EU–Central America Association Agreement

In April 2024, 12 years after the EU and Central America signed an association agreement (AA), the Council finally adopted a decision to conclude the agreement. Belgium was the last EU Member State to ratify the agreement, on 17 January 2024. This was the final step of the ratification process, which allows for the full implementation of the agreement (since 1 May 2024) with the Central American region consisting of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Full entry into force could give considerable impetus to bi-regional relations, as the AA’s three fundamental parts – political dialogue, cooperation and trade – can now mutually reinforce each other.

Background

Negotiations for an AA between the EU and Central America, including the establishment of a free trade agreement, were formally launched in October 2007 following a Council decision to authorise these negotiations in April 2007. Negotiations successfully concluded in May 2010, and the EU and the Central American states signed the AA on 29 June 2012 in Tegucigalpa, Honduras.

As a mixed agreement, the AA required approval at both EU and Member State levels. On 11 December 2012, the European Parliament gave its consent to the AA, the first bi-regional association agreement the EU had signed since the entry into force of the Treaty of Lisbon in 2009. While the AA’s political dialogue and cooperation parts could not be activated before ratification by all EU Member States, the trade pillar – Part IV of the AA – has been provisionally applied since 2013 (trade being an exclusive EU competence). The trade agreement replaced the unilateral preferential access to the EU market that was granted to the Central American states under the EU’s generalised scheme of preferences. However, it took almost 12 years for all Member States to ratify the AA, with Belgium being the last Member State to ratify it, on 17 January 2024. This finalised the ratification procedure and allowed for the AA’s full implementation (since 1 May 2024).

Relations between the EU and Central America are governed by the EU–Central America Political Dialogue and Cooperation Agreement (PDCA) and (since its entry into force) the EU-Central America AA. The AA includes essential element clauses that reflect core values shared by both parties, such as the need to uphold the principles of the rule of law, democracy and human rights. In the event of violation of these essential clauses by one of the parties, the AA provides for the possibility to suspend the agreement.

Should the EU consider that a serious violation of the ‘essential elements’ has occurred, suspension would require a Council decision, based on a Commission proposal, under Article 218(9) of the Treaty on the Functioning of the EU (TFEU). The European Parliament’s approval would not be required to take such a decision. However, according to Article 218(10) TFEU, Parliament would have to be immediately and fully informed at all stages.

As regards the institutional framework, the AA established an Association Council (composed of representatives of the EU party and of each of the republics of the Central American party at ministerial level), to oversee the fulfilment of the agreement’s objectives and its implementation.

The Association Council will be assisted in its duties by an Association Committee, made up of representatives of the EU party and of each of the republics of the Central American party, at senior-official level. An Association Parliamentary Committee has also been also established, consisting of Members of the European Parliament on the EU side, and of members of the Parlamento Centroamericano (Parlacen) and – for republics of the Central American party that are not members of Parlacen, representatives designated by their respective National Congresses – on the Central American side, who will meet and exchange views.
The three pillars of the AA: Political dialogue, cooperation and trade

**Political dialogue**
On political dialogue, covered under Part II, the AA sets the goal of developing a privileged political partnership based on values, principles and common objectives. The political dialogue covers all aspects of mutual interest at regional or international levels, including: good governance; democracy; human rights; promotion and protection of the rights and fundamental freedoms of indigenous peoples; migration; poverty reduction and social cohesion; core labour standards; the protection of the environment and the sustainable management of natural resources; corruption; drugs; and transnational organised crime. The AA sets out particular areas for political cooperation (Articles 13 to 24 of the AA), such as migration, the environment, citizens' security, good tax governance, and serious crimes of international concern. The list is not exhaustive, as the parties can agree at any time to add any other topic as an area for political dialogue.

**Cooperation**
The general objective of cooperation is to support implementation of the AA, to achieve effective partnership between the two regions, by 'facilitating resources, mechanisms, tools and procedures'. Cooperation is envisaged in the following priority areas (Titles I to IX of the AA): (a) strengthening peace and security; (b) helping to reinforce democratic institutions, good governance and full applicability of the rule of law, gender equality, all forms of non-discrimination, cultural diversity, pluralism, promotion and respect for human rights, fundamental freedoms, transparency and citizen participation; (c) contributing to social cohesion through the alleviation of poverty, inequality, social exclusion and all forms of discrimination; (d) promoting economic growth with a view to furthering sustainable development; (e) deepening the process of regional integration in Central America; and (f) reinforcing production and management capacities and enhancing competitiveness, thereby opening up trade and investment opportunities for all economic and social players in the two regions.

**Trade**
The AA establishes a free trade area to expand, facilitate and diversify trade in goods and liberalise trade in services, among other things. The AA's trade pillar (Part IV) has been provisionally applied since 1 August 2013 with Honduras, Nicaragua and Panama, since 1 October 2013 with Costa Rica and El Salvador, and since 1 December 2013 with Guatemala. Total trade between the EU and Central American countries has since risen steadily, from €8.7 billion in 2012 to an all-time high of €22 billion in 2023 – a 154% increase. The trade pillar contains a Trade and Sustainable Development (TSD) Title. Commitments include the implementation of the fundamental International Labour Organization (ILO) conventions, multilateral environmental agreements such as the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change, and the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES).

Under the AA’s TSD Title, each party is expected to establish an advisory group on trade and sustainable development, with the task of expressing views and making recommendations on trade-related aspects of sustainable development. In addition, the trade pillar stipulates that the parties should organise and facilitate a bi-regional civil society dialogue forum (on an annual basis), with balanced representation of economic, social and environmental stakeholders. However, the TSD chapter is excluded from the general dispute settlement system of the AA as a whole. If a violation of labour or environmental provisions arises, the issue can be discussed in governmental consultations. As a last resort, a panel of experts can be established. No provision exists for sanctions if the panel’s recommendations are not followed up.

The European Parliament gave its consent to the EU–Central America Association Agreement on 11 December 2012 and adopted a report on the implementation of its trade pillar on 11 December 2018. Parliament has expressed its position on relations with Central American countries on several occasions, in meetings and resolutions. Parliamentary dialogue between the partners has been fostered through Parliament’s Delegation for relations with the countries of Central America (DCAM). Parliament has been particularly outspoken on the rule of law and human rights situation in the region. Currently, the DCAM is working with Parlacen and the Legislative Assembly of Costa Rica on setting up a joint parliamentary committee in line with Article 9 of the AA.