concerning Annex 1 of the EU-Central America Agreement, and Appendices 1-3 of the same Annex, as incorporated) where 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 change

66. Tariff-rate quotas (TRQs) 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 and association agreements. In order for products to be able to continue to benefit from the use of TRQs in trade between the UK and its Central American partners, these quotas need to be present in the new UK agreement with those partners.
67. TRQs administered by the UK and by Central American 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 Central America to set quotas to a sufficient level that will allow for continuity of historical trade flows, in most circumstances, for importers and exporters from both sides.
68. Where possible, TRQs have been re-sized based on three years' worth of customs usage data, which detail actual usage of the TRQs by importers. The data includes information on the quantity and date of individual shipments of goods. This is customs data held by HMRC which records the volume and date of entry of shipments that come into the UK claiming TRQ preferences. Where there is not three years' worth of customs usage data, trade flow data have been used as a proxy instead. Where TRQ volumes in the EU-Central America Agreement have increased since the historical reference period, a proportional uplift has been applied to historic data to account for this.
69. In order to address future market access opportunities for UK and partner country businesses, it was also agreed that a minimum level of access should be provided for all quotas, based on a proxy measure relevant to UK trade. Doing so allows future market access opportunities for UK and partner country businesses using a fair and evidence-based methodology.

70. The quotas given in this Agreement were calculated based on a mixture of customs and trade flow data.

## Impacts

71. Without transitioning these TRQs, and without any other mitigating actions, goods imported from Central American countries that are currently covered by TRQs in the existing Agreement could face MFN tariffs, or GSP tariffs where relevant. This could make these imports more expensive. For example, the UK has a TRQ with Central American countries (excluding Panama) covering imports of rum in containers holding more than 2 litres. The imports of these products could face a duty rate of 0.60 euro/%vol/hl rather than an in-quota rate of 0%. The nature of this impact 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. UK imports from Central American countries based on trade data covering these products were worth £5.1 million<sup>13</sup> in 2018<sup>14</sup>, equivalent to 1% of total UK goods imports from these countries.

72. Trade in goods currently exported from the UK to the Central American countries could also be adversely affected if the relevant TRQs are not transitioned. In the absence of any explicit action by Central American 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.

73. Based on historical usage of the quotas, it is expected that the overall, immediate, impact on UK producers and consumers resulting from this approach to re-sizing TRQs would be limited.

## Inward TRQs

See the UK-Central America Agreement text for more detail of agreed TRQs, such as tariff lines.

**Table 3: List of TRQs applied by the UK for imports from Central America and new quota volumes (tonnes, unless otherwise specified)**

Quota Number	Applies to	Product description	New UK - specific quota volume (2019)	Agreed annual increase in UK quota volume*
09.7300	Central America (except for Nicaragua)	Bovine Meat	1268	49
09.7301	Central America	Garlic	75	0
09.7302	Central America	Mushrooms	37	0
09.7303	Central America	Rice	3541	136

<sup>13</sup> Trade data at HS6 level. Products covered by quotas taken from the EU's [TARIC database](#).

<sup>14</sup> HMRC, UK trade statistics data. <https://www.uktradeinfo.com/Pages/Home.aspx>. 2018 average

09.7304	Central America (except for Panama)	Rum	1199**	41**
09.7305	Central America	Sweetcorn	294	16
09.7306	Central America	Manioc (cassava) starch	681	0
09.7307	Central America (except for Panama)	Sugar	56127	1427
09.7310	Panama	Rum	177**	7**
09.7311	Panama	Sugar	1929	49
09.7315	Nicaragua	Bovine Meat	67	3

\*The agreed annual increase in UK quota volume is aligned to the annual percentage increases in quota volumes agreed as part of the EU-Central America Agreement.

\*\*Hectolitres

## Outwards TRQs

See the UK-Central America Agreement text for more detail of agreed TRQs, such as tariff lines.

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

Applies to	Product description	New UK-specific quota volume (2019)	Agreed annual increase in UK quota volume*
Central America	Cured hams and streaky bacon	159	6
Central America	Prepared or preserved swine meat	159	6
Costa Rica	Powdered milk	27	1
Costa Rica	Cheese	42	2
El Salvador	Powdered milk	27	1
El Salvador	Cheese	78	3
Guatemala	Powdered milk	53	2
Guatemala	Cheese	80	3

Honduras	Powdered milk	53	2
Honduras	Cheese	67	3
Nicaragua	Powdered milk	27	1
Nicaragua	Cheese	53	2
Panama	Powdered milk	67	3
Panama	Cheese	80	3

\*The agreed annual increase in UK quota volume is aligned to the annual percentage increases in quota volumes agreed as part of the EU-Central America Agreement.

## Rules of Origin

74. In association agreements, 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. The trade pillar in an association agreement may also allow materials originating and/or being processed 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 an association 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 association agreement partners. This will no longer be the case when existing EU association agreements 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 Central American countries.
78. To address these implications and to provide maximum continuity for business, the UK-Central America Agreement provides that EU materials can continue to be used, and count as originating (i.e. cumulated), in UK and Central American exports to one another. Furthermore, EU processing can continue to be used and count as originating in UK exports to the Central America countries.
79. The cumulation arrangements are set out in detail in the modifications to Title II of Annex II (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 Central American countries were not permitted under the UK-Central America Agreement, some UK and Central American country-based exporters could find themselves unable to access preferences as they are currently able to under the EU-Central America Agreement.
81. UK exporters to Central American countries who rely on EU inputs might have to revert to paying MFN tariff rates, if they continue using EU content, 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-Central America Agreement provides only for trade between the UK and Central American countries and does not provide for either party’s direct trade with the EU, including, for example, where UK and Central American 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-Central America Agreement are inbound (from Central American countries to the EU) quotas for specific products and were agreed upon in relation to the size of the EU and Central American 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 Central American countries, these quotas need to be present in the new UK-Central America Agreement.
85. To maintain the market access for importers and exporters offered under the original quotas for these products, the UK and the Central American 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. Table 5 sets out the new Origin Quotas applicable under the UK-Central America Agreement. Where possible, Origin Quotas have been re-sized based on usage data. In order to preserve future market access opportunities for UK and Central American 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 Central American countries that are currently covered by these quotas in the existing EU-Central America Agreement could face more restrictive rules of origin under the new UK-Central America Agreement, and potentially even MFN tariffs. The nature of the impact of this would depend on a number of factors, including existing trading patterns and the response of domestic consumers and businesses to the change in tariff. UK imports from Central American countries in products with Origin Quotas<sup>15</sup> were worth £1.9 million in total in 2018<sup>16</sup>, equivalent to 0.4% of total UK goods imports from these countries.

88. Based on historical usage of the quotas, it is expected that the overall, immediate, impact on UK producers and consumers resulting from this approach to re-sizing Origin Quotas will be limited due to the low value of goods affected. However, there may be unanticipated impacts due to the imperfect nature of using historic usage and trade flow data to measure quota usage.

## Inward quotas

**Table 5: List of origin quotas from Central America to the EU and new UK-specific quota volumes**

Partner Country	Order Number	Product Description	UK Quota Volume for Full Administration Period (units, except where otherwise specified)
Costa Rica	09.7017	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted  Trousers, bib and brace overalls, breeches and shorts Of synthetic fibres	39,498
Costa Rica	09.7018	Men's or boys' shirts, knitted or crocheted  Of cotton	118,494

<sup>15</sup> Trade data at HS6 level. Products covered by quotas taken from the EU's [TARIC database](#).

<sup>16</sup> HMRC, UK trade statistics data. <https://www.uktradeinfo.com/Pages/Home.aspx>. 2018 average

Costa Rica	09.7019	Men's or boys' shirts, knitted or crocheted	23,699
Costa Rica	09.7020	Men's or boys' shirts, knitted or crocheted Of other textile materials	88,870
Costa Rica	09.7021	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted Underpants and briefs Of cotton	46,410
Costa Rica	09.7022	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted Underpants and briefs Of other textile materials	13,824
Costa Rica	09.7023	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, négligés, bathrobes, dressing gowns and similar articles, knitted or crocheted briefs and panties of cotton	9,282
Costa Rica	09.7024	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, négligés, bathrobes, dressing gowns and similar articles, knitted or crocheted briefs and panties of man-made fibres	4,937
Costa Rica	09.7025	T-shirts, singlets and other vests, knitted or crocheted	367,331
Costa Rica	09.7026	Babies' garments and clothing accessories, knitted or crocheted	39,498
Costa Rica	09.7027	Tracksuits, ski suits and swimwear, knitted or crocheted	9,875
Costa Rica	09.7028	Other made-up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories	5,925
Costa Rica	09.7029	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	544,800
Costa Rica	09.7030	Other made-up clothing accessories, knitted or crocheted	3,950
Costa Rica	09.7031	Men's or boys' overcoats, raincoats, car coats, capes, cloaks and similar articles, of man-made fibres	1,580
Costa Rica	09.7032	Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of man-made fibres	2,962
Costa Rica	09.7033	Men's or boys' suits of wool or fine animal hair	69,122
Costa Rica	09.7034	Men's or boys' suits of synthetic fibres	69,122

Costa Rica	09.7035	Men's or boys' jackets and blazers, of wool or fine animal hair	34,561
Costa Rica	09.7036	Men's or boys' jackets and blazers, of synthetic fibres	52,335
Costa Rica	09.7037	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of wool or fine animal hair	98,745
Costa Rica	09.7038	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of synthetic fibres	102,695
Costa Rica	09.7039	Women's or girls' jackets and blazers, of wool or fine animal hair	34,561
Costa Rica	09.7040	Women's or girls' jackets and blazers, of synthetic fibres	32,586
Costa Rica	09.7041	Women's or girls' skirts and divided skirts, of synthetic fibres	5,925
Costa Rica	09.7042	Women's or girls' trousers, bib and brace overalls, breeches and shorts, of wool or fine animal hair	13,824
Costa Rica	09.7043	Women's or girls' trousers, bib and brace overalls, breeches and shorts, of synthetic fibres	55,297
Costa Rica	09.7044	Other garments, men's or boys'  Of man-made fibres	8,887
Costa Rica	09.7045	Other garments, women's or girls'  Of man-made fibres	8,887
Costa Rica	09.7046	Brassieres, whether or not knitted or crocheted	19,749
Costa Rica		Total for max (only for products of heading HS61 and 62)	1,382,431
El Salvador	09.7078	Women's or girls' overcoats, car coats, capes, cloaks, anoraks (including ski jackets), windcheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading 6104, of cotton	94,387
El Salvador	09.7079	Women's or girls' overcoats, car coats, capes, cloaks, anoraks (including ski jackets), windcheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading 6104, of man-made fibres	146,824
El Salvador	09.7080	Women's or girls' ensembles, of cotton	41,950
El Salvador	09.7081	Women's or girls' dresses, of cotton	41,950
El Salvador	09.7082	Women's or girls' dresses, of synthetic fibres	83,899
El Salvador	09.7083	Women's or girls' dresses, of artificial fibres	41,950
El Salvador	09.7084	Women's or girls' trousers, bib and brace overalls, breeches and shorts, of cotton	188,773
El Salvador	09.7085	Women's or girls' trousers, bib and brace overalls, breeches and shorts, of synthetic fibres	62,924

EI Salvador	09.7075	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	340,500
EI Salvador	09.7086	Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of cotton	41,950
EI Salvador	09.7087	Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of man-made fibres	104,874
EI Salvador	09.7088	Women's or girls' anoraks (including ski jackets), windcheaters, wind-jackets and similar articles, other than those of heading 6204, of cotton	41,950
EI Salvador	09.7089	Women's or girls' anoraks (including ski jackets), windcheaters, wind-jackets and similar articles, other than those of heading 6204, of man-made fibres	62,924
EI Salvador	09.7090	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	104,874
EI Salvador	09.7091	Men's or boys' shirts, of cotton	157,311
EI Salvador	09.7092	Men's or boys' shirts, of man-made fibres	209,748
EI Salvador	09.7093	Men's or boys' underpants and briefs, of cotton	104,874
EI Salvador	09.7094	Men's or boys' underpants and briefs, of other textile materials	83,899
EI Salvador	09.7095	Men's or boys' nightshirts and pyjamas, of cotton	152,544
EI Salvador	09.7096	Men's or boys' nightshirts and pyjamas, of man-made fibres	104,874
EI Salvador	09.7097	Men's or boys' singlets and other vests, bathrobes, dressing gowns and similar articles, of cotton	73,412
EI Salvador	09.7098	Men's or boys' singlets and other vests, bathrobes, dressing gowns and similar articles, of other textile materials	41,950
EI Salvador	09.7099	Women's or girls' nightdresses and pyjamas, of cotton	41,950
EI Salvador	09.7100	Women's or girls' nightdresses and pyjamas, of man-made fibres	83,899
EI Salvador	09.7101	Women's or girls' singlets and other vests, briefs, panties, negligees, bathrobes, dressing gowns and similar articles, of cotton	125,849
EI Salvador	09.7102	Women's or girls' singlets and other vests, briefs, panties, negligees, bathrobes, dressing gowns and similar articles, of man-made fibres	52,437
EI Salvador	09.7103	Brassieres, whether or not knitted or crocheted	188,773
EI Salvador	09.7076	Aluminium foil (whether or not printed) backed with paper, paperboard, plastics or similar	136

		backing materials) of a thickness (excluding any backing) not exceeding 0,2 mm, tonnes	
El Salvador		Total for max (only for products of heading HS61 and 62)	2,014,057
Guatemala	09.7047	Women's or girls' trousers, bib and brace overalls, breeches and shorts, of cotton	207,364
Guatemala	09.7048	Men's or boys' shirts, knitted or crocheted, of man-made fibres	691,215
Guatemala	09.7049	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	207,364
Guatemala	09.7050	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of synthetic fibres	138,243
Guatemala	09.7051	Women's or girls' trousers, bib and brace overalls, breeches and shorts, of cotton	138,243
Guatemala		Total for max (only for products of heading HS61 and 62)	1,382,429
Honduras	09.7052	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	953,400
Honduras	09.7053	Men's or boys' shirts of cotton	2,097,480
Honduras	09.7054	Men's or boys' shirts of man-made fibres	2,621,850
Honduras	09.7055	Men's or boys' shirts of other textile materials	190,680
Honduras	09.7056	Women's or girls' blouses, shirts and shirt-blouses of cotton	1,906,800
Honduras	09.7057	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres	2,478,840
Honduras	09.7058	Women's or girls' blouses, shirts and shirt-blouses of other textile materials	190,680
Honduras	09.7059	Brassières	953,400
Honduras	09.7060	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships Other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors Other electric conductors, for a voltage not exceeding 1 000 V, not fitted with connectors. Other electric conductors, for a voltage exceeding 1 000 V, tonnes	1,090
Honduras		Total for max (only for products of heading HS61 and 62)	10,439,730
Panama	09.7061	Men's or boys' ensembles, of cotton	7,900
Panama	09.7062	Women's or girls' ensembles, of cotton	7,900
Panama	09.7063	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted, of cotton	27,649
Panama	09.7064	Women's or girls' briefs and panties, knitted or crocheted, of cotton	152,067

Panama	09.7065	T-shirts, singlets and other vests, knitted or crocheted, of cotton	217,239
Panama	09.7066	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted, of cotton	157,992
Panama	09.7067	Babies' garments and clothing accessories, knitted or crocheted, of cotton	9,875
Panama	09.7068	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	204,300
Panama	09.7069	Men's or boys' ensembles, of cotton	1,975
Panama	09.7070	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	39,498
Panama	09.7071	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of synthetic fibres	19,749
Panama	09.7072	Men's or boys' shirts, of cotton	19,749
Panama	09.7073	Women's or girls' blouses, shirts and shirt-blouses, of cotton	19,749
Panama	09.7074	Babies' garments and clothing accessories, of cotton	9,875
Panama		Total for max (only for products of heading HS61 and 62)	691,217
Nicaragua	09.7105	Women's or girls' ensembles, of synthetic fibres	9,534
Nicaragua	09.7106	Women's or girls' dresses, of cotton	37,183
Nicaragua	09.7107	Women's or girls' dresses, of synthetic fibres	14,301
Nicaragua	09.7108	Women's or girls' skirts and divided skirts, of synthetic fibres	5,720
Nicaragua	09.7109	Women's or girls' trousers, bib and brace overalls, breeches and shorts, of synthetic fibres	57,204
Nicaragua	09.7110	Men's or boys' shirts, knitted or crocheted, of cotton	146,824
Nicaragua	09.7111	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted, of cotton	112,501
Nicaragua	09.7112	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted, of man-made fibres	76,272
Nicaragua	09.7113	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	684,541
Nicaragua	09.7114	Men's or boys' underpants and briefs, of man-made fibres	101,060
Nicaragua	09.7115	Women's or girls' briefs and panties, knitted or crocheted, of man-made fibres	530,090
Nicaragua	09.7116	T-shirts, singlets and other vests, knitted or crocheted, of cotton	741,745
Nicaragua	09.7117	T-shirts, singlets and other vests, knitted or crocheted, of other textile materials than cotton	190,680

Nicaragua	09.7118	Men's or boys' ensembles, of synthetic fibres	9,534
Nicaragua	09.7119	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	190,680
Nicaragua	09.7120	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of synthetic fibres	89,620
Nicaragua	09.7121	Women's or girls' dresses, of synthetic fibres	46,717
Nicaragua	09.7122	Women's or girls' dresses, of artificial fibres	26,695
Nicaragua	09.7123	Women's or girls' trousers, bib and brace overalls, breeches and shorts, of cotton	261,232
Nicaragua	09.7124	Women's or girls' trousers, bib and brace overalls, breeches and shorts, of synthetic fibres	66,738
Nicaragua	09.7125	Men's or boys' shirts, of cotton	62,924
Nicaragua	09.7126	Men's or boys' underpants and briefs, of cotton	69,598
Nicaragua	09.7127	Men's or boys' underpants and briefs, of other textile materials	10,487
Nicaragua	09.7128	Men's or boys' nightshirts and pyjamas, of cotton	18,115
Nicaragua	09.7129	Men's or boys' nightshirts and pyjamas, of man-made fibres	3,814
Nicaragua	09.7130	Men's or boys' singlets and other vests, bathrobes, dressing gowns and similar articles, of cotton	30,509
Nicaragua	09.7131	Women's or girls' nightdresses and pyjamas, of cotton	19,068
Nicaragua	09.7132	Women's or girls' nightdresses and pyjamas, of man-made fibres	17,161
Nicaragua	09.7133	Women's or girls' singlets and other vests, briefs, panties, négligés, bathrobes, dressing gowns and similar articles, of cotton	1,907
Nicaragua	09.7134	Women's or girls' singlets and other vests, briefs, panties, négligés, bathrobes, dressing gowns and similar articles, of man-made fibres	1,907
Nicaragua	09.7135	Brassières, whether or not knitted or crocheted	5,720
Nicaragua	09.7136	Girdles and panty girdles, whether or not knitted or crocheted	95,340
Nicaragua	09.7137	Corselettes, whether or not knitted or crocheted	3,814
Nicaragua	09.7138	Corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	190,680
Nicaragua		Total for max (only for products of heading HS61 and 62)	1,728,037
Central America (Costa Rica, Guatemala)	09.7014	Tuna loins, tonnes	545

, Panama, Honduras, El Salvador, Nicaragua)			
Central America (Costa Rica, Guatemala, Panama, Honduras, El Salvador, Nicaragua)	09.7015	Other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials, tonnes	681
Central America (Costa Rica, Guatemala, Panama, Honduras, El Salvador, Nicaragua)	09.7016	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships. Other electric conductors, for a voltage not exceeding 1 000 V: Fitted with connectors. Other electric conductors, for a voltage not exceeding 1 000 V, not fitted with connectors. Other electric conductors, for a voltage exceeding 1 000 V, tonnes	1,634

Product codes under the Harmonised System (HS) for these quotas can be found in the UK-Central America Agreement.

## Customs

89. The EU-Central America Agreement customs provisions were replicated, *mutatis mutandis*. However, minor changes were made to Annex III, Article 14(2) which was amended to refer to the UK and Central American countries. Article 14(1)(c) of Annex III, which relates to mutual administrative assistance between the EU and Central America, was not incorporated into the UK-Central America Agreement, as this provision is no longer relevant in the bilateral context.

## Sanitary and Phytosanitary (SPS)

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

91. The SPS provisions in the EU-Central American Association Agreement are set out in Chapter 5 (Sanitary and phytosanitary measures) of Part IV, Title II, Article 62 (Cooperation and Technical Assistance on Food Safety, Sanitary and Phytosanitary Matters and Animal Welfare Issues), Annex VI (Competent Authorities), Annex VII (Requirements and Provisions for Approval of Establishments for Products of Animal Origin), Annex VIII (Guidelines for Conducting Verifications) and Annex IX (Contact Points and Web-Sites).

Minor, non-substantive changes have been made to Annexes VI, VII, and IX. These changes, *inter alia*, remove the reference to EU competent authorities and include a provision which requires the UK to notify the Central American countries of its competent authorities on the date of entry into force of the Agreement.

92. Provisions relating to equivalence, transparency, verifications, import procedures, notification and the SPS Sub-Committee are maintained and applied *mutatis mutandis* in the UK-Central America Agreement.
93. Article 306 in the EU-Central American Agreement relates to the movement of goods subject to SPS measures across the 'internal' borders between countries within each regional bloc. The EU's commitment in Article 306(2), guaranteeing free movement within the EU, has been deleted as it is premised on the operation of the EU Single Market which it is UK policy to leave. The commitment made by Central American countries, in Articles 306(3) and (4) guaranteeing free movement of goods, has been retained in the UK-Central America Agreement. The amendment to Article 306 will have no impact on the operation of the Agreement

## Intellectual Property

94. Our existing obligations on intellectual property (IP) found in international and trade agreements will 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. The UK will also remain fully compliant with the World Trade Organization's agreement on the trade related aspects of intellectual property rights (TRIPS).
95. There are two types of unregistered design right that operate alongside one another in the UK – (i) the Unregistered Design Right provided for by the Copyright, Designs and Patents Act 1988, and (ii) the Community Unregistered Design Right as carried over into UK legislation by the European Union (Withdrawal) Act 2018. The two types of unregistered design rights differ in scope and duration. In order to provide clarity and ensure continuity of effect, we have added text to make it clear that the unregistered design rights referred to in Article 252 of the EU-Central America Agreement applies only to the Community Unregistered Design Right as carried over into UK legislation by the European Union (Withdrawal) Act 2018.
96. The language in Article 244(1) has been replaced with 'The Parties shall maintain systems for the protection of geographical indications in their legislation'. Article 230, 'Most Favoured Nation and National Treatment' requires the EU and the Central American countries to grant each other's nationals, in respect of the protection of intellectual property, treatment that is no less favourable than that granted by them to their own nationals or nationals of any other third country in accordance with Articles 3 and 4 of the TRIPS Agreement.
97. The UK-Central America Agreement retains the protections provided in the EU-Central America Agreement when the UK ceases to be bound by that agreement for UK and Central American geographical indications (GIs). The retained protections include those that extend to the territory of both Northern Ireland and the Republic of Ireland, known as 'transborder GIs' for Irish Whisky/Irish Whiskey/Uisce Beatha Eireannach and Irish Cream. Protection for UK GI Scotch whisky is also maintained. All other GIs, traditional expressions and protected designations which relate to EU Member States that are not the UK are not incorporated into the annex of the UK-Central America Agreement. This is because the UK-Central America Agreement is in effect a bilateral agreement, and

therefore can only protect GIs of States that are party to the Agreement. This has no effect on existing GI protections relating to EU Member States in Central America, which will remain protected under the EU-Central America Agreement. We do not expect any of the changes to IP provisions to have an impact on bilateral trade flows between the UK and Central America as they are simply technical changes designed to ensure continuity of effect.

## **Sustainability**

98. 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 association agreements have played an important role in this to date and in very large part they have been replicated in their entirety in the UK-Central America Agreement.
99. Sustainability chapters often refer to other (non-EU) international agreements on issues like labour and environment, which the UK and the partner country are members of in their own right and so these provisions will continue to apply once the UK has left the EU.
100. A Joint Declaration has been added which references the Civil Society Dialogue Forum, sets out the Parties' commitment to ensure the Forum is run as efficiently as possible and states that the Parties will continue to consider ways to achieve this.

## **Government Procurement**

101. 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.
102. The UK-Central America Agreement has retained the commitments on public procurement that relate to the UK and Central America.
103. In respect of Appendix 2 and 3 of Annex XVI of the EU-Central America Agreement, the UK has committed to update its means of publication of procurement notices and information in the UK once such a means of publication has been determined. The UK has agreed to notify Central America of this means of publication on entry into force of the UK-Central America 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**

104. Technical Barriers to Trade (TBT) articles in trade or association agreements cover aspects relating to regulations, standards and conformity assessment for goods. TBT provisions in association agreements play an important role in reducing non-tariff barriers for businesses, for example through increasing the transparency of a trading partner's regulatory requirements. Changes to these provisions have been limited to non-substantive technical changes.
105. Article 305 in the EU-Central American Agreement relates to the movement of goods across the 'internal' borders between countries within each regional bloc. The EU's

commitment in Article 305(1) is based on the operation of the EU Single Market which it is UK policy to leave. The UK and Central American countries have therefore agreed to replace Article 305(1) with a joint declaration i) confirming the UK intention to accept for a limited time certain goods meeting EU regulatory requirements and ii) jointly undertaking to consult on UK commitments to the Central American countries in the event of an agreement between the UK and the EU. The remainder of Article 305 sets out commitments of the Central American Party, including substantive benefits relating to goods originating in the UK, which are retained.

## **Competition**

106. Chapters or articles in trade or association 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.
107. The definition in the Agreement to the European Commission as a relevant competition authority has been replaced with the Competition and Markets Authority for the UK. This does not affect the substance of the Agreement.
108. A Joint Declaration on Trade and Competition has been added to the Agreement which clarifies that the content of any future Central American Competition Regulation or the form or powers of any future Central American Competition Body are for the Central American Party to determine. Again, this does not affect the substance of the Agreement and we do not expect it to have any impact on UK firms or consumers.

## **Services**

109. Services chapters and corresponding annexes in trade or association 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 their domestic markets.
110. Amongst the EU's agreements 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.

## **Aircraft registration**

111. Throughout Annexes X and XI of the EU-Central America Agreement, minor changes have been made by the UK-Central America Agreement including to market access reservations requiring that aircraft used by EU air carriers be registered in the Member State licensing the air carrier or elsewhere in the EU. For these reservations, the phrase 'or elsewhere in the European Union' and a reference to the licensing EU Member States have been removed as they are no longer required in the bilateral context.
112. 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.

## **Internal waterways arrangements**

113. 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.

## **Professional services recognition**

114. Annex XII of the EU-Central America Agreement has been modified by the UK-Central America Agreement to remove an 'ALL SECTORS' reservation on recognition that clarified that recognition of diplomas required in order to practise regulated professional services by non-EU nationals remained within the competence of each EU Member State, as this is not applicable in a bilateral context. There is no envisaged economic impact of this change.









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