POLITECNICO DI MILANO

FINAL WORK PROJECT

ANALYSIS OF COLOMBIAN EXPORTS OF EXOTIC FRUITS TO THE EUROPEAN UNION

MSC. MANAGEMENT ENGINEERING

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ABSTRACT

The exclusive geographical location of Colombia has generated advantages and opportunities for the country, like a wide diversification of agricultural products, a permanent production during the year and access to two different oceans. This opportunities have been exploited gradually over the last years mainly due to the openness of the Colombian markets and the world awareness of Colombian products. However, a lot of potential is remaining and as an example of this, is the European market created for unique products like the Colombian exotic fruits, which is roughly reached but not completely fulfilled. The objective of this project is to describe the actual situation of Colombia's exports of exotic fruits to the European Union, comparing and analyzing the actual trade agreement and the coming into force free trade agreement with the European Union. This research was carried out based on the imports/exports information from official government databases, analyzing the imports by the European Union of exotic fruits from the world. The research resulted that Colombia not only is the number one exporter compared to the regional competitors, but also that some of these exotic fruits are produced exclusively in Colombia, being this a huge opportunity for the country. However, the social problems, unskilled labor, poor infrastructure, low agricultural technology and small production capacity are the main problems of Colombia for fulfilling the European Union demands and quality standards. Colombia has a great potential of growth under the Free Trade Agreement frame, however much is to be improved if it wants to satisfy the market demands in terms of quantity and quality. Investments need to be done to improve the infrastructure, the logistic channels, the coordination for the production demand and modernization of the agricultural technologies.

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1. Introduction

The unique Colombian geography and climate, which enables a permanent production over the year, has converted it as the second-ranked country in the world in terms of biodiversity, the fourth-ranked in terms of hydrographic resources and is considered one of the 12 mega-diverse countries in the world. Furthermore, Colombia is the only country in South America with privileged access to both, the Atlantic and the Pacific Ocean. This diversity of micro environments within the same country, gives to Colombia a high quantity of fertile land, abundance in natural resources, water and the opportunity of producing most of the agricultural products, including a great variety of exotic fruits of the world which will be the study purpose of this project.

After 1991, when a free market economy strategy was implemented, the country has experiment a growing development in all the sectors of the economy, being the agriculture the traditional chief activity. Also, this open trade strategy has been implemented to promote the foreign direct investment in the country, consolidate stable trade relations and open new markets. The total exports have shown a generally positive trade balance among the years, expressing the results of the country in the matter of searching new markets, improvements in the development of the exploitation of raw materials, improvements in infrastructure, and the successful establishment and signature of free trade agreements with different countries comprising the Free Trade Agreement with the European Union, its second main trade partner.

However, its exports have a pattern of specialization in low-skilled labor or resource–based industries, while import products mostly belong to capital or knowledge-intensive industries. The relative expansion of exports has taken place in export commodities that are neither industrial in nature nor have a high value-added component, with a higher concentration in just a few agricultural products. This situation has encouraged the country into the seek of new markets and in the diversification of its products, being this the motivation of this project to review the situation and potentiality of the exotic fruits market.

Colombia is ranked as one of the main exporters of exotic fruits to the European Union. Among the last years it has been an increasingly trend of consumption of these products in the European markets, in which Colombia is one of the leaders among its regional and global competitors. In this project it will be shown the commercial relationships between Colombia and the European Union, the main traded products, the importance and potentiality of the exotic fruits market for Colombian exports due to the comparative and competitive advantages of the country, and the opportunities and challenges that could be faced after the Free Trade Agreement with the European Union comes into force.

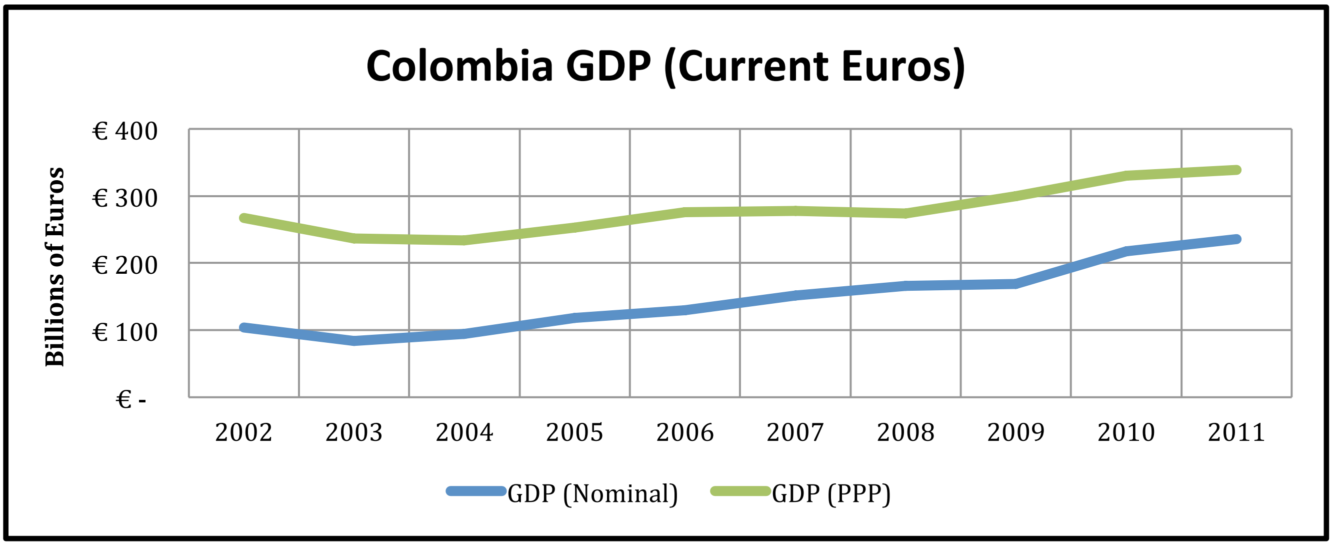
2. Colombian Export Profile

2.1 Overview

Located in the northwestern part of South America, Colombia is an emerging country with a tropical climate (average around 24°C – 38°C in most of the country), access to the Atlantic and Pacific Ocean, a population over 46 million (27^{th} largest of the world by population) and an area of 1,141,748 Km^2, being the 4^{th} largest country in South America after Brazil, Argentina and Peru and the 26^{th} of the world by area according to the ISO standard ISO 3166-1. Its neighbors are from the south Ecuador and Peru, east Venezuela and Brazil, North the Atlantic Ocean, northwest Panama and on the west the Pacific Ocean.

According to the ranking list of Gross Domestic Product (GDP) by the International Monetary Fund, it is considered the 33^{rd} economy in the world and the 4^{th} largest economy in Latin America (after Brazil, Mexico and Argentina) and the third in South America. In figure 1, Colombia historical GDP (Nominal and PPP) from 2002 until 2011 is presented in current Euros, where an exchange rate was applied according to the annual rate from US Dollars to European Union Euro[1].

Figure 1. Gross Domestic Product (Nominal and PPP



Source: Based on data from World Data Bank

Colombia's GDP composition by sector has been similar among the years, having a majority of its percentage coming from services, a second part from the industry (food processing, chemicals, cement, textiles, clothing, beverages, and footwear, oil, emeralds, gold, coal) and finally from

[1]Original information in US Dollars. Exchange rate used from the European Central Bank (http://sdw.ecb.europa.eu)

agriculture (coffee, bananas, corn, rice, tobacco, cocoa beans, fruits, cut flowers, sugarcane, oilseed, forest products ,vegetables, shrimp) (Table 1).

GDP composition by sector (% of GDP)

Sector (Value Added)	2001	2007	2010	2011
Agriculture	8.8%	11.5%	7.1%	8.9%
Industry	29.6%	36.0%	36.3%	38.0%
Services	61.7%	52.4%	56.6%	53.1%

Table 1. GDP composition by sector (% of GDP)

Source: Based on data from The World Fact Book. CIA

During its history it has faced and bearded several difficulties regarding its political situation and security issues, for example a four-decade conflict between government forces and anti-government insurgent groups, Para-militarism, corruption, drug traffic and recession, none of which have been fully solved. However, besides all of this, is one of the most resistant economies in Latin America with almost a decade of strong economic performance, having a GDP growth in 2011 of 5.7% with an inflation at 3.7%[2].

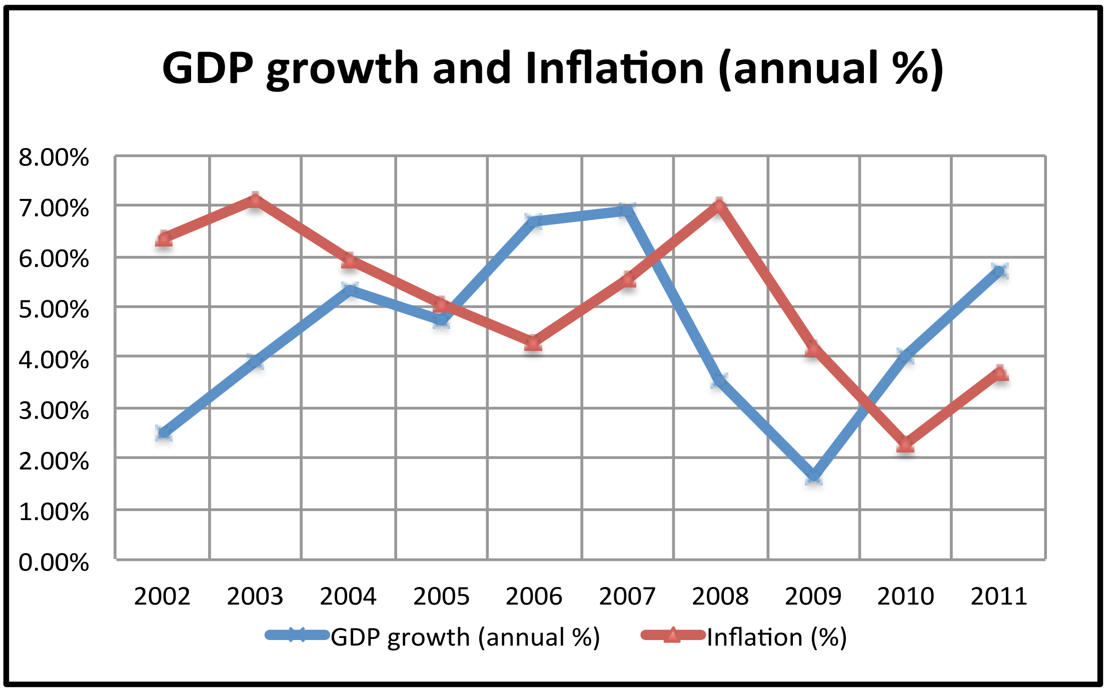


Figure 2. GDP growth and inflation %

Source: Based on data from World Data Bank

After 1991, when a free market economy strategy was implemented, the country has experimented a growing development in all the sectors of the economy, being the agriculture the traditional chief activity. An example of this is the continuous growth of the GDP, even in the recession years of 2008 and 2009, placing Colombia in the 28th in the world according to the GDP (PPP) and third in South America. Its aggressive promotion of free trade agreements and economic policies to motivate

[2] United States Central Intelligence Agency Library (www.cia.gov) "The World Fact Book"

foreign direct investments, had resulted in Colombia facing a strong position, external shocks, and having an upgraded investment rate by the rating agency Standard & Poor to BBB-/A-3. This expects to attract new groups of investors, including large financial institutions and to gain access to global credit markets at lower interest rates[3].

Colombia's GDP per capita (see figure 3), has also shown an important and consistent growth, with a slow decrease during the 2010, not only because of the effects of the world recession and crisis, but also because of the floods generated during the year by the "El Niño Effect", which affected significantly the agricultural crops of the country in several regions, decreasing the agricultural outcomes of the year and creating an expense for the government in order to manage the emergency and its victims. This incremental growth mainly is due to the strategies of the government to reduce the unemployment, from 11.8% in 2010 to 10.8 in 2011 (118th compared to the worlds according to the CIA database) and to the foreign direct investments in the year.

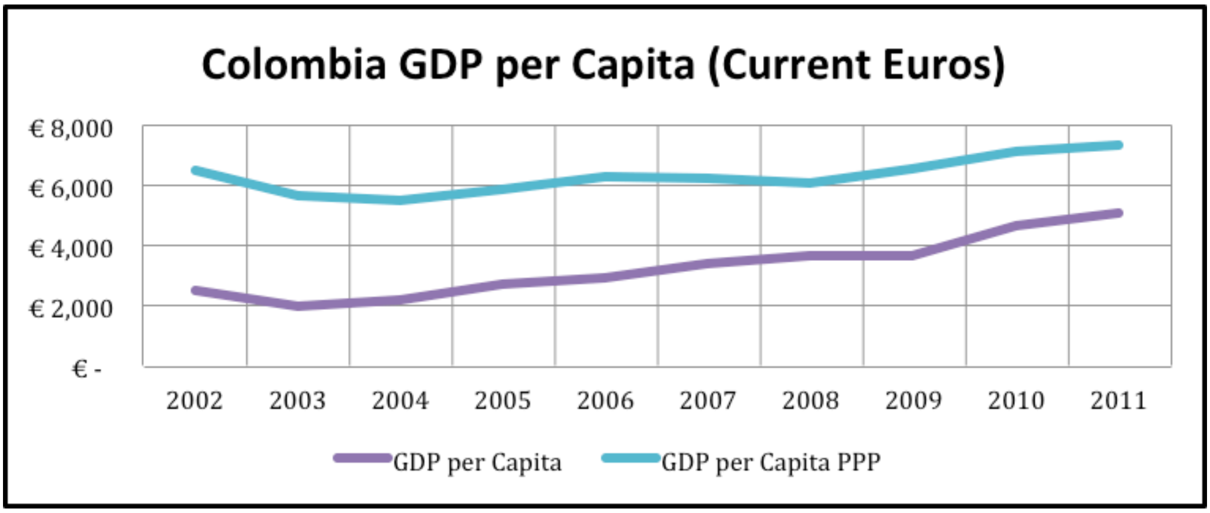


Figure 3. GDP per capita (nominal and PPP)

Source: Based on data from World Data Bank

The unemployment rate since 2005 has been within an range of 12% - 10.8% (based on the unemployment of the economically active population), where in 2011 was the lowest in the last years, but still one of the highest in Latin America and 116th in the world unemployment rank. Its richness in natural resources like natural gas, coal, copper, emeralds, iron ore, nickel, petroleum, gold, and hydropower (among others), becomes in an opportunity for the international trade of these goods. Therefore, the commerce is mainly focused in the exportation of primary goods as raw materials from mining and agricultural products, both together accounting for 47% of GDP, being the most important the crude oil and derivatives, coal, ferronickel and coffee, also known as traditional exports (Mejia, 2010). Paradoxically, some of the most important commodities imported like consumer goods, electricity, transportation equipment, industrial equipment, paper products, fuels, chemicals, etc., are made and sold by the same raw materials and trade partners from the export,

[3]Official Investment Portal, ProExport, Colombia.(www.investincolombia.com.co)

for example in the case of the fuel. The historical data of the Balance of Payments of Colombia, shows that the country has experimented a deficit since the beginning of the period of analysis (figure 4), however, the balance of trade as seen on figure 5, shows a trade surplus in most of the years, having an incremental trend in the last 3 years. Nevertheless, the savings are not enough for having a current account surplus, mainly due to debts acquired for investments and the quantity of those investments, which still are returning the profits. This deficit has not resulted negative for the economy, as it was expected the country is having an economy growth and is focused on investing for improving its trade capacity.

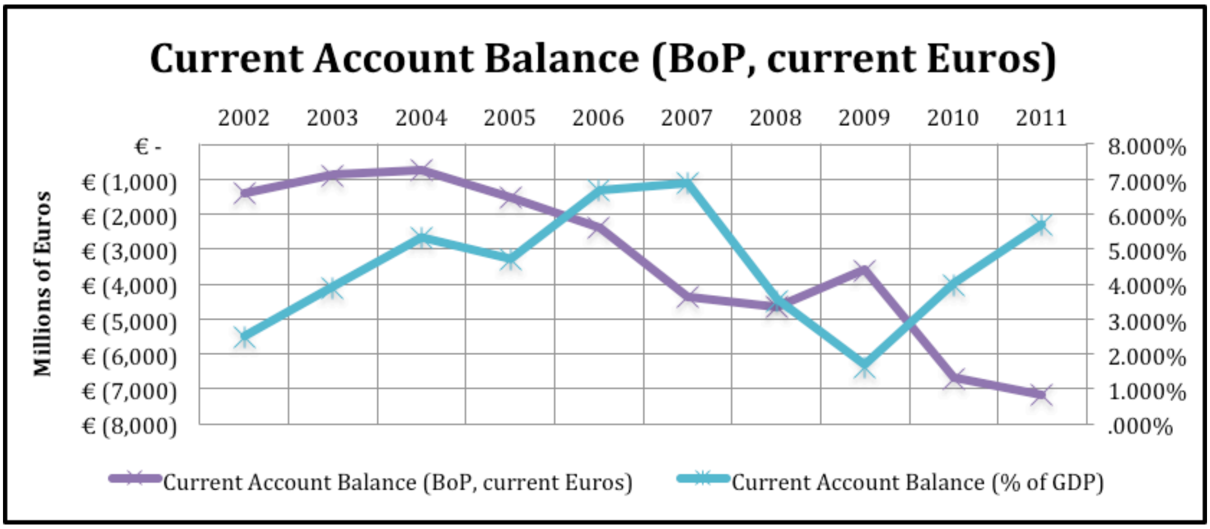
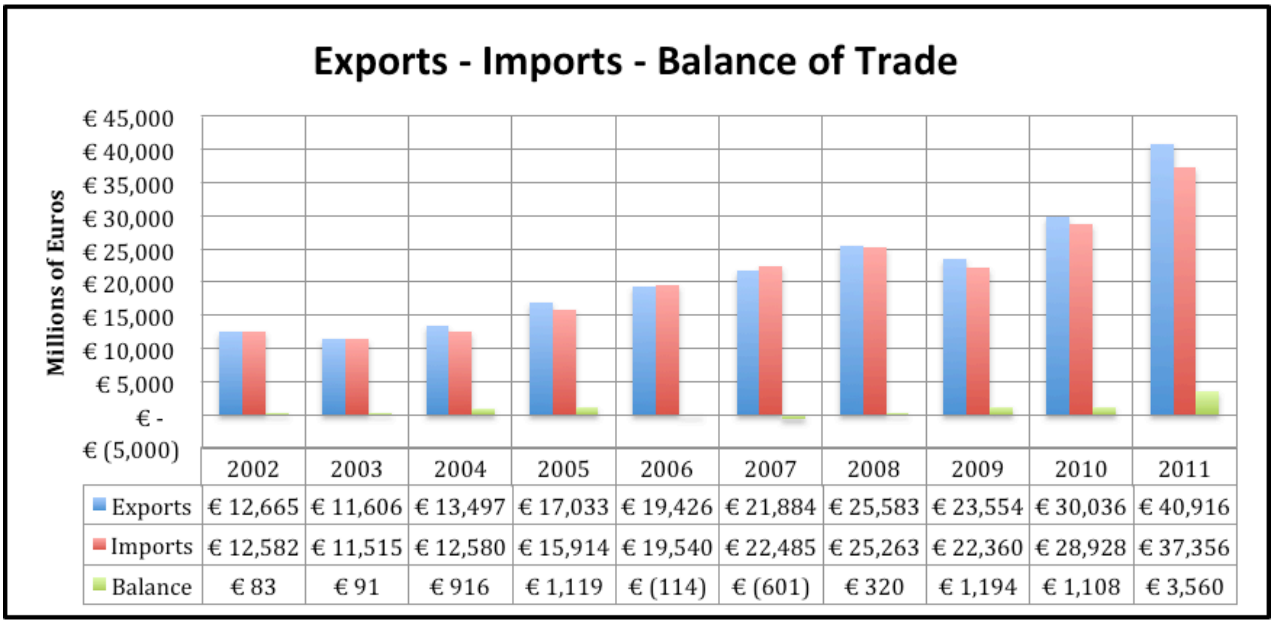


Figure 4. Current Account Balance (Bop, current Euros) and its % of GDP

Source: Based on data from World Data Bank

2.2 Exports

The strategy of Colombia since it opened to the world markets in 1991, has been to promote the foreign direct investment in the country, consolidate stable trade relations and open new markets, situation which has successfully been carried out. However, Colombian exports remain dependent and concentrated on a few raw materials, which has specialized on. The total exports have shown a generally positive trade balance among the years, expressing the results of the country in the matter of searching new markets, improvements in the development of the exploitation of raw materials, improvements in infrastructure, the successful establishment and signature of trade agreements with different countries and the benefits from the ascent of prices in general commodities (oil, coal, nickel).



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Exports	€ 12,665	€ 11,606	€ 13,497	€ 17,033	€ 19,426	€ 21,884	€ 25,583	€ 23,554	€ 30,036	€ 40,916
Imports	€ 12,582	€ 11,515	€ 12,580	€ 15,914	€ 19,540	€ 22,485	€ 25,263	€ 22,360	€ 28,928	€ 37,356
Balance	€ 83	€ 91	€ 916	€ 1,119	€ (114)	€ (601)	€ 320	€ 1,194	€ 1,108	€ 3,560

Figure 5. Colombia's Balance of Trade

Source: Based on data from DANE[4]

In figure 5 and 6, Colombia's Balance of Trade is presented along with its % of GDP and growth of the exports of goods and services, where is noticeable than during 2009, due to the worldwide crisis of 2008, the country experimented a reduction in the exports and growth because of the international markets and its current situation. However, in 2010 and 2011, in significant ascent in the exports shows the good moment the country is facing due to its effort of stabilizing commercial relationships and its search for new trade agreements.

[4] National Administrative Department of Statistics DANE, Colombia

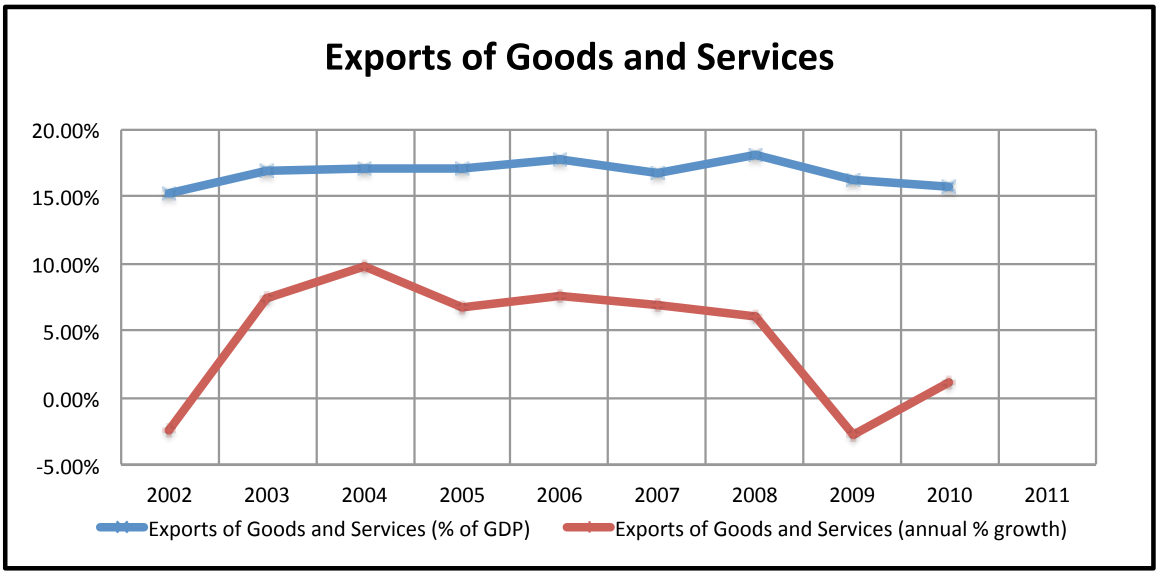


Figure 6. Exports of goods and services

Source: Based on data from DANE

2.1.1 Products

The convenient geographical location of the country and its productive land, has converted Colombia in a wealthy country in terms of natural resources, fauna and flora, becoming famous for its good coffee, beautiful flowers and fine emeralds. However, its noticeable how in table 1, the main economic activities in terms of the percentage of the GDP are the services which account approximately 50%-55%, industry with 35% and agriculture with around 10%. Even if the country's main economic activity is not the agriculture, this sector is paramount for the economic development, and is deemed to be a strategic sector, not only for its contribution to the GDP, but also because generates foreign currency and jobs (third largest source in the economy), with enormous growth potential due to the large agricultural area no yet farmed. [5]

The main exportation products can be divided in two segments: traditional and non-traditional. This has been a topic for debate as many authors can have different meanings for traditional and non-traditional exports, however, we are going to use the one that the Colombian Central Bank uses where:

- **Traditional**: Coffee, Petroleum and its derivatives, nickel and coal.
- **Non-traditional**: Emeralds, gold, cut flowers, and agro-industrial and industrial products.

[5] International TradeInformationSystem(Sistema de Información sobre Comercio Exterior SICE). Colombia. Trade Policy Review. OAS. http://www.sice.oas.org/

- **Services**: Communication and information, financial, insurance managerial and construction services, transport, travel, among others.

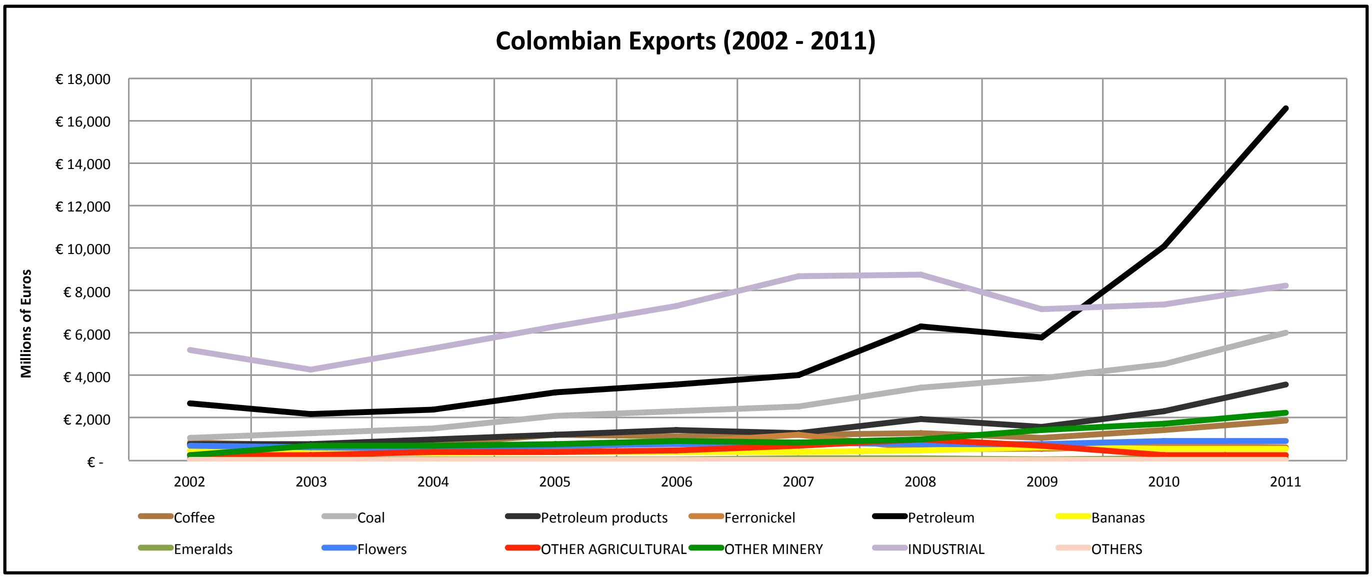


Figure 7. Colombian traditional and non-traditional exports (2002 – 2011)

Source: Based on data from Colombia's External Commerce Statistical Database

In the figure 7, the Colombian traditional and non-traditional exports during 2002 and 2011 are presented, where during the last few years, the exports of traditional products like petroleum and its derivatives experimented a very important growth, mainly due to the increment and high value of the crude oil in the international markets.

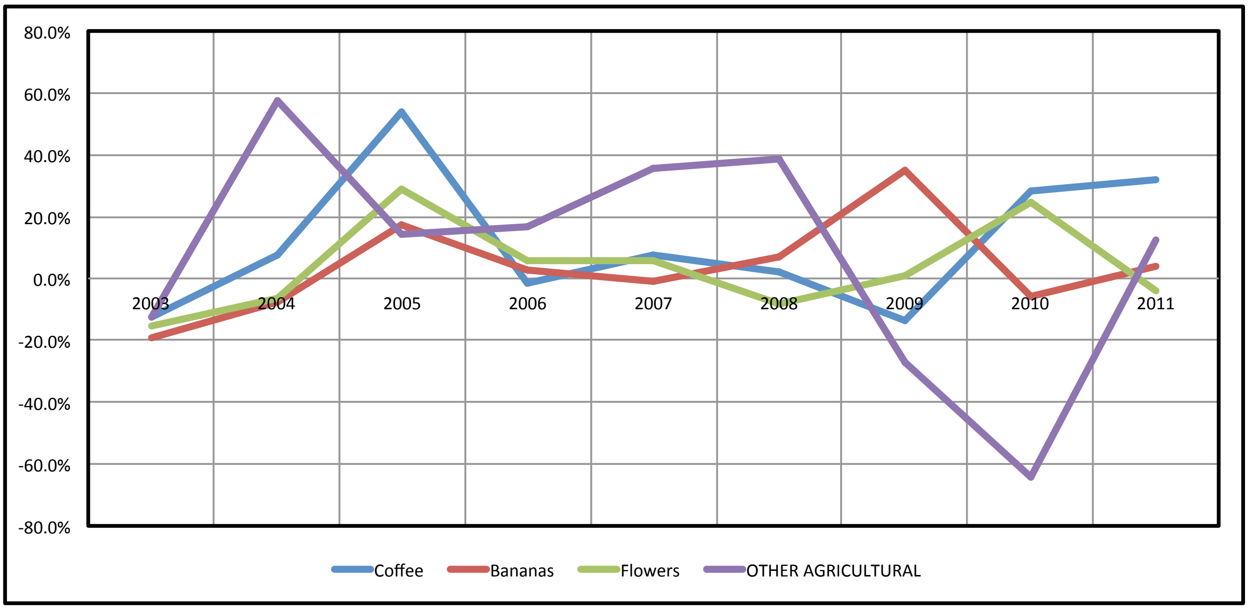


Figure 8. Growth percentage of main agricultural products (2002 – 2011)

Source: Based on data from Colombia's External Commerce Statistical Database

Since 2000, the agricultural sector experimented growth of 2% annually (compared to the 4% of the whole economy)[6], where after the 2008 international crisis had a very negative impact in most of the products (figure 8). Also, the sector was affected by the floods where a lot productive lands were damaged and the government had to intervene to help the farmers recover their investments. However, the agricultural sector experimented a retrieval mainly due to the production of non-traditional products and the increase of the cultivation area, enhanced with the national policy for 2010-2014 of the National Development Plan to make the economy more competitive.

Going deeper in the sector of *Others Agricultural* and non-traditional products, it was found a variety of products exported presented in the table No 2 and No 3, where the data is in million Euros (FOB) from 2002 to 2011. In table No 2, the item "*fruits*" is highlighted, since is the product that was chosen for its analysis in this work.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Main products	**€ 1,986.29**	**€ 1,697.04**	**€ 1,687.27**	**€ 2,326.70**	**€ 2,344.23**	**€ 2,477.60**	**€ 2,467.16**	**€ 2,463.48**	**€ 2,907.47**	**€ 3,363.32**
Coffee	€ 812.84	€ 716.22	€ 771.16	€ 1,186.02	€ 1,159.71	€ 1,251.35	€ 1,281.10	€ 1,109.85	€ 1,416.21	€ 1,876.52
Bananas	€ 464.13	€ 377.02	€ 348.63	€ 409.78	€ 417.03	€ 412.48	€ 441.51	€ 598.79	€ 558.57	€ 586.56
Flowers	€ 709.32	€ 603.79	€ 567.48	€ 730.90	€ 767.49	€ 813.78	€ 744.54	€ 754.84	€ 932.69	€ 900.23
Others Agricultural	**€ 272.29**	**€ 235.74**	**€ 381.54**	**€ 440.05**	**€ 512.03**	**€ 702.98**	**€ 975.33**	**€ 715.60**	**€ 254.41**	**€ 282.02**
Shrimps	€ 676.40	€ 551.73	€ 429.70	€ 548.56	€ 538.60	€ 275.46	€ 220.66	€ 170.16	€ 192.28	€ 127.10
Tuna	€ 41.71	€ 32.90	€ 35.05	€ 34.37	€ 20.77	€ 32.83	€ 38.95	€ 40.70	€ 30.84	€ 30.89
Pulses and Vegetables	€ 10.21	€ 9.22	€ 9.75	€ 18.01	€ 28.61	€ 67.18	€ 55.56	€ 18.14	€ 9.46	€ 8.75
Potatoe	€ 7.04	€ 4.26	€ 6.61	€ 7.51	€ 8.60	€ 7.73	€ 11.01	€ 10.84	€ 0.07	€ 2.05
Fruits	€ 15.30	€ 14.60	€ 19.80	€ 29.75	€ 31.46	€ 39.04	€ 39.93	€ 38.13	€ 41.83	€ 41.64
Raw Silk	€ 0.01	€ -	€ 0.00	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Wool	€ 0.00	€ -	€ 0.01	€ 0.01	€ 0.00	€ 0.00	€ 0.00	€ -	€ -	€ 0.00
Cotton	€ 0.21	€ 0.22	€ 2.25	€ 2.36	€ 1.71	€ 1.98	€ 1.18	€ 0.54	€ 0.31	€ 1.46
Others	€ 71.27	€ 56.75	€ 220.20	€ 235.93	€ 314.14	€ 484.51	€ 738.16	€ 560.70	€ 129.00	€ 162.60
Chicken pieces	€ -	€ -	€ 0.00	€ -	€ -	€ 0.05	€ 0.60	€ 1.44	€ 3.23	€ 2.75
Pork	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.07	€ 0.10	€ 0.00	€ 0.00	€ 0.03	€ 0.00
Milk and Derivatives	€ 52.08	€ 43.98	€ 35.40	€ 44.38	€ 41.41	€ 30.22	€ 45.38	€ 14.66	€ 5.98	€ 1.74
Wheat	€ 0.02	€ 11.28	€ 0.89	€ 3.02	€ 0.88	€ 0.62	€ 0.41	€ 0.29	€ 0.56	€ 1.52
Barley	€ 0.00	€ 0.09	€ -	€ 0.00	€ -	€ -	€ 0.04	€ 0.00	€ -	€ -
Yellow Corn	€ 5.23	€ 5.02	€ 6.13	€ 8.47	€ 8.69	€ 7.14	€ 15.15	€ 5.32	€ 5.11	€ 5.15
White Corn	€ 1.23	€ 1.67	€ 1.88	€ 1.21	€ 1.76	€ 3.79	€ 5.33	€ 7.64	€ 8.50	€ 10.44
Rice	€ 0.28	€ 0.22	€ 0.52	€ 0.13	€ 0.03	€ 0.18	€ 1.25	€ 0.06	€ 0.19	€ 0.22
Soy	€ 0.06	€ 0.36	€ 0.06	€ 0.03	€ 0.04	€ 0.06	€ 0.32	€ 0.13	€ 0.07	€ 0.11

Table 2. Exports of Other Agricultural products (2002 – 2011) (million of Euros)

Source: Based on data from Colombia's External Commerce Statistical Database

[6]Sistema de Información sobre Comercio Exterior (SICE) (Foreign Trade Information System). Colombia Trade Policy Review. OAS. http://www.sice.oas.org/

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agroindustrial	**€ 868.75**	**€ 800.37**	**€ 888.30**	**€ 984.67**	**€ 1,102.87**	**€ 1,146.89**	**€ 1,142.34**	**€ 1,152.62**	**€ 1,223.11**	**€ 1,508.52**
Coffe Products	€ 97.63	€ 88.99	€ 96.02	€ 129.69	€ 136.88	€ 126.86	€ 155.00	€ 181.21	€ 205.51	€ 243.27
Cereal based products	€ 49.24	€ 38.61	€ 47.08	€ 58.88	€ 72.88	€ 79.66	€ 90.32	€ 80.32	€ 82.85	€ 69.32
Sardines	€ 0.00	€ 0.07	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.06	€ 0.00	€ 0.00	€ 0.00
Prepared Tuna	€ 30.48	€ 30.20	€ 20.91	€ 22.00	€ 16.80	€ 21.84	€ 23.06	€ 16.66	€ 16.14	€ 16.70
Sausages	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Other Sugars	€ 2.72	€ 3.48	€ 2.39	€ 2.45	€ 2.15	€ 2.21	€ 2.11	€ 2.09	€ 1.96	€ 2.96
Confectionery	€ 121.95	€ 99.49	€ 119.64	€ 134.26	€ 158.79	€ 164.86	€ 159.40	€ 168.05	€ 164.04	€ 198.18
Preparation of Pulses ar	€ 21.84	€ 17.27	€ 26.25	€ 28.03	€ 31.46	€ 32.93	€ 28.17	€ 29.89	€ 37.42	€ 38.68
Tabaco and Susbtitues	€ 57.30	€ 59.16	€ 68.16	€ 37.31	€ 33.23	€ 38.26	€ 25.40	€ 22.87	€ 13.67	€ 21.90
Essencial oils	€ 0.04	€ 0.06	€ 0.08	€ 0.10	€ 0.16	€ 0.15	€ 0.23	€ 0.42	€ 0.20	€ 0.26
Caseins, Albumins	€ 17.05	€ 14.77	€ 15.26	€ 17.20	€ 16.70	€ 16.85	€ 16.81	€ 22.74	€ 18.68	€ 24.91
Dyeing	€ 0.07	€ 0.04	€ 0.04	€ 0.10	€ 0.14	€ 0.15	€ 0.03	€ 1.43	€ 2.22	€ 0.60
Sorbitol	€ 0.00	€ 0.00	€ -	€ 0.00	€ 0.00	€ 0.03	€ 0.01	€ 0.45	€ 0.51	€ 0.39
Raw hide and Skins	€ 62.23	€ 62.21	€ 59.23	€ 45.64	€ 61.53	€ 77.87	€ 51.76	€ 28.92	€ 54.80	€ 71.96
Raw Paper	€ 0.00	€ 0.00	€ 0.00	€ -	€ -	€ 0.12	€ 0.00	€ 0.01	€ -	€ -
Mannitol	€ 0.00	€ -	€ -	€ 0.00	€ 0.00	€ 0.02	€ -	€ 0.06	€ 0.00	€ 0.00
D-Glucitol	€ 0.03	€ 0.03	€ 0.02	€ 0.00	€ 0.00	€ 0.05	€ 0.02	€ 0.01	€ 0.05	€ 0.02
Rubber	€ 0.00	€ 0.12	€ 0.00	€ 0.02	€ 0.02	€ 0.23	€ 0.99	€ 0.70	€ 0.58	€ 0.30
Others	€ 105.34	€ 92.54	€ 118.95	€ 164.78	€ 167.20	€ 185.18	€ 196.01	€ 172.33	€ 155.06	€ 154.00
White Sugar	€ 117.58	€ 113.66	€ 112.40	€ 155.71	€ 203.56	€ 141.32	€ 79.29	€ 200.55	€ 272.01	€ 369.85
Raw Sugar	€ 111.71	€ 92.05	€ 72.20	€ 70.41	€ 82.91	€ 47.83	€ 24.96	€ 75.07	€ 65.13	€ 56.12
Soybean oil	€ 4.46	€ 3.25	€ 3.68	€ 4.35	€ 6.87	€ 6.86	€ 8.16	€ 5.31	€ 5.29	€ 208.62
Palm oil	€ 49.61	€ 65.74	€ 113.30	€ 102.98	€ 102.04	€ 191.38	€ 263.72	€ 127.86	€ 109.71	€ 9.58
Yellow Corn	€ 9.30	€ 6.79	€ 7.18	€ 8.35	€ 8.08	€ 12.25	€ 16.38	€ 15.66	€ 14.66	€ 16.27
Agroindustrial Soy	€ 2.72	€ 2.04	€ 0.24	€ 0.04	€ 0.25	€ 0.01	€ -	€ 0.00	€ 0.18	€ 0.19
Malta	€ 7.46	€ 9.82	€ 5.27	€ 2.37	€ 1.22	€ -	€ 0.46	€ -	€ 2.44	€ 4.45

Table 3. Exports of Agro industrial products (2002 – 2011)(million of Euros)

Source: Based on data from Colombia's External Commerce Statistical Database

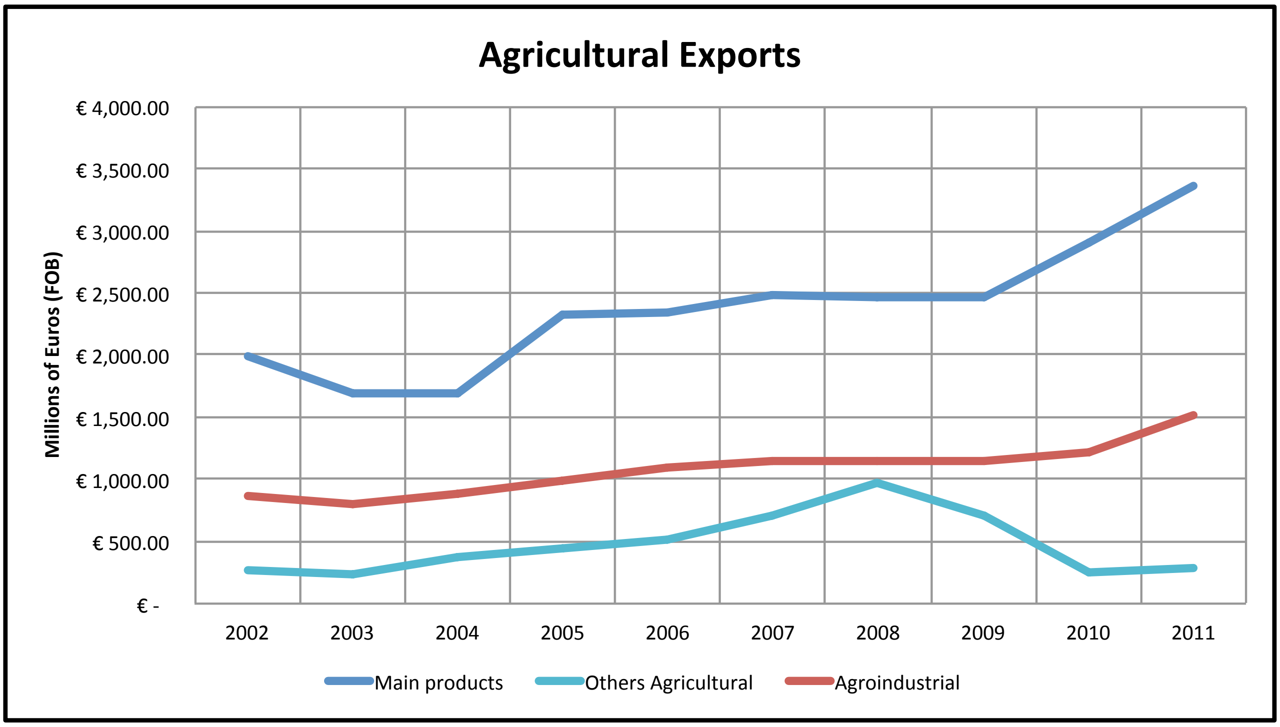


Figure 9. Agricultural exports classification

Source: Based on data from Colombia's External Commerce Statistical Database

Figure 9 shows the historical data of agricultural exports classified by *Main Products*, *Others Agricultural* and *Agro Industrial*, where is noticeable the high concentration of Colombia's exports on a few products (traditional) as Coffee, Bananas and Flowers, with an average of 60% over the last 10 years, compared to the 27.6% of agro industrial products and the 12% of other agricultural (view figure 10).

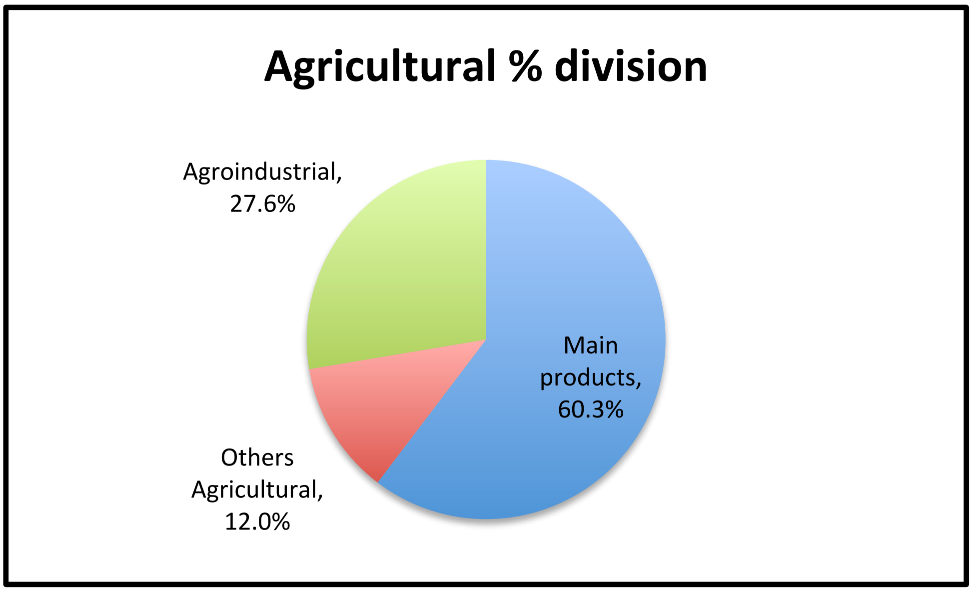


Figure 10. Agricultural % division

Source: Based on data from Colombia's External Commerce Statistical Database

As will be described in the next section, United States and the European Union are the main trade partners of Colombia, accounting for 43.1% and 12.6% respectively[7], with a jointly percentage of 55.7% over the total exports from Colombia. Therefore, they receive a significant quantity of Colombian products, which on figure 11,the percentage of destination, between these two partners, of the 2011 total exports within each product is presented. It is noticeable the dependence on these trade partners, where US imports 42% of the total exports of fuel, 79% of flowers, 46% of Coffee and 64% of gems, while the EU imports the 74% of the total fruit exports, the 26% of Coffee and the 28% of Iron and Steel.

[7] Source: Eurostat

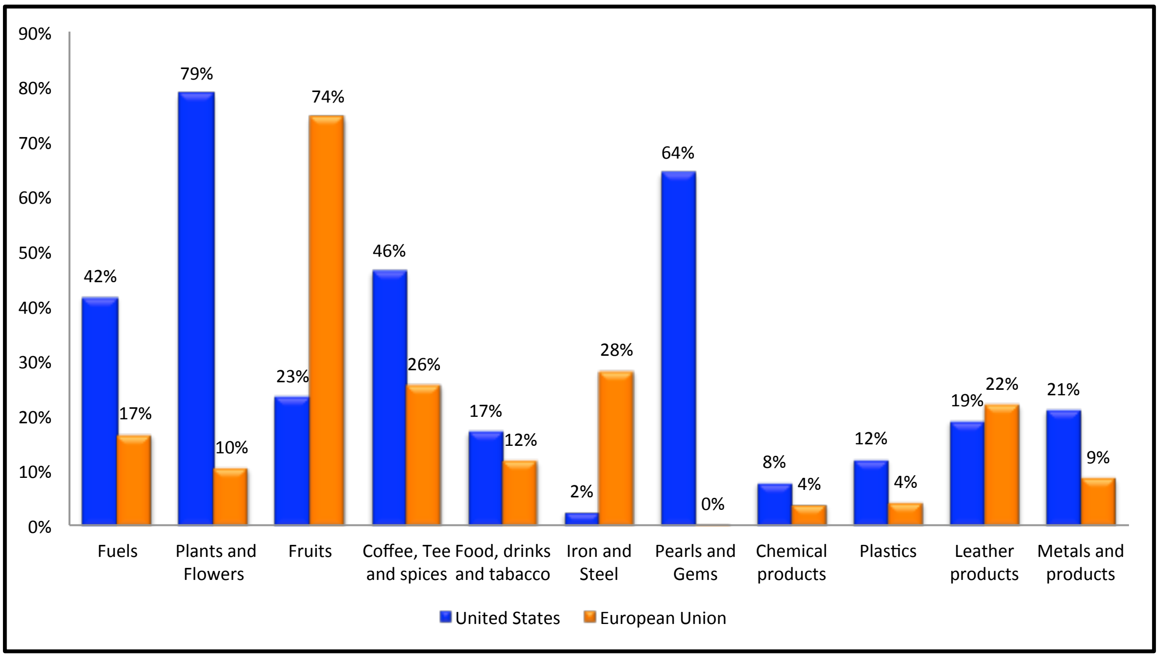


Figure 11. Percentage of total exports within each product that was exported to US and EU in 2011

Source: Based on data from DANE

2.1.2 Partners

Colombia exports goods worldwide due to its free trade policy and the free trade agreements it has with several countries. In the figure 12, the main partners summarized by continent are presented, where it can be identified that the American continent (70%-79%), followed by Europe (15%-18%) and Asia (6%-9%) are the predominant destinations of the Colombian products, corresponding to the 99% of the total exports.

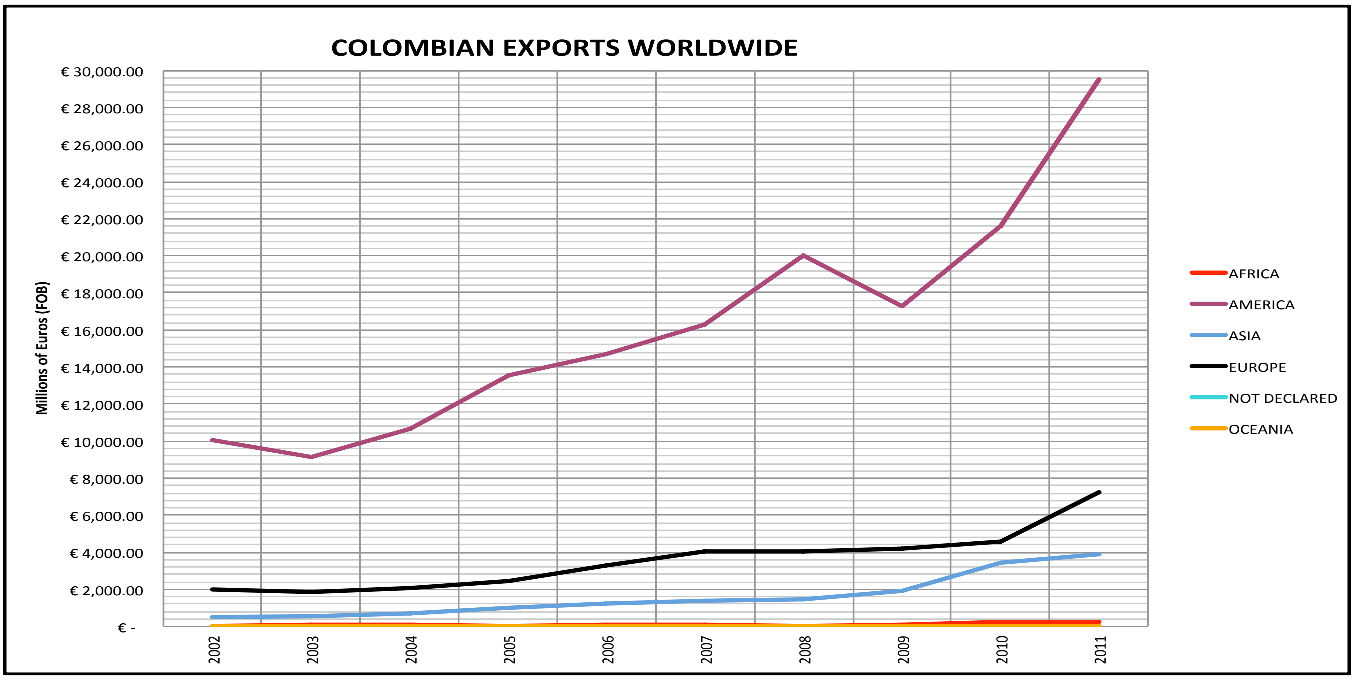


Figure 12. Exports destination by continent

Source: Based on data from Colombia's External Commerce Statistical Database

In the following figures (13, 14 and 15), the major export partners, based on millions of Euros FOB, from 2005 to 2011 are presented by continent, economic integration schemes and countries.

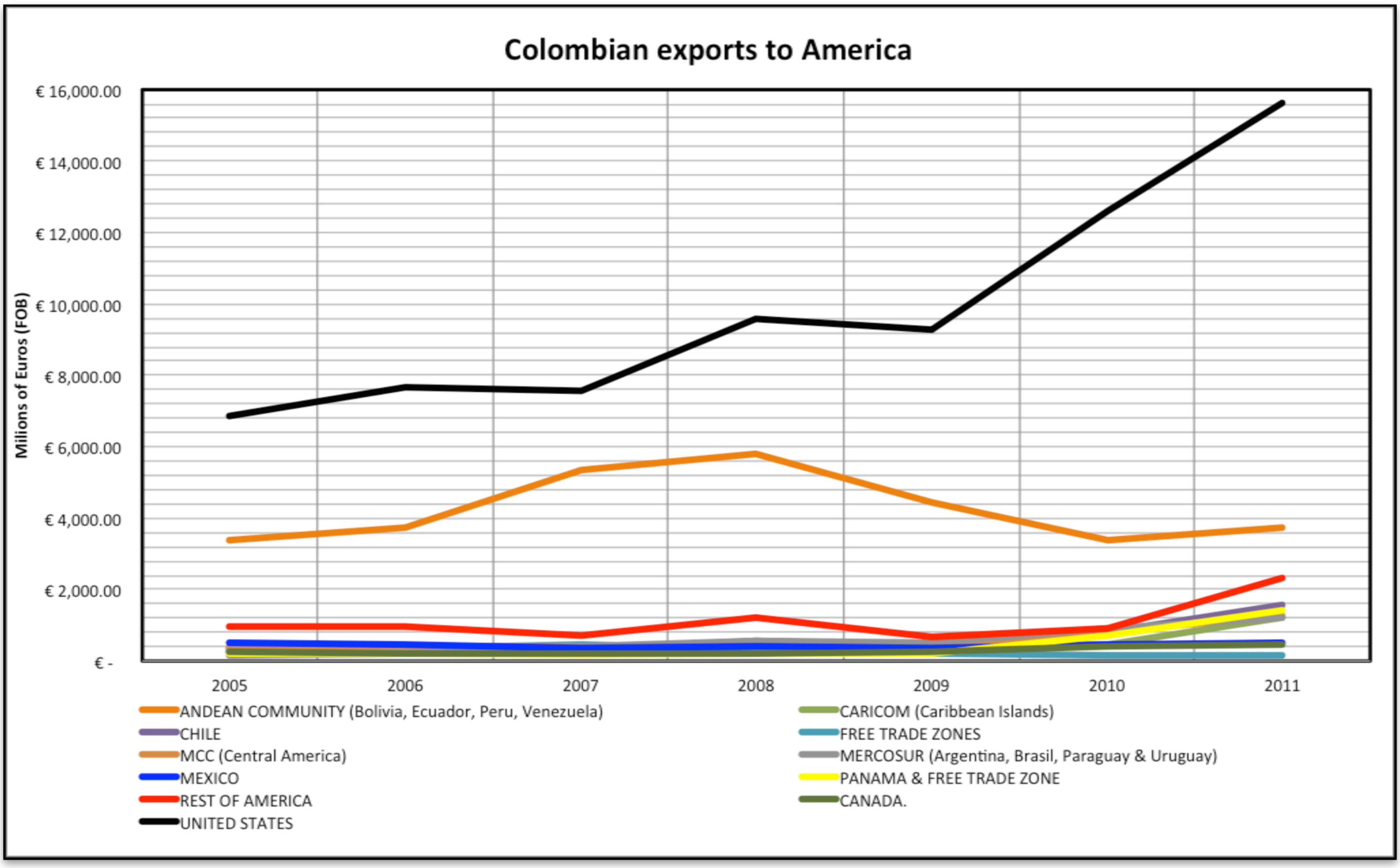


Figure 13. Exports to America 2005-2011

Source: Based on data from Colombia's External Commerce Statistical Database

The Colombian exports to the American continent is shown on figure 13, where is noticeable the importance of the exports to the United States with the 43% of all exports on 2010 (major export partner), followed by the Andean Community (Ecuador (4.6%), Venezuela (3.6%),Peru (2.9%),Brazil (2.6%), Chile (2.3%)Panama (2.3%), and Bolivia (0.3%))[8]. The radical increase on the exports to US since 2009, is the result of the effort of the Colombian government, during president Uribe's government, to improve the economic relationships with the US, as they are the leading trading partner, and the development and approval of the Free Trade Agreement (CTPA). The rupture of the relationships with Ecuador and Venezuela during 2008 – 2009, due to diplomatic conflicts, explains the decrease of the exports to this Andean Community countries. On 2010, during the presidency of Santos in Colombia, the diplomatic ties have been fixed and the relationships between countries have been improved. [9]

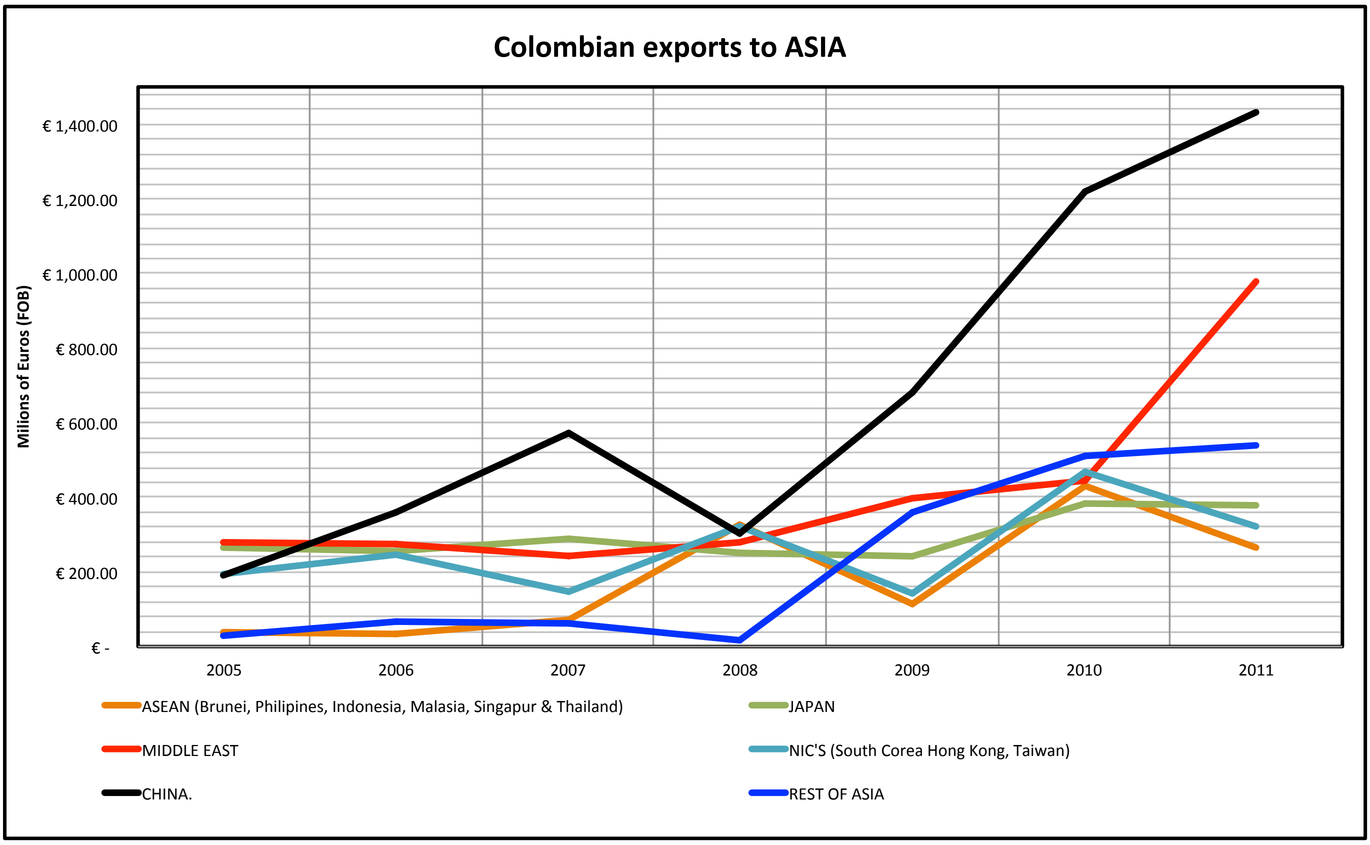


Figure 14. Exports to Asia 2005-2011

Source: Based on data from Colombia's External Commerce Statistical Database

Colombian exports to Asia are shown in figure 14, where is possible to observe the incremental trend of the exports to China, with exception of 2008 due to the world crisis, and the radical increase of these after 2008. Colombia's strategy to improve ties with China, considered as a very important export partner, has resulted in the signature of nine cooperative agreements and the negotiation of

[8] European Commission EUROSTAT (Comext, Statistical regime 4) (http://epp.eurostat.ec.europa.eu/).

[9] Article "The Andean Crisis". Carlsen, Laura. FOREIGN POLICY IN FOCUS (FPIF). March 19, 2008.

a future free trade agreement. This growth is also enhanced by the fact that China since 2008, through the release of the *Policy Paper on LAC (*Policy, 2008), has seen this region of strategic importance for trading, specially for the purchasing of natural resources. Furthermore, the policy has set some goals, where China wants to promote respect and trust, improve economic cooperation on a "win-win" negotiation strategy and expand cultural links among others[10].

As seen previously on this work on figure 12, Europe is the second most important destination of Colombian exports after America, with an approximately range of (12%-18%) of all its exports. Furthermore, on figure 12, a division in percentage of the Colombian exports to the European Union and rest of Europe is shown, where is observed that the percentage of exports done to the European Union (27 countries) corresponds approximately to the 80%-85% of total exports to Europe and the rest of Europe has the remaining percentage. Moreover, it is important to highlight the significance of the exports to Switzerland and Russia, whom are in the group of "Rest of Europe", where they account respectively the 80% and 10% of the rest of Europe exports and the 13% and 1.5% of total Europe.

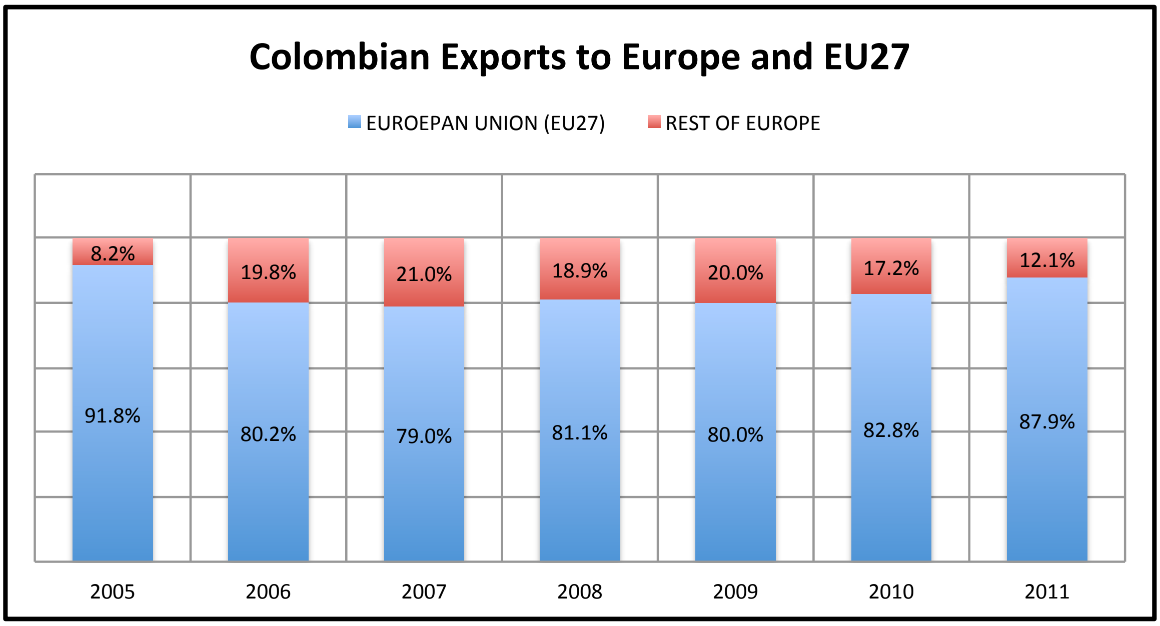


Figure 15. Exports to Europe and EU27

Source: Based on data from Colombia's External Commerce Statistical Database

Even as the purpose of this work is to present an analysis of the commercial trades between Colombia and the European Union, without going in depth within each of the 27 members of the EU, on figure 16 the exports to the different member countries of the EU is shown, where is observable the stable but low growth of the exports to all the members, with the exception of Holland since

[10] Article "China and Latin America: What Sort of Future?". Ratliff, William. LATIN AMERICAN RESPONSES TO GLOBALIZATION IN THE 21st CENTURY. 2012.

2008, and Spain and United Kingdom since 2010, whose experimented a higher growth rate than the others. It is noticeable that Holland, Spain and United Kingdom account for approximately 48% of total exports to EU27, with an average of the last five years of 22.3%, 13.6% and 12.7% respectively.

Furthermore, with Italy (11.4%), Belgium (9.6%), Germany (9.5%) and France (5.9%), they account for the 36.3% of exports to EU27, and together for the 85% of total exports to EU27. This was to be expected since this western and central European countries are more developed than eastern countries as Slovakia, Hungary, Greece, among others. The Nordic EU27 countries Denmark, Sweden and Finland, do not have a significant participation on the Colombian exports to EU, account only for the 5.2%. However, Denmark (with a last five years average of 3), experimented a growth of 41% on 2011 compared to 2010, with an 5.1% of EU27 exports.

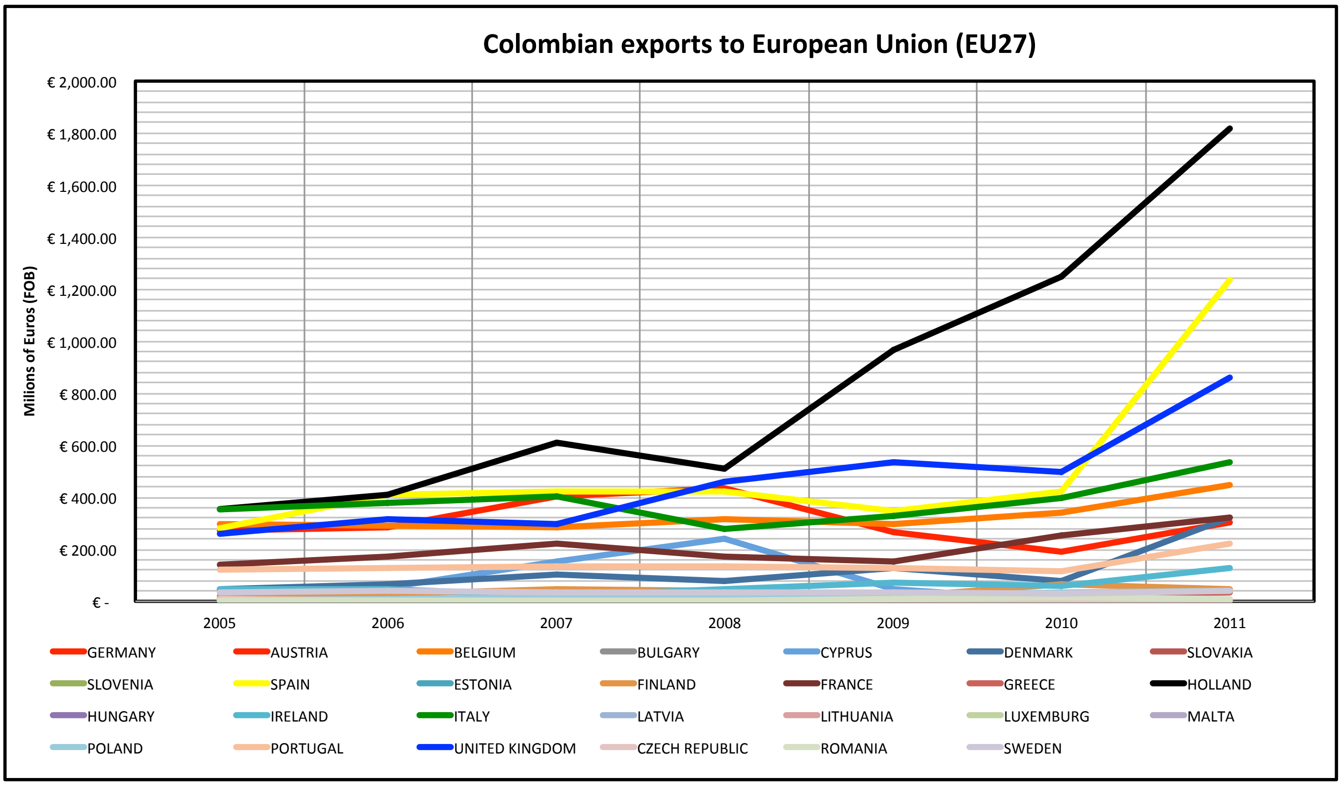


Figure 16. Exports to European Union (EU27)

Source: Based on data from Colombia's External Commerce Statistical Database

2.1.3 Trade Agreements with the world

Colombia's openness trade policy seeks to strengthen its economy by tightening boundaries with Latin America and the rest of the world, in order to obtain negotiation of preferential agreements and encourage the commercial trade and direct investment. Furthermore, Colombia is a founding member of the World Trade Organization (WTO) since 30 April 1995, where its participation is part of its open trade regime and is continuous and actively aiming at consolidating existing ties and searching preferential access to strategic markets by negotiating new agreements. On table 4, a summary of the trade agreements signed and in negotiation with Colombia is presented, where the FTA stands for Free Trade Agreement, PPA for Partial Preference Agreements and On-going for current ongoing negotiations between the parties.

Counterpart	Scheme of Integration	Year of Signature
Andean Community	Customs Union	1969
United States	FTA	2006
European Union	FTA	2010
G-2 Mexico	FTA	1995
Chile	FTA	2006
Canada	FTA	2008
EFTA (Liechtenstein & Switzerland)	FTA	2008
Northern Triangle	FTA	2007
Mercosur	PPA	2005
Caricom	PPA	1994
Costa Rica	PPA	1984
Nicaragua	PPA	1984
Panama	PPA	1993
Venezuela	PPA	2011
China	On-Going	-
Japan	On-Going	-
Turkey	On-Going	-
Israel	On-Going	-
South Korea	On-Going	-
Pacific Alliance	On-Going	-

Table 4. Commercial Agreements

Source: Based on data from Colombia's Ministry of Commerce, Industry and Tourism

2.1.3.1 Trade Preferences

- **ANDEAN TRADE PREFERENCE ACT (ATPA)[11].** Enacted on December 1991 by United States of America to help Colombia and other Andean countries (Peru, Bolivia and Ecuador), into expanding their economic alternatives as a mechanism of fighting against drug production and its traffic. Its main objective is to increase exports and their correspondent employment creation, by the diversification of products and their entry to United States without tariff, for products that are cultivated, produced or manufactured in these countries and that fulfill certain established requisites, in sectors like agriculture, metalworking, handcrafts, furniture, chemicals, wood, lithography and paper. This is done with the objective of persuade and motivate the people to stop producing and trafficking illegal drugs.

[11] Trade and Development, Preference Programs Colombia. Office of the United States Trade Representative. Executive Office of the President of the United States (www.ustr.gov/).

- **ANDEAN TRADE PROMOTION AND DRUG ERRADICATION ACT (ATPDEA).**Enacted on August 6, 2002, it is a renewed and amended version of the ATPA to include products that were excluded in the previous one valid until 2006. It included products like confections, petroleum and derivatives, leather goods, tuna, sugars, footwear, etc. Its last prorogue was on 2011 and it finished on February 2011, where the Free Trade Agreement with the United States was close to be approved.

- **GENERALIZED SYSTEM OF PREFERENCES EUROPEAN UNION (GSP)[12].** Is an autonomous and temporal tariff preference system, where the European Union grants reductions on customs duties for Colombian products exported to EU, with an important objective of promote the reduction of drug production. The beneficiaries of this scheme, are 142 developing countries and 36 territories, including China, "economies in transition countries" and dependent territories. This GSP scheme was granted by the European Union to the member countries of the Andean Community (CAN) from 1991 to 2005, known as GSP – Drug, where the fight against drugs was a priority in these Latin American countries. On 2005, the EU began a new agreement under the name of GSP-Plus, where the fight against the drug production goes into a second level and a further tariff reduction on custom duties for products is applied, where sensible and non-sensible products excluded are now included. The GSP with the European Union will be no longer valid when the Free Trade Agreement signed on June 2012come into force. Furthermore, Colombia also has a GSP scheme applied with other developed countries like Canada, United States, Japan, Norway, Australia, New Zealand and Switzerland.

2.1.3.2 Customs Unions

- **ANDEAN COMMUNITY OF NATIONS (Comunidad Andina de Naciones CAN)[13].** Is a scheme of economical integration constituted by Bolivia, Colombia, Peru and Ecuador since 1969, with the objectives of promote harmonious and balanced development, accelerate growth and employment generation, reduce external vulnerability and improve position of member countries in the international economic context.

2.1.3.3 Free Trade Agreements (FTA)

- **FREE TRADE AGREEMENT UNITED STATES[14].**The agreement was negotiated and closed on February 2006, enacted on November 2006 but it was finally approved by the Congress of the United States the 12thof October 2011. Its objective was to create employment opportunity and to improve the national economy, with a benefit for the Colombian exporters, which can sell

[12]European Union's Generalized System of Preferences (GSP). European Commission (http://ec.europa.eu/).

[13]Andean Community of Nations (www.comunidadandina.org/).

[14]Free Trade Agreement Colombia – US Ministry of Commerce, Industry and Tourism (www.mincomercio.gov.co).

under favorable conditions in the US market. The scope of the negotiation contemplates the market access for industry and agriculture on both sides, investment regime, intellectual property, dispute settlement, government procurement, services, environmental and labor conditions, competition, and so on. The agreement came into force on May 2012.

- **FREE TRADE AGREEMENT EUROPEAN UNION.** The negotiations concluded on February 2010 and the agreement was signed on the 26th June 2012. This agreement replaces the current GSP-Plus and is expected to came into force in the late 2012 or the beginning of 2013.

- **FREE TRADE AGREEMENT G-3[15].** Initially this free trade agreement was negotiated between Mexico, Venezuela and Colombia in 1995, which stated a 10 percent tariff reduction over ten years in the products and services traded between its members. However, in 2006, Venezuela retired due to some differences with its other partners. In April 2010, Mexico and Colombia (now G-2) decided to deepened and improved the agreement by including several industrial and agricultural products and they are aiming towards a negotiation of a FTA.

- **FREE TRADE AGREEMENT CHILE.** The agreement was signed on November 27th 2006 in Santiago de Chile, on a very short negotiation time of only 2 months. This agreement among other objectives, aims at the mutual elimination of the subsidies of the exports of agricultural products and the removal of any custom duties or taxes over the products of the members.

- **FREE TRADE AGREEMENT CANADA.** The agreement was signed on November 21th 2008, approved on June 2010 and came into force the 15th of August 2011. This agreement among other objectives, aims at the mutual elimination of the subsidies of the exports of agricultural products and the removal of any custom duties or taxes over the products of the members.

- **EUROPEAN FREE TRADE ASOCIATION (EFTA).** Is an organization of countries that were unwilling to join the European Union (Liechtenstein, Iceland, Switzerland and Norway) created in 1960. A Free Trade agreement was signed on November 2008, and it came into force on 1stof July 2011 between Colombia, Liechtenstein and Switzerland. One of the major advantages, is that the custom duties of all the industrial goods exported to the member countries, were immediately eliminated. Also, three complementary agreements were established for agricultural non processed and processed products, where for processed products Colombia achieved the same preferences given to the European Union by the EFTA for some products of coffee and derivatives, chocolates, cacao, among others. The general objectives are to amplify the markets, increase and diversify the foreign direct investment and to improve and extent the economic investment and cooperation ties with the EFTA members[16].

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[15] Foreign Trade Information System (Sistema de Información sobre Comercio Exterior SICE). Colombia. Trade Policy Review. OAS. (www.sice.oas.org)

[16] Free Trade Agreement Colombia – US. Ministry of Commerce, Industry and Tourism (www.mincomercio.gov.co&www.tlc.gov.co/).

- **FREE TRADE AGREEMENT EL SALVADOR, HONDURAS & GUATEMALA.** The negotiations with these countries, Northern Triangle countries, began on June 2006, and it was finally signed on August 2007. It Came into force with Guatemala on the 13th of November 2009, El Salvador on 1st February 2010 and on 27th March 2010 with Honduras. This agreement applies to the 72% of the agricultural products, where an evolutionary clause had to be used to include first the major and non sensitive products and later on the rest of them. Also the 75% of the industrial goods were included in the agreement, were most of them are intermediate products and industrial raw materials.

2.1.3.4 Partial Preferential Agreements

- **MERCOSUR.** It is a political and economical agreement between Brazil, Venezuela, Argentina, Paraguay and Uruguay and the countries members of the CAN, under the framework of the ALADI (Latin American Integration Association)[17]. The ALADI purpose is to create an area of economic preferences for the establishment of a common market of Latin American countries (members: Ecuador, México, Panamá, Paraguay, Brazil, Argentina, Bolivia, Chile, Colombia, Cuba, Peru, Uruguay and Venezuela). The agreement came into force on 2005, between different member countries, where Colombia established preferential tariffs with Argentina, Uruguay and Paraguay.

- **CARICOM[18].** It is an organization of 15 countries of the American Caribbean, with the purpose of creating a Caribbean Community with a common market, enhanced competitiveness and sustained economic development, improve living and work standards and promote employment creation. The agreement was signed on July 1994.

- **COSTA RICA.** Agreement where Colombia gives Costa Rica tariff preferences with the commitment of reciprocity in the future. It was signed in March 1984, and in June 2012, the negotiations of a free trade agreement began.

- **NICARAGUA.** Signed in March 1984, where Colombia gives Nicaragua tariff preferences with the commitment of reciprocity in the future.

- **PANAMA.** Signed in July 1993, the agreement has the objective to Diversify, expand, promote and facilitate trade between the parties, in an harmonic and balanced manner, in order to enhance the expansion of the commerce by the establishment of tariff preferences. Furthermore, the negotiations for a free trade agreement had began.

- **VENEZUELA.** On 28 November 2011, after Venezuela retired from CAN in 2006, a partial preferential agreement was signed with Colombia, where preference tariffs were established to products.

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[17] Latin American Integration Association ALADI. (www.aladi.org)

[18] Caribbean Community and Common Market CARICOM. (www.caricom.org)

2.1.3.5 On-going negotiations

- **CHINA.** Being the third major trade partner of Colombia, with around the 5.1% of the total exports and the second largest economy in the world after United States[19], Colombia considers China as an opportunity to enter into the growing Asian market. On May 2012, China and Colombia began to the negotiations for defining the terms for a FTA, where China sees a geographical and commercial advantage in Colombia. Since it has signed a FTA with US, China can access its products to US through Colombia, exploiting the low transport fares and the reduced tariffs[20].

- **JAPAN.** The agreement would aim at reducing the current trade deficit with Japan, since Colombia imports electronic appliances and vehicles, and exports mostly emeralds and coffee, being this last one the 70% of the exports, by diversifying the products offered and by improving Colombia's technology. The proposal for a Free Trade Agreement was done to Japan on September 2011, and it has been under negotiations ever since.

- **TURKEY.** The actual bilateral commerce between both countries is very limited to a few products, where the exports to Turkey were Coal, Polypropylene, polymers and Sugar, accounting for only an average of 0.8% of the total exports from 2008 – 2010[21]. Studies have shown a potential for chemical products, Coal, Paper, leather goods and agricultural products (bananas, coffee, sugar, cacao and nuts). The first round of negotiations started was on May 2011 and the 6th was on June 2012.

- **ISRAEL.** Is an active trade partner of Colombia, where on 2010 the bilateral trade reached its highest, and over the last decade Colombia has had a surplus trade balance with them. Even if the trade percentage is not very significant (0.7% of total Colombian trade) comparing with other trade partners, it had been growing approximately at a rate of 17% annually, with a highly concentrated exports in Coal (represent average 92% of exports) and coffee (2.5%) in 2010. Recent studies had concluded that with the existence of the FTA, the bilateral trade would have an increase of 88% on each of the partners[22]. The first round of negotiations began on March 2012.

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[19] China GDP Growth Rate. Trading Economies. (www.tradingeconomics.com)

[20] Article: "Colombia, exporting platform for China". 26th June 2012. (www.portafolio.com.co)

[21] Free Trade Agreement Colombia – Turkey. Economic Studies Office. Ministry of Commerce, Industry and Tourism (www.mincomercio.gov.co& www.tlc.gov.co).

[22] Free Trade Agreement Colombia – Israel. Economic Studies Office. Ministry of Commerce, Industry and Tourism (www.mincomercio.gov.co& www.tlc.gov.co).

- **SOUTH KOREA.** Colombia's desire to enter the continuously growing and expanding Asian market, who has the 60% of the world population and represent 34% of the world's GDP[23], has motivated the development and negotiation of a preferential trade agreement with South Korea, along with other countries like Japan and China. In various analysis, an opportunity has been discovered for Colombia's agro-industry, agricultural products, and the automotive industry. The negotiations began on December 2009 and it is expected to be signed in August 2012.

- **PACIFIC ALLIANCE.** Union of four countries with coast in the Pacific Ocean (Mexico, Chile, Peru and Colombia), with the objective to promote regional integration, growth, development and competitiveness of the economies and gradual mobility of goods, services and people[24]. It was established on the 27th of April 2011, and it is open for other pacific countries to join (Panamá and Costa Rica are observers). The Alliance also aims to convert in a scheme of economic and commercial integration, mainly focus on Pacific Asia countries[25].

3. European Union Import Profile

3.1 Overview

The EU is a unique economic and political partnership between 27 European countries, created in the aftermath of the Second World War. The first steps were to foster economic cooperation: the idea being that countries that trade with one another become economically interdependent and so more likely to avoid conflict[26]. The Maastricht Treaty established the European Union under its current name in 1993.

It is divided into 27 EU member countries, 6 countries which have applied for EU membership (candidate countries and potential candidate countries) and other countries. It covers over 4 million km², with a population of 495 million people, and has developed into a huge single market with the Euro (€) as its common currency (17 countries have adopted the Euro). The single market is the main economic driver of the Union, which allows most services, goods, money and people to move freely through it.

The EU-27 had an unemployment rate of 10.4 % in June 2012, which means 25.112 million people according to Eurostat. Among the Member States, the lowest unemployment rates were recorded in

[23] Free Trade Agreement Colombia – South Korea. Ministry of Commerce, Industry and Tourism (www.mincomercio.gov.co&www.tlc.gov.co).

[24] Pacific Alliance. Ministry of External Relationships, Republic of Colombia. (www.cancilleria.gov.co)

[25] Pacific Alliance. Ministry of Commerce, Industry and Tourism (www.mincomercio.gov.co& www.tlc.gov.co).

[26] Taken from: www.europa.eu (2012)

Austria (4.5 %), the Netherlands (5.1 %), Germany and Luxembourg (both 5.4 %), and the highest rates in Spain (24.8 %) and Greece (22.5 % in April 2012)[27].In 2010, the EU-27's GDP recovered partly from the effects of the 2008 global financial and economic crisis. It increased from € 11.770.000 million in 2009 to € 12.268.000 million in 2010 (see Figure 17 and Table 5). Based on the values of its GDP, the EU is the largest economy in the world. However, among all its members there are big differences in the GDP (PPP), varying from €300 to €57.000.

The nations with the highest GDP (in current prices) are Germany, France and United Kingdom with a GDP over € 1.600 million Euros (2010); and the nations with the lowest ones are Malta and Macedonia with a GDP lower than € 8 million Euros (2010). Nevertheless, taking into account the GDP per capita (PPS, EU-27=100), the countries with the higher ones are Luxembourg, the Netherlands and Austria with a GDP per capita over 125 (2010), and the ones with the lowest GDP per capita are Bulgaria, Romania and Macedonia with a GDP per capita below 46.

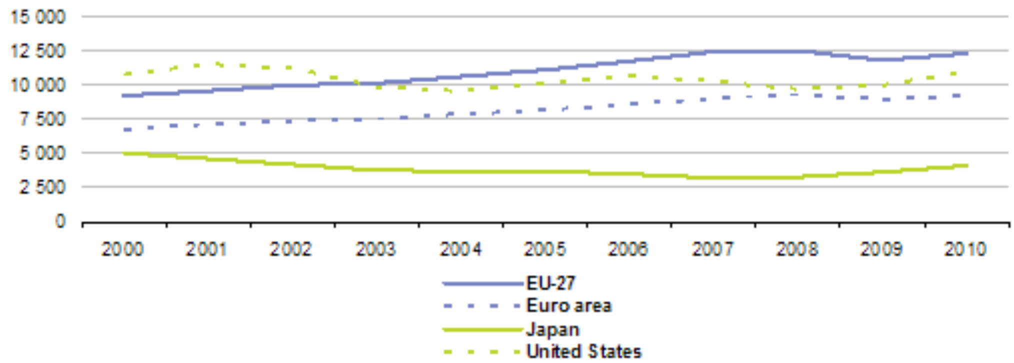

Figure 17. GDP in Market Prices, 2000-2010.

Source: Eurostat

[27] Data taken from the official website of the European Commission – Eurostat, *Unemployment rate*.

	GDP						GDP per capita			
	(EUR 1 000 million)			(PPS 1 000 million)			(PPS, EU-27=100)			(PPS)
	2000	2009	2010	2000	2009	2010	2000	2009	2010	2010
EU-27	9 208	11 770	12 268	9 208	11 770	12 268	100	100	100	24 500
Euro area	6 789	8 953	9 191	6 715	8 435	8 760	112	109	108	26 400
Belgium	252	339	353	246	295	314	126	116	118	28 900
Bulgaria	14	35	36	44	79	80	28	44	43	10 600
Czech Republic	61	137	145	134	202	205	68	82	80	19 500
Denmark	174	222	234	134	157	169	132	121	124	30 400
Germany	2 063	2 397	2 499	1 855	2 241	2 369	118	116	118	29 000
Estonia	6	14	15	12	20	21	45	64	65	15 900
Ireland	106	161	156	96	134	139	132	127	127	31 100
Greece	*138*	*235*	*230*	*175*	*249*	*246*	*84*	*94*	*89*	*21 700*
Spain	630	1 054	1 063	747	1 116	1 140	97	103	101	24 700
France	1 440	1 889	1 933	1 333	1 622	1 692	115	107	107	26 100
Italy	1 191	1 520	1 549	1 268	1 470	1 472	117	104	100	24 300
Cyprus	10	17	17	12	19	19	89	98	98	24 000
Latvia	8	19	18	17	27	28	37	52	52	12 600
Lithuania	12	27	27	26	43	47	39	55	58	14 200
Luxembourg	22	38	42	20	32	35	245	272	283	69 100
Hungary	51	93	98	108	153	157	55	65	64	15 700
Malta	4	6	6	6	8	8	84	81	83	20 400
Netherlands	418	572	591	407	508	544	134	131	134	32 800
Austria	208	274	284	200	245	257	131	124	125	30 700
Poland	186	310	354	352	544	583	48	61	62	15 300
Portugal	127	169	173	158	201	210	81	80	81	19 800
Romania	41	117	122	111	233	236	26	46	45	11 000
Slovenia	22	35	36	30	42	44	80	88	87	21 200
Slovakia	22	63	66	52	93	98	50	73	74	18 100
Finland	132	173	180	116	143	152	117	114	116	28 300
Sweden	268	291	347	216	260	282	128	119	123	30 100
United Kingdom	1 602	1 566	1 697	1 335	1 636	1 723	119	113	114	27 800
Iceland	9	9	10	7	9	9	132	117	110	*26 800*
Liechtenstein	3	3	:	:	:	:	:	:	:	:
Norway	183	267	312	141	198	214	165	175	179	43 700
Switzerland	271	355	396	198	264	279	144	144	147	35 800
Croatia	23	*46*	*46*	42	67	67	50	*64*	*61*	*15 000*
FYR of Macedonia	4	7	*7*	10	17	*18*	27	36	35	*8 600*
Turkey	290	440	554	512	770	861	42	45	48	11 800
Japan	5 057	3 613	4 122	2 827	3 094	*3 318*	117	103	107	*26 000*
United States	10 775	9 994	10 958	8 655	10 502	*11 204*	161	145	149	*36 500*

Source: Eurostat (online data codes: nama_gdp_c and tec00001)

Table 5. GDP and GDP per capita EU

Source: Eurostat

The current account deficit of the EU-27 was € 95,700 million in 2010 (see figure 18), corresponding to 0.8 % of gross domestic product (GDP); the current account deficit in 2009 (€ 99,500 million) was at a similar level to that recorded in 2010, while both of these deficits were about 60 % lower than in 2008, when the deficit corresponded to about 2.0 % of GDP[28]. However, according to the table 6, it is possible to notice that despite the deficit previously mentioned for the EU-27, there are some differences among the members. Countries like Germany, The Netherlands and Sweden have the highest surplus, while countries like Greece, Spain, Italy, and United Kingdom have the highest deficit.

[28] Balance *of Payment Statistics*. (www.eurostat.com)

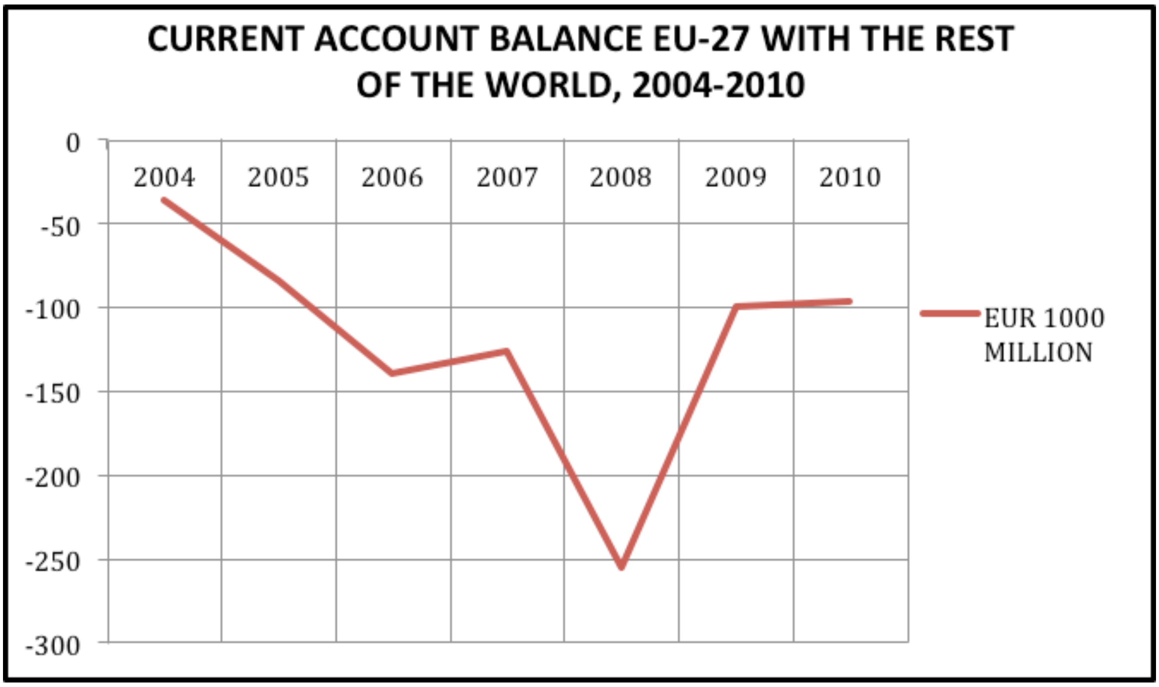

Figure 18. Current Account Balance EU-27 with the rest of the world.

Source: Eurostat

	2004	2005	2006	2007	2008	2009	2010
EU-27	-35.7	-83.5	-139.6	-125.9	-255.4	-99.5	-95.7
Euro area	60.8	10.8	-12.6	7.4	-143.5	-25.9	-42.2
Belgium	9.3	6.0	5.9	5.4	-5.7	-5.7	5.2
Bulgaria	-1.3	-2.7	-4.6	-7.8	-8.2	-3.1	-0.5
Czech Republic	-4.7	-1.0	-2.4	-5.7	-3.3	-3.4	-4.7
Denmark	5.9	9.0	6.5	3.1	6.8	7.3	13.0
Germany	102.8	112.9	145.0	181.2	154.8	133.7	141.5
Estonia	-1.1	-1.1	-2.1	-2.6	-1.6	0.5	0.5
Ireland	-0.9	-5.7	-6.3	-10.1	-10.2	-4.7	0.8
Greece	-10.7	-14.7	-23.8	-32.6	-34.8	-25.8	-23.0
Spain	-44.2	-66.9	-88.3	-105.3	-104.7	-54.5	-48.4
France	9.0	-8.3	-10.3	-18.9	-33.7	-28.4	-33.7
Italy	-4.6	-12.6	-22.3	-19.9	-45.2	-30.1	-54.1
Cyprus	-0.6	-0.8	-1.0	-1.9	-2.7	-1.8	-1.7
Latvia	-1.4	-1.6	-3.6	-4.7	-3.0	1.6	0.5
Lithuania	-1.4	-1.5	-2.6	-4.1	-4.2	1.2	0.4
Luxembourg	3.3	3.5	3.5	3.8	2.0	2.4	3.1
Hungary	-6.8	-6.4	-6.6	-7.2	-7.7	-0.2	1.1
Malta	-0.3	-0.4	-0.5	-0.3	-0.3	-0.4	-0.2
Netherlands	37.5	38.0	50.4	38.4	25.5	24.3	38.6
Austria	5.2	5.3	7.3	9.6	13.8	7.5	8.5
Poland	-10.8	-5.9	-10.4	-19.3	-23.8	-12.1	-16.5
Portugal	-12.4	-15.9	-17.2	-17.1	-21.7	-18.4	-17.2
Romania	-5.1	-6.9	-10.2	-16.8	-16.2	-4.9	-4.9
Slovenia	-0.7	-0.5	-0.8	-1.6	-2.6	-0.5	-0.3
Slovakia	-2.7	-3.3	-3.5	-2.9	-4.0	-1.6	-2.3
Finland	9.4	5.3	7.0	7.7	4.7	3.4	3.3
Sweden	19.1	20.2	26.6	31.2	29.4	20.5	23.0
United Kingdom	-36.9	-47.8	-63.3	-51.3	-24.6	-23.0	-42.9
Iceland	-1.1	-2.2	-3.2	-2.3	-2.8	-1.1	-1.1
Norway	26.5	39.7	46.2	40.1	54.5	35.8	38.7
Croatia	-1.5	-2.0	-2.7	-3.2	-4.4	-2.4	-0.6
Turkey	-11.5	-17.8	-25.6	-27.9	-28.1	-10.0	-35.9
Japan	138.5	133.3	136.0	154.0	105.1	101.6	147.6
United States	-505.4	-602.2	-637.1	-519.7	-460.5	-269.2	-357.0

Table 6. Current Account Balance EU-27, extra EU-27, Member States and other countries.

Source: Eurostat

Figure 19, shows the annual average inflation of the EU-27 from 2000 – 2010. The data refers to the official EU aggregate country coverage changes in line with the addition of new EU Member States, and integrates them using a chain-linked index formula. The inflation of the EU during the period of study has being fluctuated between 1.8% and 2.4%. However, it has had some peaks in the years 2008, 2009 and 2011.

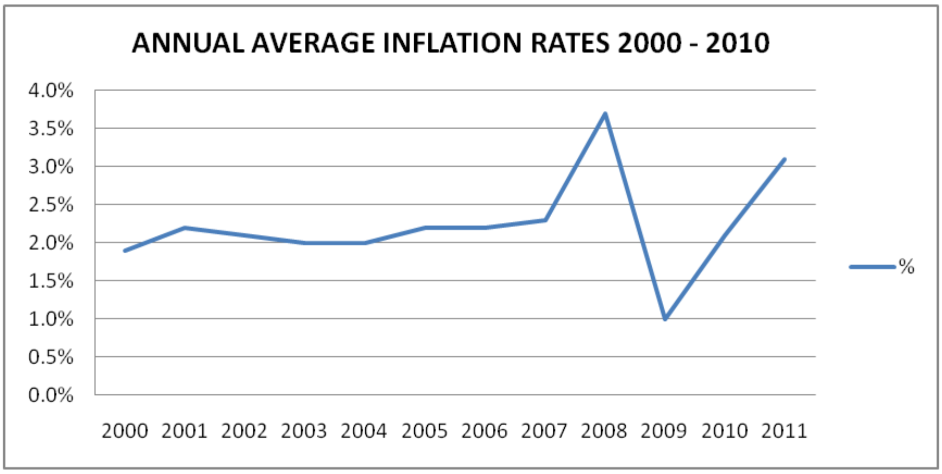

Figure 19. Annual Inflation Rates 2000 - 2010

Source: Eurostat

In the recent years, the countries with the highest annual average inflation rate are Iceland, Romania and Turkey; while the ones that have had the lowest annual average inflation rate in the recent years are Switzerland and Ireland (see Table 7).

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
European Union (changing composition)	1.9	2.2	2.1	2.0	2.0	2.2	2.2	2.3	3.7	1.0	2.1	3.1
Euro area (changing composition)	2.1	2.3	2.2	2.1	2.1	2.2	2.2	2.1	3.3	0.3	1.6	2.7
Euro area (17 countries)	2.2	2.4	2.3	2.1	2.2	2.2	2.2	2.1	3.3	0.3	1.6	2.7
Euro area (16 countries)	:	:	:	:	:	:	:	:	:	:	:	:
Belgium	2.7	2.4	1.6	1.5	1.9	2.5	2.3	1.8	4.5	0.0	2.3	3.5
Bulgaria	10.3	7.4	5.8	2.3	6.1	6.0	7.4	7.6	12.0	2.5	3.0	3.4
Czech Republic	3.9	4.5	1.4	-0.1	2.6	1.6	2.1	3.0	6.3	0.6	1.2	2.1
Denmark	2.7	2.3	2.4	2.0	0.9	1.7	1.9	1.7	3.6	1.1	2.2	2.7
Germany	1.4	1.9	1.4	1.0	1.8	1.9	1.8	2.3	2.8	0.2	1.2	2.5
Estonia	3.9	5.6	3.6	1.4	3.0	4.1	4.4	6.7	10.6	0.2	2.7	5.1
Ireland	5.3	4.0	4.7	4.0	2.3	2.2	2.7	2.9	3.1	-1.7	-1.6	1.2
Greece	2.9	3.7	3.9	3.4	3.0	3.5	3.3	3.0	4.2	1.3	4.7	3.1
Spain	3.5	2.8	3.6	3.1	3.1	3.4	3.6	2.8	4.1	-0.2	2.0	3.1
France	1.8	1.8	1.9	2.2	2.3	1.9	1.9	1.6	3.2	0.1	1.7	2.3
Italy	2.6	2.3	2.6	2.8	2.3	2.2	2.2	2.0	3.5	0.8	1.6	2.9
Cyprus	4.9	2.0	2.8	4.0	1.9	2.0	2.2	2.2	4.4	0.2	2.6	3.5
Latvia	2.6	2.5	2.0	2.9	6.2	6.9	6.6	10.1	15.3	3.3	-1.2	4.2
Lithuania	1.1	1.6	0.3	-1.1	1.2	2.7	3.8	5.8	11.1	4.2	1.2	4.1
Luxembourg	3.8	2.4	2.1	2.5	3.2	3.8	3.0	2.7	4.1	0.0	2.8	3.7
Hungary	10.0[i]	9.1[i]	5.2	4.7	6.8	3.5	4.0	7.9	6.0	4.0	4.7	3.9
Malta	3.0	2.5	2.6	1.9	2.7	2.5	2.6	0.7	4.7	1.8	2.0	2.5
Netherlands	2.3	5.1	3.9	2.2	1.4	1.5	1.7	1.6	2.2	1.0	0.9	2.5
Austria	2.0	2.3	1.7	1.3	2.0	2.1	1.7	2.2	3.2	0.4	1.7	3.6
Poland	10.1	5.3	1.9	0.7	3.6	2.2	1.3	2.6	4.2	4.0	2.7	3.9
Portugal	2.8	4.4	3.7	3.3	2.5	2.1	3.0	2.4	2.7	-0.9	1.4	3.6
Romania	45.7[i]	34.5[i]	22.5[i]	15.3[i]	11.9[i]	9.1[i]	6.6	4.9	7.9	5.6	6.1	5.8
Slovenia	8.9	8.6	7.5	5.7	3.7	2.5	2.5	3.8	5.5	0.9	2.1	2.1
Slovakia	12.2	7.2	3.5	8.4	7.5	2.8	4.3	1.9	3.9	0.9	0.7	4.1
Finland	2.9	2.7	2.0	1.3	0.1	0.8	1.3	1.6	3.9	1.6	1.7	3.3
Sweden	1.3	2.7	1.9	2.3	1.0	0.8	1.5	1.7	3.3	1.9	1.9	1.4
United Kingdom	0.8	1.2	1.3	1.4	1.3	2.1	2.3	2.3	3.6	2.2	3.3	4.5
Iceland	4.4	6.6	5.3	1.4	2.3	1.4	4.6	3.6	12.8	16.3	7.5	4.2
Norway	3.0	2.7	0.8	2.0	0.6	1.5	2.5	0.7	3.4	2.3	2.3	1.2
Switzerland	:	:	:	:	:	:	1.0	0.8	2.3	-0.7	0.6	0.1
Montenegro	:	:	:	:	:	:	:	:	:	:	:	:
Croatia	4.5[i]	4.3[i]	2.5[i]	2.4[i]	2.1[i]	3.0[i]	3.3[i]	2.7[i]	5.8[i]	2.2[i]	1.1[i]	2.2[i]
Former Yugoslav Republic of Macedonia, the	:	:	:	:	:	:	:	:	:	:	:	:
Turkey	53.2[i]	56.8[i]	47.0[i]	25.3[i]	10.1[i]	8.1[i]	9.3[i]	8.8[i]	10.4[i]	6.3[i]	8.6[i]	6.5[i]
United States	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.8	3.8	-0.4	1.6	:
Japan	-0.7	-0.7	-0.9	-0.3	0.0	-0.3	0.3	0.0	1.4	-1.4	-0.7	:

Table 7. Annual Average Inflation Rate EU, 2000 – 2011 (%)

Source: Eurostat

The EU is the world's biggest exporter and the second biggest importer, its trade with the rest of the world accounts for around 20% of global exports and imports, with USA as its main trading partner, followed by China. As shown on figure 20, the major EU trade partners[29] according to the different

[29] **EFTA**: Iceland, Liechtenstein, Norway, Switzerland; **Candidates**: Croatia, FYR of Macedonia, Turkey; **Andean Community**: Bolivia, Colombia, Ecuador, Peru; **CIS**: Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Kazakhstan, Moldova Republic of, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan; **CACM**: Honduras, El Salvador, Nicaragua, Costa Rica, Guatemala, Panama; **Mercosur**: Argentina, Brazil, Paraguay, Uruguay; **NAFTA**: Canada, Mexico, United States; **Latin America Countries**: CACM, Mercosur, ANCOM, Chile, Cuba, Dominican Republic, Haiti, Mexico, Panama, Venezuela; **BRIC**: Brazil, Russia, India, China; **ASEAN**: Brunei Darussalam, Indonesia, Cambodia, Lao People's Democratic Republic, Myanmar,

economic groups are the BRIC with 28%, NAFTA 17%, CIS 13% and EFTA 11%, accounting for the 69% of the overall trade.

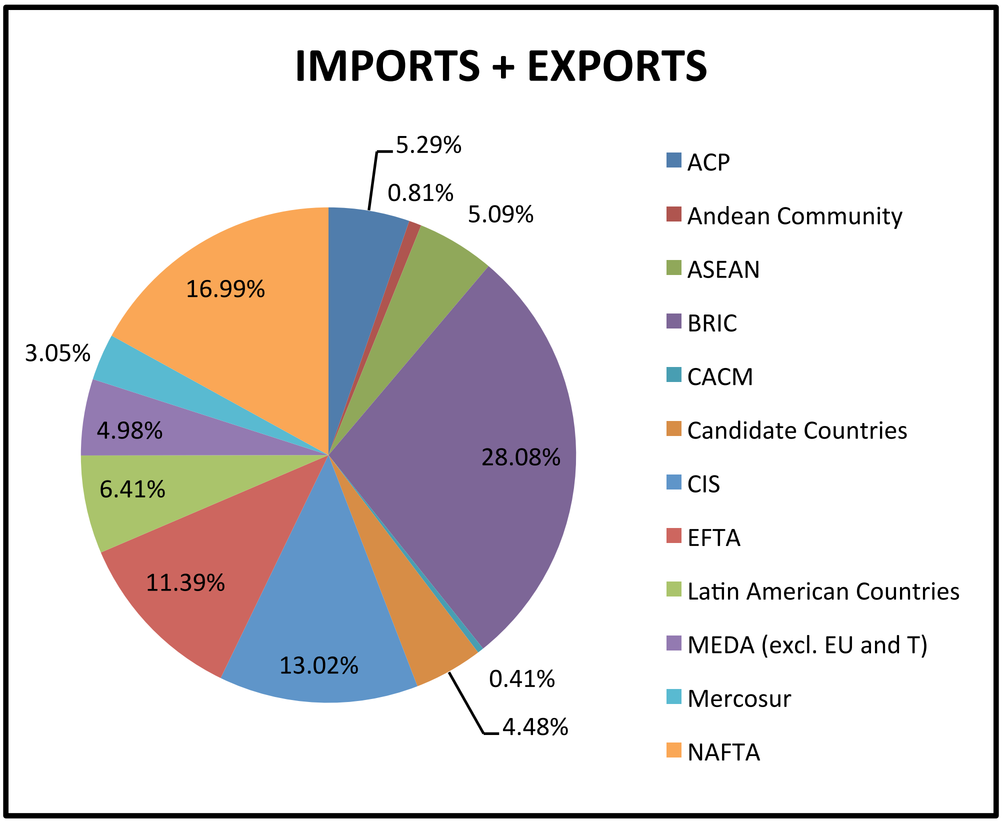

Figure 20. EU Trade with main partners (2011)

Source: Based on data from Eurostat

For the purpose of this project, there will be made a special emphasis on the imports of the EU, while there only will be a brief description of the EU exports.

The EU major exports partners were for the year 2011, United States and China with 17% and 8.9% of its exports respectively. Dividing the world in economic groups, the main exports of the EU goes to the BRIC (Brazil, Russia, India and China) and the NAFTA (Canada, Mexico and United States) both with almost 22% of the total exports (see figure 21). Colombia is ranked as number 40 with 0.3% of the EU's exports.

Malaysia, Philippines, Singapore, Thailand, Vietnam; **ACP**: 79 countries; **MEDA** (excl EU & Turkey): Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Occupied Palestinian Territory, Syrian Arab Republic, Tunisia.

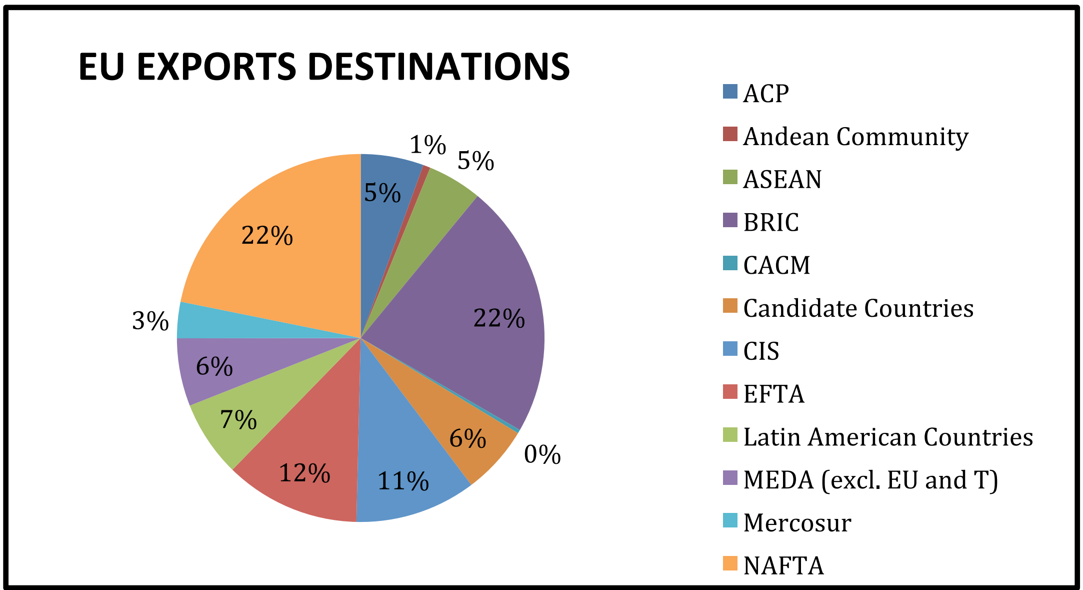

Figure 21. EU Exports to the World[30]

Source: Based on data from Eurostat

As it is shown in the Table 8, the EU main exports to the world are of Machinery and Transport Equipment – SITC 7 (42.3%), and Chemical and related products – SITC 5 (16.5%). The lowest exports of the EU are of animals and vegetable oils, fats and waxes. In the particular case of Colombia, the EU mainly exports to it Machinery and Transport Equipment with almost half of the total exports to the country (SITC 7) as can be noticed in figure 22.

EU EXPORTS TO THE WORLD			
SITC CODES	SITC SECTIONS	VALUE (MILLIONS EURO)	SHARE OF TOTAL (%)
SITC 7	Machinery and Transport Equipments	647511	42.3%
SITC 5	Chemical and related prod, n.e.s.	253037	16.5%
SITC 6	Manufactured goods classified chiefly by material	195760	12.8%
SITC 8	Miscellaneous manufactured articles	157631	10.3%
SITC 3	Mineral fuels, lubricants, and related materials	98650	6.4%
SITC 0	Food and live animals	63726	4.2%
SITC 9	Commodities and transactions n.c.e.	43679	2.9%
SITC 2	Crude materials, inedible, except fuels	40920	2.7%
SITC 1	Beverages and tobacco	25107	1.6%
SITC 4	Animal and vegetable oils, fats and waxes	3874	0.3%
Others	Others	1227	0.1%
TOTAL		1531122	100.0%

Table 8. EU exports to the world 2011.

Source: Eurostat

[30] **EFTA**: Iceland, Liechtenstein, Norway, Switzerland; **Candidates**: Croatia, FYR of Macedonia, Turkey; **Andean Community**: Bolivia, Colombia, Ecuador, Peru; **CIS**: Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Kazakhstan, Moldova Republic of, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan; **CACM**: Honduras, El Salvador, Nicaragua, Costa Rica, Guatemala, Panama; **Mercosur**: Argentina, Brazil, Paraguay, Uruguay; **NAFTA**: Canada, Mexico, United States; **Latin America Countries**: CACM, Mercosur, ANCOM, Chile, Cuba, Dominican Republic, Haiti, Mexico, Panama, Venezuela; **BRIC**: Brazil, Russia, India, China; **ASEAN**: Brunei Darussalam, Indonesia, Cambodia, Lao People's Democratic Republic, Myanmar, Malaysia, Philippines, Singapore, Thailand, Vietnam; **ACP**: 79 countries; **MEDA** (excl EU & Turkey): Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Occupied Palestinian Territory, Syrian Arab Republic, Tunisia.

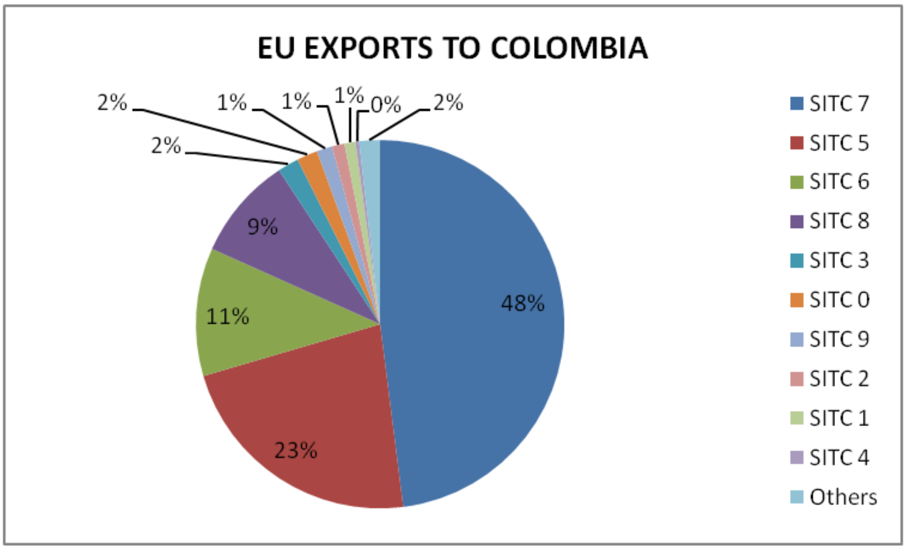

Figure 22. EU Exports to Colombia2011.

Source: Eurostat

3.2 European Union Imports

According to the GDP, the EU is the largest economy in the world and the second world's biggest importer as it was mentioned before. Since the year 2000 until 2011 (see figure 23) the main imports the EU has done, have been coming from the Asian countries, passing from almost €300.000.000 thousand Euros in 2000, to more than €550.000.000 thousand Euros in 2011. Furthermore, from 2007 until 2011, the imports from Asian countries have been followed by China, United States, Africa and Latin America.

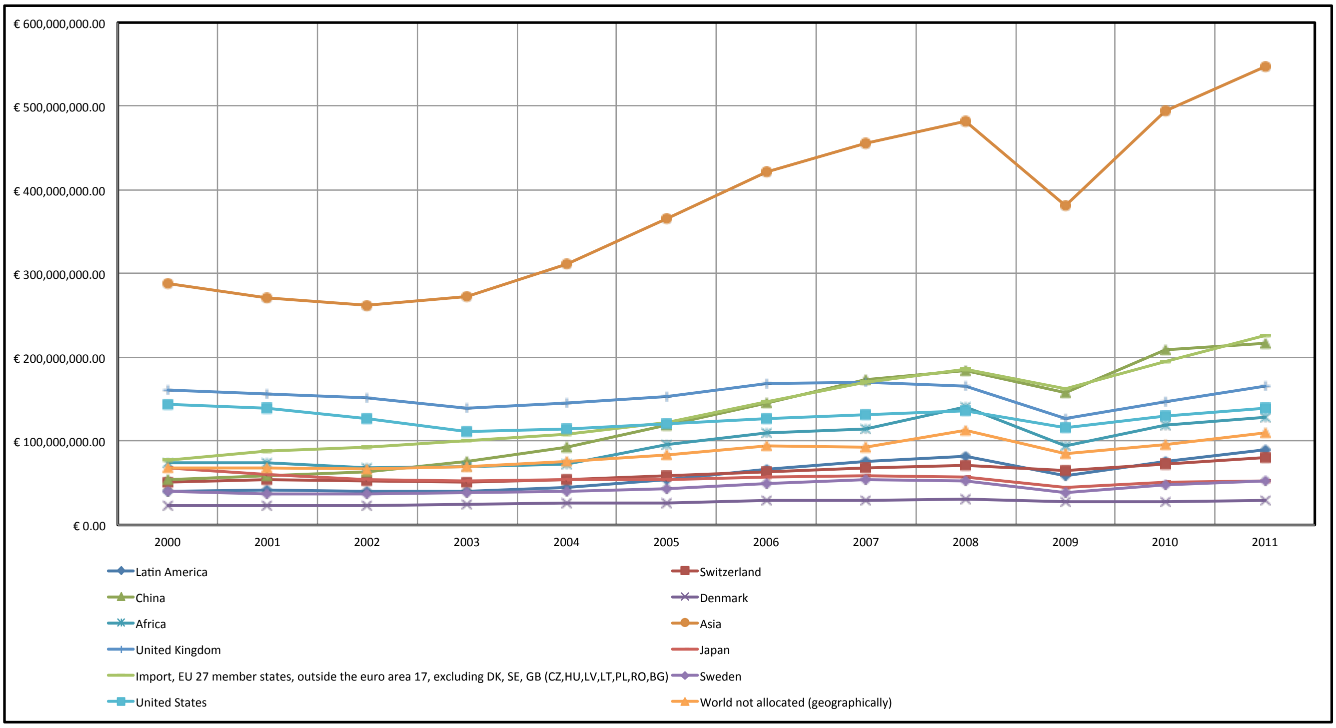

Figure 23. EU's Imports 2000-2011 (Thousand of Euros)

Source: Based on data from Eurostat

In the year 2011, the main imports the EU did from the world were related to Mineral fuels, lubricants, and related materials (SITC 3), as well as Machinery and Transport Equipment (SITC 7), with 28.8% and 26% respectively (see table 9 and figure 24). The importation of Food and live Animals (SITC 0) occupied the position number 6th over 10 (in 2011) with a value of €83,827 million Euros, which represented its 5% of the total imports from the world.

EU IMPORTS FROM THE WORLD BY SITC SECTOR 2011			
SITC CODES	SITC SECTIONS	VALUE (MILLION EUROS)	SHARE OF TOTAL (%)
SITC 3	Mineral fuels, lubricants, and related materials	485445.00	28.8%
SITC 7	Machinery and Transport Equipments	438645.00	26.0%
SITC 8	Miscellaneous manufactured articles	214871.00	12.8%
SITC 6	Manufactured goods classified chiefly by material	183699.00	10.9%
SITC 5	Chemical and related prod, n.e.s.	152490.00	9.1%
SITC 0	Food and live animals	83827.00	5.0%
SITC 2	Crude materials, inedible, except fuels	76944.00	4.6%
SITC 9	Commodities and transactions n.c.e.	30003.00	1.8%
SITC 4	Animal and vegetable oils, fats and waxes	8596.00	0.5%
SITC 1	Beverages and tobacco	7061.00	0.4%
Others	Others	2350.00	0.1%
TOTAL		1683931.00	100.0%

Table 9. EU Imports from the world by SITC Sector 2011.

Source: Based on data from Eurostat

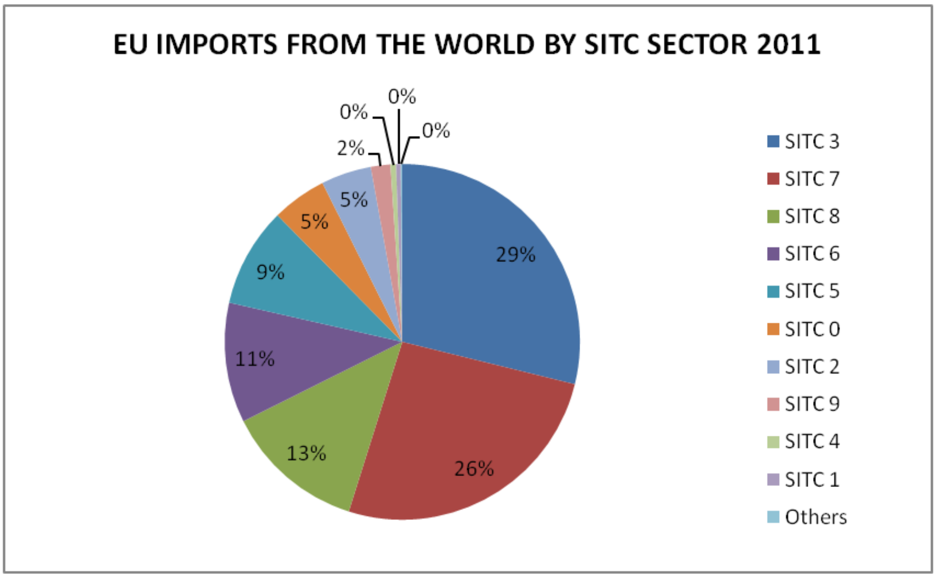

Figure 24. EU Imports from the world by SITC Sector 2011 (%)

Source: Based on data from Eurostat

Due to the vast scope of the topic, for the purpose of this project, there will be an emphasis in the imports of the EU from Latin American countries, particularly from Colombia. As it can be noticed in the figure 25, the total imports of the EU from Colombia in 2007 comparing to the ones of 2011 have grown almost 170% more. Colombia is ranked in the position 40th among the major import partners of the EU, with a participation of 0.4% of the total imports of the EU[31] which is about €6,897 million Euros, 0.05% of the GDP of the EU in market prices for 2011[32].

[31]Source: Eurostat, 2011

[32]Source: Eurostar, *Euroindicators,* 2012.

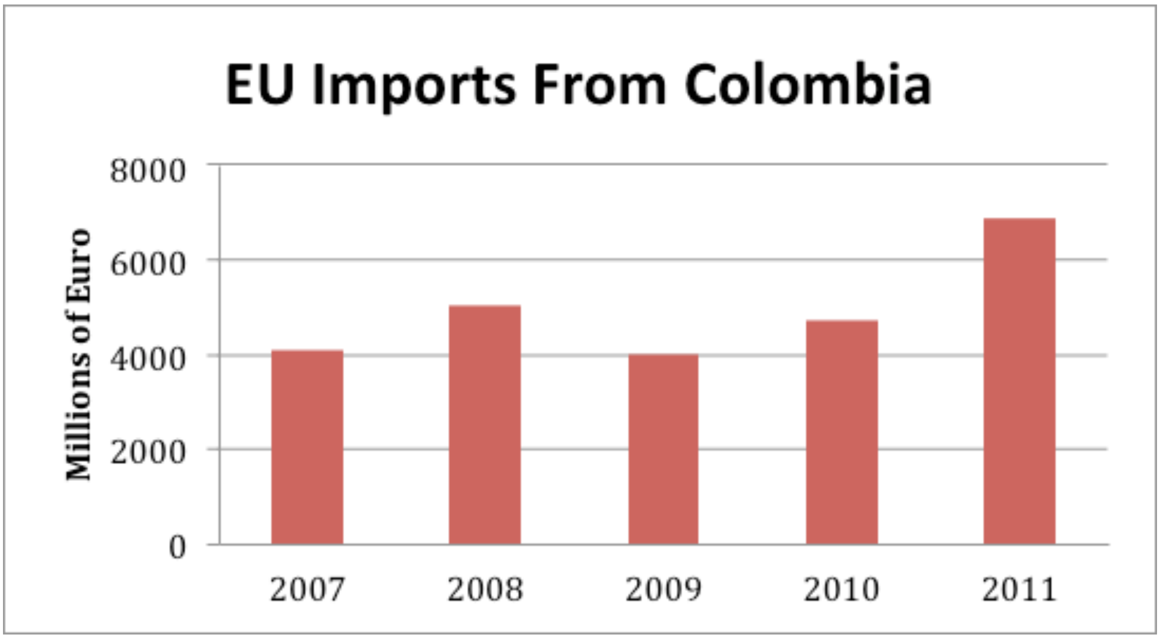

Figure 25. EU total Imports from Colombia 2007 – 2011 in Millions of Euro

Source: Based on data from Eurostat

From the 0.4% that Colombia represents for the EU in terms of its total imports, it is mainly characterized by Mineral fuels, Lubricants, and related materials (SITC 3) and Food and live animals (SITC 0) with 65.7% and 21.6% of the total share respectively (see Table 10 and Figure 26).

EU IMPORTS FROM COLOMBIA BY SITC SECTOR 2011			
SITC CODES	SITC SECTIONS	VALUE (MILLION EUROS)	SHARE OF TOTAL (%)
SITC 3	Mineral fuels, lubricants, and related materials	4528.00	65.7%
SITC 0	Food and live animals	1489.00	21.6%
SITC 6	Manufactured goods classified chiefly by material	330.00	4.8%
SITC 2	Crude materials, inedible, except fuels	178.00	2.6%
SITC 4	Animal and vegetable oils, fats and waxes	112.00	1.6%
SITC 9	Commodities and transactions n.c.e.	85.00	1.2%
SITC 5	Chemical and related prod, n.e.s.	61.00	0.9%
SITC 8	Miscellaneous manufactured articles	54.00	0.8%
SITC 7	Machinery and Transport Equipments	40.00	0.6%
SITC 1	Beverages and tobacco	15.00	0.2%
Others	Others	5.00	0.1%
TOTAL		6897.00	100.0%

Table 10. EU Imports from Colombia by SITC sector 2011.

Source: Eurostat

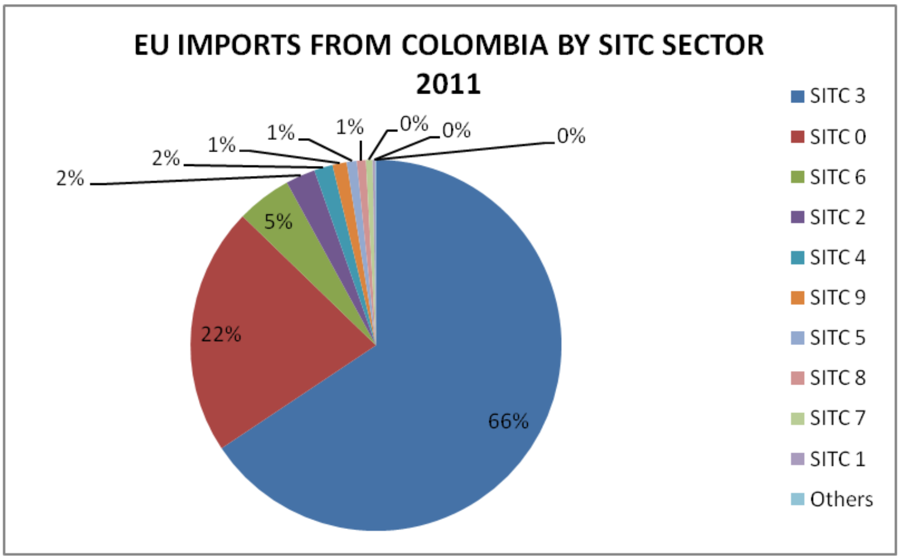

Figure 26.EU imports from Colombia by SITC sector 2011 (%)

Source: Based on data from Eurostat

4. Trade Agreements with EU

4.1 GSP &GSP-Plus

The Generalized System of Preferences is a scheme created in 1971, where developed countries granted trade preferences to developing countries, in order to strengthen and accelerate their growth and development, support their stabilization, and promote diversification and competitiveness. The beneficiaries of this scheme, are 142 developing countries and 36 territories, including China, "economies in transition countries" and dependent territories. The GSP scheme granted by the European Union to the member countries of the Andean Community (CAN) from 1991 to 2005, was also named GSP – Drugs or GSP drug regime, because its main objective, besides commercial preferences, was the fight against drugs, since European Union understood its responsibility or joint responsibility in the drug problem. The agreement was unilaterally granted to certain products originated in Colombia, Peru, Bolivia and Ecuador. The agreement aimed to open opportunities of exporting products that would motivate the drug production substitution, with a 100% reduction of the customs' tariff. This has been applied to over 90% of the products exported, with the exception of bananas, citrus, milk and beef[33].

[33] "La gestión y la negociación de Colombia ante la UE frente a un caso de estudio como es el Sistema Generalizado de Preferencias / SGP Régimen droga y SGP plus". Investigation document No 15. PACHÓN, Rocío. Universidad del Rosario, Bogotá, 2006.

Since 2005 and until December 2008, under the regulation SGP 980/2005, the EU began a new agreement under the name of GSP-Plus, where the fight against the drug production goes into a second level and a further tariff reduction on custom duties for products is applied, where sensible and non-sensible products excluded before, as being considered products that did not motivate the substitution of drug production, are now included.

Some of the main products benefited with the zero tariff[34]are:

- Coffee, Palm oil, Tabaco, Cacao.
- Shrimps, Tuna and fishery products.
- Leather goods and footwear.
- Flowers, tropical fruits, plantain, mandarins, onions, leeks, cauliflower, cabbage and vegetables.
- Textiles and clothing.
- Polymers, polypropylene, toughened glass, herbicides, ornamental fish, food for dogs and cats.

Under the regulation SGP 732/2008, an extension of the previous agreement GSP-Plus was granted to Colombia from January 2009 until December 2011, and extended until December 2013.

4.2 Free Trade Agreement EU - Colombia

Colombia's interest in tightening commercial relations with the European Union, which as a group is considered the world's largest trader, has successfully resulted in the development of the previous GSP-Plus into a free trade agreement. The negotiation was developed in nine rounds, beginning in February 2009, and ending on February 2010. The agreement was finally signed on the 26th of June 2012 and is expected to came into force in the late 2012 or the beginning of 2013[35].

Besides the permanent trade preferences with the European Union, which is a market with high purchasing power, this agreement has potential impact on the development of the Colombian production and its improvement in technology, due to the imports of duty free raw materials and machinery. [36]

Regarding the agricultural products, the elimination of tariffs will occur gradually over 15 years, and with some products like milk, a safeguard will be applied when a quota has been reached. Also, a

[34]European Union's Generalized System of Preferences (GSP). European Commission (http://ec.europa.eu/).

[35] Colombia – European Union partnership agreement. Ministry of Commerce, Industry and Tourism (www.mincomercio.gov.co & www.tlc.gov.co).

[36]Colombia – European Union partnership agreement. Ministry of Commerce, Industry and Tourism (www.mincomercio.gov.co & www.tlc.gov.co).

twelve years period will be given to the application of safeguards, with the possibility of an extension of two additional years, making it a total maximum of 17 years for products with periods of 15 years, like milk and cheese. Moreover, as established in the agreement, the export subsidies will be eliminated by the European Union and they are committed to collaborate in the development of the Colombian companies of the sector, by improving the production systems and the techniques that advance productivity and diversification in order to gain competitiveness.

Some general characteristics of the FTA are presented below[37]:

Objectives:

- Progressive and gradual liberalization of trade in goods and services
- Application of the agreed provisions regarding customs and trade facilitation, standards, technical regulations and conformity assessment procedures and sanitary and Phytosanitary measures
- Development of a environment conductive to an increase in investment flows and the improvement of the conditions of establishment between the parties.
- Facilitate trade and investment among parties through the liberalization of current payments and capital movements related to direct investments
- Effective and reciprocal opening of government procurement markets of the parties
- Promote international trade in a way that contributes to the objective of sustainable development

Export Subsidies

- Parties share the objective of working jointly in the WTO to reach an agreement, to eliminate export subsidies and other equivalent effect measures for agricultural goods.
- No party shall maintain, introduce or reintroduce export subsidies or other measures of equivalent effect on agricultural goods.

➢ Parties have to respect the anti-dumping agreement and the Subsidies Agreement as regards the application of anti-dumping and countervailing duties. However, they can agree to apply a duty less than the corresponding margin of dumping or subsidy, if the lesser duty would be adequate to remove the injury to the domestic industry.

[37] Based on information presented on the Trade Agreement between European Union (and its Member States) and Colombia and Peru. European Commission, Agreements. (http://trade.ec.europa.eu/)

Measures

- In result of this agreement, if a product from one party is being imported in such quantities and under such conditions as to cause or threaten to cause serious injury to domestic products or directly competitive products, the importing party may adopt appropriate measures under conditions and in accordance with procedures laid down on this agreement.
- Party may only apply bilateral safeguard measures during the transitional period (10 years from the date of entry into force of this agreement). These measures can be a suspension of further reduction of customs duty or increase in the customs duty of the product.
- No party may apply to bilateral safeguards measures except to the extent, and for such period of time, as to be necessary to prevent or remedy serious injury pursuant and for a period exceeding two years, which could be exceptionally extended for other two years if the measure continues to be necessary or if there is evidence that the domestic industry is adjusting.

Sanitary and Phytosanitary measures (SPS measures)

- Protect human, animal and plant life and health in the territory of the parties, ensure that SPS measures are not a unjustified barrier to trade between parties and to develop mechanisms and procedures for efficiently resolving problems arisen from this SPS measures implementations.
- Each party must ensure that products exported to other party meet the SPS requirements of the importing party.
- Parties can carry out a verification of the other party's authorities and receive information about their control system.

Movement of Goods

Products exported to the EU, can move freely within the territory of the EU, under the conditions established by the Treaty on the Functioning of the EU, and avoid duplication of procedures and controls.

COMPETITION

Parties shall apply their respective competition policies and laws (with appropriate competition authorities), and shall support and promote measures to strengthen competition but in accordance and consistent with this agreement.

TRADE AND SUSTAINABLE DEVELOPMENT

- Strengthen compliance with the labor and environmental legislation of each party, as well with commitments from international conventions and agreements.
- Strengthen role of trade and trade policy in promotion of the conservation and sustainable use of biological diversity and of natural resources.
- Each party commits to the promotion and effective implementation of its law and practice the internationally recognize core labor standard as freedom of association and effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor and elimination of discrimination in respect of employment and occupation.
- Parties shall strive to facilitate and promote trade and foreign direct investment in environmental goods and services.
- Parties recognize that flexible, voluntary and incentive-based mechanism can contribute to coherence between trade practices and the objectives of sustainable development.
- No party shall encourage trade or investment by reducing the levels of protection afforded in its environmental and labor laws

5. Product Selection

5.1 Justification

Colombia due to its tropical stable weather (wet and dry seasons) and its different temperatures depending on the altitude and location, creates an adequate environment for the permanent production of a wide range of different products. Around 86% of the country's total area has temperatures that vary between 24°C and 38°C, adequate for tropical fruits among other products. Also some zones of high levels of rainfall like the Pacific Coast region have the perfect weather for bananas and plantain and the template and cold zones, which resulted to be the most productive, is where Coffee, Wheat, Potatoes and Exotic Orchids are grown[38]. This diversity of micro environments within the same country, gives to Colombia a high quantity of fertile land, abundance in natural resources, water and the opportunity of producing most of the agricultural products. Also the access within the country to the Atlantic and Pacific Ocean, gives to Colombia the possibility and advantage of moving its goods around the world easily.

According to the Food and Agriculture Organization of the United Nations, of the currently worldwide area of 4.2 billion ha suitable for rain-fed agriculture land[39], only 960 million ha are already in cultivation, 800 million are in developed countries and the remaining 1.8 billion are in the territory of developing countries, where a huge potential scope exists for expansion. Of this 1.8 billion ha, 90% is in Latin America and sub-Saharan Africa, where more than half is concentrated in Brazil, Democratic Republic of Congo, Sudan, Angola, Argentina, Colombia and Bolivia[40]. This means that Colombia has a very big potential in terms of exploiting and expanding its land use, not only for its own economic development in the medium term but for the worlds' feeding needs on the future.

With the expected modernization of the production systems consequence of the trade agreements reached by Colombia, the agricultural land use is expected to increase, not only in size but in intensity. The lack of infrastructure, the protection of the areas for environmental reasons and the fact that the people who would exploit it for agriculture lack of economic incentives to adopt them or the technological packages, are ones of the causes of not expanding the agricultural areas.

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[38] Colombia. Encyclopedia Britannica. (http://www.britannica.com)

[39] Described for farming practices that rely on rainfall for water.

[40] World Agriculture: Towards 2015/2030. An FAO perspective. Food and Agriculture Organization of the United Nations (FAO)

Colombia is a presidential representative democratic republic, divided in 32 departments (see figure 27), where one is the capital district (Bogota), and each department has a local elected government with a governor and an assembly. It has a total area of 1,141,748 Km^2, the 26th biggest country in the world, from which an average of 38.1 % is considered agricultural land[41] (average from 2002 – 2010 on figure 28) with 422,963 Km^2.

Figure 27. Administrative division of Colombia

Source: Wikipedia

[41] Refers to the share of land area that is arable, under permanent crops and under permanent pastures.

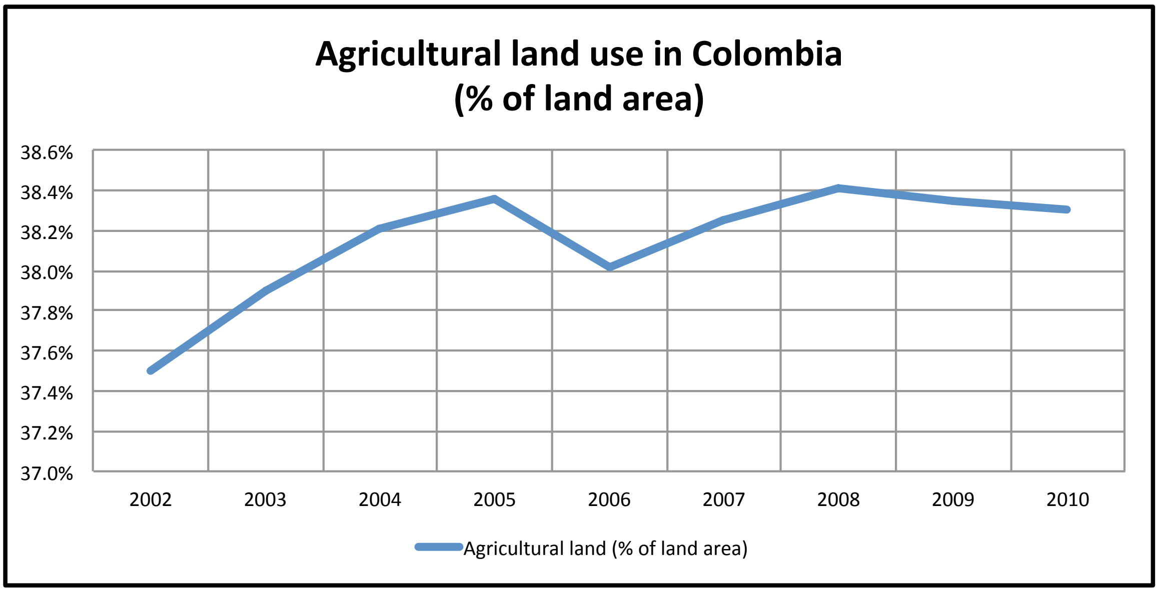

Figure 28. Agricultural land use in Colombia

Source: Based on data from World Data Bank

An stable growth was seen on the agricultural land use in Colombia, with exception of the 2006 and in 2008, where after the international crisis, the agricultural sector suffered a negative impact. On figure 29, the annual % of growth and the agriculture value added as % of GDP is presented, where it is observed an approximately stable % of GDP around the values of 8%, of total GDP of the country. Also, Colombia covers most of its internal demand on products like energy and agriculture, with few products imported on this sectors.

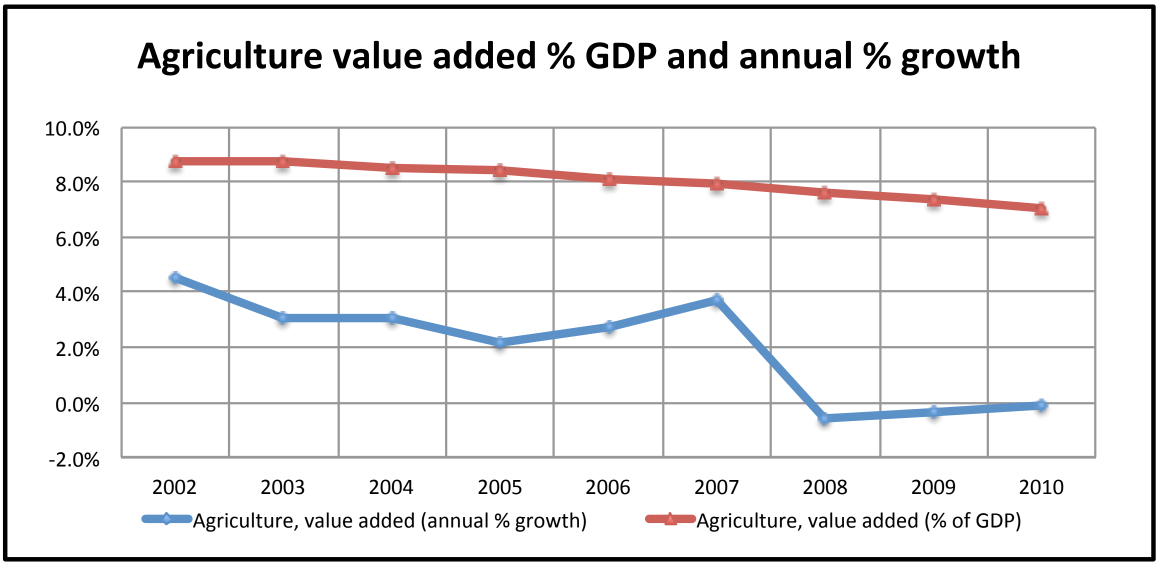

Figure 29. Agricultural value added annual growth and % GDP

Source: Based on data from World Data Bank

The agriculture sector is one of the lowest developed within the country and one of the most sensible ones to the volatility of international prices and climate changes. However, it generates an average of 20%[42] of the total employment, and the food exports accounts for the 16% of the total merchandise exports[43]. An example of this sensibility, is the decrease in the agricultural land use and its representation as % of GDP, where mainly because of the climate changes, that altered also de international prices, affected the interest of the actors in the sector for investment.

Observing the Colombian agriculture value added per worker[44], which is in average (2002-2010)€ 2,181, had a maximum on 2002 of € 2612.7 and a minimum of € 1,946 in 2008, and fits within the average of the Latin American & Caribbean countries in development with € 2,564 (see Table 11).

Country	Agriculture Value Added per Worker (Euros)
United States	€ 35,114
Japan	€ 27,505
Germany	€ 22,036
Italy	€ 21,236
Switzerland	€ 18,995
European Union	€ 12,076
Argentina	€ 8,554
Venezuela	€ 5,454
Chile	€ 4,663
Panama	€ 3,094
Brazil	€ 2,680
Latin America & Caribbean (developing only)	€ 2,564
Mexico	€ 2,385
Colombia	€ 2,181
Ecuador	€ 1,432
Peru	€ 1,128
Bolivia	€ 582
China	€ 361

Table 11. Agricultural value added per worker of different countries[45]

Source: Based on data from World Data Bank

In the previous table, it is noticeable that the developed countries like United States, Japan, Germany, and so on, are approximately ten times more productive than Latin American ones. Also

[42]Percentage given as the average of the data between 2002 – 2011.

[43]World Development Indicators (WDI) & Global Development Finance (GDF). World Data Bank. (http://www.worldbank.org)

[44]Measure the agricultural productivity, in terms of the output of the agricultural sector (ISIC divisions 1-5) less the value of intermediate inputs. Data was in constant 2000 US dollars and was exchanged into Euros considering the average exchange rate on each year.

[45]World Development Indicators (WDI) & Global Development Finance (GDF). World Data Bank. (http://www.worldbank.org)

the European Union has a value around five times higher than Latin American & Caribbean, which is expected due that all of the Latin Countries are under development. Furthermore, inside the Latin American economies there are big differences, for example Bolivia with € 582 is one of the lowest and Argentina with € 8,554 one of the highest. Colombia's value is near the average of Latin America, considering that it is very close to the biggest and strongest economies like Brazil (biggest economy in South America), Mexico and Panama, and over the strongest competitors in fruits like Ecuador and Peru.

The fruits, included in the group of "others agricultural" products, do not account as the most Important products exported, with only the 0.8% - 1% of total agricultural exports, a very significant growth was experimented since 2010 (see figure 30), where it passed from having an average of 5.6% (2002-2009) participation of the group "others agricultural" to a 16.4% and 14.8% in 2010 and 2011 respectively. Furthermore, there are not many studies done regarding the production and commercialization of exotic fruits, but of the main "traditional" export products.

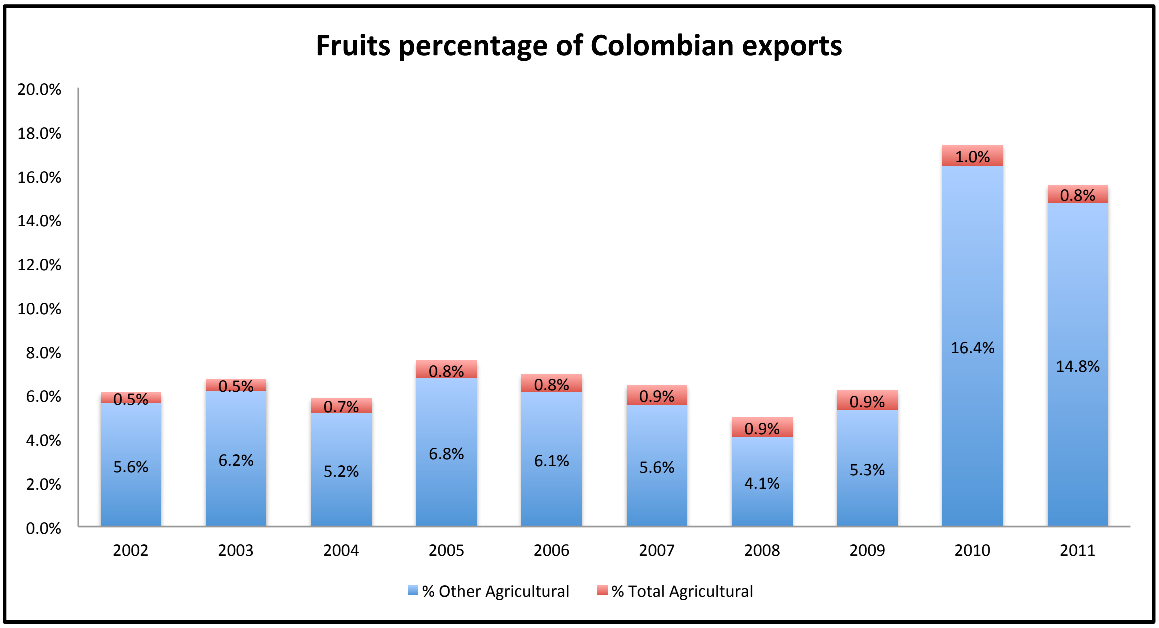

Figure 30. Fruits percentage of Colombian exports

Source: Based on data from Colombia's External Commerce Statistical Database

5.2 Selection

The fruits selected for the analysis are the called "Exotic Fruits", which contain a variety and diversity of tropical fruits produced in Colombia. These products, are classified under the international tariff code chapter number **8 "EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUIT OR MELONS"**, and under the tariff code **0810 "OTHER FRUIT, FRESH".** Under this classification, it is found on **081090 "Others",** the exotic fruits under the following codes[46]:

- **0810 90 20.** Tamarinds, Cashew Apples, Lychees, Jackfruit, Sapodillo Plums, Passion Fruit, Carambola, Pitahaya (cereus), Others.
- **0810 90 95.**Feijoa (Accasellowiana, Feijoosellowiana), Lulo (Solanumquitoense), Others.

There is a wide range of exotic fruits included under these codes, however not all of them are produced in Colombia. The following are the exotic fruits produced and exported by Colombia[47](see table 12):

- **0810 90 20.** Tamarinds, Passion Fruit (parchita), Carambola, Pitahaya (cereous spp), Curuba (Passifloramollisima), Custard Apple, Soursop (Annona), Tree Tomato (cyphomandrabetacea), Others.
- **0810 90 95.**Feijoa (Accasellowiana, Feijoosellowiana), Lulo (Solanumquitoense), Others.

CODE	PRODUCT DESCRIPTION	PRODUCED BY COLOMBIA	PICTURE No
O8109020	Tamarinds	Tamarinds	1
	Cashew Apples	Curuba (Passiflora mollisima)	2
	Lychees	Soursop (Annona)	3
	Jackfruit	Custard Apple	4
	Pitahaya	Pitahaya (cereous)	5
	Passion Fruit	Passion Fruit (Parchita)	6
	Carambola	Carambola	7
	Sapodillo Plums	Tree Tomato (Cyphomandra Betacea)	8
	Others	Granadilla, Others	9
O8109095	Feijoa	Feijoa (Acca sellowiana, Feijoo sellowiana)	10
	Lulo	Lulo (Solanum quitoense)	11

Table 12. Product description for exotic fruits

Source: Based on data from Export Help Desk Data and Muisca Online Service Trade Data

46 Export Help Desk Data, Trade Statistics. European Commission. (http://exporthelp.europa.eu)

47 Muisca Online Service Trade data. Department of Taxes and National Customs (DIAN).Colombia. (https://muisca.dian.gov.co/WebArancel/DefMenuConsultas.faces)

On figure 31 and 32, a picture of the exotic fruits offered by Colombia under the tariff codes selected on which is one of the main producers in the world.

1

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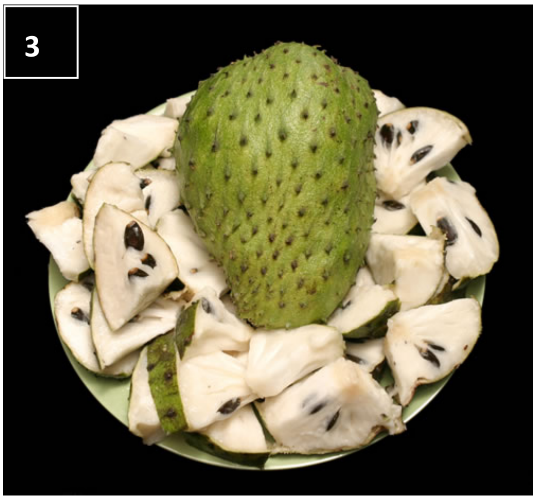

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8

Figure 31. Exotic Fruits under code 08109020: Tamarinds, Curuba, Pitahaya, Passion Fruits, Others.

Source: Wikipedia

Figure 32. Exotic fruits under code 08109095:Feijoa and Lulo

Source: Wikipedia

6. Product Analysis

Colombia plays a very important role in the exotic fruit market, since there are not many countries around the world that can produce these fruits, and not all them can produce exactly the same type. Therefore, different exotic fruits are produced on different countries, and some of the advantages on this market, is mainly due to the consumer's choice of selection among the fruits and the availability of that fruit on a certain country.

CODE	PRODUCT DESCRIPTION	Worldwide	
		1St	2nd
O8109020	Tamarinds, cashew apples, lychees, jackfruit, sapodillo plums, passion fruit, carambola, pitahaya, Others.	Madagascar	Colombia
O8109095	Feijoa (Acca sellowiana, Feijoo sellowiana), Lulo (naranjilla) (Solanum quitoense), Others	Colombia	Israel

Table 13. Colombia's worldwide position in exports of exotic fruits to the EU

Source: Based on data from Export Help Desk Data, Trade Statistics

Analyzing the historical data of the European Union imports[48] from the world in the period 2002 – 2011 of the exotic fruits under these two tariff codes, on table 13 are the most important international competitors of Colombia under these two codes.

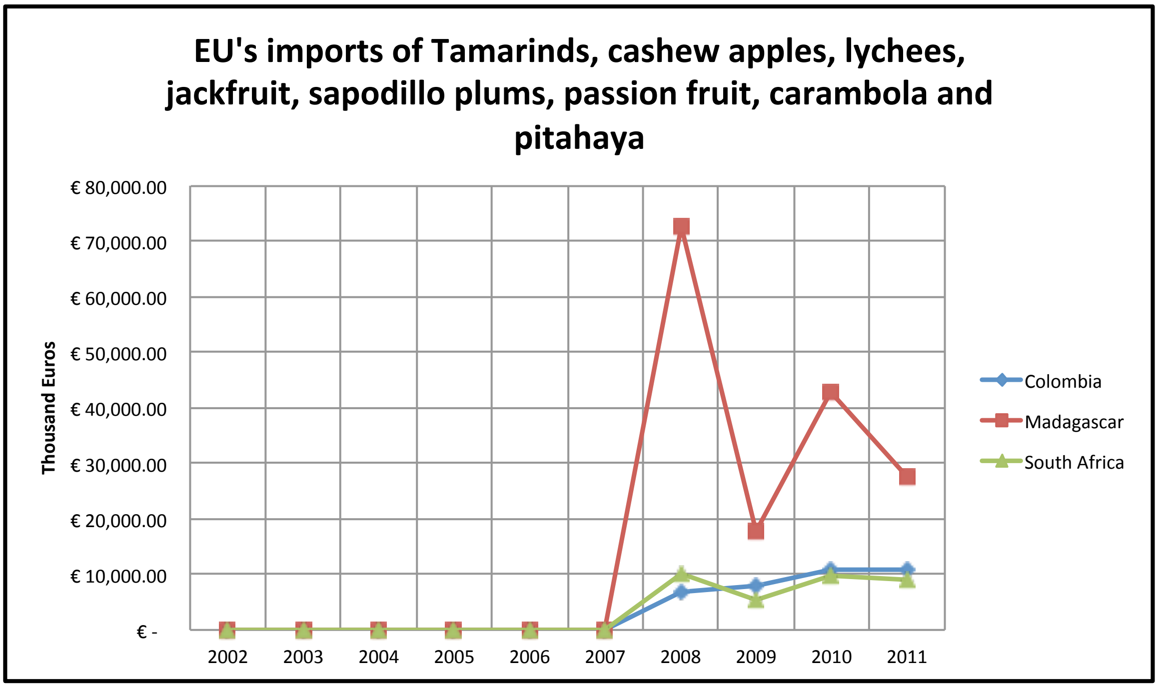


*Figure 33. European Union worldwide imports of exotic fruits **08109020***

Source: Based on data from Export Help Desk Data, Trade Statistics

48 Export Help Desk Data, Trade Statistics. European Commission. (http://exporthelp.europa.eu)

As shown on figure 33, the EU imports of these fruits (tariff code 08109020) began on 2007, where the main producer has been Madagascar (reached a very high peak on 2008 but decreased on the following years) with an average over the last four years of 43.77% of the market, Colombia on the second place with an stable and growing share with an average of 11.35% and very close South Africa, with a decreasing growth on the last year and an average of 10.1%.

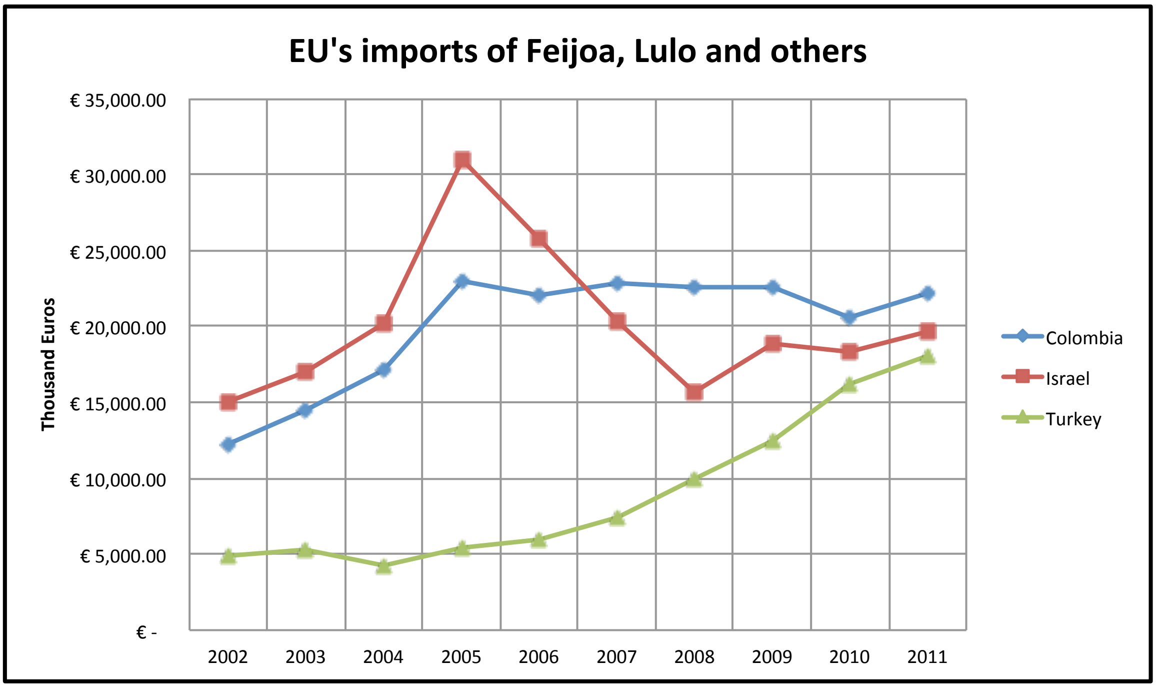


Figure 34. European Union worldwide imports of exotic fruits ***08109095***

Source: Based on data from Export Help Desk Data, Trade Statistics

As shown on figure 34, the EU imports of these fruits (tariff code 08109095) demonstrate that Colombia is leading on these market in the first position with an average share[49] of 24.5%, followed by Israel with 20.4% and Turkey with 13.9%, which has the highest growth of all three.

As it was mentioned before, there is an assortment of different exotic fruits classified in this two groups of products as "others" that are not explained in detail by the customs codification. According to the Food and Agriculture Organization of the United Nations (FAO, 2012) Madagascar is one of the main producers of *Lychees*, while Israel is one of the main exporters of *Kaki (Diospyros kaki)* with China and Japan, and one of the main exporters of *Carambola*, *Cashew Apple* and *Jackfruit* with Brazil. Therefore, those two countries are stronger producing and exporting fruits that in some cases, Colombia does not produce or does not export.

[49] Average imports of the EU calculated from 2007 - 2011

Regarding to the regional competitors of Colombia, as in the case previously mentioned, some products are produced by other Latin-American countries that Colombia does not produce. On table 13, it is noticeable that for both tariff codes, Colombia has been the first exporter of those products among the years of study, followed by Mexico, Ecuador, Peru, Chile and Brazil.

CODE	PRODUCT DESCRIPTION	REGIONAL COMPETITORS FROM 2008 - 2012				
		1St	2nd	3rd	4th	5th
O8109020	Tamarinds, cashew apples, lychees, jackfruit, sapodillo plums, passion fruit, carambola, pitahaya, Others.	Colombia	Mexico	Ecuador		
O8109095	Feijoa (Acca sellowiana, Feijoo sellowiana), Lulo (naranjilla) (Solanum quitoense), Others	Colombia	Peru	Chile	Brazil	Ecuador

Table 14. Colombia's regional position in exports of exotic fruits to the EU

Source: Based on data from Export Help Desk Data, Trade Statistics

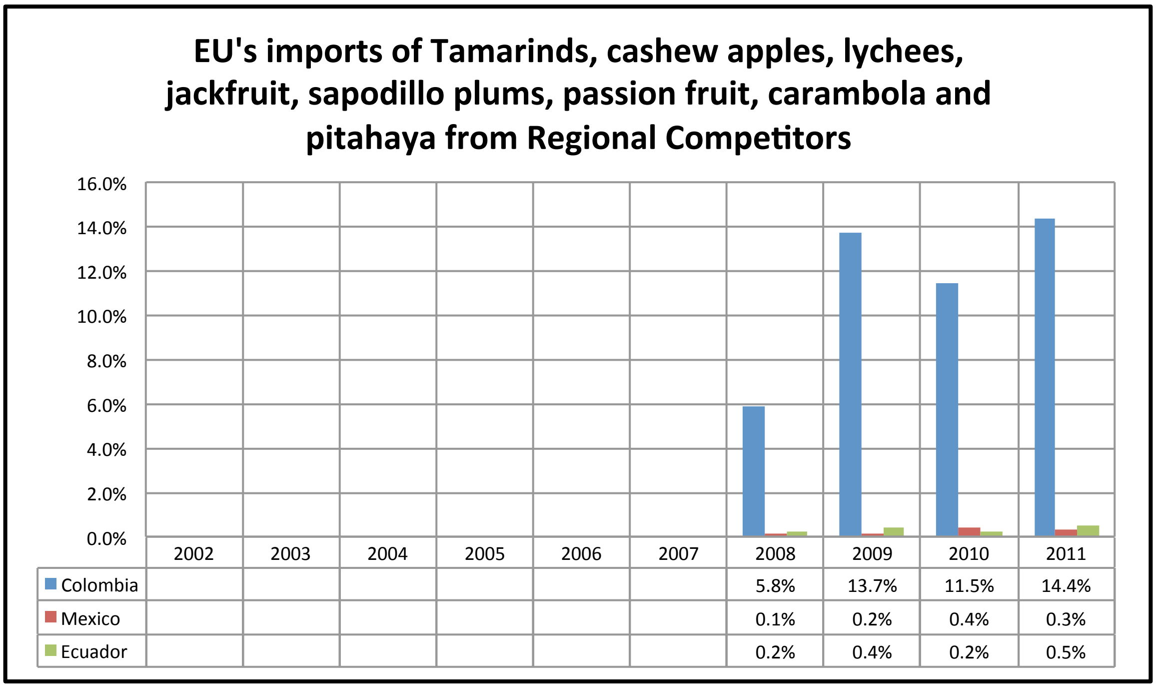


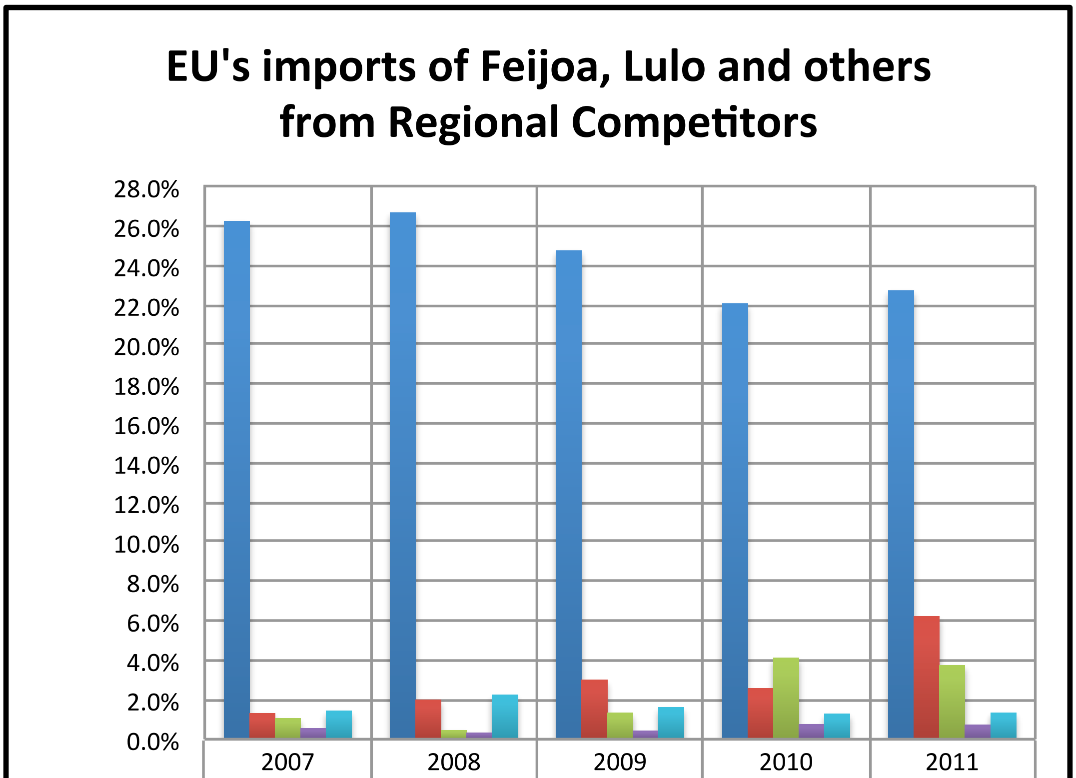
*Figure 35. European Union imports of exotic fruits **08109020** from Colombia's regional competitors*

Source: Based on data from Export Help Desk Data, Trade Statistics

On figure 35, is noticeable that Colombia does not have any significant competitor regarding the exports of the fruits under the code 08109095. However, this is also mainly due as said before, that not all the countries are able to produce the same fruits. For example, Mexico and Ecuador are very close between each other, but Mexico is the first and main producer of *Tuna* and *Sapodilla plums* in the world, products which Colombia does not produce. It is also one of the main producers of *Sour-*

sop with Colombia and Brazil. According to the FAO, Brazil is the main producer of *Cashew Apples* in the world. In fact, the fruit is originally native to the Northeast of the country. The *Custard Apple* is produced mainly in Colombia, Ecuador, Peru, Bolivia, Chile and Brazil.

Furthermore, there are some fruits like *Curuba* and *Granadilla* that are typical from cold zones, between 1000 and 3000 meters over the sea level, for which the Latin-American mountains are perfect for its production. The *Curuba* is mainly produced in Ecuador, Peru, Bolivia and Colombia; and the *Granadilla* in Colombia, Mexico, Bolivia and Peru. For being the border countries and having in some areas similar weather conditions, Ecuador and Peru are Colombia´s main regional competitors.



	2007	2008	2009	2010	2011
Colombia	26.2%	26.7%	24.8%	22.1%	22.7%
Peru	1.3%	2.0%	3.0%	2.6%	6.2%
Chile	1.1%	0.5%	1.3%	4.1%	3.8%
Ecuador	0.6%	0.3%	0.4%	0.8%	0.7%
Brazil	1.4%	2.2%	1.6%	1.3%	1.3%

*Figure 36. European Union imports of exotic fruits **08109095** from Colombia's regional competitors*

Source: Based on data from Export Help Desk Data, Trade Statistics

On figure 36, is noticeable the leadership of Colombia among the regional competitors on these products, however the other regional countries are very close among themselves. As said before, not all the products grows everywhere; products like *Lulo* grows only in the rainforests of Colombia, Peru and Ecuador and *Feijoa* grows on Colombia, the southern part of Brazil, Uruguay, Paraguay and northern Argentina.

Due to Colombia's unique geography and climate, which enables a permanent production (365 days a year), the country is considered the second-ranked country in the world in terms of biodiversity, the fourth-ranked in terms of hydrographic resources and is considered one of the 12 mega-diverse countries in the world[50]. A position that none of its regional competitors could ever afford. It means, that despite the climatic similarities of the countries that allows them to produce few related products, Colombia has a unique and inimitable competitive advantage over Ecuador and Peru. Besides, there is an economical disadvantage for Ecuador in its commerce with the EU, mainly because Peru and Colombia already signed a FTA with the EU while Ecuador stills in the GSP plus agreement.

Analyzing the internal market of these fruits, the specific information for every exotic fruit is very limited or none existent, however different departments had been identified as producers for some of these exotic fruits (view table 15)[51].

This information was acquired by the National Agricultural Survey (ENA) 2011, done by the National Bureau of Statistics (DANE) Colombia, applied to 22 departments.

DEPARTMENT	Curuba		Granadilla		Soursop		Lulo		Passion Fruit		Tree Tomato	
	Prod (Tons)	Perf (T/ha)	Prod (Tons)	Perf (T/ha)	Prod (Tons)	Perf (T/ha)	Prod (Tons)	Perf (T/ha)	Prod (Tons)	Perf (T/ha)	Prod (Tons)	Perf (T/ha)
Antioquia	1,832.5	14.3	2,379.8	1.8	-	-	8,228.4	16.4	3,160.4	18.2	7,488.1	17.8
Boyacá	15,454.5	10.2	-	3.1	-	-	4,181.7	9.8	-	-	11,133.2	11.3
Caldas	-	-	-	0.6	175.0	2.8	-	-	-	-	-	-
Córdoba	-	-	-	-	-	-	-	-	624.0	2.4	-	-
Cundinamarca	1,239.4	10.2	5,795.7	16.7	1,786.3	9.0	2,083.8	12.3	-	-	7,355.6	10.8
Huila	-	-	23,210.4	15.2	-	-	2,908.7	6.3	23,077.0	29.2	-	-
Meta	-	-	-	-	-	-	-	-	103,627.3	588.8	-	-
Nariño	-	-	-	-	27.0	-	1,002.2	6.9	3,679.8	19.2	5,178.6	12.2
Norte de Santander	4,463.2	9.7	-	-	-	-	219.9	2.2	-	-	-	-
Risaralda	-	-	450.2	10.2	7,685.0	29.0	-	-	-	-	7,266.3	13.7
Santander	143.0	11.0	-	-	-	-	553.3	7.6	11,464.6	25.5	-	-
Tolima	355.0	5.0	-	-	5,538.8	6.4	293.7	1.2	6,831.6	25.4	58.4	-
Valle del cauca	-	-	196.8	2.4	242.9	3.5	554.2	7.1	3,582.9	8.6	-	-
Other departments	295.1	8.0	1,940.6	11.3	473.9	12.5	1,206.1	13.3	2,498.7	7.4	1,035.9	6.6
TOTAL	**23,781.4**	**10.2**	**33,965.9**	**9.8**	**15,940.4**	**9.2**	**21,231.9**	**9.2**	**158,548.0**	**51.7**	**39,518.1**	**11.8**

Table 15. Origin, production and performance of permanent crops of exotic fruits

Source: Based on data from National Agricultural Survey, DANE

On the previous table, the information for six different exotic fruits under permanent crops is presented, where the department of origin, its production in Tons and its Performance in Tons/ha is shown for the year 2011. On table 16, the production of these exotic fruits and its share over the total fruit production in Tons for permanent crops is presented, calculated for the year 2011.

[50]Taken from Proexport Colombia - Official Investment Portal, *Colombia Presentation*, 2012.

[51]National Agricultural Survey 2011. Dirección de Metodología y Producción Estadística (DIMPE). National Bureau of Statistics (DANE).

FRUITS	Production (Tons)	Share
Curuba	23,781.4	2.1%
Granadilla	33,965.9	3.0%
Soursop	15,940.4	1.4%
Lulo	21,231.9	1.9%
Maracuya	158,548.0	13.8%
Tree Tomato	39,518.1	3.4%
TOTAL	**1,146,881.0**	**25.5%**

Table 16. Production and share of permanent crops for exotic fruits

Source: Based on data from National Agricultural Survey, DANE

Not all the exotic fruits could be identified under the permanent crops, some are found isolated in a way that is not possible to estimate the area planted, watered nor in productive age. These fits under the classification Scattered Fruits, and they account for a 2011 production of 268,253 Tons. On table 17, the production of some of the exotic fruits under the scattered fruits is shown, where is noticeable the high percentage of the production which is intended for trade, after supplying the internal demand.

Fruits	Production (Ton)	Self-consumption	Trade
Granadilla	80	23%	77%
Pitahaya	44	83%	17%
Maracuyá	131	27%	73%
Curuba	199	71%	29%
Lulo	946	10%	90%
Soursop	2,252	47%	53%
Other scattered fruits	7,771	66%	34%

Table 17. Production and share of permanent crops for exotic fruits

Source: Based on data from National Agricultural Survey, DANE

As seen on the previous information, the internal demand of these fruits is fulfilled and there is enough production for exporting to other countries. This is very important due to the fact that the internal market is small considered to any external market, that is going to be reached when the Free Trade Agreement comes into force, and the potential benefits of reaching them successfully are very significant. Some of them may be an increase in the cultivable land, thanks to the growing interest of producing these fruits, and therefore an improvement on the farmers economical situation. Also, the violence the country suffered on the last 40 years, which nowadays has improved, displaced farmers to the cities affecting the agricultural production of the country. If the job opportunities in the country side increases, the farmers will return and the production will increase, stimulating the government to improve the current infrastructure and modernize the industry. Also will stimulate the creation of cooperatives, to organize the farmers, coordinate production and guarantee the quality of the products for the European markets, fulfilling their standards.

7. Scenario Analysis

As it was mention in Chapter 4, the FTA between Colombia and the EU is just recently signed by the parties the 26th of June 2012, and it is being expected to come into force by the end of this year. Nowadays the government and the Colombian entrepreneurs are waiting for the opportunities that the Amplified Commercial Relation will bring. The EU has such a considerable importance for Colombia in terms of its dimensions and purchasing power. It is one of Colombian's main trade partners of "traditional" and "non-traditional" export products. Hence, the FTA opens the opportunity to trade a larger number of goods and services that were not included within the GSP plus, and increases the level of certainty for Colombian exporters, an aspect considered of crucial priority.

Colombia is the fourth most important recipient of the EU's foreign direct investment after Brazil, Mexico, and Chile. The EU is Colombia's second most important source of foreign investment after the United States (European Union Delegation in Colombia, 2010). Among the positive considerations that the FTA will bring after it comes in to force, should be considered the following aspects:

- The FTA will improve the market access conditions for some Colombian export products, compared to the existing benefits offered by the GSP plus.
- The inclusion of FDI provisions and the liberalization of services may be observed as more advanced and far-reaching trade cooperation mechanism between Colombia and the EU.

Besides, one benefit for some Colombian industrial sectors is about the relative relaxation of the stiff rules of origin that under the actual GSP plus caused negatively effects in sectors like textiles, petrochemicals and plastic industry, and apparel (Mejia, 2011).

Colombia is expecting benefits for the export of some specific products like tobacco, beef, fruits and vegetables, and food preparations. For example, it is worth mentioning that tariffs for bananas, that is one of the main Colombian "traditional" exports, will be significantly reduced from 176€/t to 75€/t. Moreover, new market access will be open by establishing some quotas like in the sugar case, 62000t. Some other products not included in the GSP plus will be covered by the FTA after it comes into force.

According to the products selected in the previous chapter, these are the tariffs that those selected products will get with the FTA (see Table 18):

CN 2007	PRODUCT DESCRIPTION	Base Rate	Category
08109020	Tamarinds, cashew apples, lychees, jackfruit, sapodillo plums, passion fruit, carambola and pitahaya.	Free	0
08109095	Feijoa (Acca sellowiana, Feijoo sellowiana), Lulo (Solanum quitoense), Others.	8.80	0

Table 18. Tariff Reduction schedule for selected products under FTA.

O*: Tariff lines shall be maintained from the date of this agreement enters into force until the end of the year three. On 1st January of year four, custom duties shall be reduced 20%.*

Source: Based on data from Based the Trade Agreement between European Union (and its Member States) and Colombia and Peru.

On the EU's side, the FTA is expected to bring benefits in different areas, such an increased market access for major agricultural products and processed agricultural products, which are of crucial interest for the EU's agricultural sector (de Gutch 2010), and also a free market access for all of its industrial products within a period of 10 years. Even though the FTA between Colombia and the EU will bring a wide range of opportunities for both parties, it is important to remark the challenges that Colombia, a developing nation, has to face, regarding to the fact that it could easily be "crowded out" by the international competition.

In the first instance Colombia has to put all its efforts to promote its export diversification, from the very "traditional" products currently exported to the EU. The most problematic aspects that negatively affect both export diversification and export competitiveness in Colombia are currently related to its institutional environment, physical infrastructure, logistics and transport availabilities, human capital endowments, and R&D levels.

However, there are great expectancies about the investments and reforms that the Colombian government could carry trough, according to the latest global economy projections (see Table 19) and the Global GDP growth projections (see Figure 37) of the *International Monetary Fund,* IMF. For the years 2012 and 2013, it is expected that the economy growth of the EU will be -0.3% and 0.7% respectively, with a GDP growth under the average growth of the world; while in the case of Latin America & the Caribbean it is expected an economy growth of 3.4% and 4.2% for the same years, with a GDP growth for the Emerging and Developing Economies over the average of the world. Besides, in the last 2 years the Latin America & the Caribbean's economy growth has been almost 3 times the economy growth of the EU, aspects that reinforced the expectancies previously mentioned that Colombia has about the benefits that the FTA with the EU will bring to the country.

Latest IMF projections

The global economy should grow moderately next year.

(percent change)

			Projections		Difference from April 2012 WEO projections	
	2010	2011	2012	2013	2012	2013
World Output	**5.3**	**3.9**	**3.5**	**3.9**	**-0.1**	**-0.2**
Advanced Economies	**3.2**	**1.6**	**1.4**	**1.9**	**0.0**	**-0.2**
United States	3.0	1.7	2.0	2.3	-0.1	-0.1
Euro Area	1.9	1.5	-0.3	0.7	0.0	-0.2
Germany	3.6	3.1	1.0	1.4	0.4	-0.1
France	1.7	1.7	0.3	0.8	-0.1	-0.2
Italy	1.8	0.4	-1.9	-0.3	0.0	0.0
Spain	-0.1	0.7	-1.5	-0.6	0.4	-0.7
Japan	4.4	-0.7	2.4	1.5	0.4	-0.2
United Kingdom	2.1	0.7	0.2	1.4	-0.6	-0.6
Canada	3.2	2.4	2.1	2.2	0.1	0.0
Other Advanced Economies	5.8	3.2	2.4	3.4	-0.2	-0.1
Newly Industrialized Asian Economies	8.5	4.0	2.7	4.2	-0.6	0.0
Emerging and Developing Economies	**7.5**	**6.2**	**5.6**	**5.9**	**-0.1**	**-0.2**
Central and Eastern Europe	4.5	5.3	1.9	2.8	0.0	-0.1
Commonwealth of Independent States	4.8	4.9	4.1	4.1	0.0	-0.1
Russia	4.3	4.3	4.0	3.9	0.0	-0.1
Excluding Russia	6.0	6.2	4.5	4.5	-0.1	-0.1
Developing Asia	9.7	7.8	7.1	7.5	-0.3	-0.4
China	10.4	9.2	8.0	8.5	-0.2	-0.3
India	10.8	7.1	6.1	6.5	-0.7	-0.7
ASEAN-5[1]	7.0	4.5	5.4	6.1	0.0	-0.1
Latin America and the Caribbean	6.2	4.5	3.4	4.2	-0.3	0.1
Brazil	7.5	2.7	2.5	4.6	-0.6	0.5
Mexico	5.6	3.9	3.9	3.6	0.3	0.0
Middle East and North Africa (MENA)	5.0	3.5	5.5	3.7	1.3	0.0
Sub-Saharan Africa	5.3	5.2	5.4	5.3	-0.1	0.0
South Africa	2.9	3.1	2.6	3.3	-0.1	-0.1

Source: IMF, *World Economic Outlook Update*, July 2012.
[1]Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Table 19. Global Economy Projections.

Source: International Monetary Fund (IMF, 2012)

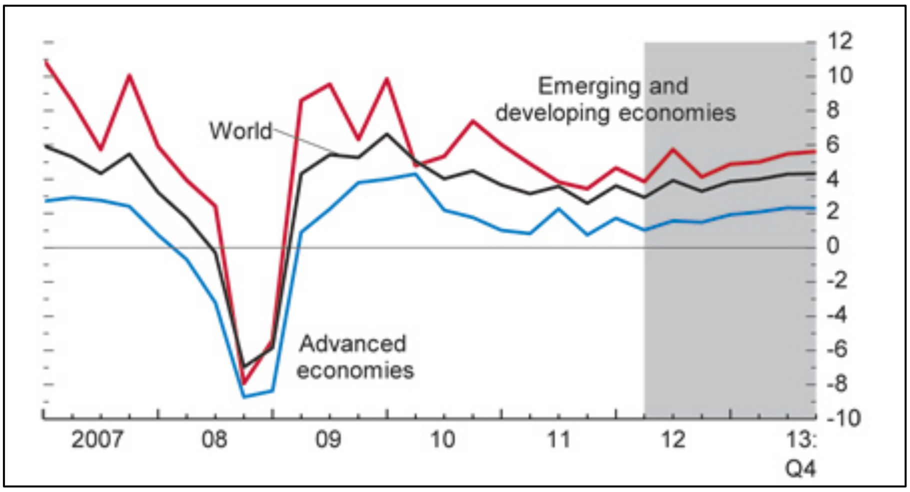


Figure 37. Global GDP Growth. Percent; quarter over quarter, annualized.

Source: International Monetary Fund (IMF, 2012)

8. Conclusions

The exotic fruits selected for this project, included in the group of “Others” in the different classifications, do not account as the most important products exported by Colombia. In some cases these products are just cultivated in Colombia and are not even known abroad. However, there has been a very significant growth in its exports in the last years, what implies a consumers´ trend and interest for tasting this “exotic” products or in other words, a potential market that should be exploiting.

The Free Trade Agreement with the EU will improve the market access conditions for some Colombian export products, compared to the existing benefits offered by the GSP plus. Though, it is important to state the challenges that Colombia has to face trading with developing nations like EU members, regarding to the fact that the country could easily be displaced by the international competition.

Colombia has to put all its efforts to promote its export diversification, from the very traditional products currently exported to the EU. The most problematic aspects that negatively affect both export diversification and competitiveness in Colombia, are currently related to its institutional environment, physical infrastructure, logistics and transport availabilities, human capital endowments, and R&D levels.

As part of the exporting policy under development, the strategy for fruits is to give priority to solving production and marketing problems, and to enhancing strengths, focusing on five areas: research, technological development and innovation; improving the program of Phytosanitary measures; marketing aspects; logistics and infrastructure; and regional productive clusters. Colombia’s exotic fruit crops require further improvements in their quality, storability and homogeneity with a larger production volume if they are to achieve greater penetration and competitiveness in international markets, thus becoming an important export commodity for the country.

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