

Short written statement for the hearing of Committee on Economics and Technology Development
of the German Parliament (13 March 2013)

How the Free Trade Agreement EU – Colombia & Peru contributes to financial deregulation, illicit
financial flows and money laundering
(based on the SOMO Research Report, December 2012)

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The report¹ “Free Trade Agreement EU-Colombia & Peru: Deregulation, illicit financial flows and money laundering” (December 2012) assessed how the EU-Colombia-Peru free trade agreement (FTA) deals with the liberalisation of financial services and capital movements in the context of problems of illegal financial flows existing between the signatory countries due to money laundering, drug trafficking and tax avoidance or tax evasion mechanisms. The report concluded that the FTA exposes the EU as well as Colombia and Peru to increasing risks of money laundering and tax evasion due to the liberalisation of money transfers. A major problem is that the FTA does not impose on the signatory countries specific obligations to fight money laundering and drug trafficking nor does the FTA has specific instruments to cooperate on those criminal financial transactions, although the EU incorporated such cooperation instruments in the EU-Central America FTA. As a result, crimes and breaching of human rights by criminal gangs continue to be financed while tax income is lost.

In addition, the FTA rules undermine the EU’s full future policy space to regulate the financial sector and capital flows. Different articles in the FTA (e.g. the “market access” rules) forbid or undermine how the signatory countries can regulate their financial sector, and they are in contrast with current EU financials reforms for banking and the financial markets. The right to take prudential measures is weakly formulated and submitted to too many conditions.

These regulatory “disciplines” will be increased in the upcoming negotiations for a new ‘International Services Agreement’ (ISA) in which the EU, Colombia and Peru take part..

¹ M. Vander Stichele, Free Trade Agreement EU-Colombia & Peru: Deregulation, illicit financial flows and money laundering, Research report commissioned by the GUE/NLG Group of the European Parliament, December 2012, <http://somo.nl/news-en/somo-news/serious-risks-in-free-trade-agreement-between-eu-colombia-and-peru>.