

SUMMARY OF UK-CENTRAL AMERICA ASSOCIATION AGREEMENT

On July 18th, 2019, the United Kingdom (UK), Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama signed the UK-Central America Association Agreement to ensure that Central America and the UK will benefit from continued trade after the UK leaves the European Union.

What does the agreement cover?

The agreement will establish a political and economic association between Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and the UK. It aims to protect a trade flow of £1 billion (in 2018) between the UK and Central America. The agreement is also meant to replace the European Union (EU) -Central America Agreement once the UK leaves the EU.

The agreement covers:

- trade in goods and services, including provisions on rules of origin, preferential tariffs and quotas
- intellectual property
- geographical indications
- government procurement

The agreement will ensure British businesses and consumers benefit from continued access to the region after the UK leaves the EU. For instance, consumers in the UK will continue to benefit from lower prices on goods imported from Central American countries party to this agreement. The same applies to consumers in Central America who will benefit from lower tariffs on goods produced in the UK.

It is preferable to trade on these terms rather than on World Trade Organization (WTO) terms, because this way the UK can strengthen its trading relationship with Central America and support British jobs.

The UK-Central America Association Agreement replicates some elements of the EU-Central America Agreement, such as provisions on political dialogue, increased economic ties and other forms of cooperation between the two regions on issues like the environment and human rights.

Then Foreign Secretary Jeremy Hunt welcomed the new Agreement and said: “This agreement is of real importance as we prepare to leave the European Union and strengthen our ties with the rest of the world.”

When does the agreement take effect?

The UK ceased to be a member of the political institutions of the EU on January 31st 2020. However, it will continue to be treated as a member of the single market and customs union until December 31st, 2020, which is the end of the transition period following its departure from the EU. The EU also requested that third countries with EU trade agreements treat the UK as a member state during this period.

Thus, the UK-Central America Association Agreement will not enter into force while the EU-Central America Agreement continues to apply to the UK.

Written Lucía Fernández.

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