



**ECONOMIC ANALYSIS OF THE FREE
TRADE AGREEMENT BETWEEN
COLOMBIA AND THE EUROPEAN
UNION**

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Thanks

I want to thank God in the first place for giving me the opportunity to graduate and be able to culminate a stage in my life that has left me many teachings and has made me grow academically and personally, also thank my family who has always been with me throughout my formative stage and has given me the means to get where I am now and achieve my goals, I also want to thank my team because thanks to them we have been able to do this research in the best way and we have learned together many things, and Last but not least, we want to thank our adviser Ricardo Duque who has been fundamental in this work and together with his experience we have reached the goals.

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I want to thank especially my family for giving me the support and motivation to complete my academic formative process, in addition to all the teachers who have patiently managed to share with us part of their knowledge and experiences that have been fundamental as a knowledge base in the exercise of work, and as contribution to conclude this work.

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With the present I want to thank the teachers of my life, my family, who have supported me throughout this career, I also want to thank my aunt who has supported me a lot throughout the career, it is to you all who goes dedicated this achievement that is so important to me, and finally I want to thank all the teachers with whom I have had the opportunity to share and learn from each one of them.

Andrés Felipe Caro Serna

Abstract

This investigation is about the Free Trade Agreement between Colombia and the European Union, which got in application the last 01 of august 2013. It seeks to analyze what kind of economic implications has meant the agreement for Colombia, taking this into account, this work does not analyze all aspects negotiated in the FTA as intellectual property or dispute resolution, instead it does detail economic indicators such as exports of goods and services, imports and foreign direct investment in Colombia, with the use of statistical data it is described Economics behavior and analyzes the current situation in Colombia, a country that has concentrated its export offer in hydrocarbons and is strongly affected when the international price of oil decreases.

Four years after the signing of the FTA, it is observed in this investigation how Colombian exports to the European Union have declined but this fact is mainly due to the reduction in the trade of the mining-energy sector, but if other sectors such as agriculture are analyzed it can be realize that the exports have increased although it has been in general with products exported traditionally. Today the biggest barriers for companies are not in tariffs, and international certifications are required to allow the entry of products with the standards expected by the market. European imports were increasing until 2016, Colombia is entering mainly machinery and capital goods that allows in the medium and long term to improve the processes and costs of domestic industry to be more competitive internationally.

It is necessary to analyze how the development of an integration agreement affects the economy of a country, especially considering that Colombia has made an accelerated economic opening with the signing of a large number of agreements in recent years and should be reviewed if this Economic policy favors or not the economic development of the country.

Keywords:

- Free trade agreement
- European Union

- Environmental certifications
- Non tariffs barriers

CONTENT

1	FORMULATION OF THE PROJECT	5
1.1	Background	5
1.1.1	State of art.....	7
1.1.2	Problem Statement.....	9
1.1.3	Problem formulation.....	10
1.1.4	Consequences of the problem.....	10
1.2	Justification	11
1.3	Objectives	11
1.3.1	General objective.....	11
1.3.2	Specific objectives.....	11
1.4	Methodological framework.....	12
1.4.1	Method.....	12
1.4.2	Methodology.....	12
1.5	Reach	12
2	Execution of the project	13
2.1	Theoretical framework.....	13
2.2	Analysis of information	16
2.2.1	Trade balance.....	16
2.3	Analysis of the Peru-EU FTA.....	29
2.4	Certifications and legal procedures.....	34
2.4.1	Colombian green stamp, how is it obtained?.....	34
2.4.2	Types of Environmental Declarations or Ecological Labels.....	36
2.4.3	Eco-labels in the European Union.....	37
2.4.4	Opportunities in the European market.....	38

2.4.5	Colombia-European Union trade relations	39
3	Findings	49
3.1	Trade between Colombia and the European Union	49
3.2	Colombia and the European Union.....	51
3.3	Opportunities in the European market	52
3.4	Deficiency in the trade balance.....	52
3.5	Negative aspects and sectors losing the agreement	53
3.6	Peru, Colombia and the European Union	55
3.7	Support from the European Union to the Colombian market.....	56
4	CONCLUSIONS AND RECOMMENDATIONS	58
4.1	Conclusions.....	58
4.2	Recommendations.....	60
5	ReferencES.....	62

LIST OF FIGURES

Illustration 2.2 Main countries destination of Colombian exports according to FOB value (USD)	19
Illustration 2.3 Average monthly oil price (2005 - 2016).....	20
Illustration 2.4 Main groups of non-combustible products exported from Colombia to the European Union.....	21
Illustration 2.5 Principal tariff items exported from Colombia a UE in 2016.....	24
Ilustración 2.6 Trade between European Union with Colombia	27
Ilustración 2.7 Trade of service European Union - Colombia.....	28
Ilustración 2.8 European Union foreign direct investment in Colombia.....	29
Illustration 3.1 Colombian exportations of avocado and gulupa towards Europe (2012-2016).....	50
Illustration 3.2 Factors to competitiveness	55

LIST OF TABLES

Table 2-1 Colombian exports to the European Union.....	19
Tabla 2-2 Main products exported 2015.....	21
Tabla 2-3 Main products exported 2016.....	21
Table 2-4 Imports Colombian from the Europea Union.....	26
Table 2-5 Main products imports 2015	26
Table 2-6 Main products imports 2016	26
Table 2-7 Foreign direct investment for native land year 2012 – 2016 in US\$ millions	45
Table 2-8 Reasons for travel of the total number of foreigners and those coming from the European Union in 2016.....	47

LIST OF SYMBOLS AND ABBREVIATIONS

ANIF: Asociación Nacional de Instituciones Financieras

BIRF: Banco Internacional de Reconstrucción y Fomento

BPO: Outsourcing de Procesos de Negocio

CAAC: Centro de Aprovechamiento de Acuerdos Comerciales

CAN: Comunidad Andina

CARICOM: Comunidad del Caribe

DANE: Departamento Administrativo Nacional de Estadísticas

EFTA: Asociación Europea de Libre Comercio

IED: Inversión Extranjera Directa

IFC: Corporación Financiera Internacional

MERCOSUR: Mercado Común del Sur

NME: Productos No Minero Energéticos

OMC: Organización Mundial de Comercio

PTP: Programa de Transformación Productiva

SGP: Sistema General de Participaciones

TISA: Acuerdo sobre el Comercio de Servicios

TLC: Tratado de Libre Comercio

UE: Unión Europea

USD: Dólar Estadounidense

INTRODUCTION

The economic opening has led Colombia to expand globally and to make use of the advantages it has in terms of agricultural and raw material production, making it an exporting country and known worldwide for the quality of some of its products such as its fruits, textiles and flowers.

Today, Colombia has managed to negotiate a large number of Trade Agreements that have led it to diversify its markets and position itself in Latin America as a country with high economic growth, despite the fact that infrastructure has yet to be improved in order to achieve greater global competitiveness. Is the case of the Free Trade Agreement between Colombia and the European Union, a sample of the great impact that Colombia is generating worldwide and the competitiveness that can represent the positioning in the European market with its products. Thanks to the work of the exporters and the opportunity represented by the European Union market, they have been able to be more competitive, and the national products have increased their quality thanks to the production standards that have been learned according to the requirements of the international markets.

But Colombia is not the only country in its region that has been increasing its non-mining-energy exports and has become known worldwide, the case of Peru is another that has called the attention of Europe and also celebrated a Free Trade Agreement in order to obtain good quality products at a competitive price, something that has not been of great help to Colombia since they produce similar products that are sold in Europe and that have been positioned in the market, this made that Colombia have to innovate and generate added value of the products it sells, increasing profits and generating greater consumption in Europe. This case has given rise to analyze the variables that must be taken into account in order to make Colombia a more competitive country in the region, to generate opportunities for improvement and to investigate the aspects that Colombia must take into account in order to get the better use of the agreement and not only focus on exporting commodities but also value-added products that generate better income opportunities.

1 FORMULATION OF THE PROJECT

1.1 Background

In the pursuit of economic development countries have changed their positions on international trade over the years, nowadays thanks to the integration agreements that are promoted by multilateral organizations like the WTO the world is more connected or it could be said that is more globalized. These agreements create a tissue of international relations that allow free trade between different countries or trade blocs, in a principle of goods and services but also financial capital and people in more advanced stages of integration.

Colombia is no stranger to this new global scenario, and today it has 16 agreements in force (Mexico, Northern Triangle, CAN, CARICOM, MERCOSUR, Chile, EFTA, Canada, United States, Partial Reach Agreement with Venezuela, Cuba, Nicaragua, the European Union, the Pacific Alliance, south Korea and Costa Rica), two agreements signed (Israel and Panama), and three agreements being negotiated (Turkey, Japan, TISA), according to data from the Ministry of Trade Industry and Tourism. (Mincomercio, 2016). In this context of agreements not only bilateral but also multilateral, it is necessary to analyze what impacts these have at economic level for a developing country like Colombia and what social consequences can derive from these.

This research is particularly focused on the development of the Trade Agreement between the European Union, Colombia and Peru, and the relationship analyzed is that of the first two actors. The agreement between Colombia and the European Union was signed on June 26, 2012, each of the parties had to carry out a process of approval of the agreement, Europe was the first part that approved it by the Parliament on December 11, 2012, later the Congress of Colombia approved the agreement on June 5, 2013 and finally with the sanction of the president of the republic Juan Manuel Santos by law 1669 of July 16, 2013 the agreement was confirming. The FTA comes into effect in August 1, 2013 (Ministry of Commerce industry and tourism, s.f).

In a statement issued by the Ministry of commerce, Industry and Tourism, it is mentioned that one of the most important reasons to negotiate an agreement with the European Union was due to the ending of the GSP plus ((generalized system of preferences) granted temporarily by the European Union To developing countries (Delegation of the European Union in Colombia, nd)) by 31 December 2013; in addition it is the importance of entering a market of about 503 million inhabitants (Ministry of Commerce, industry and tourism, 2012), with the agreement it is possible to enter 99% of the industrial goods free of tariffs by all of the member countries of the European Union, making Colombian productive sectors more competitive because they will be able to acquire capital goods and equipment of high technology which will help to improve processes, reduce costs, reduce times, etc. (Procolombia, s.f.).

As for the transition from the GSP to the FTA there are several differences, which have been made in order to obtain improvements and benefits, in addition to the search that both parties have equity, for example the GSP began on the 23rd Of June of 2005, it was developed in order to make a tariff reduction of commodities chosen by the European Union, thanks to the SGP-plus granted to Colombia, it was possible to encourage exports of products such as confections, bananas, flowers, coffee and emeralds.

It should also be noted that Colombia made a very good management to be part of the unilateral preferences, because it presented in time and in order the documents that were necessary for this accreditation, under this regimen of tariff preferences were found more than 6,000 products (Ministry of Commerce, Industry and Tourism).

However, the free trade agreement gives free access to 99.9% of the exports of goods from Colombia to the member countries of the European Union to enter free tariff, on the other hand Colombian industry also has benefits of this bilateral treaty because merchandise like capital goods, machinery and equipment, raw materials and vehicles enter the country paying less tariffs, allowing in the medium to long term to improve the processes and costs of Colombian industry improving productivity and being more competitive internationally.

In addition, the Trade Agreement also includes the services sector that was not covered under the last unilateral preferential system (GSP +) granted by the European Union (Delegation of the European Union for Colombia and Ecuador, n.d.).

1.1.1 State of art

It should be understood that although our country signs a free trade agreement or another economic integration agreement does not ensure sustainable development. Although in the agreements the government seeks in the paper to dynamize the most competitive sectors and to encourage emerging markets, it must be taken into account that they are only structures to facilitate international business, but it cannot be forgotten that development must come with the increase in education (knowledge) of the population and the technology available to produce, the strengthening of productive sectors and taking into account that for many non-traditional products Limitation lies in the knowledge and capital needed to meet the quality standards and requirements necessary to compete with the economies of scale of the highly industrialized countries for this case those belonging to the European Union (El Tiempo, 2012).

There is a term called new regionalism which is based on theories of comparative advantage and free trade, manifested in the context of globalization where countries propose to minimize losses of consumer welfare due to the distortion of prices generated by tariff barriers and other barriers to international trade. This new term is characterized by considering that through the trade balance can be measure the economic growth of a country. The new regionalism is characterized by north-south economic integration, in which a developing country is considered as north and developed south, in this case it will be understood that the free trade agreement between Colombia and the European Union is a, economic integration north-south.

North-South integration is characterized mainly because there are large differences between the per capita income of its members, the demanded products are different among its members, protection is provided through the harmonization of tariffs and subsidies depending on the sector of interest of each of the parties (Villamil & Estupiñan, 2004), in

the North-South integration scenario, in which the European Union has a great economic advantage over Colombia, the implementation of this treaty can generate a positive balance for Europeans and negative for Colombia.

In the first year of the agreement (2013-2014), bilateral trade between Colombia and the European Union grew 5.22%, where Colombia mainly exported petroleum, coal and mineral oil, bananas, coffee, flowers, Animal or vegetable fats and oils (most of them commodities). On the other hand, the European Union exported to Colombia machinery and mechanical appliances, pharmaceuticals, aircraft and parts, vehicles, automobiles and parts, and electrical machinery; In terms of trade, the European Union exported to Colombia products with high added value, while Colombia products were traditional and low value added. For this first year, Colombia became the fifth Latin American exporting country to the European Union (Portfolio, 2015).

In most statistics, the results do not seem to be as expected; the trade balance shows a deficit for Colombia since March 2015. In a commentary issued by the Center for Economic Studies of ANIF it is explained that the export supply to the European Union is concentrated in 72% by mining - energy products and with the fall of the international prices of the commodities (group to which the energy miners belong and other raw materials) the gap in the trade deficit has increased inescapably, in this way it is done necessary to implement actions that help to diversify the export basket of the nation, (ANIF, 2015).

It should be noted that 69% of Colombia's imports were machinery, equipment, chemicals and transportation. That is why, due to the short - term effects of the mining - energy sector and taking into account that Colombian sales to the European Union of non - traditional products have not been increasing, we are far from obtaining a real benefit from the agreed terms; The current conditions in terms of infrastructure, technology, education, development and innovation become a bottleneck for non-traditional sectors, most of which belong to micro, small and medium-sized enterprises, which constitute a large percentage of the country's productive sectors (Avila, 2015).

The government's ideal of increasing non-traditional exports is limited by the demands of the countries that make up the European Union, which want high quality products, a code of good agricultural and manufacturing practices, biological labeling, among others. These conditions are based on the protection of human and labor rights as well as the protection of the environment, which "creates an unacceptable cost increase for many companies located in developing countries and interested in benefiting from the preferential tariff regimes offered by the European Union "(Alvares, 2012). This means that in the Colombian case where the large part of the productive sector is made up of micro, small and medium enterprises, the cost of adapting their processes and products to the demands of the European market is very high, which is why most of Mypymes are not encouraged or attracted to participate in this market.

European consumers seek the highest standards of quality in products, this necessarily affects the entire production chain including sanitary and phytosanitary measures that must comply the food and it is necessary for producers or farmers to have certificates that are valid in Europe; It is of great importance the ethical trade that seeks that the workers have the necessary guarantees to carry out their work with dignity, equality, security and free from discrimination and exploitation (Procolombia, s.f). Consumers are interested in companies that have green certificates or stamps that show an environmentally friendly treatment and that can be measured with different indicators such as the carbon footprint; And should not be forgot the technical requirements for different industries that include regulations on the labeling, packaging and marketing of some particular products.

1.1.2 Problem Statement

1.1.2.1 Problem situation or diagnosis

A trade integration agreement such as the free trade agreement with the European Union does not necessarily ensure a greater development for the country, but it presents changes in several economic sectors that impact the macroeconomic indicators.

Analyzing the overall impact of the entire agreement, it is necessary to include several topics like dispute resolution, government procurement, technical standards, among others. An analysis of all aspects is not intended, but a focus on trade policy, analyzing the balance for Colombian economy after three years of entering into force the agreement.

1.1.3 Problem formulation

General question:

How has the application of the free trade agreement with the European Union impacted the Colombian economy?

Specific questions:

- Which were the main economic sectors addressed in the negotiation of the FTA of Colombia with the European Union and how they have behaved after three years of entry into force of the agreement?
- Has Colombia's FTA with the European Union offered opportunities for Colombia's non-traditional sectors?
- What are the implications over the restrictions and demands of the European market on the development of Colombian SMEs?

1.1.4 Consequences of the problem

Colombia is relatively young in its economic opening, in recent years the country has acquired many regional integration agreements, not knowing the implications of these treaties means a disadvantage negotiating in future international relations, agreements that impact the structure that promotes the development of international business.

1.2 Justification

It is important to approach this research problem in order to know if the regional integration agreements that promote the free market, especially the FTA of Colombia with the European Union are helping to improve the economic development of the country that necessarily implies in the quality of life of its inhabitants.

Academically the analysis of the FTA of Colombia with the European Union brings to the understanding of the model of open regionalism or commercial policy that has used Colombia and other Latin American countries (especially Pacific Alliance: Peru, Mexico, Chile) in the last years where they seek high liberalization to trade and integrate with other countries of the world even when the other states have more competitive advantages in favor.

1.3 Objectives

1.3.1 General objective

Analyze how the behavior and implications of the free trade agreement with the European Union have impacted on the Colombian economy.

1.3.2 Specific objectives

- Identify the main Colombian industries impacted by the free trade agreement with the European Union.
- Analyze macroeconomic indicators between Colombia and the European Union before and after the entry into force of the free trade agreement such as exports, imports and foreign direct investment.
- Compare the behavior of the FTA between Peru and the European Union that was agreed simultaneously with that of Colombia.
- Analyze the results and indicators obtained from the free trade agreement between the European Union and Colombia.

- Propose strategies or initiatives to improve Colombia's competitiveness on the trade agreements.

1.4 Methodological framework

1.4.1 Method

The method proposed for the development of the research is deductive since it addresses all the information and data available from primary and secondary sources on the free trade agreement between Colombia and European Union to analyze the idea and the research objective.

1.4.2 Methodology

The methodology used in the research is a mixed approach since to support the qualities described by statistical data; the investigation media is documentary; and the types of research used are: descriptive since it analyzes the characteristics of a free trade agreement and describes the behaviors and phenomena found in the treaty investigated; explanatory since we seek to analyze under what conditions can be given the behaviors and phenomena found and described.

1.5 Reach

The present study seeks to analyze in an explanatory or causal way the free trade agreement between Colombia and the European Union, the impact that this agreement has had in Colombia in the last five years, not specifying each point of the treaty but focusing on the economic panorama between 2012 until 2016 and some data from 2017 of the South American country.

It will also analyze the business opportunities that have arisen, the suggestion of new opportunities, a brief comparison of the economic scenario with the free trade agreement between Peru and the European Union; It was negotiated and signed simultaneously with that of Colombia and the European bloc, the opportunities that were presented and those

that can be used based on the information obtained by the results of the free trade agreement of Peru and the European Union, and also Will analyze the impact in general terms that has caused this negotiation for Colombia, economic data used as imports, exports, GDP, trade balance, among others, will be taken between 2012 to 2016 and some data for 2017.

2 EXECUTION OF THE PROJECT

2.1 Theoretical framework

According to (Requeijo, 2002) when initiating an integration process, both parties must take into account that there are costs that must be assumed before obtaining the

benefits of the process, these are: a) the elimination of economic borders will increase competition bringing winners and losers in the integrated territories; The winners will be those who have the absolute advantage in lower costs or differentiation of the products and the use of leading technologies.

Taking into account the theory of the absolute and comparative advantage by David Ricardo and Adam Smith (Bruzzone), where it is said that when one party is winning on most occasions the other is losing, so the economies should aim for winnings for every part., And that is where David Ricardo analyzes in his Theory that the less efficient nation must specialize in what is less inefficient, and the more efficient will have to specialize in what is more efficient, in this way it will be possible to reach a point where both parties win and take advantage of the opportunities that were established. On the other hand the competitors can settle in one of the parts by FDI which will be able to generate a temporary welfare, the tendency will be that the companies less competitive and debilitated by the new stronger competitors, will tend to disappear.

B) In integrated territories economic, cycles have a more rapid impact on one or both parties, especially in the valleys of productive activity. C) As soon as the process is consolidated, the strongest country will be the one who determines and will impose the policies for the other members. (D) Growth tends to focus the attention or interest of the integration process on regional imbalances and social disparities that are most likely not to be a corrective trend of economic growth. E) In higher integration processes, nationalist and sovereignty reactions can be awakened in some countries and that complicate the process, since it is impossible to establish a superior integration without the agreement of all parties on issues such as monetary and fiscal policies (Petit, 2014)

As for the levels of integration that exist, it can be said that the European Union already past the fourth stage of integration and is in the process of Economic Union (Bank of Spain), this makes this trading bloc very competitive and brings great opportunities to other countries which have negotiations with them. Colombia is currently in the first phase of integration with the UE which means a Preferential Trade Zone where tariffs are reduced, generating more competitiveness among the member countries and generating an alliance between the countries that are in negotiating with each other. The future can be

very favorable since both countries take advantage of the opportunities generated as the relationship between countries; the results can be profitable and thus meet the expectations proposed at the time of negotiation.

In addition to knowing the theoretical costs of integration agreements, it is necessary to have a context of the economic process of the region. South America is going through two very different international integration strategies and this is due in large part to the different political positions of the leaders, while several countries especially those belonging to the Pacific Alliance (Colombia, Chile, Peru and Mexico) are promoting the liberalization with the negotiation of North-South asymmetric agreements, others especially those belonging to Mercosur where its member countries have protectionist positions reject bilateral agreements with the United States and the European Union. The latter group has also attracted other CAN countries with more leftist political positions such as Ecuador and Bolivia.

The trade policy that promotes asymmetric bilateral agreements it is known as New regionalism, in this regard (Reinoso, 2013) writes that this policy "has three axes that connected: unilateral openness, compliance with WTO rules, And regional trade agreements (mainly North-South). The FTAs contribute like a secure to liberalization reforms and make them irreversible.

While the Pacific Alliance countries are motivated by integration with the industrialized countries, others such as Brazil seek a post-liberal or post-hegemonic regionalism where the South American nations integrate more strongly among them through agreements such as UNASUR (Quiliconi , 2013).

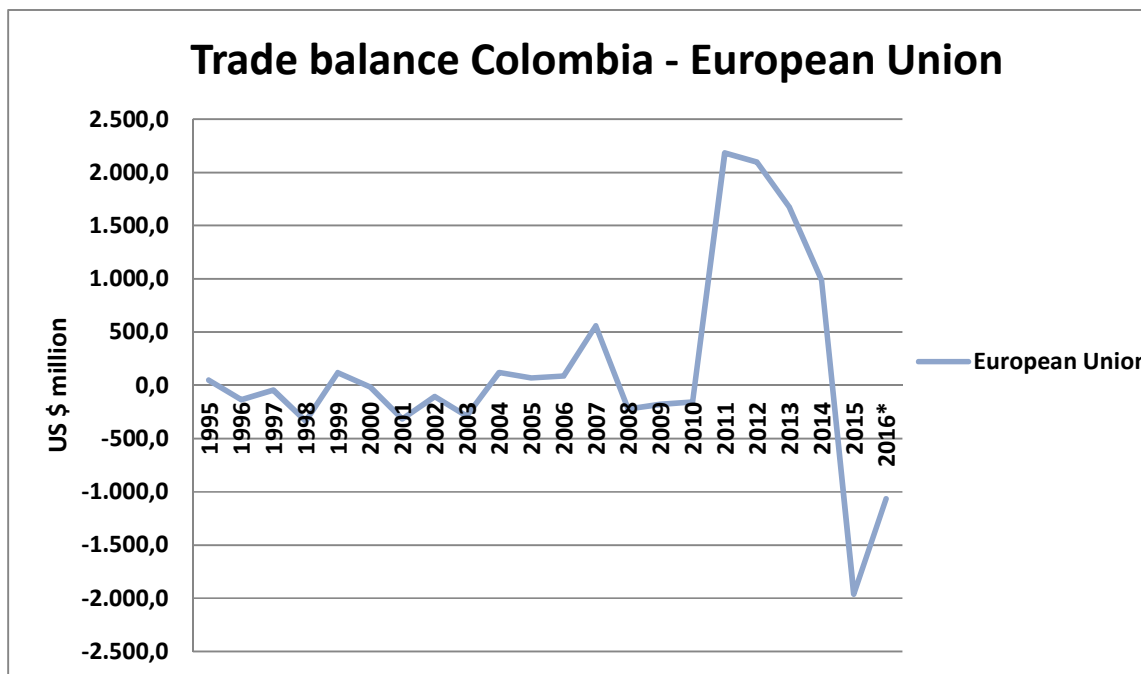
An important factor to take into account to understand a little more about the preferences that these countries have among themselves is that currently the CAN, Mercosur, Unasur and the Pacific Alliance are working to increase their levels of integration and become an Free trade area, thus facilitating the transit of goods between countries in a freer way in order to be more efficient and be more competitive in the markets

2.2 Analysis of information

2.2.1 Trade balance

Over the years it has been observed that bilateral trade between Colombia and the European Union has gone through the years in which it has been a surplus for Colombia and other deficits. This situation is due to the fact that Colombia has concentrated its export supply on a few products such as hydrocarbons, metals and foods such as coffee and bananas (Vásquez, 2015). In the Figure 2.1 Trade balance Colombia - European Union, it is possible to observe that since the year 1995 to 2010 trade between Colombia and this group of countries did not change in considerable way, but for 2011 it reached its highest peak with 2,182.7 millions of dollars (FOB) in favor for the Latin American country; After this phenomenon the balance began to decline for Colombia, and by 2015 two years after the FTA enters into force, the trade balance becomes deficit reaching its lowest level with - 1.960,8 million dollars (FOB) in favor for Europe. It is important to clarify that this trend is not unique with Europe but it is observed that since 2014 the trade balance for Colombia in general is deficit, later we find the reason for this situation.

Figure 2.1 Trade balance Colombia - European Union



* Until the month of December.

Note: The balance for the European Union corresponds to the 28 member countries currently actives.

Source: Own elaboration based on data from (DANE, 2017)

Global trade between Colombia and the European Union reached US \$ 11,008 million in 2016, 22% lower than in 2015, but mainly driven by the reduction of Energy Mining exports. In 2016 the trade balance registered a deficit for Colombia of USD 1,066 million (decreasing considerably from the value of 2015 when it reached a deficit of USD 2,061 million).

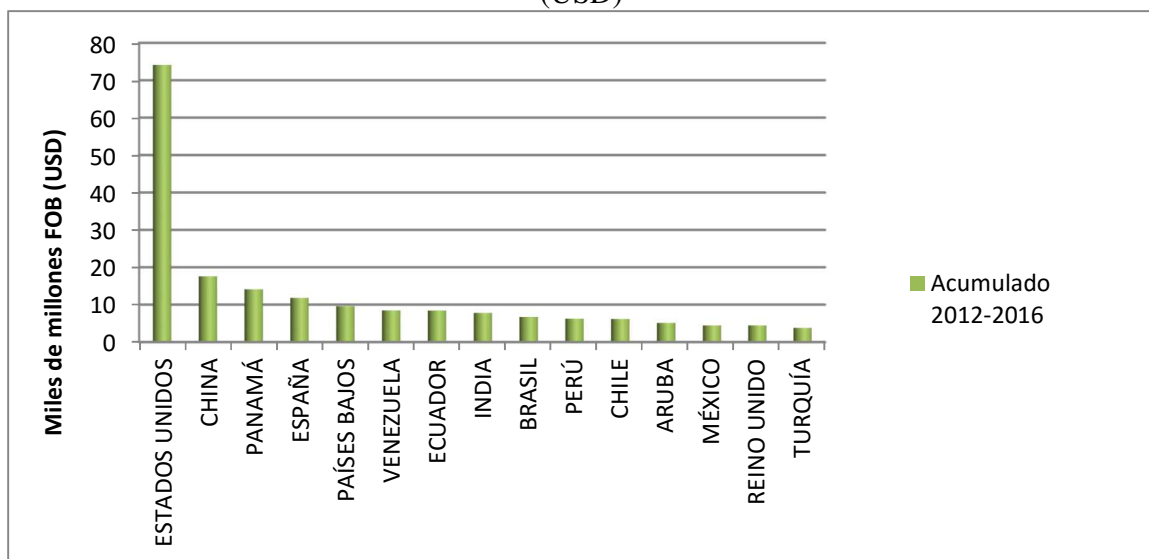
Because a large part of the Colombian economy depends on income from exports of Mining - energy products, it makes the country vulnerable to fluctuations in international prices of these products, which declined by almost 50% from 2013 to 2016. Owing to various reasons at the global level, on the one hand is the oversupply of oil, especially the shale kind from the United States, this oil is extracted from clayey rocks by different techniques such as fracking which is a process where the rocks are fracture causing ecological hazards that can contaminate groundwater causing damage to the ecosystems;

On the other hand countries belonging to the Organization of Petroleum Exporting Countries (OPEC) have not always shown an articulated work and at times have even gone through moments of tension for political and religious reasons among them as it is the case of Saudi Arabia and Iran, In addition, the appreciation of the dollar implies that for countries whose has a currency different from the dollar increases the price of oil by trading it in the international market with the US currency, finally another reason that has discouraged investors is the deceleration of The Chinese economy, that country is the second largest consumer of oil in the world after the United States and this situation has a direct impact on the international price of this commodity. (CNN, 2016)

2.2.1.1 Exports

If the European Union is reviewed as an economic bloc, this was the second destination of Colombia's exports to the world, accounting for 16% of the total exported in 2016, after the United States, and this group is the third supplier of the Colombian imports, after EE.UU and China, that is representing 14% of the total imported by Colombia. But if it is consider the main countries to which Colombia has exported in the last five years, you can see that there are 3 European countries that are among the first 15 destinations, as can be seen in the Illustration 2.2 Main destination countries of Colombian exports according to value FOB (USD) Spain is in the fourth place with accumulated exports between 2012 and 2016 in the amount of 11.82 billion dollars, then in the fifth place are the Netherlands with 9,58 billion dollars and finally UK in the 14th place with 4.45 billion FOB dollars.

Illustration 2.1 Main countries destination of Colombian exports according to FOB value (USD)



Source: Own creation based on data from (LEGISCOMEX, 2017)

The table 2 1 Colombian exports to the European Union shows the values exported in the last years, for the year 2013 we present the highest data with 9,050,655,402 USD. During the year 2016 Colombia recorded exports of USD 4.971 million (16% lower than the value registered during the previous year), imports reached USD 6.037 billion with a contraction of 5% (compared to 2014).

Table 2-1 Colombian exports to the European Union

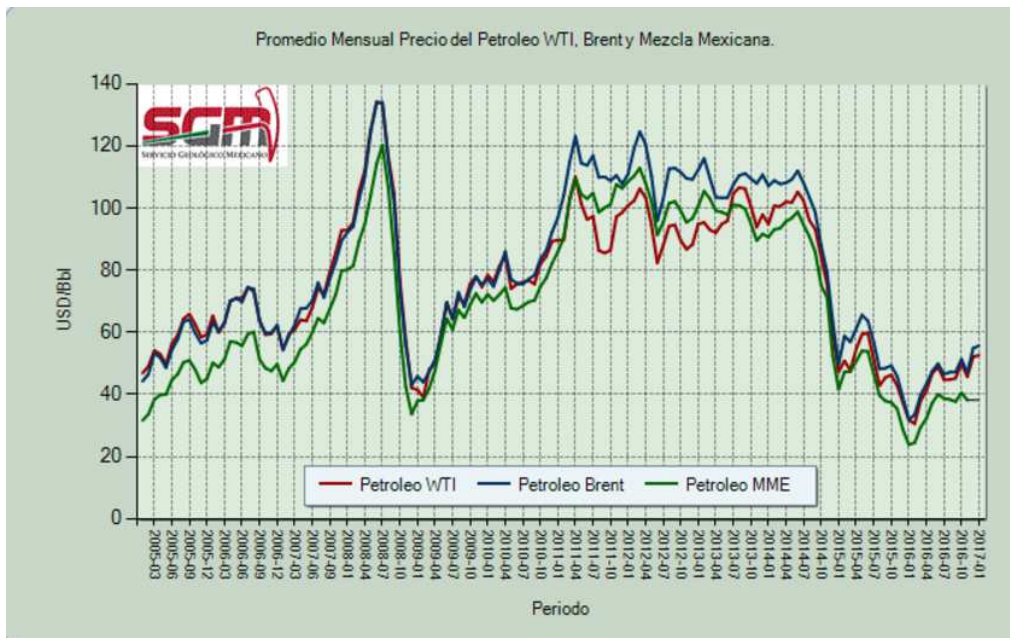
Colombian exports to the European Union						
	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016
US \$ FOB	8.867.640.994	9.050.655.402	9.230.116.361	9.406.138.933	6.008.048.325	4.971.238.036
Percentage change over the previous year	78,20	2,06	1,98	1,25	-36,13	-17,26

Source: Own creation based on DANE data

It should be understood that this decrease is mainly due to the international reduction of the price of oil that happened for different economic reasons as explained above, in Illustration 2.3. Average monthly oil price (2005 - 2016) can be observed as some of the products that are traded in the international market as WTI (West Texas Intermediete) oil by the beginning of 2016 reached one of its lowest valleys, reaching USD30 a barrel after it was several times above USD100 between 2011 and 2014.

In 2016, fuel exports to the European Union amounted to 2,590,080,563.09 USD representing 52.1% of the total exports to this group. Taking into account this large participation of this group of products, when the sector begins to slow down with lower prices and lower investment, the value of Colombian exports is significantly reduced, especially considering that by 2013 we were exporting 7,131. 531,204.51 USD means that today we have 63.68% less income from fuel exports to European countries than the year in which the agreement came into force.

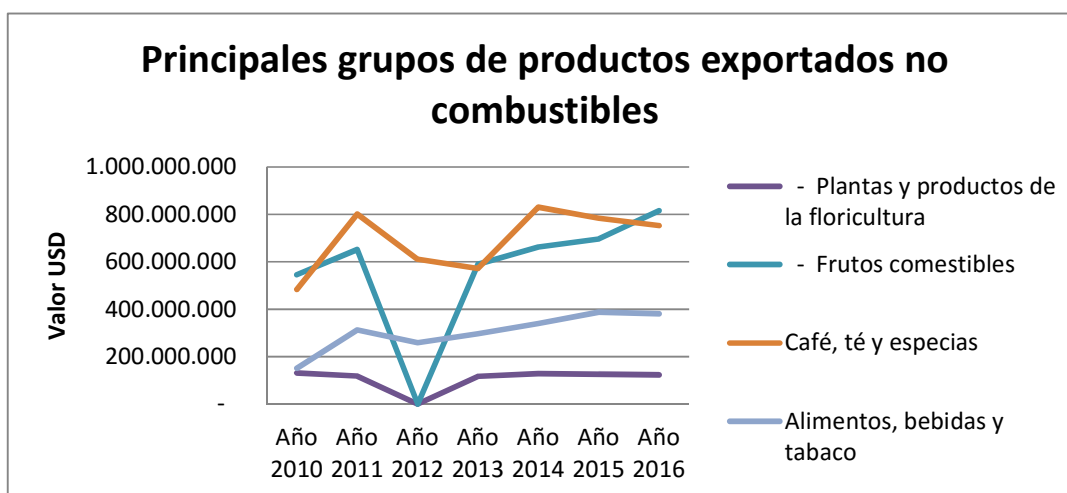
Illustration 2.2 Average monthly oil price (2005 - 2016)



Source: (Secretaría de Economía de México, 2017)

Apart from oil, the product groups that show a greater participation in exports belong to agriculture and agribusiness. Figure 2.2 Main groups of non-fuel products exported from Colombia to the European Union shows how most of these products decreased their figures between 2012 and 2013 but after the agreement they have managed to increase their values. Among the most important products exported to the European Union are thermal coal, energy miners, fresh bananas and coffee, as can be seen in detail in Table 2 2 Main products exported in 2015 and Table 2 3 Main products exported 2016.

Illustration 2.3 Main groups of non-combustible products exported from Colombia to the European Union



Source: (DANE, 2017)

Tabla 2-2 Main products exported 2015

Thermal coals	35%
Raw oils of oil or of bituminous mineral	21%
Coffees without toasting, without	13%

Tabla 2-3 Main products exported 2016

Thermal coals	34%
Coffees without toasting, without decaffeinating	15%
Bananas or fresh bananas	14%

decaffeinating			
Bananas or fresh bananas	10%	Raw oils of oil or of bituminous mineral	13%
Oil of palm in brute	2%	Oil of palm in brute	3%

Source: Own creation based on (MINCIT, 2017)

During the year 2016, non-mining energy products accounted for 47% of Colombia's total exports to the EU (8 percentage points more than in 2015), reaching sales of USD 2,323 million, compared to the last year Exports increased by 1%. This is largely due to innovation and development projects promoted by the national government to encourage exports of these products, but the next step is to seek alternatives to add value to non-traditional products, to seek and adapt products in the markets of the European Union.

Among the main non energy mineral products exported to the European Union are unroasted coffees, non-decaffeinated coffees (32.0%); Bananas or fresh bananas (29.8%); Crude palm oil (6.2%); Freeze-dried soluble coffee (2.1%); And palm kernel oil (2,0%)

In addition to reviewing the main exported products, it is made a depth exercise reviewing the increasing and decreasing trends of the first twenty-five tariff items exported in 2016, in Illustration 2.5. Main tariff items exported to the EU are products that before the agreement we were not trading to that market like the copper that began to be exported in 2014 and the gasoline that began in 2016, these two products reached in 2016 exports worth USD 33,893,031 and USD 27,830,772 respectively.

It should be noted that the main tariff code exports to the European Union in the last five years is 2701.12.00.10 Thermal coal, this product has reduced its exports in value FOB USD from 2012 to 2016 by 54.58%. Ferronickel (7202.60.00.00), whose exports decreased by 93.26%, and crude oils of oil or bituminous mineral (2709.00.00.00) decreased by 74.46%. In this way, specific tariff codes are observed affected by the situation of the oil with its reduction of the price and demand.

The avocado (0804.40.00.00) is the tariff code that showed the highest percentage growth, is a case to highlight due that while in 2012 the exports registered were USD 174 a value not very significant mainly for commercial samples, in 2016 reached the value of USD 34,576,373 and this is a really significant growth where Antioquia has been the main exporting department exploiting the hass variety. We also have cacao (1801.00.19.00) which increased its exports by 558.6% from 2012 to 2016; another significant increase is the case of other cane or beet sugar and chemically pure sucrose, in solid state (1701.99.90.00) which grew by 369.6%.

The previous statistical information shows that after the signing of the trade agreement with the European Union, exports of non-mining energy products were increased, but the most representative products remain in agricultural products that Colombia has exported in a traditional way, the challenge here is to diversify The export basket while complying with the conditions of entry imposed by this market.

Ilustración 2.4 Principal tariff items exported from Colombia a UE in 2016

P.A	nombre partida	2012	2013	2014	2015	2016	Variación 2012-2016
2701120010	Hullas térmicas.	3.761.152.462	3.414.158.073	3.229.833.958	2.069.905.938	1.708.181.493	-54,58%
0803901100	Bananas o plátanos frescos del tipo cavendish valery	555.707.068	519.861.952	577.980.616	604.897.632	744.328.760	33,94%
2709000000	Aceites crudos de petróleo o de mineral bituminoso.	2.710.963.158	3.368.728.832	3.432.787.677	1.220.508.824	692.288.719	-74,46%
0901119000	Los demás cafés sin tostar, sin descafeinar.	605.124.692	569.609.390	828.608.291	780.060.573	644.945.706	6,58%
1511100000	Aceite de palma en bruto.	73.296.367	66.127.988	92.535.125	150.790.754	143.758.558	96,13%
2710129200	Carburorreactores tipo gasolina, para reactores y turbinas;	143.681.857	140.293.455	138.796.588	105.316.098	93.501.651	-34,92%
2704001000	Coques y semicoques de hulla, incluso aglomerados.	96.480.361	103.540.292	83.666.479	53.661.149	59.990.479	-37,82%
2101110010	Café soluble liofilizado, con granulometría de 2.0 - 3.00 mm.	40.219.975	39.338.526	2101110010	44.224.133	49.803.196	23,83%
1513211000	Aceites de almendra de palma y sus fracciones, en bruto.	35.704.639	26.076.523	37.949.362	48.430.507	46.630.514	30,60%
0603129000	Los demás claveles frescos, cortados para ramos o adornos.	39.274.583	38.821.307	40.011.563	41.181.069	39.215.425	-0,15%
0804400000	Aguacates (paltas), frescos o secos.	174	1.119.096	3.526.008	10.191.644	34.576.373	19871378,92%
2710192100	Gasóils (gasóleo), excepto desechos de aceites y que contengan biodiésel	-	-	-	-	33.893.031	-
2710192200	Fueloils (fuel), excepto desechos de aceites y que contengan biodiésel	40.025.422	126.661.481	47.857.441	170.133.385	27.944.609	-30,18%
2603000000	Minerales de cobre y sus concentrados.	-	-	7.041.367	25.724.817	27.830.772	-
1701999000	Los demás azúcares de caña o de remolacha y sacarosa químicamente pura, en estado sólido.	5.914.635	26.231.465	21.634.561	22.628.107	27.777.614	369,64%
0603110000	Rosas frescas, cortadas para ramos o adornos.	31.519.944	29.609.701	31.717.157	27.839.736	27.311.498	-13,35%
0803101000	Plátanos plantains, frescos.	16.220.692	18.572.275	22.355.289	21.870.055	27.212.189	67,76%
0810901030	Gulupa (maracuyá morado) (Passiflora edulis varo edulis), frescas.	11.743.256	15.265.138	17.124.246	20.930.590	24.655.710	109,96%
7202600000	Ferroníquel.	325.056.563	155.607.871	112.323.695	56.599.765	21.904.413	-93,26%
0306171100	Langostinos (Géneros de la familia Penaeidae) enteros congelados, secos, salados, ahumados o en salmuera	16.487.312	15.181.047	17.303.498	15.307.657	21.456.725	30,14%

Tratado de libre comercio entre Colombia y la Unión Europea

0810905000	Uchuvas (uvillas) (<i>physalis peruviana</i>) frescas.	27.900.927	25.955.761	28.523.795	23.167.646	20.708.875	-25,78%
1701140000	Los demás azúcares de caña en bruto, sin adición de aromatizante ni colorante en estado sólido.	7.157.425	8.698.551	19.799.612	17.684.892	19.040.793	166,03%
1801001900	Los demás cacao crudos en grano, entero o partido.	2.850.045	7.804.187	14.662.880	24.587.992	18.770.801	558,61%
4104110000	Cueros y pieles, curtidos, de bovino (incluido el búfalo) o de equino, en estado húmedo (incluido el wet blue) con plena flor sin dividir y divididos con la flor.	19.970.101	16.848.569	41.010.981	34.173.718	17.708.392	-11,33%
0603193000	Alstroemerias frescas, cortadas para ramos o adornos.	10.615.198	13.533.034	15.304.155	17.155.295	17.204.801	62,08%

Source: Own creation based on (LEGISCOMEX, 2017)

2.2.1.2 Imports

Looking at imports from Europe, we can see that these grew continuously until 2014, it should be remembered that 2015 is the most deficient year for Colombia and although in 2016 the balance of trade begins to recover, improving Colombia's deficit. This situation is not because the increase of Colombian exports but it is because the decrease of European exports to Colombia. Table 2 2 Colombian imports from the European Union shows the statistical records of the last 6 years, furthermore the main products imported by Colombia from the European Union are products like airplanes and other aircraft, medicines for human consumption and vehicles For the transport of people as can be seen in Table 2 4 Main products imported 2015 and Table 2 3 Main products imported 2016.

Table 2-4 Imports Colombian from the Europea Union

Imports Colombian from the Europea Union						
	Año 2011	Año 2012	Año 2013	Año 2014	Año 2015	Año 2016
Valor USD (CIF)	7.471.964.920	7.680.162.889	7.940.896.027	8.761.103.882	8.278.395.168	6.301.235.194
Variación porcentual respecto al año anterior	33,2	2,8	7,9	10,2	-5,5	-23,9

Source: Own creation based on (DANE, 2017)

Table 2-5 Main products imports 2015

Planes and other aircraft	16%
Medicines for human use	5%
Vehicles for the persons transport	2%

Table 2-6 Main products imports 2016

Medicines for human use	6%
Planes and other aircraft	3%
Vehicles for the persons transport	2%

Blood and immunological products	2%	Petrols without tetraetilo of lead, for engines of motor vehicles	2%
other aircraft	2%	Campers (4 x 4), for the persons transport	2%

Source: Own creation based on (MINCIT, 2017)

The European Commission published in February 2017 statistical data on trade with Colombia since 2013 by major groups. As can be seen in Figure 2.3 Trade between the European Union and Colombia, the main groups of goods imported by Europe from Colombia are fuels and minerals (2,734 million Euros) followed by food and live animals (1,768 million Euros).

The principal groups of products exported from the European Union to Colombia were machinery and transport (2,017 million Euros), chemical and pharmaceutical products (1,501 million Euros), manufacturing articles (593 million Euros), among others.

Ilustración 2.5 Trade between European Union with Colombia

European Union, Trade with Colombia

Trade flows by SITC section 2013 - 2016

Source Eurostat Comext - Statistical regime 4

	Imports Value Mio €				Exports Value Mio €			
	2013	2014	2015	2016	2013	2014	2015	2016
Total	7,643	8,178	6,724	5,361	5,863	6,348	6,519	5,441
0 Food and live animals	1,361	1,480	1,778	1,768	122	165	229	218
1 Beverages and tobacco	37	18	26	18	54	69	73	91
2 Crude materials, inedible, except fuels	180	212	221	203	59	72	71	72
3 Mineral fuels, lubricants and related materials	5,525	5,892	3,938	2,734	70	30	102	115
4 Animal and vegetable oils, fats and waxes	88	113	174	224	20	22	28	30
5 Chemicals and related prod, n.e.s.	50	51	61	53	1,377	1,444	1,647	1,501
6 Manufactured goods classified chiefly by material	159	179	232	146	656	677	679	593
7 Machinery and transport equipment	63	65	124	66	2,778	3,105	2,783	2,017
8 Miscellaneous manufactured articles	53	59	75	73	567	632	660	610
9 Commodities and transactions n.c.e.	17	31	64	17	51	47	160	115
Other	109	79	31	59	107	86	88	80

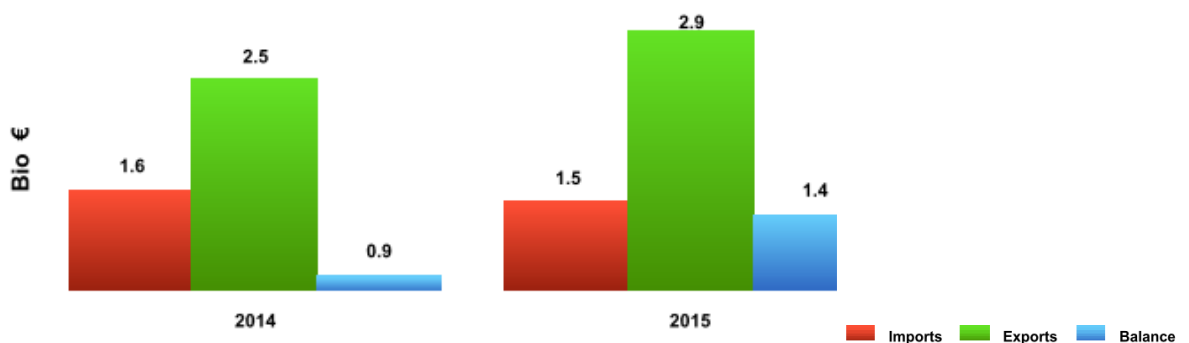
Source: (European Commission, 2017)

Comparing Europe's exports with Colombia, it is possible to see how the largest volumes of money belong to European products with added value, whereas Colombia receives income mainly from the export of raw materials which do not have a higher value added. It should be noted that there are non-mining-energy sectors that are growing highly in exports, particularly the case of some agricultural products that have experienced a large increase, according to the newspaper (Portafolio, 2017) "products such as avocado, whose sales Grew 320%, palm oil and sugar have been the ones that have presented the largest increases in this market.

It is important to mention that the transformation does not necessarily add value in all agricultural cases, but there is still an important way to go in Colombia's production and export culture in order to offer more specialized products that generate added value for particular market niches.

Continuing the review of macroeconomic variables, it is important to analyze the services sector since it is the fastest growing at the global level. In the illustration 2.4 European Union - Colombia service trade we can see that Colombia has a deficit trade balance, even the European Union grew in exports of services to Colombia by 16% in 2015 reaching 2.9 Billion Euros while Colombia Grew in exports of services to Europe by 6.67% in the same period reaching 1.6 billion Euros.

Ilustración 2.6 Trade of service European Union - Colombia



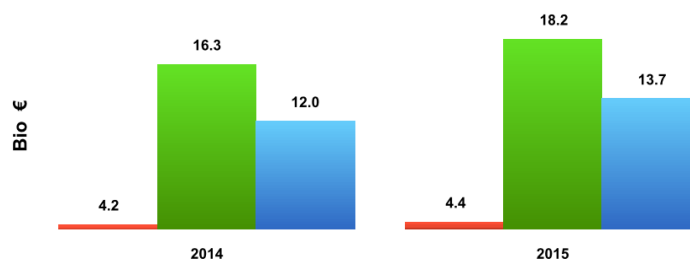
Source: (European Commission, 2017)

It is important to understand that the service sector is the main in many developed countries of Erupa where not only there is a large bank but also a large number of services related to industrial companies that enhance and improve their processes, in Colombia this sector is growing but still lag behind the developed countries, the lack of legal clarity and little regulation in this regard has made it difficult to use the figure of export services.

2.2.1.3 Inversión extranjera directa en Colombia

Regarding foreign investment received by Colombia, this has been increasing, as can be seen in Illustration 2.5 European Union FDI with Colombia by 2015 Colombia received investments from Europe for 18.2 Billion Euros, which means 11 , 7% more than in 2014. This income of foreign capital to the country is of great importance for development because when companies from other countries set up company in Colombia this act can generate development with new jobs and taxes paid to the government.

Ilustración 2.7 European Union foreign direct investment in Colombia



Source: (European Comission, 2017)

2.3 Analysis of the Peru-EU FTA

This free trade agreement was negotiated simultaneously with that of Colombia, so in some publications is known as the Colombia-Peru-European Union free trade agreement,

but it must be taken into account that this Bilateral agreement has a different effect in each One of the countries, since each one exports, imports and produces different types of products that in one way or another can benefit the trade balance or make it worse.

In order to know a little about Colombia's actions in recent years in the face of negotiations with the European Union, it must be compared with other countries that have similar characteristics and possibly a similar impact in the country and in the region, Colombia and Peru are known by Produce and export the same raw materials, as it was decided to carry out the negotiation because both have things that Europe needs constantly, but the most important thing should be what kind of things Europe needs that does not yet know Colombia or Peru and they have ir, those products can be to increased exports.

Tabla 2-7 Comercial balance between Perú- European Union

	2010	2011	2012	2013	2014	Ene-Mar 2015
Comercio Unión Europea (UE-28) - Mundo						
Exportaciones (FOB)	5 182 098	6 092 875	5 820 441	6 078 976	6 159 496	1 328 918
Importaciones (CIF)	5 419 702	6 334 699	5 961 670	6 010 979	6 129 881	1 325 444
Saldo Comercial (X-M)	-237 603	-241 824	-141 229	67 997	29 615	3 474
Comercio Perú - Mundo						
(A) Exportaciones (FOB)	35 806	46 319	46 359	42 567	38 489	7 804
(B) Importaciones (CIF)	29 972	37 904	42 169	43 327	42 197	9 449
Saldo Comercial (X-M)	5 834	8 415	4 190	-761	-3 707	-1 645
Comercio Perú - Unión Europea (UE-28)						
(C) Exportaciones (FOB)	6 572	8 694	8 122	7 022	6 382	1 229
(C)/(A)	18,4%	18,8%	17,5%	16,5%	16,6%	15,7%
(D) Importaciones (CIF)	3 184	4 110	4 998	5 198	4 941	1 022
(D)/(B)	10,6%	10,8%	11,9%	12,0%	11,7%	10,8%
Saldo Comercial (X-M)	3 388	4 584	3 123	1 823	1 442	206

Source: (Ministerio de Comercio Exterior y Turismo)

The previous table shows the progress Peru has had with the European Union over the years and the increase they have had bilaterally, this was a great business for Peru because its exports have been affected in a very good way.

The most relevant aspect of this Bilateral Agreement is that Latin countries need more of Europeans in terms of technology and machinery, since imports of this type of products continues to grow while exports from Peru have been reduced.

Unlike Colombia, Peru has stabilized more in terms of its bilateral balance, since imports and exports have had a similar average in the last 5 years, the export of traditional products, exports of construction materials and Which is positive because it has been able to take advantage of this agreement in terms of tariff reduction and benefits to imports and free trade.

Currently the European Union has trade agreements with South American countries such as Argentina, Brazil, Uruguay and Paraguay and in Central America with Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama since 2007. (Bilaterals, 2012).

Colombia should take the initiative and make better use of this treaty, since few Latin American countries have it and it's a very important aid for Colombia, but it has been used more for the purposes of import savings than for strengthening international trade and domestic product through exports.

Tratado de libre comercio entre Colombia y la Unión Europea

Partida Arancelaria	Nombre Producto	2012	2013	2014	2015	2016	Variación 2012 - 2016
2603000000	Minerales de cobre y sus concentrados.	\$ 1.843.115.896,01	\$ 1.650.981.972,50	\$ 1.298.652.037,77	\$ 1.202.515.430,10	\$ 1.136.661.491,43	112%
0901119000	Los demás cafés sin tostar, sin descafeinar.	\$ 586.948.650,98	\$ 433.942.858,88	\$ 423.260.258,25	\$ 311.271.626,42	\$ 452.847.690,26	135%
7108120000	Oro(incluido el oro platinado), en las demás formas en bruto, para uso no monetario.	\$ 478.701.984,45	\$ 585.768.984,04	\$ 300.016.244,39	\$ 278.186.855,48	\$ 309.430.046,34	82%
2711110000	Gas natural licuado.	\$ 627.880.941,12	\$ 499.802.435,26	\$ 296.183.592,14	\$ 166.302.878,79	\$ 239.339.781,68	126%
7403110000	Catodos y secciones de catodos de cobre refinado.	\$ 476.921.479,51	\$ 448.125.935,08	\$ 398.680.919,61	\$ 265.761.724,51	\$ 236.956.370,72	106%
2608000000	Minerales de zinc y sus concentrados.	\$ 249.924.983,16	\$ 264.900.954,63	\$ 293.585.084,30	\$ 196.184.741,76	\$ 355.605.942,70	94%
0804400000	Aguacates (paltas), frescos o secos.	\$ 109.064.030,16	\$ 146.896.004,06	\$ 184.044.312,22	\$ 198.507.717,44	\$ 440.809.011,86	74%
8001100000	Estaño en bruto sin alear.	\$ 249.498.008,13	\$ 249.205.817,28	\$ 270.932.450,46	\$ 142.242.607,15	\$ 153.424.233,13	100%
2301201100	Harina, polvo y pellets de pescado impropios para la alimentación humana	\$ 321.518.040,28	\$ 199.124.196,58	\$ 232.036.477,69	\$ 55.651.620,02	\$ 125.795.065,15	161%
1504201000	Grasas y aceites de pescado y sus fracciones, excepto los aceites de hígado, en bruto.	\$ 212.053.470,49	\$ 137.039.026,74	\$ 161.737.377,85	\$ 109.635.133,65	\$ 168.150.033,30	155%
2607000000	Minerales de plomo y sus concentrados.	\$ 126.444.753,34	\$ 176.482.567,18	\$ 156.535.382,40	\$ 142.404.822,35	\$ 183.846.804,74	72%
0806100000	Uvas frescas.	\$ 125.034.234,48	\$ 167.201.954,41	\$ 195.981.870,35	\$ 151.436.926,69	\$ 133.115.852,25	75%
0709200000	Espárragos frescos o refrigerados.	\$ 103.906.456,28	\$ 133.780.892,07	\$ 119.994.573,05	\$ 112.582.230,16	\$ 141.919.861,03	78%
0804502000	Mangos y mangostanes frescos o secos.	\$ 78.724.540,91	\$ 92.340.868,89	\$ 84.773.636,36	\$ 118.362.092,81	\$ 200.444.522,67	85%
2710191510	Carburorreactores tipo queroseno para reactores y turbinas destinados a las empresas de aviación	\$ 145.156.239,87	\$ 134.727.379,98	\$ 125.686.061,53	\$ 71.246.342,19	\$ 63.136.394,06	108%
0307490000	Jibias y Globitos; calamares y potas congelados, salados, secos.	\$ 96.209.882,40	\$ 91.778.091,36	\$ 113.014.530,78	\$ 86.646.179,45	\$ 151.249.179,07	105%

2005600000	Espárragos preparados o conservados (excepto en vinagre o en ácido acético), sin congelar.	\$ 90.456.208,86	\$ 103.569.031,47	\$ 123.505.869,57	\$ 95.576.093,75	\$ 93.993.826,28	87%
1801001900	Los demás cacaoos crudos en grano, entero o partido.	\$ 45.420.873,74	\$ 64.950.234,26	\$ 109.873.728,42	\$ 142.648.409,78	\$ 138.774.359,65	70%
7901120000	Cinc en bruto sin alear con un contenido de cinc inferior al 99.99 % en peso.	\$ 81.342.219,12	\$ 89.715.591,17	\$ 107.191.725,96	\$ 86.620.667,96	\$ 102.803.465,92	91%
0803901100	Bananas o plátanos frescos del tipo cavendish valery	\$ 53.694.368,37	\$ 66.187.137,82	\$ 79.511.300,65	\$ 77.633.505,99	\$ 155.577.483,75	81%

Source: Own creation based on Legiscomex.

Taking into account the data in the table above, it is possible to see which products Peru has exported to the European Union with its variation in the last 5 years, this shows the importance of mining products and fruits in the Peruvian economy, it is worth highlighting the growth that this market has had in the last five years and the influence of the free trade agreement to boost exports to Europe and make its economy more competitive.

The Peruvian economy is in one of its best times since the FTA has allowed it to grow economically and this has managed to stabilize its economy, its greatest strengths, minerals and agricultural products have grown by more than 100 % From the entry into force of the trade agreement, which is positive for the region and reaches the expectations that had been projected in the negotiating of the treaty.

2.4 Certifications and legal procedures

The European Union has been characterized by producing and distributing food that meets quality standards, to ensure that the consumer enjoys good food and also gives a more justified value for products that have been well managed in their distribution, this type of products, according to Ifeelmaps, in Europe "all organic production is regulated", this makes companies always want to qualify and produce food of the best quality possible, because there is evaluated the organic percentage in the products, and depending on this, the producer is qualified with the terms "eco", "ecological", "org", "organic", "bio" and "biological". (Seisdedos & Galindo, Ecological certification, stamps and their meaning, 2014)

2.4.1 Colombian green stamp, how is it obtained?

Today we live in a globalized world and as exporters we always want our products to be consumed around the world or as much as possible, but that same desire of all exporters makes the procedures increasingly difficult and the requirements for the most advanced countries in the world can obtain or buy these products are becoming more rigorous.

Taking this information into account and analyzing global markets, the Ministry of Environment and Sustainable Development of the Republic of Colombia put in place a quality standard for certain products that made them more recognized worldwide, since they fulfilled certain quality protocols that were the purpose of this regulation or qualification for the products manufactured in Colombian territory comply with certain requirements that demonstrate that they are friendly with the environment and allow the free circulation in these countries that their environmental protocols are quite rigorous, in addition, it generates a very high competitiveness for the Colombian producer and exporter, because knowing that it's not a mandatory certification, it's seen that those who strive to receive the qualification are those exporters who really want to be competitive and have better possibilities outside.

According to the Ministry of Environment and Sustainable Development of Colombia, this certification is obtained voluntarily, by an entity accredited by the National Accreditation Organization, this is done in order for the producers to make the determination to qualify for this certification, since it is not mandatory and is only used to have added value. (Ministerio de Ambiente y Desarrollo Sostenible)

This classification basically takes as a starting point the three environmental declarations that are currently in the market, so that we can then clearly evaluate the product that is intended to be qualified.

As far as the industries that benefit from this green seal can be observed that they are involved those who have production processes in their commercial activity, because there are involved several factors that can deteriorate the environment such as toxic wastes or wastes badly discarded, nowadays in Colombia is known of very few companies that today have the Colombian Environmental Seal (CES) among them is the Hotel Puerta del Sol in Barranquilla, the first hotel in Colombia that has environmental certification, "for achieving an efficient and rational use of water, energy, chemicals, and for the good management of solid waste " (Portafolio, 2008), this certification has made the hotel world renowned for its way of saving resources and the way it regulates energy consumption, it is currently competing with other hotels of international stature that also have this seal and its recognition worldwide has gone increasing. Another company that has taken advantage of the Colombian Environmental Seal is the company Schneider Electric, which has acquired the environmental seal twice (Unidad de Planeación Mineroenergética), this company is dedicated to the manufacture of products for the electrical distribution, and notes that this rating is very important for them as it is the only company in Colombia in this sector that has environmental seal which makes it more competitive and that its customers prefer because they are acquiring products that are less harmful and are concerned about the environment.

2.4.2 Types of Environmental Declarations or Ecological Labels

An Ecological label is a mark that qualifies products or services with a criterion of Environmental Goodness, because in its manufacturing processes and use does not affect the environment in the traditional way.

A number of countries around the world have established this type of qualification as necessary to be able to market these types of products that normally harm the environment in their production processes.

Today there are three types of Environmental Declarations or Ecological Labels that are based on three ISO standards recognized worldwide such as:

- Eco-label I (ISO 14024) – Eco-labels:

This type of qualification is voluntary and certifies that the product has a minor effect on the environment taking into account its life cycle, in addition this certification is granted through the certifying entity of each country.

- Eco-label II (ISO 14021) – Environmental Self-declarations

A label that certifies its good treatment to the environment, such as biodegradable, must revise this qualification of recycling, it is also suggested that it should be accompanied by texts referring to good practices at the time of production and Identify its good source. In this type of rating there is no review by a third party.

- Eco-label III (ISO 14025)

This type of eco-label is endorsed by a third party that verifies the processes that each product has before it goes on sale to the public, it is accompanied by a review of quantitative information that demonstrates compliance with ISO 14025. (Saborío Villalobos, 2012)

As a conclusion, it can be noted that this kind of eco-labels are the principle of qualifications that is issued worldwide, having in mind the normativity of each country,

because every country has its own qualification and requires that the products that are sold inside its territory must be adapted to its normativity in order to be accepted in the market. It is also true that these qualifications are not mandatory in any country and does not mean that because they are not qualified there cannot be customers, this qualification is given in the first part to generate added value, so that people who are really interested in these labels know that what they are going to consume has strict production standards and are good for health.

2.4.3 Eco-labels in the European Union

Currently there is a large number of environmental certifications worldwide that seek to generate an impact on the practices that companies use to make their products environmentally friendly and at the same time to make them competitive in the global market.

Currently, the European Union has a large number of certifications in most of its member countries, and this makes it a difficult market to match, but by complying with the standards established there and that the Colombian state qualifies nowadays, it can be achieve high competitiveness and achieve free trade in goods.

Among the different types of environmental qualifications are the following:

2.4.3.1 Bleau Engel – Germany

Of the Blue Angel can be said that it's one of the most recognized certifications inside and outside Europe, since countries outside Germany also apply their requirements to make their products competitive in the market, in addition more than half of the German population affirms that when making purchases, the label is fundamental to decide which product to consume. It is then clearly seen that certification in European countries are part of consumer decision-making because they are ultimately the ones who show the consumer trend to the market.

Another important aspect to keep in mind is that thanks to the implementation of this label and the importance that consumers give to it, sales increased by 10% from the start of the certification.

2.4.3.2 Eco-label Award Échème – European Union

Of this certification can be mentioned that is based on the “Eco-label I” following the standards of ISO 14024, one of the most important purposes is to make the customer really know what is consuming and not rely on lies or misleading advertising, rather with scientific and detailed information, since the products carry a label that clearly informs their processes and actual manufacturing data.

It is possible to perceive clearly the good practices that are used in the European union and its member countries, this must be a motivation for the Colombian products that wants to enter this territory with competitive products, since it must understand that the market goes one step ahead and that exporting the products that are normally consumed in Latin America are not likely to achieve the purposes and goals that are to be achieved.

It is necessary to clarify that not any type of label will be homologated in the European market, therefore a certification that has relevance at international level as the group of Standards ISO 14000 will be validated by the European market, in this way it becomes a certification of great Importance and the labels that are used must follow the proposed regulations and include the image of the ISO standard in order for the customer to feel confident when making the purchase.

2.4.4 Opportunities in the European market

Taking into account the regulations that the European Union demands and the difficulty that this entails for Colombian producers, it can be observed that this free trade agreement could be used taking into account the measures demanded in Europe, it is clear to us that the Colombian producer is well positioned in Latin America due to its high competitiveness and product quality, but in terms of global competitiveness such as Asian, European and North American countries, there are still areas that can be improved and that would make a salient difference in terms of competitiveness. Which is now produced and exported.

The current situation in Colombia is favorable in terms of agricultural products and raw materials, something that is needed in Europe and with what could be competed, it is necessary for producers to take the measures established so that their products are required there, since the impact of high imports of machinery from the European Union and low exports by Colombian producers and traders must be offset.

For Colombian products to have a better result in Europe, it must add value and compete with local products, as it is known by all that the main products exported from Colombia can also be easily exported from another country, in better conditions and more timely, the Colombian exporter must be up to date and know what the buyer asks for, understand that there are weather stations there and that the products consumed at the different stations can vary, and that can generate a greater business opportunity, can be implemented the sale of organic fruits, dissected, or packaged in such a way that it can be consumed in a more comfortable way, and by doing this will increase the interest of European customers

In conclusion, Colombia has a large business opportunity in the European Union, since it has the opportunity to produce any kind of fruit in all months of the year, and knowing that these are the main products exported, it must be understood that that's where the customers are, then think about what can be done from here, to innovate and that may interest the consumer while generating added value from Colombia.

2.4.5 Colombia-European Union trade relations

The European Union as a trading block is the world's leading exporter and importer of goods. The Colombian government, by negotiating the agreement with this commercial block, sought mainly to increase trade in goods and services, increasing and facilitating investment flows; which would result for the country in an economic increase and generation of jobs. (Mincit, 2013)

In the year 2015, the world exported goods for USD 16.329 billion, of which 33% correspond to the European Union, while Colombia accounts for 0.2% of total world

exports. On the import side, the European Union participates with 31.6% and Colombia with 0.3%. This indicates the high volume of the exchange of goods generated by the European Union, so in terms of trade and generation of opportunities makes it an attractive export market, however the demands of that market are very high and therefore difficult to the domestic producers can export access to that market.

In 2015, the EU Member States exported an estimated value of USD 5.385 billion, of which 62.1% corresponded to intra-EU exports (between European Union countries) and 37.9% to the rest of countries. Exports from the commercial block to the main destination of the United States, China and Switzerland and Colombia are 42nd of the list, as can be seen at Table 2-4 Imports Colombian from the Europea with imports from the European Union in 2015 with an estimated value of US \$ 8.2 billion (MINCIT, 2017).

In 2015, the European Union recorded a value of USD 5,215 billion in imports, of which 39.8% corresponded to non-EU countries, while Colombia ranks 48th among its suppliers, as can be seen at Table 2-1 with an estimated value of \$ 6 billion exported to the European Union (MINCIT, 2017)

2.4.5.1 Multipart agreement

The Multiparty Trade Agreement between the European Union, Colombia and Peru, has been provisionally applied since August 1, 2013, by Decree 1513 of July 18, 2013 (Mincit, 2013).

According to a publication of the newspaper "El universo" in which they consider that "The agreements signed by Colombia and Peru with the EU, which were individually negotiated and received the denomination of Multiparty Trade Agreements, would be classified as free trade agreements or FTA." (El Universo, 2012).

The agreement was negotiated by the European Union with Peru and Colombia simultaneously, with individual characteristics between the parts of Colombia and Peru with the European Union. From this approach and negotiation can be understood that the term of multiparty agreement is created, because at the time of the negotiation Colombia and Peru were open to the eventual integration of other Andean countries like Ecuador and Bolivia, nevertheless the agreements were given On a bilateral basis between the European

Union and Colombia, and between the European Union and Peru. The term multiparty does not necessarily mean that multilateral agreements are reached, because as mentioned above the governments of Colombia and Peru have concluded bilateral agreements with the European Union according to the interests that each party had with the European Union.

2.4.5.2 Bilateral trade

Although Colombia's trade balance with the European Union has traditionally been negative, between 2011 and 2014 the country had managed to obtain values that determined it to be a surplus for our country.

Imports reached USD 6,037 million with a contraction of 5% (compared to 2014).

Among the current trade agreements in Colombia, the European Union is the second most important trade partner for Colombia after the United States of America in both exports and imports, among the most important products of export to the European Union are coal Energy products, bananas or fresh bananas and coffee, as we can see at **¡Error! No se encuentra el origen de la referencia.** and **¡Error! No se encuentra el origen de la referencia.**, On the other hand, the main products imported by Colombia from the European Union include aircraft and other aircraft, medicines for human consumption and vehicles for the transport of people, as can be seen at **¡Error! No se encuentra el origen de la referencia.** and **¡Error! No se encuentra el origen de la referencia.**

2.4.5.3 Exportation opportunities

Colombian importers and exporters will have access to better and greater opportunities, since they can expand market opportunities, participate in production, supply and value chains, establish commercial and productive alliances, increase product competitiveness, decrease the costs of raw materials and capital goods. (Mincit, 2013).

From the MinCIT a work has been carried out to take advantage of the trade agreement with the EU and products have been identified with potential exporting to this market, based on a previous work that was carried out with inputs from Procolombia, Center for the Advancement of Trade Agreements - CAAC, Productive Transformation Program - PTP, iNNpulsas and departmental initiatives. (MINCIT, 2017)

According to MINCIT, some products with high export potential have been identified in a preliminary way due to the great opportunity offered by the European Union market; the products are divided by sectors:

- Agricultural: Lima Tahiti, papaya, pineapple, mango, gulupa, passion fruit, passion fruit and avocado.
- Agro-industrial: Chocolate and other food preparations containing cocoa, sugar confectionery without cocoa, cocoa, crude palm oil, palm oil and its fractions, crude palm kernel oil, other palm kernel oils and their fractions.
- Industrial: Other beauty, make-up and skin care preparations, bras, baby clothes, bathing suits, jeans, heat exchangers, and pumps for liquids.
- Services: Graphic and editorial communication, health tourism, outsourcing of services (BPO), software, digital animation, video games, mobile applications, and audiovisual (Procolombia, s.f). The services sector in our country makes up around 57.5% of GDP (Procolombia) and for that reason it's important in the national economy, in addition to have great growth power.

Although exports have not been statistically increased in real terms, the government has been promoting the development of non-traditional products, as the current low prices of energy products are not encouraging the development and investment of such an important sector. Colombia has acceded to different strategies that seek to develop economically and socially the country, among the allied organisms are: The International Bank for Reconstruction and Development (IBRD, the main branch of the World Bank); The International Finance Corporation (IFC - World Bank institution that supports the

private sector); The Multilateral Investment Guarantee Agency (a World Bank entity offering insurance against political risks to investors) (Dinero, 2016).

The main strategies for economic and social development that the government must take are: strengthening institutions, supporting territorial development, improving quality and increasing admission to education, strengthening fiscal policies, implementing strategies that promote development and diversification of sectors, promote the creation of formal and well-paid jobs, and finally develop the infrastructure (Dinero, 2016).

It can be concluded that there are a number of opportunities for Colombian exporters in the European Union, these recommendations mentioned above are certainly great opportunities that can be well exploited and certainly encourage the Colombian product abroad, in this case in Europe. It can also be suggested to generate added value to what is already being exported today, innovating and thus generating the European consumer need for Colombian products.

Despite the current situation in which the dollar has increased over the Colombian peso, exports have not increased in general terms, especially non-mining energy products. There are at least four reasons that can explain the situation. The first has to do with the production capacity of the companies for which they have to invest in machinery, equipment and facilities, among other components that allow to improve and increase the installed and productive capacity of companies, to find new buyers abroad (opening markets); The second is because the Colombian peso has not been the only currency to depreciate against the dollar; The third is due to the increase in raw materials and inputs, machinery and equipment; And finally it is due to the uncertainty of the exchange rate variation, because if a company decides to make a significant and expensive investment, in order for that decision to be sufficiently justifiable, it must have a high perception of stability in variables as fluctuating as exchange rate (Gómez, 2015).

2.4.5.4 Investment

The European Union is the second investor in the country, however, since the entry into force of the free trade agreement in 2013 in which were agreed commitments of stability and protection of investments of both parties (Mincit, 2013). Both parties have agreed to guarantee foreign investment by means of mutual promotion and protection agreements for investments and / or commercial agreements agreed upon by either party, which means subjecting them to the provisions of the International Center for Settlement of Investment Disputes (CIADI), which is the arbitration institution that provides impartial solutions to the possible controversies that may arise between the state and a foreign investor, on the other hand, Colombia is well qualified internationally because according to the report “Doing Business” ranks 34 out of 189 countries on the ease of doing business, which can generate greater confidence in European investors when deciding to invest in the country.

It is important to understand that in order to attract foreign investment through free trade treaties, the government must ensure foreign investor protection, liberalization and promotion of investment and good investment climate, for its part through the agreement can generate more confidence and legal certainty on such investment.

EU Foreign Direct Investment (FDI) in Colombia during the year 2015 was USD 3,638 million, 16% lower than the 2014 registration; Year in which the largest contribution to Colombia was recorded (MINCIT, 2017)

The EU is the main supplier of FDI to Colombia. In 2015, within this commercial block the country with the highest participation was Spain, accounting for 37%, followed by the Netherlands with 25% and the United Kingdom 19%. At Table 2-7 Foreign direct investment for native land year 2012 – 2016 in US\$ millions can be seen in order from the largest to the smallest European country with investment in Colombia where it can be seen that Spain, the Netherlands and England represent the main sources of foreign direct investment for Colombia from the European Union

Table 2-7 Foreign direct investment for native land year 2012 – 2016 in US\$ millions

Posición	País	2012	2013	2014	2015	2016	% part 2016	var % 2015 - 2016
1	SPAIN	628	884	2.214	1.332	1.527	39,7%	-
2	NETHERLANDS	1.792	632	450	945	1.028	26,7%	8,8%
3	ENGLAND	1.357	1.400	1.088	693	855	22,2%	23,5%
4	GERMANY	266	98	81	234	218	5,7%	-6,7%
5	FRANCE	303	532	224	181	200	5,2%	-
6	AUSTRIA	201	156	6	53	33	0,9%	-38,2%
7	ITALY	12	85	19	69	30	0,8%	-56,7%
8	BELGIUM	135	30	57	28	12	0,3%	-57,6%
9	PORTUGAL	5	6	15	9	11	0,3%	28,7%
10	DENMARK	2	16	12	2	1	0,0%	-36,7%
11	CYPRUS	7	7	-7	2	0	0,0%	-77,3%
12	SCOTLAND	-	-	-	-	-	0,0%	-
13	FINLANDIA	-	-	-	-	-	0,0%	-
14	GRECE	0	0	-	-	-	0,0%	-
15	HUNGARY	-	-	-	-	-	0,0%	-
16	LITHUANIA	-	-	-	-	-	0,0%	-
17	NETHERLANDS	-	-	-	-	-	0,0%	-
18	SWEDEN	194	95	67	153	8	-0,2%	-105,3%
19	LUXEMBURG	364	241	243	86	62	-1,6%	-28,1%
	TOTAL	1.683	3.979	4.355	3.614	3.846	100,0%	6,4%

Source: (Mincit, 2017)

During the third quarter of 2016, FDI from the EU reached USD 2.808 billion, up 13% compared to the previous year (MINCIT, 2017).

2.4.5.5 Tourism

In 2015, 361.197 travelers from the European Union entered to Colombia, 15% more than those registered in 2014, when 315.442 tourists entered. Between January and October 2016, the growth trend continued reaching 319.458 passengers (10% higher than the 2015 registration). Since 2010, 1.951.896 people from the European Union have visited Colombia.

On the other hand, during 2015, 369.962 Colombians visited some countries of the EU, 17% more than those registered in 2014 when 315,116 tourists left. Between January and October 2016, 415.563 Colombians have visited some European Union country, 32% more than during the same period of 2015. In the accumulated 2010 - 2016, 2.247.105 Colombian tourists entered this commercial block (MINCIT, 2017).

As can be seen in the table below, the share of European tourists in 2015 represented 16.01%, in 2016 15.21% in relation to the total number of foreign travelers in the world and the European Union.

Año	del mundo	de Unión Europea	Part. %
2014	1.967.814	318.322	16,18%
2015	2.288.342	366.388	16,01%
2016	2.593.057	394.275	15,21%

Source: (Oficina de Estudios Económicos, 2017)

It should be noted that Colombia is one of the tourist attractions worldwide thanks to its stable, tropical climate and the number of tourist sites that each city has, this makes the annual flow of passengers from the EU continue to increase and maintain that record. In addition to citizens residents opened the doors to visit Europe without Visa, this has increased the offer of direct flights from Colombia, something that was previously not seen because the demand was very low.

Among the main reasons for travel by travelers from the European Union are holidays, recreation and leisure, business and professional reasons, among other reasons. In the

Table 2-8 , you can see the reasons for traveling and their participation in the total number of travelers.

Table 2-8 Reasons for travel of the total number of foreigners and those coming from the European Union in 2016

Motivo de viaje	Total de viajeros	Viajeros provenientes de Unión Europea
Vacaciones, recreo y ocio	72,34%	65,75%
Trabajo	0,28%	0,42%
Visitas a familiares y amigos	0,03%	0,04%
Educación y formación	2,18%	1,87%
Salud y atención médica	0,55%	1,33%
Religión y peregrinaciones	0,04%	0,02%
Compras	0,00%	0,01%
Tránsito	0,13%	0,09%
Otros motivos	8,97%	15,44%
Negocios y motivos profesionales	15,48%	15,02%
Total	100,00%	100,00%

Source: (Oficina de Estudios Económicos, 2017)

According to the information above, the sectors that have the most impact and participation for the reason of vacations, recreation and leisure is the tourism and hotel industry; For reasons of business and professional reasons, the sectors with the greatest participation are the public and private sectors; On the other hand the health and education

sectors have a lower impact due to the weak percentage of travelers entering the country for these reasons.

In conclusion, we see the importance of the implementation of this FTA as the communication of both parties is increasing, Colombia is now a more globalized country and the flow of people has moved in many aspects, from tourism only to studies and Jobs. Something that also stands out is the importance of the increase in tourism in Colombia, since more and more often foreigners are found in the streets visiting the city, possibly many of them looking for ways to do business in their countries or wanting to find companies with they can be associated.

3 FINDINGS

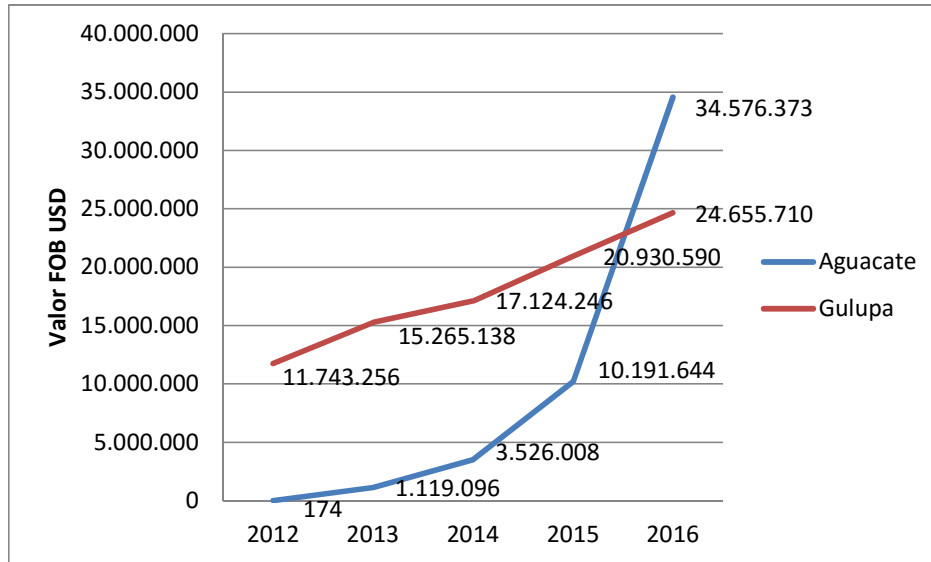
3.1 Trade between Colombia and the European Union

When you find a scenario where Colombian exports have declined towards Europe, you might think that the situation is not going down well, but it is important to do a deeper analysis. After reviewing the main groups of products exported to the European Union it is understandable that with the reduction in the price of oil at the international level and also the decrease of quantities of fuels exported to Europe (by 2016 exported 28.5% less than the previous year) this indicator has been affected.

For many years Colombia has maintained its economy based on hydrocarbons trading, unfortunately for a country it is very risky to depend on a single economic sector since the importance or the prices of its related products can vary in time. This case certainly applies to products known as raw materials or commodities that depend on the prices imposed on the international market. The challenge is to diversify the export basket of non-mining energy products. Develop and modernize the different economic sectors require learning processes where there is a timely dialogue not only between government and companies but also with educational institutions that conduct research.

Several of the main non-mining-energy exports to Europe are mainly traditional products such as coffee, flowers, palm oil and fruits such as bananas. Although these are products of great importance, we should seek more specialization in our offer abroad, in this aspect certain types of Colombian coffee are seeking differentiation with notes of special flavors and productive processes that allow to achieve unique conditions that added to a history about the origin of the product, achieve a greater added value for consumers who are not looking for the typical coffee but a new experience. And in the case of fruit we see products that have not traditionally been exported in large volumes; they experience a great increase of their exports in fresh for the euro market as it is observed in the Illustration 3.1 Colombian exportations of avocado and gulupa towards Europe (2012-2016)

Illustration 3.1 Colombian exportations of avocado and gulupa towards Europe (2012-2016)



Source: Own creation from (LEGISCOMEX, 2017)

This way, it is possible to diversify the trade in products that Colombia has traditionally not exported, such as avocado hass or specialization and differentiation from products that have traditionally exported without adding more value as the case of coffee, it is not about to selling all type of products but to look for the needs and tastes that the markets ask for, it is from the demand and the analysis of opportunities that one can have an orientation where the government, companies and educational institutions can focus their efforts. Although the agricultural sector shows great potential thanks to the comparative advantages offered by Colombia's privileged location, different manufactures should also be taken into account, such as textiles that increased their share of exports to Europe by 109.6% for 2016 according to the statistics of DANE.

Imports from Europe, the group with the largest participation is machinery and transport, the entry of these products with high added value to the country is a good indicator that a greater industrial development is being sought with the use of the new

technologies. This technological modernization is important to achieve greater competitiveness at the international level; only highly developed countries have the knowledge, economic capacity and adequate facilities for the production of state-of-the-art technologies. Another challenge for the country is to be able to develop a technological industry, but this requires highly trained professionals who can receive knowledge transfer from foreign experts and also take advantage of the increasing amount of imported technology to reverse engineer.

3.2 Colombia and the European Union

In the last decade Colombia has found a great opportunity of export to developed countries thanks to its great capacity of producing raw materials, minerals and agricultural products due to its climate and geographical location and this has been a fundamental factor to begin its expansion and globalization since the markets have opened up and have had the opportunity to find new businesses, deals, and have opened many doors in most countries worldwide.

While opportunities are opening up for Colombia abroad, its neighboring countries also receive these opportunities and, like Colombia, have the same growth capacities, but these opportunities must be well exploited since their competitors also want to continue to grow and Also to position itself in the world market.

The European market is a very important market for Colombian producers and exporters, since it is a market in which its inhabitants generally have a high purchasing power. It is a market in which consumers are well informed, which is why they are very strict at the time of purchase, preferring that products have certifications and as much information as possible on the process, provenance and environmental footprint. That is why Colombian producers and exporters with the help of agency promoters such as “Procolombia”, among others, take into account that in the case of the European market it is not enough to only produce the product, but must go further and give added value.

The agreement with the European Union also benefits Colombian importers and producers, since they can purchase raw materials and machinery with the exception of all or

part of the corresponding customs duties, for these reason importers and producers can reduce costs and be more competitive for International markets.

Throughout the investigation, we have found that the case of Colombia is good, has a great competitiveness worldwide and is well positioned in the market, but its main competitor, in this case Peru, has the same capabilities of Colombia and it's been positioning globally and mainly in Europe. Colombia must take into account that there are many opportunities in the European Union and with the capabilities of a producing country; better results can be obtained than today. Something that the producers and the exporters must take into account is that the European market has a different perception to the Colombian consumer, this one wants to consume products of quality and well elaborate, regardless of the value, whereas the Colombian has like preference the products of minor Value and it is irrelevant the origin and care in the production of the same.

3.3 Opportunities in the European market

At the moment Colombia has a wide variety of products that are commercialized in the European market, but according to the information found there is a great variety of products and foods that although they already have space for the market and established consumers, it is possible to reach a wider market And obtaining better profitability, thanks to the fact that, in very few cases, an added value is given to the product that is exported.

As for the food that is exported, as they are mainly agricultural products, we have observed that very few decide to give added value to this type of products, when referring to added value we speak of implementing a way that the product is more attractive and that the consumer pays an additional value for it without needing to make it unattainable or difficult to access.

3.4 Deficiency in the trade balance

Europe has been recognized worldwide thanks to its technological advances and the high knowledge it has in the development of machinery and cars, this has made its products

and developments are required around the world and increasingly these technologies are used more frequently, while Colombia is in the process of research and development of this type of products, although machines or cars have already been developed, the level developed by the developed countries has not been reached and this type of products have not been made known worldwide.

Colombia is a major consumer of this type of technology developed by European companies, including German and Italian, also by car brands that have been recognized worldwide; This has been of great help for Colombia since now these European cars that were previously difficult to obtain due to their high prices is now more favorable as the agreement has improved the value that before had to pay for them, like the machinery that is Import for use by multinationals.

Colombia's deficit has to do with what is imported and what is exported. While we are importing machinery, spare parts, and cars, we are exporting agricultural products and raw materials to the European Union, which can be a significant source of Revenues for Colombia and most of the producers and exporters, but compared to the benefits that the EU is obtaining, Colombia must improve and implement new forms of business such as those mentioned above in order to take full advantage of the benefits generated by the agreement.

3.5 Negative aspects and sectors losing the agreement

A free trade agreement is the means by which one or more parties can guarantee access to the market of their products and services, through the liberation or reduction of tariff barriers, the generation of new jobs and the increase of investment between the parts. It is important to understand that the advantages and disadvantages of these agreements are only reflected at the time of their entry into force, some of the disadvantages are:

Increasing non-tariff barriers, which are measures taken to increase the number of procedures and specifications that should have products such as sanitary, phytosanitary and quality, as in the case of Colombian products which must have a number of requirements to

be able to enter and compete in the European market such as coming from a certified farm, the green label or some other similar eco-label.

Increased competition may or may not put in risk domestic companies and products at the time of the arrival of competition from the partner country, as in the case of Colombia in which some sectors are highly threatened by European competitors, which have a high level of technification, production and in some cases state subsidies, as in the case of meat, milk and its derivatives.

Comercial adjustments that what happen when a country imports more than it exports, generating a difference in the commercial balance (it doesn't mean it's bad) and that is the case of Colombia with the European Union.

In addition to the disadvantages described above, it may be noted that employment is the most sensitive factor in a free trade agreement, however, the real impact of this factor can not be obtained, since it will depend on the behavior of each sector (Castro, Giraldo, & Ramírez, 2012).

Since the government was negotiating with the European Union, farmers from the representation of "Fedegán" and the milk guild expressed concern that EU dairy and meat products receive state subsidies and also have a high productivity (Dinero, 2012), so the treaty agreed to implement annual import quotas for these products, which is expected to be phased out until 2029 and the opportunity for transition for local sectors to deploy structural strategies to increase their productivity and Competitiveness against the market.

Strategies to be implemented in government, institutions and companies should be based on developing the agricultural sector and agribusiness. To this end, agrarian reforms, infrastructure development and investment access channels must be advanced. If we want to reduce the aspects and negative effects of free trade agreements, we must gradually leave aside the energy mining sector because, compared to other sectors, the energy resources are not renewable. It is for this reason that for the country to develop and expand the export supply, it must develop the comparative advantage, that is to say the agricultural sector, to base the production on products of the tropics taking advantage of the thermal floors and

climates we have (Quemba, 2013). At the Illustration 3.2 we can see the factors to take into account to improve competitiveness.

Illustration 3.2 Factors to competitiveness



Source: (Quemba, 2013)

3.6 Peru, Colombia and the European Union

The Free Trade Agreement with the European Union was signed simultaneously with Peru in order to "eliminate existing barriers to import and export with both Andean countries" (Elpais.com.co, 2013). This agreement has fulfilled the purpose with which it started and has made these countries have a better commercial relationship with the European Union and has promoted the expansion of the two sides, but in this process it has been seen that Peru has been able to take better advantage of the Situation and has understood that can grow thanks to the benefits that gives Europe and bearing in mind that the country is a great products and that taking full advantage of the resources that have can be obtained good results.

Peru has found a great business opportunity in Europe because its exports have been increasing every year as is the case of grapes and asparagus, which for 2012 increased 12% and 38% respectively (Cabanillas, 2013), because Peru is aware that Europe is a potential market and that in order to supply this amount of inhabitants, it must seek resources in other countries, such as Peru, Colombia, Brazil among others and this has a great benefit for these producers, thanks to the Trade Agreement, exports have improved and now there are new customers to be satisfied.

Colombia is in the same place, knows that it has a great opportunity in the European market and that its products are very required there, but compared to Peru, Colombia has expanded in a more leisurely way and has not taken advantage of the opportunities of Peru has done so, since Colombia has been in charge of exporting products without added value, without the idea of generating greater profitability, this would be a very important factor that would make Colombia more competitive because they would be exporting products for immediate consumption without necessity to make changes to the destination as it normally happens.

3.7 Support from the European Union to the Colombian market

The European Union has great opportunities with the entry into force of the free trade agreement with Colombia, since imports from Colombia have increased and nowadays they receive new products such as Avocado (which has increased its demand in Europe), among others, to Better prices and with better tariff preferences, in turn, Colombia has also taken advantage of some way or another the entry of the FTA, but these opportunities should be better exploited, although the results are in favor, as for example it can be noted that exports to the European Union since 2013 have increased by 50%, in addition, according to the newspaper Portfolio avocado, cacao or palm oil, have found opportunity in this market, like the banana, which today 73 % Of its exports are made to these countries (Portafolio, 2017)

An opportunity that opens in the European Union for Colombian producers is to be able to certify products with quality labels in the textile sector, which has a great impact on the Colombian economy, among the textile certifications are: Global Organic Textile Standards (GOTS) which talks about the manufacture of textile products based on organic natural fibers in at least 70% and is one of the strictest (Global Standard, 2016), On the other hand is the European Ecolabel or Eco-label which seeks to take care of the environment taking into account the waste that can be generated at the end of the life cycle of a textile product (European Commission), there is also Naturtextil certification, which is an association of German origin and seeks to protect the origin and manufacture of leather products, thus certifying their good production practices (Naturtextil).

It is possible to conclude the importance of environmental certifications in Europe and are constantly concerned about good practices in production processes, one of the factors Colombia must keep in mind if it wishes to innovate in the European market or access new markets there is that it must have at least an environmental certification in the production because in this way it will be able to get more approval in the European market and its utility will be more favorable.

4 CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

- We can conclude that the Colombian government with the free trade agreement with the European Union sought to return in an indefinite period the benefits obtained in the GSP plus, to energize the economy and emerging markets of non-traditional products, attract foreign investors and capital, promote Industrialization of the production processes of Colombian companies through the reduction of customs duties for the importation of machinery and finally increase the competitiveness of domestic products in the international markets.
- One aspect that should be highlighted is that Europe offers great opportunities to position itself in its market, and for this it launches quality labels that allow the producers that own them to be competitive in the European market, the environmental labels and the qualifications that demonstrate that the Company has social responsibility and has good production practices makes the products that are produced are accepted in the European market and can easily compete.
- In conclusion, the FTA has been very beneficial for the agroindustrial and mining energy sector because in the region are the products that have more influence and more have grown in the last five years, exports to the European Union of this type of products grew to 100 % compared to the year 2012, that is after the agreement entered into force.
- That the trade balance between Colombia and the European Union is not positive for Colombia, is not an indicator that the FTA is going badly, this is due in large part to cyclical phenomena such as the fall in oil prices that affects so much to the countries that have sustained their economy in the hydrocarbons trade; In addition imports from the European countries are mainly in technological products that in some way promote the development of the country.

- It is necessary to have more specialized products and to continue expanding the portfolio of exports of non-traditional products in order to improve Colombia's economic indicators, for this it is necessary to seek offering products (goods or services) that have an added value according to the needs of the market.
- Despite the FTA with the European Union has allowed Colombia to continue and even increase the products that can enter with tariff benefits, non-tariff barriers such as the certifications and legal regulations necessary for adequate market entry have made it difficult and many entrepreneurs are able to take advantage of the tax benefits and opportunity offered by Eurozone countries. Being able to comply with regulations and having the certifications required by the market can be an expensive process for a company but it is through this that the company manages to improve its processes, and increase its value to the customer.
- It can be concluded that Colombia being an emerging market in Latin America and one of the strongest economies in this region, can be a little more competitive in the European market, knowing to take advantage of its resources and innovating with business ideas that can generate the profitability that it expects when a commercial agreement is signed with such a large and important community at a global level, but first the consumption of local products must be strengthened and so that these products are then consumed abroad, because something that has characterized the market is the consumption of imported products that do not benefit local producers.
- One of the most important aspects to be taken into account in the analysis carried out in the course of the investigation is that Colombia must make improvements in order to increase its income and profitability, as research indicates that Colombia has one of the most expensive logistics services in the continent (Triana, 2017), what plays an important role in the negotiation and competitiveness, since like Peru they have a commercial agreement in force with the same economic group but with the difference that this one has very low logistical and port costs.

- The free trade agreement studied can also be recognized as a north-south agreement, which refers to that integration between developing countries with developed countries, which have a growing tendency since they are increasingly frequent. In spite of the comparison in the level of economic development of one of the parties, the aim of these types of agreements is that in some way or another both countries benefit, although the statistics indicate the opposite as in the case of study of this work In which since the beginning of the treaty the balance is deficit for Colombia and what does not necessarily mean that it is a negative or harmful indicator, because as can be seen throughout the work are several circumstances and events that explain such behavior.
- Although in the current economic situation, where the price of the dollar has appreciated considerably against the Colombian peso and which could be understood that it is the moment for the exporters to take advantage of this conjuncture, nevertheless the reality is another due to that there are two great reasons the first is that not only is the Colombian currency depreciated and the second is that the raw materials, components, machinery and equipment have become expensive, so on the one hand the exporters can be more competitive in the international markets And earn more income, on the other, they have increased their production and investment costs.

4.2 Recommendations

The high demands and dynamism of the European Union market makes it a challenge for Colombian products to access and compete in that market, which is why, although the government and institutions promoting opportunities abroad have given Monitoring and supporting the issue, it is necessary to create an entity or at least special programs between both parties to the agreement to facilitate compliance with the legal requirements demanded by the European market, in order to increase the volume of goods to the country. For this it

is necessary to accompany the entrepreneur helping him to identify the certifications that his product requires and through which entities he can obtain them. It should be checked whether the national certification bodies can increase their requirements and be certified with the requirements of the European community or if it is preferable to go through an initially local certifying process and then with the competent entities abroad.

As important as weakening non-tariff barriers is to continue promoting programs that help drive innovation in products and business ideas, with an articulated dialogue and interaction between government, academia and companies should be encouraged to make every day more relevant research to increase the value offered to a demanding customer as the European. Advancing without knowing the needs of the market is to focus efforts on very uncertain results, and even knowing the need but looking for a way to differentiate and gain some advantage over the competition can be difficult to be competitive. Although there are already entities that promote innovation as "Ruta N" in the city of Medellin, it is necessary to increase the capacity to develop and channel innovative ideas that arise from the large number of companies, entrepreneurs and researchers that through programs and appropriate advice can reach international markets such as Europe.

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