



# **Ex post evaluation of the implementation of the Trade Agreement between the EU and its Member States and Colombia, Peru and Ecuador**

Inception Report  
Draft, September 2020

Prepared by BKP Economic Advisors  
[September 2020]

The views expressed in the report are those of the consultant,  
and do not present an official view of the European Commission.



**EUROPEAN COMMISSION**

Directorate-General for Trade  
Directorate D — The Americas, Agriculture and Food Safety  
Unit D2, Latin America

*European Commission  
B-1049 Brussels*

# **Ex post evaluation of the implementation of the Trade Agreement between the EU and its Member States and Colombia, Peru and Ecuador**

Inception Report

Draft, September 2020

The information and views set out in this report are those of the authors and do not necessarily reflect the official opinion of the Commission. The Commission does not guarantee the accuracy of the data included in this study. Neither the Commission nor any person acting on the Commission's behalf may be held responsible for the use which may be made of the information contained herein.

***Europe Direct is a service to help you find answers  
to your questions about the European Union.***

**Freephone number (\*):**

**00 800 6 7 8 9 10 11**

(\*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

#### **LEGAL NOTICE**

This document has been prepared for the European Commission, however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the Internet (<http://www.europa.eu>).

Luxembourg: Publications Office of the European Union, 2020

© European Union, 2020

Reproduction is authorised provided the source is acknowledged.

## **ABSTRACT**

Since 2013, the European Union (EU) has a Trade Agreement with Colombia and Peru in place, which Ecuador joined in 2017. The European Commission has now commissioned a consortium led by BKP Economic Advisors to undertake an evaluation of the Agreement's implementation and impact. The evaluation is undertaken over the period April 2020 to May 2021 and analyses the economic, social and environmental, and human rights (including labour rights) effects which the Agreement has had since its application in the various Parties. In terms of evaluation criteria, it will review the effectiveness, impact, efficiency, coherence and impact of the Agreement and its implementation. It will also comprise a number of case studies to illustrate or add detail to broader findings.

This draft inception report presents the evaluation methodology as well as a descriptive summary of the Agreement and its implementation so far, and a brief review of relevant studies on the Agreement.

# TABLE OF CONTENTS

|   |      |
|---|------|
| LIST OF BOXES, TABLES AND FIGURES .....   | VII  |
| ACRONYMS.....   | VIII |
| 1 INTRODUCTION: EVALUATION CONTEXT, SCOPE AND OBJECTIVES .....  | 1    |
| 2 DESCRIPTION OF THE EU-COLOMBIA/PERU/ECUADOR TRADE AGREEMENT .....   | 2    |
| 2.1 Context of the Agreement Negotiations .....   | 2    |
| 2.2 Structure of the Agreement .....  | 4    |
| 2.3 Institutional set-up of the Agreement.....  | 9    |
| 2.4 Operational context of the implementation of the Agreement .....  | 11   |
| 3 LITERATURE REVIEW.....  | 14   |
| 4 EVALUATION FRAMEWORK.....   | 18   |
| 4.1 Intervention Logic of the Agreement .....   | 18   |
| 4.2 Evaluation Questions, Judgement Criteria and Indicators .....   | 20   |
| 5 OVERALL EVALUATION METHODOLOGY AND TOOLS.....   | 26   |
| 5.1 Analysis of the Agreement's economic effects.....   | 26   |
| 5.1.1 Task 9.1: Analyse the evolution of trade in goods .....   | 26   |
| 5.1.2 Task 9.2: Present the overall economic impacts.....   | 27   |
| 5.1.3 Task 9.3: Analyse the evolution of trade in services and foreign direct investment .....  | 28   |
| 5.1.4 Task 9.4: Determine the impact on implementation of the Agreement of the various institutional structures.....  | 29   |
| 5.1.5 Task 9.5: Analyse to what extent the implementation of the customs and trade facilitation-related provisions of the Agreement have simplified or complicated life for key stakeholders..... | 30   |
| 5.1.6 Task 9.6. Analyse the implementation of the SPS Measures chapter of the Agreement....   | 30   |
| 5.1.7 Task 9.7: Analyse the implementation of the government procurement chapter of the Agreement .....   | 31   |
| 5.1.8 Task 9.8: Analyse the implementation of other areas of the Agreement .....  | 32   |
| 5.1.9 Task 9.9: Analyse the impact of the tariff concession granted by the EU for imports of bananas 32   |      |
| 5.1.10 Task 9.10: Analyse the impact of the Agreement on diversification of bilateral trade .....   | 33   |
| 5.1.11 Task 9.11: Analyse the impact of the Agreement on SMEs .....   | 33   |
| 5.1.12 Task 9.12: Analyse the impact of the Agreement on consumers.....   | 34   |
| 5.1.13 Task 9.13: Analyse the impact of the Agreement on the budgets of the EU and the partner countries.....   | 36   |
| 5.1.14 Task 9.14: Analyse the impact of the Agreement on EU Outermost Regions (ORs) .....   | 36   |
| 5.1.15 Task 9.15: Analyse the impact of the Agreement on developing countries and LDCs.....   | 36   |
| 5.2 Analysis of effects of the Agreement's implementation on sustainable development ...  | 36   |
| 5.2.1 Economic and social dimensions.....   | 36   |
| 5.2.1.1 Task 10.1: Effects of implementation of the TSD chapter.....  | 36   |
| 5.2.1.2 Task 10.2: Institutions under the TSD chapter .....   | 38   |
| 5.2.1.3 Task 10.3: Employment impacts.....  | 39   |
| 5.2.1.4 Task 10.4: Impacts on pillars of Decent Work Agenda, working conditions, labour standards, social protection, other public policies, and labour inspection.....                           | 40   |
| 5.2.1.5 Task 10.5: Impacts on the informal economy and informal employment.....   | 41   |
| 5.2.1.6 Task 10.7: Impacts on uptake of responsible business conduct/corporate social responsibility practices .....  | 42   |
| 5.2.1.7 Task 10.8: Impacts on women (gender equality) .....   | 43   |
| 5.2.2 Environmental dimension (task 10.6) .....   | 44   |
| 5.2.2.1 Activity 1: Fine-tuned methodology and 1 <sup>st</sup> round of impact screening.....   | 46   |
| 5.2.2.2 Activity 2. Establishing the baseline .....   | 50   |
| 5.2.2.3 Activity 3. Quantitative evaluation of impacts .....  | 50   |
| 5.2.2.4 Activity 4. Qualitative evaluation of impacts .....   | 51   |
| 5.3 Analysis of the Agreement's effects on human rights (Task 11) .....   | 52   |
| 5.3.1 Screening and scoping for specific human rights impacts .....   | 53   |

|       |  |    |
|-------|--|----|
| 5.3.2 | Detailed assessment of specific human rights impacts ..... | 55 |
| 5.4   | Concluding tasks .....                                     | 58 |
| 6     | CASE STUDY SELECTION AND METHODOLOGY .....                 | 58 |
| 6.1   | Case Study Selection .....                                 | 58 |
| 6.2   | Case Studies – Summaries and Methodologies .....           | 60 |
| 7     | CONSULTATIONS .....  | 65 |
| 7.1   | Consultation Strategy.....                                 | 65 |
| 7.2   | Study Website and Electronic Communications .....          | 66 |
| 8     | STUDY WORK PLAN.....                                       | 66 |
|       | REFERENCES .....   | 71 |
|       | APPENDICES.....  | 73 |
|       | Appendix A: Draft Outline for Interim/Final Report.....    | 73 |
|       | Appendix B: Consultation Strategy and Plan .....           | 74 |
|       | Appendix C: Literature review .....                        | 75 |

## LIST OF BOXES, TABLES AND FIGURES

|  |    |
|--|----|
| Box 1: Structure of the EU-Colombia/Peru/Ecuador Trade Agreement .....   | 5  |
| Box 2: Summary of the CGE model used for the evaluation .....  | 27 |
| Box 3: Methodology for environmental case studies.....   | 65 |
| Table 1: Overview of Colombia, Peru and Ecuador’s trade agreements signed or entered into force since 2012 .....             | 12 |
| Table 2: Quantified economic and social impacts the the Agreement – comparison of findings in the literature .....           | 17 |
| Table 3: Analytical framework for the evaluation of the implementation of the EU-Colombia/Peru/Ecuador Trade Agreement ..... | 21 |
| Table 4: Methodological approaches and sources for the analyses of trade in goods (task 9.1).....                            | 26 |
| Table 5: Methodological approaches and sources for the analysis of trade in services (task 9.3)...                           | 28 |
| Table 6: Methodological approaches and sources for the analysis of bilateral FDI (task 9.3).....                             | 29 |
| Table 7: Overview of environmental impact areas and sub-areas .....  | 47 |
| Table 8: Preliminary overview of the human rights indicators.....  | 57 |
| Table 9: List of proposed case studies.....  | 59 |
| Table 10: Study schedule .....   | 67 |
| Figure 1: Overall evaluation approach.....   | 2  |
| Figure 2: Intervention Logic of the EU-Colombia/Peru/Ecuador Trade Agreement .....   | 19 |
| Figure 3: Overall environmental approach for evaluation of impacts .....   | 46 |
| Figure 4: Overview of the multi-pronged approach to human rights impact assessment .....                                     | 56 |
| Figure 5 Conceptual model of the causal chain analysis .....   | 65 |

## ACRONYMS

|       |   |          |   |
|-------|---|----------|---|
| ACP   | African, Caribbean, Pacific   | LDC      | Least Developed Country   |
| BATIS | Balanced Trade in Services  | LULUCF   | Land use, land use change and forestry                          |
| CCA   | Causal Chain Analysis   | MERCOSUR | Mercado Común del Sur   |
| CGE   | Computable General Equilibrium  | MFN      | Most-Favoured Nation  |
| CPI   | Consumer Price Index  | MSME     | Micro, Small, or Medium-sized Enterprise                        |
| CPTPP | Comprehensive and Progressive Agreement for Trans-Pacific Partnership | NGO      | Non-Governmental Organisation                                   |
| CSD   | Civil Society Dialogue  | NTB      | Non-Tariff Barrier  |
| CSR   | Corporate Social Responsibility                                       | OECD     | Organisation for Economic Cooperation and Development           |
| DAG   | Domestic Advisory Group   | OHCHR    | Office of the United Nations High Commissioner for Human Rights |
| DG    | Directorate-General   | OR       | Outermost Region  |
| ECLAC | Economic Commission for Latin America and the Caribbean               | PCDA     | Political Cooperation and Dialogue Agreement                    |
| EESC  | European Economic and Social Committee                                | RBC      | Responsible Business Conduct                                    |
| EFTA  | European Free Trade Association                                       | RoO      | Rules of Origin   |
| EP    | European Parliament   | SDGs     | Sustainable Development Goals                                   |
| EQ    | Evaluation Question   | SIA      | Sustainability Impact Assessment                                |
| EU    | European Union  | SME      | Small or Medium-sized Enterprise                                |
| FDI   | Foreign Direct Investment   | SPS      | Sanitary and Phyto-Sanitary                                     |
| FRA   | EU Agency for Fundamental Rights                                      | TBT      | Technical Barriers to Trade                                     |
| FTA   | Free Trade Agreement  | TISMOS   | Trade in Services data by mode of supply                        |
| GATS  | General Agreement on Trade in Services                                | ToR      | Terms of Reference  |
| GDP   | Gross Domestic Product  | TRIPS    | Trade-Related Aspects of Intellectual Property Rights           |
| GHG   | Greenhouse Gas  | TRQ      | Tariff Rate Quota   |
| GIs   | Geographical Indications  | TSD      | Trade and Sustainable Development                               |
| GPA   | Government Procurement Agreement                                      | UN       | United Nations  |
| GSIM  | Global Simulation   | UNCTAD   | United Nations Conference on Trade and Development              |
| GSP   | Generalised Scheme of Preferences                                     | UNECE    | United Nations Economic Commission for Europe                   |
| GTAP  | Global Trade Analysis Project   | WTO      | World Trade Organisation  |
| HLPD  | High Level Political Dialogue   |          |   |
| HRIA  | Human Rights Impact Assessment  |          |   |
| ILO   | International Labour Organisation                                     |          |   |
| IPR   | Intellectual Property Rights  |          |   |
| JC    | Judgement Criterion   |          |   |
| LAIA  | Latin American Integration Association                                |          |   |



## 1 INTRODUCTION: EVALUATION CONTEXT, SCOPE AND OBJECTIVES

Since 2013, the European Union (EU) has a Trade Agreement with Colombia and Peru in place, which Ecuador joined in 2017. The Agreement gradually opens up markets on both sides and increases the stability and predictability of the trade and investment environment. It is also one of the first “new generation” trade agreements of the EU, characterised by its comprehensive scope that covers, in addition to liberalisation of trade in goods and services, investment, public procurement, competition, intellectual property rights, as well as trade and sustainable development issues.

After several years of implementation, an evaluation is undertaken with the **objective** of analysing the economic, social and environmental, and human rights (including labour rights)<sup>1</sup> impacts of the implementation of the Agreement and, ultimately, of determining whether there is a need to improve its implementation. To support the European Commission’s own evaluation of the Agreement, the Directorate-General (DG) for Trade has awarded a contract for the “Ex post evaluation of the implementation of the Trade Agreement between the EU and its Member States and Colombia, Peru and Ecuador” to a consortium led by BKP Economic Advisors (BKP). The evaluation is carried out by a team involving expert from BKP, Trade Impact BV, Global Sustainable Solutions, Trinomics, the Universidad del Rosario in Bogota, the Universidad San Francisco in Quito, and the Institute of Peruvian Studies in Lima. Work started in late April 2020 and will continue over 13 months.

The **scope** of the evaluation can be delineated as follows: in terms of the *period covered*, it covers the whole implementation period of the Agreement since the start of provisional application (2013 for the EU, Colombia and Peru, 2017 for Ecuador) up to now, also comparing, where appropriate with a pre-Agreement period of five years (i.e. starting in 2008). *Geographically*, it primarily covers the Parties to the Agreement,<sup>2</sup> although some effects of the Agreement on selected third countries, such as developing countries and particularly least developed countries (LDCs), as well as some global effects (e.g. climate change) will also be covered. With regard to the *evaluation criteria*, effectiveness, impact, efficiency, coherence and relevance will be considered. Finally, as already mentioned, in terms of *types of effects* considered, the evaluation will cover economic, social, environmental and human rights (including labour rights) effects which the Agreement may have had either as a result of the changes in trade it has brought about, or through the implementation of the provisions of the Agreement text itself, notably the provisions in the Trade and Sustainable Development (TSD) chapter.

Although most data to be considered for the evaluation is likely to refer to the world pre-covid-19, the pandemic will have an impact on the study. First, in terms of the evaluation implementation, it is likely to affect the consultation activities that can be undertaken physically. Second, in substantive terms it will be important to pay attention to issues which are priorities for stakeholders in the current circumstances (e.g. by selecting case studies accordingly), and to consider that e.g. stakeholder views might be affected by the current situation.

This draft inception report is the first deliverable under the contract. It comprises the first six tasks of the evaluation (as established in the Terms of Reference; see Figure 1) and focuses on a presentation of the evaluation methodology and is structured as follows: Chapter 2 provides a descriptive summary of the Agreement and its implementation so far (task 4), followed in Chapter 3 by a brief review of relevant studies on the Agreement (task 3). Chapter 4 presents the evaluation framework (task 1). The methodology proposed

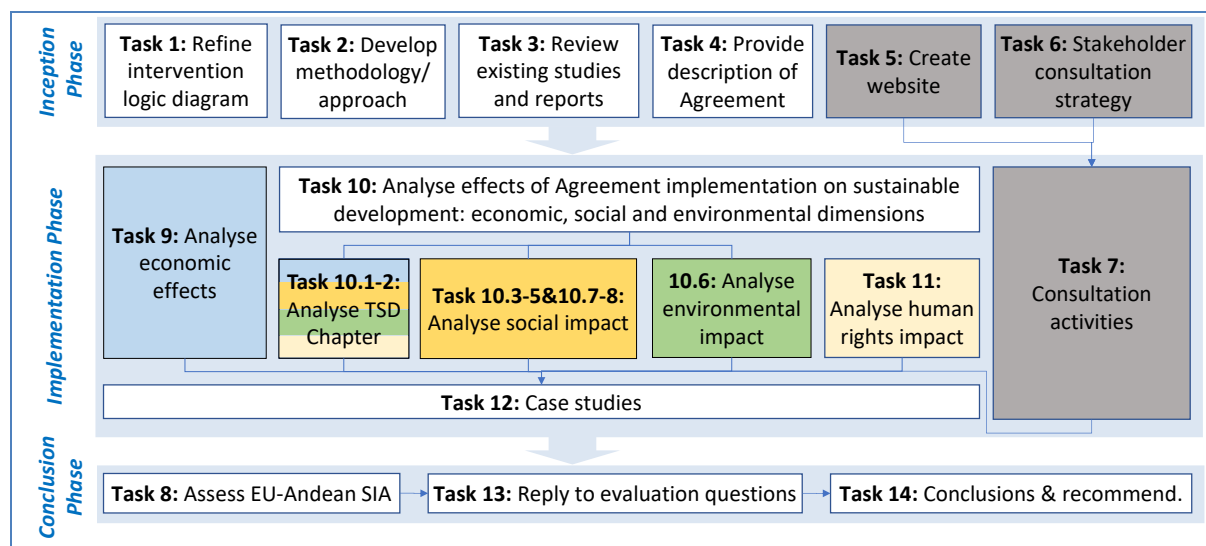
---

<sup>1</sup> Whenever this report refers to human rights, this includes labour rights.

<sup>2</sup> The Agreement’s impact is relatively more limited in the EU (simply due to the difference in size), and the implementation period in Ecuador has been relatively short so far.

(task 2) to respond to the various evaluation questions is presented in Chapter 5 (overall methodology) and 6 (case studies). Chapters 7 and 8 refer to the consultation strategy (task 5 and 6; presented as a separate document in Appendix B) and the evaluation work plan. The draft outline of the interim and final evaluation reports is presented in Appendix A; other appendices provide further details on certain elements of the report.

**Figure 1: Overall evaluation approach**



The next report to be delivered is the draft interim report, scheduled for the end of November 2020.

## 2 DESCRIPTION OF THE EU-COLOMBIA/PERU/ECUADOR TRADE AGREEMENT

### 2.1 Context of the Agreement Negotiations

The Andean Community is a regional integration bloc founded in 1969 and currently comprising four countries: Bolivia, Colombia, Ecuador and Peru<sup>3</sup>. It was established with the signing of the Cartagena Agreement (Andean Subregional Integration Agreement), which aimed at creating a customs union and a common market among the members. The free trade area created by the four members became fully operational in 2006, after Peru was fully incorporated.

EU cooperation with the Andean Community can be traced back to the Andean Community Cooperation Agreement of 1983, which established a Joint European Community–Andean Community Committee. In 1993, the Framework Cooperation Agreement between the European Communities and the Andean Community was agreed and strengthened in 1996 by the Declaration of Rome<sup>4</sup>, which institutionalised the political dialogue between the two Parties. Under this framework, a Political Cooperation and Dialogue Agreement (PCDA) between the EU and Andean Community was adopted in 2003<sup>5</sup>. The 2003 PCDA (which was ultimately withdrawn following the approval of a new PCDA in February 2016<sup>6</sup>) was negotiated with the intention of further promoting cooperation between the Parties on a wide range of topics. Specifically, Article 2 of the PCDA referred to the Parties' objective to

<sup>3</sup> Chile was a founding member of the original Andean Pact in 1969 but withdrew in 1976; Venezuela joined in 1973 but withdrew in 2006.

<sup>4</sup> Joint Declaration on Political Dialogue between the European Union and the Andean Community.

<sup>5</sup> COM (2003) 695.

<sup>6</sup> Joint proposal JOIN/2016/04 final of 3 February 2016; see section 2.4.

work towards creating the conditions under which a feasible and mutually beneficial Association Agreement, including a Free Trade Agreement, could be negotiated.

Negotiations between the EU and the Andean Community for a region-to-region Association Agreement, including political dialogue, cooperation and trade were launched in June 2007. The negotiations were however suspended in June 2008 after disagreements among Andean countries on approaches to a number of key trade issues. A new negotiating format was put in place offering a thematic and geographical split of these negotiations: (i) continued regional negotiations between the EU and the Andean Community as a whole on political dialogue and cooperation (an update of the above-mentioned PCDA, which at the time was awaiting final ratification) and (ii) “multi-party” trade negotiations between the EU and any member of the Andean Community willing to reach an ambitious, comprehensive and balanced Trade Agreement compatible with the WTO. The latter started with three of the Andean Community countries – Colombia, Ecuador and Peru – in February 2009.

At the time of these negotiations, Colombia, Ecuador and Peru (as well as Bolivia) were benefitting from unilateral preferential access to the EU market under the EU’s Generalised Scheme of Preferences (GSP), specifically the GSP+ arrangement. However, the three countries faced (unlike Bolivia) the prospect of losing GSP status as a result of the upcoming reform of the GSP: one of the objectives of the proposed reform was to focus the GSP preferences on the countries most in need and specifically, it was anticipated that countries “classified by the World Bank as a high-income or an upper-middle income country during three consecutive years immediately preceding the update of the list of beneficiary countries” would no longer be eligible to benefit from the scheme<sup>7</sup>. Based on this criterion – which was indeed included in the final version of the new GSP Regulation adopted in 2012<sup>8</sup> – Colombia, Ecuador and Peru were expected to no longer be eligible for GSP references as of 2014. This meant that in the absence of a trade agreement with the EU, the three Andean countries were running the risk of losing preferential access to EU markets and facing Most Favoured Nation (MFN) tariffs instead.

The EU, Colombia and Peru reached an agreement on the key elements of a trade deal in March 2010 after nine negotiation rounds. The conclusion of negotiations was formally announced in May 2010 during the VI European Union, Latin America and the Caribbean (EU-LAC) Summit held in Madrid. Peruvian authorities declared at the time that the Agreement was part of a comprehensive trade strategy that sought to turn Peru into an exporting country, consolidating more markets for its products, developing a competitive exportable offer and promoting trade and investment; in this context, they also highlighted that the EU was the main provider of foreign investment in Peru (especially in the telecommunications, energy, mining and financial sectors) and that the Agreement would consolidate free entry for export products such as asparagus, paprika and silver, among others<sup>9</sup>. Colombia’s Ministry of Trade declared that the trade agreement with the EU would allow Colombia to achieve a preferential and permanent relationship with a key player in the global economy, which was also Colombia’s second largest trading partner and the second largest investor in the country. The Ministry noted that the Agreement would grant duty-free access to the EU market for 99.9% of Colombia’s industrial exports and for several agricultural goods such as flowers, tobacco, coffee and processed products, biofuels, palm oil, and most fruits and vegetables, among others. The Ministry also put emphasis on the fact that Colombia achieved a reduction of the tariff for bananas (which would provide preferential access over other EU banana suppliers facing MFN tariff) and

---

<sup>7</sup> COM(2011)241, Proposal for a Regulation of the European Parliament and of the Council applying a scheme of generalised tariff preferences, 10.5.2011.

<sup>8</sup> Regulation (EU) No. 978/2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008.

<sup>9</sup> Presidencia de la República del Perú, Press release, 19 May 2020.

that the Agreement would include measures to protect the Colombian dairy sector and give it time to become competitive vis-à-vis European dairy firms.<sup>10</sup>

The EU-Colombia/Peru Trade Agreement was initialed in March 2011, with EU Trade Commissioner declaring that it would 'create a foothold for European business in the area and an anchor for structural reforms in the countries concerned', and noting that the Agreement also 'recognised that the EU's partnership with Colombia and Peru is based on the respect of democratic principles and fundamental human rights'. The Agreement was then signed in June 2012 and has been provisionally applied with Peru since March 2013 and with Colombia since August 2013.<sup>11</sup>

In 2013, negotiations resumed with Ecuador for its accession to the Agreement and the negotiations were concluded in July 2014. Ecuador's Ministry of Trade stated at the time that the agreement reached was 'a balanced agreement, which maximized opportunities, minimized costs, respected Ecuador's development model and protected Ecuador's sensitive sectors'<sup>12</sup>. EU Trade Commissioner declared that Ecuador's accession to the Agreement would provide for a solid and predictable framework for Ecuadorian and European traders and investors and would also contribute to regional integration in one of the fastest-growing markets for European firms in Latin America<sup>13</sup>. The Protocol of Accession for Ecuador was signed in November 2016 and has been provisionally applied since 1 January 2017.

Full entry into force of the Agreement is pending ratification by all EU Member States, which is still ongoing.<sup>14</sup>

Pursuant to article 329 of the Agreement, Bolivia, as a member of the Andean Community, can also seek accession to the Agreement in the future; meanwhile, Bolivia benefits from unilateral preferential access to the EU market under the current GSP+ arrangement which is in place until the end of 2023.

## **2.2 Structure of the Agreement**

The EU's Trade Agreement with Colombia, Peru and Ecuador is together with the EU-Korea free trade agreement (FTA) one of the first of a new generation of FTAs, characterised by their comprehensive nature and high level of ambition. The Agreement aims at opening markets for goods, services, investment and government procurement. The Agreement is not only about market access and tariff preferences: it also establishes a set of trade rules (e.g. on non-tariff barriers, competition, and intellectual property rights), which aim to go further than the commitments taken within the framework of the World Trade Organisation (WTO).

The Agreement contains 14 titles, 14 annexes, and joint declarations by the Parties (Box 1).

The Agreement initially signed in June 2012 by EU, Colombia and Peru was complemented in 2016 by a **Protocol of Accession of Ecuador to the EU-Colombia/Peru Trade**

---

<sup>10</sup> Cancillería de Colombia, Ministerio de Relaciones Exteriores, Press release, 19 May 2020.

<sup>11</sup> By virtue of Article 3(1) of the Council Decision of 31 May 2012 on the signing and provisional application of the Agreement, the EU does not apply provisionally Articles 2 (Disarmament and non-proliferation of weapons of mass destruction), 202(1) (provisions on Intellectual Property Rights), 291 (administrative proceedings) and 292 (review and appeal) of the Agreement, pending the completion of the procedures for its conclusion.

<sup>12</sup> "Ecuador cerró su acuerdo con la Unión Europea", El Comercio, 17 July 2014.

<sup>13</sup> European Commission, Press Release IP/14/845, 17 July 2014.

<sup>14</sup> Belgium has not yet ratified the Agreement; for details on the ratification status, see <https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2011057>

**Agreement**, which provided for the addition of specific provisions to take account of the accession of Ecuador<sup>15</sup>, but without modifying the overall structure of the Agreement, and for specific market access commitments between the EU and Ecuador.

Furthermore, the Agreement was amended through the “Additional Protocol to the Trade Agreement between the EU and its Member States, of the one part, and Colombia and Peru, of the other part, to take account of the accession of the Republic of Croatia to the EU,” which was adopted in June 2016. This additional Protocol allowed Croatia to formally become part of the Agreement and provided for the amendment of several parts of the Agreement to account for the accession of Croatia (e.g. the Annexes related to trade in services such as the lists of commitments on establishment and cross-border supply of services, of the reservations regarding the temporary presence of natural persons for business purposes, etc.). It has been applied with Peru since 1<sup>st</sup> May 2017.<sup>16</sup>

### Box 1: Structure of the EU-Colombia/Peru/Ecuador Trade Agreement

- **Title I:** Initial provisions
- **Title II:** Institutional provisions
- **Title III:** Trade in goods
- **Title IV:** Trade in services, establishment and electronic commerce
- **Title V:** Current payments and movement of capital
- **Title VI:** Government procurement
- **Title VII:** Intellectual property
- **Title VIII:** Competition
- **Title IX:** Trade and sustainable development
- **Title X:** Transparency and administrative proceedings
- **Title XI:** General exceptions
- **Title XII:** Dispute settlement
- **Title XIII:** Technical assistance and trade-capacity building
- **Title XIV:** Final provisions
- **Annexes:**
  - Annex I: Tariff elimination schedules
  - Annex II: Concerning the definition of the concept of originating products and methods of administrative cooperation
  - Annex III: Special provisions on administrative cooperation
  - Annex IV: Agricultural safeguard measures
  - Annex V: Mutual assistance in customs matters
  - Annex VI: Sanitary and phytosanitary (SPS) measures
  - Annex VII: List of commitments on establishment
  - Annex VIII: List of commitments on cross-border supply of services
  - Annex IX: Reservations regarding temporary presence of natural persons for business purposes
  - Annex X: Enquiry points regarding trade in services, establishment and electronic commerce
  - Annex XI: Understanding concerning subparagraph (B) of the definition of ‘services supplied in the exercise of governmental authority’ as referred to in Article 152 of the Agreement.
  - Annex XII: Government procurement
  - Annex XIII List of geographical indications
  - Annex XIV: Mediation mechanism for non-tariff measures
- Joint Declarations by the Parties

Key features of the Agreement can be summarised as follows, Title by Title.

---

<sup>15</sup> E.g.: 1. Annotations to the Text of the Agreement; 2. Provisions related to Market Access for Goods (Tariff elimination schedule of the EU party for goods originating in Ecuador; Tariff elimination schedule of Ecuador for goods originating in the EU Party); Annotations to the Annex concerning the definition of the concept of “originating products” and methods for administrative cooperation; Provisions related to Market Access for Trade in Services (a. List of Commitments on Establishment (Commitments of the EU Party and of Ecuador); b. List of Commitments on Cross-Border Supply of Services (Commitments of the EU Party and of Ecuador); c. Reservations regarding Temporary Presence of Natural Persons for Business Purposes: Reservations on Key Personnel and Graduate Trainees (Commitments of the EU Party and of Ecuador); d. Reservations regarding Temporary Presence of Natural Persons for Business Purposes: Reservations on Contractual Services Suppliers and Independent Professionals (Commitments of the EU Party and of Ecuador); 5. Provisions related to Government Procurement (Commitments of the EU Party and of Ecuador).

<sup>16</sup> OJ L 113, 29.4.2017, page 1

**Title I** of the Agreement contains **general principles, provisions and definitions**, and in particular defines the objectives of the Agreement, which can be summarised as follows: (a) progressive and gradual liberalisation of trade in goods; (b) facilitation of trade in goods through the application of provisions on customs and trade facilitation, standards, technical regulations and conformity assessment procedures and SPS measures; (c) progressive liberalisation of trade in services; (d) development of an environment conducive to an increase in investment flows and in particular to the improvement of the conditions of establishment; (e) facilitate trade and investment through the liberalisation of current payments and capital movements related to direct investment; (f) effective and reciprocal opening of government procurement markets; (g) adequate and effective protection of IP rights; (h) conduct of economic activities in conformity with the principle of free competition; (i) establishment of an expeditious, effective and predictable dispute settlement mechanism; (j) promote international trade in a way that contributes to the objective of sustainable development; and (k) ensure that the cooperation for technical assistance and the strengthening of the trade capacities of the Parties contribute to the implementation of the Agreement and the optimal utilization of the opportunities it offers (Article 4).

**Title II** addresses **institutional arrangements** as well as decision-making and coordination aspects. In particular, it establishes and defines the functions of the Trade Committee and also provides for the establishment of eight thematic Sub-committees acting as specialised bodies (Articles 12, 13 and 15).

**Title III** covers **trade in goods** and comprises the following chapters:

- Chapter 1 concerns **market access for goods**. It presents provisions on the elimination of customs duties and is complemented by **Annex I**, which provides the Parties' tariff elimination schedules. The Agreement offers tariff-free access for trade in virtually all industrial and fishery products between the Parties, and substantial tariff preferences for the few agricultural products which were not fully liberalised, with very few exceptions. In relation to non-tariff measures, the Parties agree to: not adopt or maintain any import or export quantitative restrictions); not adopt or maintain any duty or tax, other than internal charges applied in conformity with national treatment; make available and maintain updated information of all fees and charges imposed in connection with importation or exportation; ensure that import and export licensing procedures must be WTO compliant; and to ensure that state trading enterprises do not operate in a manner that creates obstacles to trade (Articles 23-27). The chapter also includes specific provisions on trade in agricultural goods (Articles 28-33) – including, *inter alia*, a provision for signatory Andean countries to use a safeguard specifically designed for certain agricultural products (Article 29) – and on the management of administrative errors (Article 34). Related annexes include: **Annex II**, which concerns the definition of the concept of originating products and methods of administrative cooperation; **Annex III**, which includes special provisions on administrative cooperation; and **Annex IV**, which lists per Party the agricultural goods that may be subject to safeguard measures.
- Chapter 2 covers **trade remedies**. It discusses anti-dumping and countervailing measures, multilateral safeguard measures, and includes provisions for a bilateral safeguard that can be enacted if, as a result of concessions under the Agreement, a product originating in the country of one Party is being imported into the territory of another Party in such increased quantities as could cause or threaten to cause serious damage to domestic producers of similar or directly competing products (Articles 48-57).
- **Chapter 3 covers customs and trade facilitation** and looks to increase transparency and promote the facilitation of trade by simplifying customs procedures, e.g. through the use of a single administrative document for the purposes of filing customs declarations (Article 59), the adoption of risk management systems for customs inspections (Article 60), the implementation of the Authorised Economic

Operator concept according to the WCO SAFE framework (Article 61), etc. It is complemented by **Annex V**, which includes specific provisions on mutual assistance in customs matters.

- Chapter 4 on **Technical barriers to trade (TBT)** reaffirms rights and obligations under the WTO TBT Agreement and aims to improving upon these through cooperation and improved procedural measures. The chapter provides for systematic cooperation on market surveillance and improvements to transparency, with a view to improve communication in the area of technical regulations, standards, conformity assessment and accreditation. It also includes concrete and targeted provisions, such as specific disciplines on labelling that limit the amount of information that can be required on a permanent label, with a view to prevent overly burdensome and unnecessary labels (Article 81).
- Chapter 5 on **Sanitary and phytosanitary (SPS) measures** reaffirms rights and obligations under the WTO SPS Agreement (Article 86) and aims to improve upon these in areas such as the regionalisation of animal diseases and pests (Article 94), and the transparency of import requirements and procedures (Articles 91-92). The chapter sets out detailed procedural measures aimed at promoting cooperation, facilitating trade and dealing with any barriers to trade that arise in a swift manner (Articles 92-104). It is complemented by **Annex VI**, which identifies competent authorities and contact points (Appendices 1 and 4), defines requirements and provisions for approval of establishment of products of animal origin (Appendix 2), and sets guidelines for conducting verifications (Appendix 3).
- Chapter 6 (Article 105) commits the EU on the one hand, and the signatory Andean countries on the other, to facilitating the free movement of goods from other Parties among their respective territories, with specific indications for signatory Andean countries with respect to customs, TBT and SPS matters.
- Finally, Chapter 7 (Article 107) sets exceptions to the Title, e.g. concerning measures related to: public order; protection of human, animal or plant life or health; trade of gold and silver; protection of national treasures of artistic, historic or archaeological value; conservation of living and non-living exhaustible natural resources; etc.

**Title IV** covers **trade in services, establishment and electronic commerce**, and is complemented by annexes that detail the Parties' commitments according to the four modes of supply (**Annex VII** includes the list of commitments on establishment (Mode 3), **Annex VIII** the list of commitments on cross-border supply of services (Modes 1 & 2), and **Annex IX** the reservations regarding temporary presence of natural persons for business purposes (Mode 4)) or provide additional information (**Annex X** lists the relevant enquiry points, while **Annex XI** provides a clarification on the definition of 'services supplied in the exercise of governmental authority', including specific commitments from Peru in this area). The Agreement makes advances in opening markets for services and investment, with commitments – using a combination of positive and negative listing approach – that go well beyond those made by the Parties under the WTO General Agreement on Trade in Services (GATS). In addition, the Title sets regulatory principles for selected sectors such as computer services, postal and courier services, telecommunications, financial services, maritime transport services and electronic commerce (Articles 129-166).

**Title V** concerns **current payments and movement of capital** and stipulates that the Parties shall not impose restrictions on payments and transfers between their residents and must facilitate the free movement of capital (with some exceptions such as circumstances where payments and capital movements cause, or threaten to cause, serious difficulties for the operation of exchange rate policy or monetary policy, or the liquidity of the economy – in which case, the Parties may temporarily adopt safeguard measures; Article 170).

**Title VI** covers **government procurement** and is complemented by **Annex XII**, which details the commitments of Parties in this area (e.g. procuring entities covered, threshold

for the value of contracts above which the provisions apply, any procurement that is excluded, as well as key features of the process for awarding procurement contracts). The Agreement provides for the Parties to have non-discriminatory access to public procurement procedures within the scope of covered procurement, as defined in the market access commitments and above financial thresholds equivalent to those set by the WTO Government Procurement Agreement (GPA) and outlines general principles and rules for ensuring transparency and cooperation. Colombia, Peru and Ecuador commit to grant full access to the procurement of local municipalities in addition to that of central authorities above the pre-determined financial thresholds. In turn, Colombian, Peruvian and Ecuadorian bidders are granted access to the procurement of EU central and sub-central authorities, for goods, services and works concessions (Annex XII, Appendix 1).

**Title VII** covers **intellectual property**. It reaffirms the Parties' commitments to various relevant multilateral agreements (e.g. WTO TRIPS Agreement, Convention on Biological Diversity, Berne and Rome Conventions for copyright, WIPO copyright and performances and phonograms treaties, Budapest Treaty for patents, etc.) and sets standards on the protection of intellectual property rights (IPR), including trademarks, geographical indications, copyright and related rights, designs, patents, plant varieties, and includes provisions on the protection of test data for pharmaceuticals and plant protection products, (Articles 202-232). The list of geographical indications to be protected (more than 100 for the EU, 2 for Colombia, 4 for Peru, 2 for Ecuador) is provided in **Annex XIII**. The Title also addresses enforcement measures for cases of infringement of IPR by specifying rules on civil and administrative procedures as well as border enforcement measures (Articles 235-249) and on the liability of intermediary service providers (Articles 250-254).

**Title VIII** concerns **competition** in the economies of the Parties. Under this Title, the Parties commit to maintaining comprehensive competition laws and appropriately equipped competition authorities (Article 260). The Parties also commit to banning through their respective legislation the most harmful anticompetitive practices such as restrictive agreements, concerted practices, abuse of dominance and concentrations of companies that significantly impede effective competition (Articles 259). The Title also stipulates that with regard to state enterprises and designated monopolies no Party shall adopt or maintain any measure contrary to the provisions of the Title which distorts trade and investment between the Parties (Articles 263).

**Title IX** covers **trade and sustainable development (TSD)**. The inclusion of commitments on TSD is a feature of the new generation of trade agreements signed by the EU. These include commitments to effectively implement core labour standards, as contained in the ILO Fundamental Conventions, and eight key multilateral environmental agreements (MEAs) (Articles 269 and 270). In addition, the Title includes also specific provisions in relation to various thematic areas such as: biodiversity; sustainable forest management; illegal fishing; climate change issues; non-discrimination in working conditions, including those of legally employed migrant workers (Articles 272-276). The Agreement establishes a regular dialogue with civil society (Article 282). With a view to settle disagreements between the Parties on matters of compliance related to the Title IX commitments, the Agreement establishes a dedicated dispute settlement mechanism (consisting of initial governmental consultations aimed at arriving at a mutually satisfactory resolution of the matter, and if necessary, the establishment of a Group of Experts to examine the matter and formulate recommendations; Articles 283-285).

**Title X** contains provisions on **transparency and administrative proceedings**. Among other things, the Parties commit to (i) ensuring that their measures of general application (e.g. laws, regulations, procedures and administrative rulings) relating to matters covered by the Agreement are promptly published or otherwise made readily available to interested persons; and (ii) providing reasonable opportunities for those interested to comment on proposed measures, and examining such comments, provided they are relevant (Article 288). Particular attention is paid to transparency on subsidies through a dedicated article



in which each Party commits *inter alia* to submitting a report every two years to the other Parties regarding the legal basis, form, amount or budget and where possible, the recipient of subsidies granted by its government or any public body (Article 293).

**Title XI** defines **general exceptions** to the Agreement related to the Parties' essential security interests (Article 295) and taxation measures (Article 296), as well as situations when Parties experience serious external financial or balance of payment difficulties (Article 297).

**Title XII** covers **dispute settlement**. Specifically, this title details the dispute settlement procedures, which entails consultations, arbitration proceedings, and the delivery of an arbitration panel ruling that is binding upon the Parties (Articles 301-309). It also outlines remedies and related procedures in case of non-compliance with the arbitration ruling (Articles 310-311). This title is complemented by **Annex XIV**, which details a specific mediation mechanism for non-tariff measures.

**Title XIII** covers **technical assistance and trade-capacity building**. Under this title, the Parties agree to strengthen cooperation that contributes to the implementation of this Agreement and making the most of it, e.g. initiatives aimed at: improving trade and investment opportunities, fostering competitiveness and innovation, as well as the modernisation of production, trade facilitation and the transfer of technology; promoting the development of MSMEs, using trade as a tool for reducing poverty; promoting fair and equitable trade, facilitating access to the benefits of the Agreement for all production sectors, the weakest in particular; strengthening commercial and institutional capacities; and addressing the needs of cooperation identified in other parts of the Agreement (Article 324).

**Title XIV** contains **general and final provisions**, including on the possible accession of new Member States to the EU (e.g. after Croatia joined the EU in July 2013<sup>17</sup>) or for the accession to the Agreement by other Member countries of the Andean Community (e.g. when Ecuador joined the Agreement in January 2017, or if Bolivia also seeks accession to the Agreement in the future) (Article 329).

### **2.3 Institutional set-up of the Agreement**

Together, the Trade Committee and a number of specialised Sub-committees oversee the implementation of the Agreement.

The supervision and facilitation of the operation and further development of the Agreement – including the evaluation of results obtained from the application of the Agreement – is under the direct responsibility of the **Trade Committee**, which comprises representatives of the EU and representatives of each signatory Andean Country. The Committee also supervises the work of all specialised bodies (e.g. the Sub-committees) established under the Agreement. The decisions adopted by the Committee are binding upon the Parties, which are to take all necessary measures to implement them. The Trade Committee is scheduled to meet at least once a year.

The Agreement also established the eight following specialised Sub-committees:

- **Sub-committee on Market Access:** The sub-committee is responsible for: promoting trade in goods between the Parties, e.g. through consultations on accelerating and broadening the scope of tariff elimination under the Agreement; addressing any non-tariff measure which may restrict trade in goods between the Parties and, if

---

<sup>17</sup> An "Additional Protocol to the Trade Agreement between the EU and its Member States, of the one part, and Colombia and Peru, of the other part, to take account of the accession of the Republic of Croatia to the EU" was adopted in June 2016.

appropriate, referring such matters to the Trade Committee for its consideration; providing advice and recommendations to the Trade Committee on cooperation needs regarding market access matters; consulting on and seeking to resolve any difference that may arise between the Parties on matters related to amendments to the Harmonized System, including the classification of goods, to ensure that the obligations of each Party are not altered (Article 35).

- **Sub-committee on Agriculture:** The sub-committee's functions include: monitoring and promoting cooperation on the implementation of the Section on agricultural goods, in order to facilitate the trade of agricultural goods between the Parties; resolving any unjustified obstacle in the trade of agricultural goods between the Parties; consulting on matters related to agricultural goods in coordination with other relevant sub-committees or any other specialised body under the Agreement; evaluating the development of agricultural trade between the Parties and the impact of the Agreement on the agricultural sector of each Party, as well as the operation of the instruments of the Agreement, and recommending any appropriate action to the Trade Committee (Article 36).
- **Sub-committee on Customs, Trade Facilitation and Rules of Origin:** The sub-committee is responsible for monitoring the implementation and administration of the chapter on customs and trade facilitation and the related Annex II. Its functions include: providing a forum to consult and discuss on all issues relating to customs, rules of origin (e.g. requests for cumulation of origin) and administrative cooperation; enhancing cooperation on the development, application and enforcement of customs procedures, mutual administrative assistance in customs matters, rules of origin and administrative cooperation; submit to the Trade Committee proposals for modifications to Annex II for their adoption; endeavour to reach mutually satisfactory solutions when differences arise between the Parties, e.g. regarding the tariff classification of goods (Article 68).
- **Sub-committee on Technical Obstacles to Trade:** The sub-committee is responsible for the follow up and evaluation of the implementation of / compliance with the TBT chapter. Its functions include: consulting on and addressing any issue arising under the chapter and the TBT Agreement (and if necessary, establish working groups to deal with specific matters); identification of priorities on cooperation matters and technical assistance programmes in the area of TBT and assessment of progress or results obtained; exchanging information on the work carried out in nongovernmental, regional and multilateral fora involved in activities relating to TBT; facilitate dialogue and cooperation between the regulators; revising the chapter in light of any developments under the TBT Agreement and of the decisions or recommendations of the WTO Committee on Technical Barriers to Trade, and making suggestions on possible amendments to the chapter (Article 83).
- **Sub-committee on Sanitary and Phytosanitary Measures:** The sub-committee's functions include: development and monitoring of the SPS chapter; providing a forum for discussing problems arising from the application of SPS measures and the application of the SPS chapter, and identifying possible solutions; discussing the need to establish joint study programmes; identifying cooperation needs; and conducting consultations concerning the settlement of disputes regarding SPS measures or special and differential treatment (Article 103).
- **Sub-committee on Government Procurement:** The sub-committee is responsible for: evaluating the implementation of the Title on government procurement (e.g. the use of the opportunities offered by increased access to government procurement) and recommending to the Parties the appropriate activities; evaluating and following up the cooperation activities that the Parties submit; and considering further negotiations aimed at broadening the coverage of the Title (Article 194).
- **Sub-committee on Intellectual Property:** the sub-committee is responsible for the follow-up on the implementation of the provisions of the IP chapter. Specifically, if a party wishes to add new geographical indications, the sub-committee is responsible for assessing the information and for proposing to the Trade Committee the modification of the lists of geographical indications in Annex XIII of the Agreement (Article 257).

- **Sub-committee on Trade and Sustainable Development (TSD):** The sub-committee is responsible for monitoring the implementation of the TSD Title and identifying actions for the achievement of the objectives of sustainable development. Specifically, its functions include: submitting to the Trade Committee recommendations for properly implementing and making the best use of the TSD Title, identifying areas of cooperation and verifying the effective implementation of cooperation, assessing the impact of the implementation of the Agreement on labour and environment, and resolving any other matter within the scope of application of the TSD Title (Article 280).

The Sub-committees meet on an annual basis and as mentioned above must report their activities to the Trade Committee.

## **2.4 Operational context of the implementation of the Agreement**

Since the application of the Agreement, a number of changes in the trade context have taken place, globally and for the Parties. These are important for the evaluation to keep in mind when assessing the impact (to the extent possible), coherence and relevance of the Agreement. Major changes directly relevant for the Agreement are summarised in this section.

### **EU trade context**

The EU's Trade Agreement with Colombia, Peru and Ecuador forms part of the EU's political and economic engagement with Latin America and is one of a number of trade deals concluded with countries in this region. The Agreement – together with the Association Agreement between the EU and Central America<sup>18</sup>, which was also signed in 2012 and is provisionally applied since 2013 – marked the beginning of negotiations of further 'new generation' FTAs with Latin American partners, such as:

- The relaunch in 2016 of the negotiations of an FTA between the EU and MERCOSUR States (Argentina, Brazil Paraguay and Uruguay), for which an agreement in principle was reached on the trade part on 28 June 2019.
- The negotiations on the modernisation of the EU-Mexico Global Agreement, which began in 2016 and for which an agreement in principle was reached on the trade part on 21 April 2018 and supplemented with the agreement on coverage of public procurement (sub-central) reached on 28 April 2020.
- The ongoing negotiations on the modernisation of the EU-Chile Association Agreement, which started in 2017.

At the overall policy level, the European Commission presented in October 2015 the new EU trade and investment strategy "Trade for All: Towards a more responsible trade and investment policy"<sup>19</sup>, which *inter alia* aimed at updating trade policy to take account of the new economic realities such as global value chains, the digital economy and the importance of services; touched upon the issues of competition, e-commerce, protecting innovation and regulatory cooperation; and announced a commitment to greater transparency in regards to trade negotiations as well as a commitment to using EU trade policy to promote sustainable development and human rights.

Most recently, on 16 June 2020, the European Commission launched a major review of EU trade policy aimed at determining the medium-term direction for EU trade policy, responding to a variety of new global challenges and taking into account the lessons

---

<sup>18</sup> The Association Agreement includes a trade pillar, which not only covers tariff elimination but also areas such as government procurement, services, investment and sustainable development. The Central American countries are: Panama, Guatemala, Costa Rica, El Salvador, Honduras, and Nicaragua.

<sup>19</sup> COM(2015)497 of 14 October 2015.

learned from the coronavirus crisis. The rationale for this review is the Commission's belief that a strong EU "needs a strong trade and investment policy to support economic recovery, create quality jobs, protect European companies from unfair practices at home and abroad, and ensure coherence with broader priorities in the areas of sustainability, climate change, the digital economy and security."<sup>20</sup>

### Colombia, Peru and Ecuador trade context

Besides being founding members of the Andean Community, Colombia, Peru and Ecuador are members of the Latin American Integration Association (LAIA), under which framework they have signed several partial scope agreements with members<sup>21</sup> and non-member partners.

In addition, Colombia and Peru, together with Mexico and Chile, have signed in June 2012 a Framework Agreement establishing a common area for political and trade integration and cooperation, known as the Pacific Alliance. The Trade Protocol of the Pacific Alliance<sup>22</sup>, which constitutes an FTA, was signed in 2014 and entered into force in May 2016. As far as trade is concerned, the Pacific Alliance seeks a higher degree of integration in comparison with the bilateral agreements that already exists among its member countries. Under this framework, negotiations began in 2017 on a free trade agreement with Australia, Canada, New Zealand and Singapore, which are candidates for associate membership of the Pacific Alliance. In July 2018, the Republic of Korea was admitted as a new candidate Associate State, and Ecuador expressed its interest in becoming an Associate State. Ecuador is progressing towards becoming an Associated country and subsequently full member. The negotiation of a trade agreement with Mexico – a prerequisite for association – is underway and the negotiations of a trade agreement with Chile have been concluded. On 25 September 2019, a Joint Declaration on a partnership between the States Parties to the Framework Agreement of the Pacific Alliance and the European Union was adopted, and its implementation is ongoing.

Table 1 lists all the FTAs involving Colombia, Peru and Ecuador that were signed or entered into force since 2012. With respect to ongoing FTA negotiations and in addition to the negotiations under the Pacific Alliance mentioned above: Peru is currently negotiating an agreement with India, the "optimisation" of its agreement with China and the deepening of its agreement with Argentina; and Colombia has started negotiations with Japan and Turkey.

**Table 1: Overview of Colombia's, Peru's and Ecuador's trade agreement signed or entered into force since 2012**

| Colombia   | Peru  | Ecuador  |
|--|---|--|
| <i>Trade agreements in force:</i> <ul style="list-style-type: none"> <li>Pacific Alliance (signed: 2014; entry into force: 2016)</li> <li>Costa Rica (signed: 2013; entry into force: 2016)</li> <li>Rep. of Korea (signed: 2013; entry into force: 2016)</li> <li>United States (signed: 2006; entry into force: 2012)</li> <li>European Free Trade Association, EFTA (signed:</li> </ul> | <i>Trade agreements in force:</i> <ul style="list-style-type: none"> <li>Australia (signed: 2018; entry into force: 2020)</li> <li>Honduras (signed: 2015; entry into force: 2017)</li> <li>Pacific Alliance (signed: 2014; entry into force: 2016)</li> <li>Japan (signed: 2011; entry into force: 2012)</li> <li>Costa Rica (signed: 2011; entry into force: 2013)</li> </ul> | <i>Trade agreements in force:</i> <ul style="list-style-type: none"> <li>Guatemala (signed: 2011; entry into force: 2013)</li> <li>Nicaragua (signed: 2016; entry into force: 2018)</li> <li>El Salvador (signed: 2017; entry into force: 2018)</li> </ul> <p><i>Trade agreements signed but not yet in force:</i></p> |

<sup>20</sup> While the evaluation will consider the ongoing EU trade policy review, it is unlikely that the latter will be finalised before the completion of the evaluation, and therefore any evaluation findings related to it, in particular with regard to coherence and relevance, would remain tentative.

<sup>21</sup> The LAIA member countries are Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Venezuela and Uruguay.

<sup>22</sup> *Protocolo Adicional al Acuerdo Marco de la Alianza del Pacífico.*

| Colombia  | Peru  | Ecuador  |
|---|---|--|
| <p>2008; entry into force: 2011/2014<sup>23</sup>)</p> <ul style="list-style-type: none"> <li>• MERCOSUR (signed: 2017; entry into force: 2017/2018)</li> <li>• Venezuela (signed: 2011; entry into force: 2012)</li> </ul> <p><i>Trade agreements signed but not yet in force:</i></p> <ul style="list-style-type: none"> <li>• United Kingdom (signed: 2019)</li> <li>• Israel (signed: 2013)</li> <li>• Panama (signed: 2013)</li> </ul> | <ul style="list-style-type: none"> <li>• Panama (signed: 2011; entry into force: 2012)</li> <li>• Mexico (signed: 2011; entry into force: 2012)</li> <li>• Venezuela (signed: 2012; entry into force: 2013)</li> </ul> <p><i>Trade agreements signed but not yet in force:</i></p> <ul style="list-style-type: none"> <li>• United Kingdom (signed: 2019)</li> <li>• Comprehensive and Progressive Agreement for Trans-Pacific Partnership, CPTPP<sup>24</sup> (signed: 2018)</li> <li>• Brazil (signed: 2016)</li> </ul> | <ul style="list-style-type: none"> <li>• United Kingdom (signed: 2019)</li> <li>• EFTA (signed: 2018)</li> </ul> |

## Political dialogue between the Parties

In June 2012, the European Parliament adopted a Resolution on the Agreement,<sup>25</sup> which recognised the economic importance for the EU, Colombia and Peru of the Agreement insofar as it promotes comprehensive economic development and creates new trade and investment opportunities for operators on all sides, welcomed in this context the commitment of the Parties towards sustainable development, and acknowledged the value of the human rights clauses and the TSD chapter. However, in order to contribute to the full completion of the objectives, the Resolution also made recommendations on a number of aspects considered to be particularly sensitive in the Peruvian and Colombia domestic contexts. These recommendations related in particular to the improvement of the respect for human rights and labour rights as well as environment protection in Colombia and Peru. Specifically, the Resolution called on Colombia and Peru to ensure the establishment of a transparent and binding roadmap on human, environmental and labour rights, specifying that it should be aimed essentially at safeguarding human rights, enhancing and improving trade unionists' rights and protecting the environment. In response to this, both Colombia and Peru presented action plans aimed at addressing the relevant issues in October 2012. Reflecting concern about the the degree to which the roadmap has been implemented, as highlighted in a 2018 European Parliamentary Research Service study (EPRS and ICEI 2018), the need to implement, effectively and through concrete action plans, the specific provisions related to the agreed roadmap was stressed again by the European Parliament in its Resolution of 16 January 2019 on the implementation of the Agreement<sup>26</sup>.

In June 2016, a Joint Proposal for the conclusion of a new Political Dialogue and Cooperation Agreement (PDCA) between the EU and the Andean Community was adopted.<sup>27</sup> It replaced the 2003 Proposal for a PDCA<sup>28</sup> (see section 2.1) which was withdrawn.<sup>29</sup> The new PDCA – which has not been ratified so far – aims at institutionalising and strengthening the political dialogue between the Parties and broadens cooperation to include new areas such as human rights, conflict prevention, migration as well as the fight

<sup>23</sup> The FTA came into effect for Switzerland and Liechtenstein in 2011, and for Iceland and Norway in 2014.

<sup>24</sup> The signatory countries are Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, Japan, New Zealand, Peru, Singapore and Viet Nam

<sup>25</sup> European Parliament resolution of 13 June 2012 on the EU trade agreement with Colombia and Peru (2012/2628(RSP)).

<sup>26</sup> European Parliament resolution of 16 January 2019 on the implementation of the Trade Agreement between the European Union and Colombia and Peru (2018/2010(INI)).

<sup>27</sup> JOIN(2016) 4 final. Joint proposal for a Council decision on the conclusion of a Political Dialogue and Cooperation Agreement between the European Community and its Member States, of the one part, and the Andean Community and its Member Countries (Bolivia, Colombia, Ecuador, Peru and Venezuela), of the other part.

<sup>28</sup> COM(2003) 695.

<sup>29</sup> [https://ec.europa.eu/info/sites/info/files/cwp\\_2018\\_annex\\_iv\\_en.pdf](https://ec.europa.eu/info/sites/info/files/cwp_2018_annex_iv_en.pdf).

against drugs and terrorism. Special emphasis is placed on cooperation in support of the process of regional integration in the Andean Community.

At the bilateral level, the EU holds with each of the three Andean countries a High Level Political Dialogue (HLPD) on an annual basis, which allows high-level officials to exchange ideas to strengthen and deepen bilateral relations and develop a political and cooperation agenda. In the case of Colombia, a specific Dialogue on Human Rights between the EU and the Government of Colombia was also established in 2009 (new Terms of Reference for the dialogue were adopted in September 2012). With Peru a specific Human Rights Dialogue was established in 2019 with the adoption of Terms of Reference by the Council. Similar Terms of Reference for an EU-Ecuador Human Rights Dialogue have been adopted in January 2020.

### 3 LITERATURE REVIEW

The primary objective of the preliminary literature review undertaken during the inception phase has been to identify methods, data and findings of previous studies to ensure that the evaluation builds on and complements existing work.

Reports and documents reviewed so far are listed in the References at the end of this report, and **Appendix C** provides more details of the literature surveyed so far in a tabular overview of the main findings and issues in reviewed studies. As the evaluation work progresses, this will be complemented as and when other relevant papers are identified.

To summarise the findings from the literature review so far, the following can be noted:

#### Methodological issues

Few studies have applied a thorough (e.g. economic model based) approach to assess the **economic effects** of the Agreement. Essentially, this has been the case only for the three impact assessments undertaken or commissioned by the Commission, in particular the EU-Andean Sustainability Impact Assessment (SIA)(Development Solutions, CEPR, and University of Manchester 2009) and the two Assessments of the Economic Impact of the Trade Agreement with Colombia and Peru (CEPR 2012), and of the Trade Agreement with Ecuador (DG Trade 2016), all of which have used computable general equilibrium (CGE) analysis, and all of which were prepared prior to the application of the Agreement for the respective countries, i.e. are ex ante impact assessments. The evaluation builds on these approaches as it also based on a CGE analysis of the Agreement's economic effects; there is however one important difference in the economic modelling that will have to be kept in mind when interpreting the simulation results: whereas existing studies incorporated assumed reductions in non-tariff barriers (NTBs), the model used for the evaluation only covers tariff liberalisation.

Most other studies observed restrict the analysis of economic effects to trade effects, and analyse them on a purely descriptive basis (such as the annual implementation reports by the Commission and the Partner country governments<sup>30</sup>) or by comparing trade performance before and after the Agreement's start of implementation and/or comparing performance of bilateral trade among the Parties with the Parties' overall trade (e.g., EPRS and ICEI 2018). The evaluation will also apply these types of analysis, complementing them with additional comparator countries, as well as incorporating more recent data allowing more robust findings.

---

<sup>30</sup> See the reports by Colombia (Mincomercio 2018; 2019; 2020) and Peru (Ministerio de Comercio Exterior y Turismo 2014; 2015; 2016; 2017; 2018; 2019; 2020) and the Commission's annual FTA implementation reports (the latest one being European Commission 2019).



With regard to the assessment of **non-economic effects**, the approaches applied in studies range from statistical analysis, economic modelling and causal chain analysis (e.g., Development Solutions, CEPR, and University of Manchester 2009) to legal reviews (Orbie and Van den Putte 2016) and structured interviews (e.g., Transnational Institute and International Office on Human Rights - Action Colombia (OIDHACO) 2016; Orbie and Van den Putte 2016). The main methodological constraints to measure (non-quantifiable) social, environmental and human rights effects are the problem of attribution and the so-called counterfactual, given that one cannot know what would have happened in the absence of the Agreement (see e.g. Gómez Isa et al. 2016).

## Substantive issues

Quantitative analytical studies of the Agreement's **economic** and **social** impacts (i.e. the three ex ante assessments) find expected positive effects for all Parties in terms of trade, gross domestic product (GDP) and welfare (only analysed in the DG TRADE's assessment of the economic impact of the EU-Ecuador Agreement); for the EU, these effects tend to be largest in terms of value but very small in relation to the size of the economy, i.e. in percentages (Table 2). Effects on wages are also expected to be positive for all countries except in the case of Ecuador in the SIA analysis. Cross-sectoral employment shifts are found to be negligible in the EU and still small in Colombia and Ecuador. It is also noteworthy that the impact assessments based on the final negotiated texts (CEPR 2012; DG Trade 2016) show impacts which are at the lower end of the earlier estimate provided in the SIA (Development Solutions, CEPR, and University of Manchester 2009). In turn, the SIA also identified some potential negative social impacts of the Agreement, such as a possible reduction in social expenditure due to lower tariff revenues in three partner countries and threats to the long term development of indigenous peoples stemming from environmental deterioration due to increased economic activity in rainforests.

Other reviews of the Agreement generally find mixed impacts on trade performance as follows:

- stagnating or declining exports by the three Andean countries to the EU and stable EU exports to the three Andean countries, although with sectoral differences (all studies);
- diversification of exports both in terms of products and exporters (e.g., EPRS and ICEI 2018; Mincomercio 2020; Ministerio de Comercio Exterior y Turismo 2020); and
- an increase in services trade and investment (e.g., EPRS and ICEI 2018; Mincomercio 2020; Ministerio de Comercio Exterior y Turismo 2020).

However, the above-mentioned studies fail to establish a clear causal link between the Agreement and the observed trade (or investment) indicators, and therefore there are varying interpretations over the factors explaining them – i.e. official reports by the Parties as well as some independent reviews (e.g., EPRS and ICEI 2018) generally expressing satisfaction about the performance, and non-governmental sources criticising the Agreement for the observed performance (e.g., Alarco et al. 2018).

The **environmental** impacts of the Agreement are primarily analysed in documents prepared by external observers and non-governmental sources and are rather critical. Already the 2009 SIA had flagged a number of potential problem areas, including additional pressure on land and water, deforestation (including through illegal logging practices), and potentially adverse biodiversity impacts, inter alia linked to the expected expansion of the vegetables, fruit & nuts sectors as well as biofuels production (Development Solutions, CEPR, and University of Manchester 2009, 85f). A number of subsequent studies had similar findings on the Agreement's potential negative effects on availability and quality of water, deforestation and biodiversity (Heifer Foundation 2014; Cantuarias Salaverry and Stucchi López Raygada 2015; Transnational Institute and International Office on Human Rights - Action Colombia (OIDHACO) 2016; Fritz 2018; Ministerio de Ambiente y Desarrollo Sostenible 2019).

A generally mixed impact – both in the ex ante review and later studies – is also found for the **human rights** (including labour rights) impacts of the Agreement. For example, the SIA noted that, although Andean members signed ILO Convention No. 169, recognising the special status of indigenous peoples and ensuring a wide range of basic human rights and fundamental freedoms for them to preserve their culture and livelihoods, there were mismatches in practice between the obligations under Convention No. 169 and what were the consequences of the easing of entry conditions for large foreign investments in indigenous territories, e.g. related to exploitation of oil fields located in Amazonian Ecuadorian peoples' territories in Ecuador (Development Solutions, CEPR, and University of Manchester 2009).

For *Colombia*, limited evidence is found on the link between the Agreement and human rights (including labour rights) effects. According to the Commission's 2019 FTA implementation progress report (European Commission 2019), the Colombian government has worked to reduce child labour, and to prioritise a transition to increase formal labour practices. There are also indications that the Agreement has created economic effects that have helped reduce poverty in Colombia, improving the right to an adequate standard of living. According to Selleslaghs (2016), dialogue mechanisms in the Agreement have been one of the factors to encourage strengthening the right to just and favourable conditions of work and address environmental concerns related to asbestos and mercury mining, linked to the right to just and favourable conditions of work and the right to a clean environment.

For *Peru*, the 2019 FTA implementation report (European Commission 2019) finds that the EU's dialogue and intensified pressure has led to stronger compliance of Peru with the TSD commitments made in the Agreement, contributing to strengthening the right to just and favourable conditions of work and right to a clean environment, in line with the EU's SDG commitments. On the other hand, other observers find a weakening of labour rights in Peru (Orbie and Van den Putte 2016).

Finally, regarding the Agreement's implementation structures the EU FTA implementation report (European Commission 2019) in its overall conclusion states that overall good progress was made regarding involvement of civil society, including through dedicated consultative mechanisms. However, the FTA implementation report and also civil society representatives and external research determine that weaknesses in the established mechanisms exist. For example, Orbie and Van den Putte (2016) and Alarco et al. (2018) find, for Peru, that dialogue between the Peruvian government and civil society stakeholders was ineffective and mechanism for monitoring the TSD chapter by civil society were inadequate. The European Parliament's 2018 European Implementation Assessment of the Agreement (covering Colombia and Peru only, not Ecuador) also concludes that, with respect to human rights issues:

"The abundant information available on violations of the rights of citizens, which greatly affect vulnerable populations (Afro-Colombians, indigenous populations and activists), as well as the criminalising of social protest, demonstrate the need for closer monitoring of how this aspect of the Trade Agreement will evolve. The lack of institutionalised measures to guarantee workers' rights and liberties, as well as high levels of job insecurity, short-term work, informal and illegal employment, characterise the current employment conditions in the productive sector, including among foreign companies. Lastly, there is evidence of lack of compliance in the consultation phase. More effective involvement of civil society organisations should be pursued to fully guarantee the monitoring and defence of human rights" (EPRS and ICEI 2018, 28).



**Table 2: Quantified economic and social impacts of the Agreement – comparison of findings in the literature**

| Study   | Model / Data source                               | Scope / Time frame         | GDP  | Welfare  | Trade (Export)   | Wages  | Employment  |
|---|---|----------------------------|--|--|--|--|---|
| Sustainability Impact Assessment (Development Solutions, CEPR, and University of Manchester 2009) | ICE, 2 scenarios (modest & ambitious lib.) / GTAP | Short-run (2018) Long-term | <ul style="list-style-type: none"> <li>EU: € 1.0-4.0 B (0.0%)</li> <li>CO: € 0.4-2.8B (0.2%-1.3%)</li> <li>EC: € 0.5-0.9 B (1.2%-1.9%)</li> <li>PE: € 0.3-0.9 B (0.2%-0.7%)</li> </ul> | n.a.   | Total exports (%): <ul style="list-style-type: none"> <li>EU: 0.0-0.1</li> <li>CO: 5.8-9.9</li> <li>EC: 5.8-7.9</li> <li>PE: 3.6-7.2</li> </ul>  | <ul style="list-style-type: none"> <li>EU: unskilled 0.0%/skilled 0.0%-0.1%</li> <li>CO: unskilled -0.1%-0.9%/skilled -0.5%-0.3%</li> <li>EC: unskilled -0.2%-0.0%/skilled -0.5%--0.3%</li> <li>PE: unskilled 0.2%-0.7%/skilled 0.0%-0.3%</li> </ul> | Total employment held constant, Cumulative share of shifts across sectors (%): <ul style="list-style-type: none"> <li>EU: 0.01-0.04</li> <li>CO: 0.9-2.0</li> <li>EC: 1.7-2.9</li> <li>PE: 0.6-1.2</li> </ul> |
| Economic Impact Assessment of the EU-CO-PE Agreement (CEPR 2012)                                  | GTAP / GTAP 8                                     | n.a.                       | <ul style="list-style-type: none"> <li>EU: €2.3B (0.05%)</li> <li>CO: €0.5B (0.36%)</li> <li>PE: €0.2B (0.25%)</li> </ul>  | n.a.   | Bilateral exports (%): <ul style="list-style-type: none"> <li>EU-CO: 63.5</li> <li>EU-PE: 48.4</li> <li>CO-EU: 11.2</li> <li>PE-EU: 14.9</li> </ul>  | <ul style="list-style-type: none"> <li>EU: unskilled 0.02%/skilled 0.03%</li> <li>CO: unskilled 0.45%/skilled 0.25%</li> <li>PE: unskilled 0.38%/skilled 0.07%</li> </ul>  | Total employment held constant, Cumulative share of shifts across sectors (%): <ul style="list-style-type: none"> <li>EU: 0.02-0.04</li> <li>CO: 0.29-0.99</li> <li>PE: 0.79-1.32</li> </ul>                  |
| Economic Impact Assessment of the EU-EC Agreement (DG Trade 2016)                                 | GTAP Dyn / GTAP 9                                 | 2035                       | <ul style="list-style-type: none"> <li>EU: \$0.6B (0.002%)</li> <li>EC: \$0.6B (0.47%)</li> </ul>  | <ul style="list-style-type: none"> <li>EU: \$258M</li> <li>EC: \$300M</li> </ul> | Total exports (%): <ul style="list-style-type: none"> <li>EU: 0.0</li> <li>EC: 1.6</li> </ul> Bilateral exports (%) <ul style="list-style-type: none"> <li>EU-EC: 41.8</li> <li>EC-EU: 30.2</li> </ul> | <ul style="list-style-type: none"> <li>EU: unskilled 0.00%/skilled 0.01%</li> <li>EC: unskilled 0.55%/skilled 0.57%</li> </ul>   | n.a.  |

Source: Compiled by the authors.

In sum, thus, evaluations of the Agreement’s implementation and impact arrive at different conclusions, depending on the background of the author and perspective of the review. A general problem of many of the analyses is the lack of establishing clear causal mechanisms for observed developments. This is therefore an issue that the evaluation will put particular emphasis on, in an effort to provide an evidence-based, objective and impartial assessment of the Agreement’s performance.

## **4 EVALUATION FRAMEWORK**

### ***4.1 Intervention Logic of the Agreement***

An indicative intervention logic developed by the Commission linked the operational objectives (as listed in Article 4 of the Agreement) to specific, intermediate and global objectives contained in the recitals of the Agreement. Corresponding to Task 1 of the evaluation ToR, we have made slight refinements to the intervention logic developed by the Commission as follows:

- All 11 operational objectives listed in Article 4 of the Agreement have been included;<sup>31</sup>
- Underlying assumptions have been identified and integrated into the intervention logic;
- The relationship between the evaluation questions (EQ) and the intervention logic has been specified.

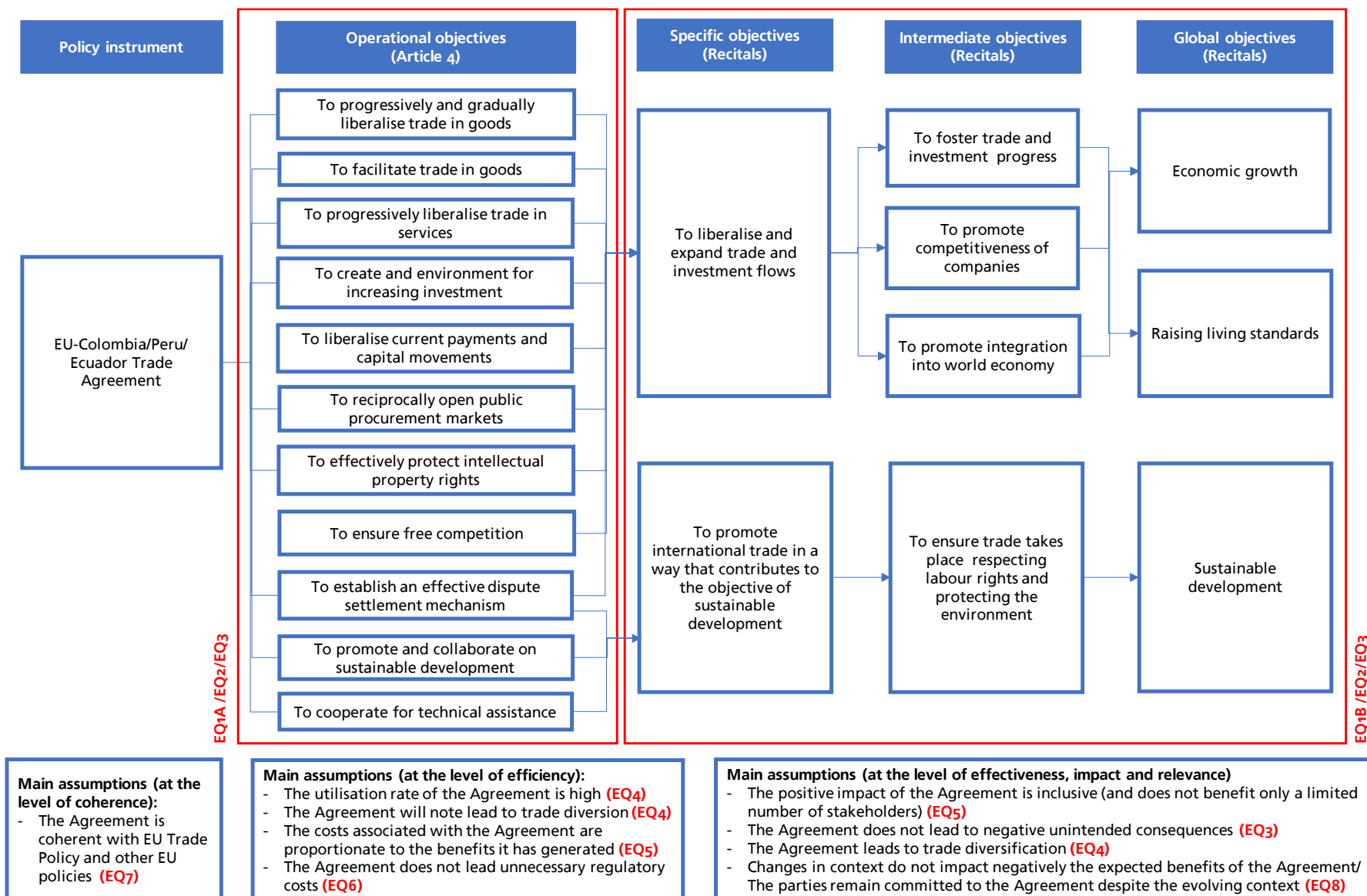
The updated version of the intervention logic is presented in Figure 2.

The intervention logic was also instrumental in developing the analytical framework of the evaluation, which brings together the evaluation questions of the ToR, the associated judgment criteria and indicators, the data sources, and the methodological tools with which we will collect data. The refined analytical framework is presented in the following subsection.

---

<sup>31</sup> We have added the fifth operational objective “facilitate trade and investment among the Parties through the liberalisation of current payments and capital movements related to direct investment” which was not included in the version shared by the Commission with the evaluation team.

**Figure 2: Intervention Logic of the EU-Colombia/Peru/Ecuador Trade Agreement**



## **4.2 Evaluation Questions, Judgement Criteria and Indicators**

The evaluation framework has been based on the evaluation questions listed in the ToR for the study, with another question (EQ 1B) added specifically focusing on the Agreement's impact in the various dimensions. The evaluation questions are linked to the evaluation criteria as follows:

### **Effectiveness/Impact**

- EQ 1A: To what extent have the operational objectives as laid down in Article 4 of the Agreement been achieved?
- EQ 1B: What has been the impact of the Agreement?
- EQ 2: What are the factors influencing (either positively or negatively) the achievement of the Agreement's objectives?
- EQ 3: Has the Agreement had unintended (positive or negative) consequences, and if so, which ones?

### **Efficiency**

- EQ 4: To what extent has the Agreement been efficient with respect to achieving its objectives?
- EQ 5: To what extent are the costs associated with the Agreement proportionate to the benefits it has generated? Is the distribution of both costs and benefits proportionate among different stakeholder groups and interests?
- EQ 6: Are there unnecessary regulatory costs (including administrative burden)?

### **Coherence**

- EQ 7: To what extent has the Agreement been coherent with the EU's trade and development policies – and in particular, with the EU's commitment to sustainable development in trade policies as a contribution attainment of the SDGs?

### **Relevance**

- EQ 8: To what extent do the provisions of the Agreement continue to be relevant in order to address the current trade needs and issues of the EU, Colombia, Peru and Ecuador?

The framework provides the evaluation questions, the judgement criteria for each question, the analysis needed to substantiate findings and conclusions made in the evaluation report, and the sources through which data and information will be obtained. The evaluation framework also links evaluation questions and judgement criteria to the analytical tasks to be performed according to the ToR. Table 3 presents this framework.

It should be noted that methodological tools and indicators used are not shown in the table but are explained in the next chapter.

**Table 3: Analytical framework for the evaluation of the implementation of the EU-Colombia/Peru/Ecuador Trade Agreement**

| Evaluation questions  | Judgement criteria  | Required analysis <sup>32</sup>  | Sources of evidence <sup>33</sup>  |
|---|---|--|--|
| EQ 1A: To what extent have the operational objectives as laid down in Article 4 of the Agreement been achieved? | JC 1A.1: To what extent has the Agreement led to the progressive and gradual liberalisation of <b>trade in goods</b> ?  | <ul style="list-style-type: none"> <li>Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador (<i>Bullet Points 1&amp;2: descriptive statistical analysis of trends and developments in key areas, such as aggregated trade in goods, as well as at different levels of disaggregation</i>)</li> <li>Evolution of bilateral tariffs</li> </ul>   | <ul style="list-style-type: none"> <li>Time series analysis of COMEXT and UN COMTRADE statistics (for bilateral/total trade) and UNCTAD TRAINS (for tariffs)</li> </ul>  |
|   | JC 1A.2: To what extent has the Agreement led to the facilitation of trade in goods through, in particular, the application of the agreed provisions regarding <b>customs and trade facilitation, standards, technical regulations and conformity assessment procedures and sanitary and phytosanitary measures</b> ? | <ul style="list-style-type: none"> <li>Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador (<i>Bullet Points 8: Impact of the Agreement in relation to the creation, persistence, reduction or removal of NTMs</i>)</li> <li>Task 9.4: Determine the impact on implementation of the Agreement of the various institutional structures (<i>Assessment of progress made by the Sub-committees on: Customs, Trade Facilitation and Rules of Origin; TBT; SPS</i>)</li> <li>Task 9.5: Analyse to what extent the implementation of the customs and trade facilitation-related provisions of the Agreement have simplified or complicated life for key stakeholders (<i>sectoral perspective to establish which sectors score low or are hit hard</i>)</li> <li>Task 9.6. Analyse the implementation of the Sanitary and Phytosanitary Measures chapter of the Agreement</li> </ul> | <ul style="list-style-type: none"> <li>Desk research</li> <li>FTA legal provisions</li> <li>Reports from Trade Committee and Sub-committees meetings</li> <li>Interviews</li> <li>Workshops</li> <li>Online consultation</li> <li>Business survey</li> <li>Case studies</li> </ul> |
|   | JC 1A.3: To what extent has the Agreement led to the progressive liberalisation of <b>trade in services</b> ?   | <ul style="list-style-type: none"> <li><b>Task 9.3: Analyse the evolution of trade in services</b> (<i>statistical analysis of trends and developments since the start of the Agreement in aggregate services trade</i>)</li> </ul>  | <ul style="list-style-type: none"> <li>Analysis of time series trade in services statistics (from Eurostat, OECD and UNCTAD)</li> </ul>  |
|   | JC 1A.4: To what extent has the Agreement led to the development of an environment conducive to an increase in <b>investment flows</b> and, in particular, to the improvement of the conditions of establishment between the Parties, on the basis of the principle of non-discrimination?                            | <ul style="list-style-type: none"> <li><b>Task 9.3: Analyse the evolution foreign direct investment</b> (<i>statistical analysis of trends and developments since the start of the Agreement in foreign direct investments</i>)</li> </ul>   | <ul style="list-style-type: none"> <li>Analysis of time series investment statistics at different levels of disaggregation</li> <li>Stakeholder consultations</li> <li>Case studies</li> </ul>   |
|   | JC 1A.5: To what extent has the Agreement led the liberalisation of current <b>payments and capital movements</b> related to direct investment?   | <ul style="list-style-type: none"> <li><b>Task 9.3: Analyse the evolution foreign direct investment</b> (<i>analysis of liberalisation of current payments and capital movements related to direct investment</i>)</li> </ul>  | <ul style="list-style-type: none"> <li>Same as JC 1A.4</li> </ul>  |

<sup>32</sup> Methodological tools and indicators used are not shown in the table but are explained in the next chapter. Priority tasks as identified in the ToR are shown in **bold**.

<sup>33</sup> More details on sources are provided in the next chapter.

| Evaluation questions                              | Judgement criteria  | Required analysis <sup>32</sup>   | Sources of evidence <sup>33</sup>  |
|---|---|---|--|
|   | <b>JC 1A.6:</b> To what extent has the Agreement led to the effective and reciprocal opening of <b>government procurement</b> markets of the Parties?   | <ul style="list-style-type: none"> <li>Task 9.7: Analyse the implementation of the Government Procurement chapter of the Agreement (<i>inter alia the share total value of procurement by all levels of government in the partner countries</i>)</li> </ul>   | <ul style="list-style-type: none"> <li>Analysis of time series procurement statistics at different levels of government</li> <li>Case study</li> </ul>   |
|   | <b>JC 1A.7:</b> To what extent has the Agreement led to the adequate and effective protection of <b>intellectual property rights</b> , in accordance with international rules in force between the Parties, while ensuring a balance between the rights of intellectual property right holders and the public interest?   | <ul style="list-style-type: none"> <li>Task 9.4: Determine the impact on implementation of the Agreement of the various institutional structures (<i>assessment of progress made by the Sub-committee on Intellectual Property Rights</i>)</li> <li>Task 9.8: Analyse the implementation of other areas of the Agreement (<i>statistics on GI products in particular agri food products</i>)</li> </ul>   | <ul style="list-style-type: none"> <li>Analysis of time series statistics on GI products</li> <li>FTA legal provisions</li> <li>Meeting documents (Sub-committee)</li> <li>Desk research</li> <li>Interviews</li> </ul>                |
|   | <b>JC 1A.8:</b> To what extent has the Agreement led to tackle anticompetitive practices in an effective and efficient manner?  | <ul style="list-style-type: none"> <li>Task 9.8: Analyse the implementation of other areas of the Agreement (<i>competition policy</i>)</li> </ul>  | <ul style="list-style-type: none"> <li>Desk research</li> <li>Interviews</li> <li>Workshops</li> <li>Online consultation</li> <li>Business survey</li> </ul>   |
|   | <b>JC 1A.9:</b> To what extent has the Agreement led to the establishment of an expeditious, effective and predictable <b>dispute settlement mechanism</b> ?  | <ul style="list-style-type: none"> <li>Task 9.4: Determine the impact on implementation of the Agreement of the various institutional structures (<i>assess effectiveness of dispute settlement mechanism</i>)</li> </ul>   | <ul style="list-style-type: none"> <li>Desk research</li> <li>Interviews</li> </ul>  |
|   | <b>JC 1A.10:</b> To what extent has the Agreement led to promoting international trade in a way that contributes to the objective of <b>sustainable development</b> , and to work undertaken in order to integrate and reflect this objective in the Parties' trade relations?  | <ul style="list-style-type: none"> <li><b>Task 10.1: Analyse the effects of the implementation of the Trade and Sustainable Development (TSD) chapter of the Agreement.</b></li> <li><b>Task 10.2: Examine the impact on implementation of the Agreement of the institutional structure established by or resulting from the Trade and Sustainable Development chapter</b></li> </ul>   | <ul style="list-style-type: none"> <li>Desk research</li> <li>FTA legal provisions</li> <li>Meeting documents</li> <li>EESC Information Report</li> <li>Interviews</li> <li>Workshops</li> <li>Online consultation</li> </ul>          |
|   | <b>JC 1A.11:</b> To what extent has the Agreement ensured that the cooperation of the Parties for <b>technical assistance and the strengthening of the trade capacities</b> contributes to the implementation of this Agreement, and to the optimal utilization of the opportunities offered by it according to the existing legal and institutional framework? | <ul style="list-style-type: none"> <li>Task 9.6. Analyse the implementation of the Sanitary and Phytosanitary Measures chapter of the Agreement (<i>assess to which extent the capacity building and technical assistance provided by the EU to Colombia, Peru and Ecuador have been effective to implement the Agreement</i>)</li> </ul>   | <ul style="list-style-type: none"> <li>Desk research</li> <li>Interviews</li> <li>Workshops</li> <li>Online consultation</li> <li>Surveys on the impact of the Agreement on SMEs</li> </ul>  |
| EQ 1B: What has been the impact of the Agreement? | <b>JC 1B.1:</b> What has been the economic impact of the Agreement?   | <ul style="list-style-type: none"> <li>Task 9.2: Based on DG Trade's modelling results, present the overall economic impacts of the Agreement in terms of key macroeconomic and sectoral variables.</li> <li>Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador (<i>Bullet Point 6: Diversification of exports and imports; Bullet Point 10: Investigation of whether new enterprises started to export</i>)</li> </ul> | <ul style="list-style-type: none"> <li>CGE Model</li> <li>Analysis of merchandise trade, reviewing growth trends per product lines and measuring the evolution of the diversification of exports over time using indicators</li> </ul> |
|   |   |   |  |

| Evaluation questions | Judgement criteria   | Required analysis <sup>32</sup>  | Sources of evidence <sup>33</sup>   |
|----------------------|--|--|---|
|                      |  | <p>or whether enterprises already exporting started to export new products)</p> <ul style="list-style-type: none"> <li>• <b>Task 9.10: Analyse the impact of the Agreement on diversification of bilateral trade</b> (concentration ratios or the HHI)</li> <li>• Task 9.9: Analyse the impact of the tariff concession granted by the EU for imports of bananas</li> <li>• <b>Task 9.11: Analyse the impact of the Agreement on SMEs</b></li> <li>• Task 9.13: Analyse the impact of the Agreement on the budgets of the EU and the partner countries</li> <li>• Task 9.14: Analyse the impact of the Agreement on EU Outermost Regions (ORs)</li> <li>• Task 9.15: Analyse the impact of the Agreement on developing countries and Least Developed Countries (LDCs)</li> </ul> | <p>such as for example concentration ratios or the Herfindahl-Hirschman Index (HHI).</p> <ul style="list-style-type: none"> <li>• Stakeholder consultations: survey, interviews and workshops</li> <li>• SME Survey</li> </ul>                                  |
|                      | <b>JC 1B.2:</b> What has been the social impact of the Agreement?        | <ul style="list-style-type: none"> <li>• Task 9.12: Analyse the impact of the Agreement on consumers</li> <li>• Task 10.3: CGE modelling / effects of the Agreement on wages, sectoral employment and household income at the macro level</li> <li>• <b>Task 10.4: Assess whether and by how much the Agreement has improved on working conditions and the four pillars of the ILO Decent Work Agenda, as well as poverty reduction, and gender equality in the EU and partner countries</b></li> <li>• <b>Task 10.5: Informal economy and informal employment in Colombia, Peru and Ecuador</b></li> <li>• Task 10.7: Corporate social responsibility;</li> <li>• Task 10.8: Gender equality</li> </ul>   | <ul style="list-style-type: none"> <li>• Trade and social statistics</li> <li>• CGE modelling results</li> <li>• Desk research</li> <li>• Interviews</li> <li>• Workshops</li> <li>• Online consultation</li> </ul>   |
|                      | <b>JC 1B.3:</b> What has been the environmental impact of the Agreement? | <ul style="list-style-type: none"> <li>• <b>Task 10.6: Assessment of the environmental effects</b> (Ex-post changes in natural resource intensity, global transport, and GHG emissions due to the Agreement compared to the counterfactual scenario without the Agreement)</li> </ul>  | <ul style="list-style-type: none"> <li>• CGE model results: CO<sub>2</sub> emissions, sectoral outputs</li> <li>• Additional quantitative analysis</li> <li>• Interviews</li> <li>• Workshops</li> <li>• Online consultation</li> <li>• Case studies</li> </ul> |
|                      | <b>JC 1B.4:</b> What has been the human rights impact of the Agreement?  | <ul style="list-style-type: none"> <li>• Task 11: Analyse the effects of the implementation of the Agreement on human rights</li> </ul>  | <ul style="list-style-type: none"> <li>• Desk research</li> <li>• CGE model results</li> <li>• Interviews</li> <li>• Workshops</li> <li>• Online consultation</li> <li>• Case studies</li> </ul>  |

| Evaluation questions  | Judgement criteria  | Required analysis <sup>32</sup>   | Sources of evidence <sup>33</sup>  |
|---|---|---|--|
|   | <b>JC 1B.5:</b> To what extent are the actual impacts of the Agreement in line with the expected impacts as laid out in the EU-Andean Trade Sustainability Impact Assessment?   | <ul style="list-style-type: none"> <li>Task 8: Assess the EU-Andean Trade Sustainability Impact Assessment ("SIA")</li> </ul>   | <ul style="list-style-type: none"> <li>Desk research: comparative review of effects anticipated in the SIA and effects identified in the evaluation</li> </ul>   |
| EQ 2: What are the factors influencing (positively or negatively) the achievement of the Agreement's objectives?  | <b>JC 2.1:</b> What are the factors that have influenced positively the achievements of these objectives?<br><b>JC 2.2:</b> What are the factors that have influenced negatively the achievements of these objectives?  | <ul style="list-style-type: none"> <li>Identification of factors influencing the achievements of those objectives as part of the analysis listed above</li> </ul>   | <ul style="list-style-type: none"> <li>All sources of evidence / methodological tools listed under EQ1</li> </ul>  |
| EQ 3: Has the Agreement had unintended (positive or negative) consequences, and if so, which ones?  | <b>JC 3.1:</b> What social, human rights, environmental and/or economic impacts have resulted from the Agreement which were not intended?<br><b>JC 3.2:</b> Have there been any positive unintended effects?<br><b>JC 3.3:</b> Have there been any negative unintended effects?             | <ul style="list-style-type: none"> <li>Identification of stakeholder groups that have been affected by the Agreement in an unintended manner</li> <li>Identification of the Agreement's effects on economic, environmental, labour or human rights aspects as listed above</li> </ul>   | <ul style="list-style-type: none"> <li>CGE model results</li> <li>Desk research</li> <li>Interviews</li> <li>Workshops</li> <li>Online consultation</li> <li>Surveys on the impact of the Agreement on SMEs</li> </ul>   |
| EQ 4: To what extent has the Agreement been efficient with respect to achieving its objectives?   | <b>JC 4.1:</b> To what extent have the preferences of the Agreement been utilized?<br><br><b>JC 4.2:</b> How does the Agreement compare to existing preference schemes of the EU?<br><br><b>JC 4.3:</b> To what extent has the Agreement led to trade diversion?                            | <ul style="list-style-type: none"> <li>Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador (<i>Bullet Point 4: Preference utilisation rate and foregone duty saving of economic operators of all Parties; Bullet Point 5: Use of tariff rate quotas</i>)</li> <li>Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador               <ul style="list-style-type: none"> <li><i>Bullet Point 3: Development of trade in goods against previously applicable GSP+ tariffs (zero tariff vs. tariff greater than zero under GSP+)</i></li> <li><i>Bullet Point 9: Comparison of the development of trade in goods between the signatory countries with a suitable reference group of countries</i></li> </ul> </li> <li>Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador (<i>Bullet Point 7: Trade diversion</i>)</li> </ul> | <ul style="list-style-type: none"> <li>Analysis of the preference utilisation rate and tariff rate quotas based on data provided by the Commission</li> <li>Regression analysis in order to investigate whether the GSP status of a product had a significant increase on trade development</li> <li>Analysis of COMEXT and COMTRADE data with a suitable reference group of countries (and Bolivia)</li> <li>CGE model results</li> <li>Analysis of COMEXT and COMTRADE data</li> </ul> |
| EQ 5: To what extent are the costs associated with the Agreement proportionate to the benefits it has generated? Is the distribution of both costs and benefits proportionate among different | <b>JC 5.1:</b> What costs have been involved in the Agreement implementation (e.g. foregone tariff revenue, costs of committee/ working group/DAG meetings, compliance costs for businesses)?<br><b>JC 5.2:</b> How do these costs compare to the benefits, e.g. in terms of GDP increases? | <ul style="list-style-type: none"> <li>Identification of input and cost types related to the implementation of the Agreement</li> <li>Calculation of economic impact of the Agreement (<i>based on CGE results</i>)</li> <li>Analysis of the foregone tariff revenues due to tariff reductions</li> </ul>   | <ul style="list-style-type: none"> <li>CGE model results</li> <li>Interviews</li> <li>Workshops</li> </ul>   |



| Evaluation questions   | Judgement criteria  | Required analysis <sup>32</sup>   | Sources of evidence <sup>33</sup>   |
|--|---|---|---|
| stakeholder groups and interests?  | <b>JC 5.3:</b> Is the distribution of costs and benefits proportionate among different stakeholder groups and interests?  | <ul style="list-style-type: none"> <li>• Estimation of overall budgetary consequences of the Agreement for the EU by considering effects of GDP increases on EU revenue, foregone tariff revenues due to tariff reductions between EU and the partner countries, and changes in trade volumes with other trade partners (results of analysis of Task 9.13: Analyse the impact of the Agreement on the budgets of the EU and the partner countries)</li> <li>• Identification of stakeholder groups that have been affected by the Agreement in disproportionate manner</li> </ul> |   |
| EQ 6: Are there unnecessary regulatory costs (including administrative burden)?  | <p><b>JC 6.1:</b> What are the regulatory costs (including administrative burden) associated with the Agreement?</p> <p><b>JC 6.2:</b> What scope, if any, has there been to achieve the objectives at a lower cost?</p>  | <ul style="list-style-type: none"> <li>• Identification of input and regulatory costs (including administrative burden) related to the implementation of the Agreement</li> <li>• Identification of areas where costs reductions could be achieved</li> </ul>   | <ul style="list-style-type: none"> <li>• Document review</li> <li>• Interviews</li> </ul>   |
| EQ 7: To what extent has the Agreement been coherent with the EU's trade and development policies – and in particular, with the EU's commitment to sustainable development in trade policies as a contribution attainment of the SDGs? | <p><b>JC 7.1:</b> How do the provisions of the Agreement compare with the principles of current EU trade policy?</p> <p><b>JC 7.2:</b> How do the provisions of the Agreement compare with EU's commitment to sustainable development in trade policies as a contribution towards attainment of the SDGs?</p> | <ul style="list-style-type: none"> <li>• Identification of areas of (lack of) coherence between the Agreement/ key principles of current EU trade policy and EU's commitment to sustainable development in trade policies as a contribution attainment of the SDGs?</li> </ul>  | <ul style="list-style-type: none"> <li>• Document review</li> <li>• Description of the Agreement (Task 4)</li> <li>• Interviews</li> <li>• Workshops</li> </ul>   |
| EQ 8: To what extent do the provisions of the Agreement continue to be relevant in order to address the current trade needs and issues of the EU, Colombia, Peru and Ecuador?  | <p><b>JC 8.1:</b> What are the current trade issues faced by the EU, Colombia, Peru and Ecuador?</p> <p><b>JC 8.2:</b> To what extent can the provisions of the Agreement be used to address these issues?</p> <p><b>JC 8.3:</b> Which trade issues are unlikely to be addressed by the Agreement?</p>        | <ul style="list-style-type: none"> <li>• Identification of key trade issues currently faced by the EU, Colombia, Peru and Ecuador</li> <li>• Qualitative assessment of stakeholders concerning the possibility of the Agreement to address the issues, and identification of issues which may not be resolved through the Agreement</li> </ul>  | <ul style="list-style-type: none"> <li>• Interviews and document review regarding working of the specialised committees and working groups established under the Agreement</li> <li>• Workshops</li> <li>• Online consultation</li> <li>• Surveys on the impact of the Agreement on SMEs and consumers</li> <li>• Case studies</li> </ul> |

## 5 OVERALL EVALUATION METHODOLOGY AND TOOLS

In this chapter, we describe the methodologies and tools planned to be used in the evaluation. It should be noted that the structure of the presentation is in line with the tasks defined in the Terms of Reference (ToR) to facilitate comparison and compliance with ToR requirements. However, the findings will be presented in line with the evaluation framework presented in chapter 4 above. To facilitate the link with the evaluation framework, for each task we indicate to which evaluation question respectively judgement criterion it contributes.

### 5.1 Analysis of the Agreement's economic effects

#### 5.1.1 Task 9.1: Analyse the evolution of trade in goods

The initial economic analysis to be undertaken in this task will be mostly descriptive and establish the basis for more in-depth analysis in other tasks, as well as contribute to answering JC 1A.1, 1A.2, 1B.1, and evaluation question 4. In this section, we only provide a tabular summary of the methods for the more horizontal analyses (Table 4), whereas the approaches for specific analysis are described in the sub-sections below.<sup>34</sup>

**Table 4: Methodological approaches and sources for the analyses of trade in goods (task 9.1)**

| Specific analysis to be carried out (numbers refer to bullet points in ToR)   | Main methodological approach and sources   |
|---|--|
| 1. Goods showing biggest increase in total trade flows and in bilateral trade flows<br>2. Goods having performed worst in bilateral trade flows | This analysis will be conducted at different levels of disaggregation (HS 2- to 6-digit level): the analysis will start at a fairly high level of aggregation and will be disaggregated for sectors of interest in order to identify the best/worst performing products. Best and worst performers will be identified both in terms of growth rates since the Agreement implementation, and in changes in growth rates before and after the start of implementation. Reasons for good or bad performance will be identified by a combination of sources including literature review and targeted consultations.<br>Sources: COMEXT (for bilateral trade) and UN COMTRADE (total trade) |
| 3. Development of trade in goods against previously applicable GSP+ tariffs (zero tariff vs. tariff greater than zero under GSP+)               | This analysis will comprise (a) time series analysis, i.e. trends before/after start of the Agreement; (b) comparison between imports of GSP+ products from partner countries and GSP+ countries (specifically Bolivia); and – possibly – (c) partial equilibrium analysis using GSIM.<br>Sources: COMEXT.   |
| 4. Preference utilisation rate and foregone duty saving of economic operators of all Parties.   | The Commission recently launched an independent study focusing on the preference utilisation rate in a number of Latin American countries, including Colombia, Ecuador and Peru. Hence we assume that our findings will be largely based on the preliminary results of the study mentioned above (provided that we are given access to the Interim Report of the study).   |
| 5. Use of tariff rate quotas, TRQs (and the reasons for sub-optimal use);   | Data up to 2018 is already available in the Commission's annual implementation reports. Updating of the data for 2019 will rely on similar sources as the Commission's annual reports <sup>35</sup> . Reasons for less than complete use of TRQs will be investigated during the consultations as  |

<sup>34</sup> Specifically, this applies to task 9.1 bullet point 6 (evolution of market shares and diversification of exports and imports), which is linked to task 9.10 (analyse the impact of the Agreement on diversification of bilateral trade); bullet point 8 (concerning NTMs), which addresses aspects of task 9.5 (customs and trade facilitation-related provisions), task 9.6 (SPS), and task 9.8 (especially with regard to NTBs); and bullet point 10 (concerning new enterprises exporting or new products being exported), which relates to both task 9.10 (diversification of trade) and task 9.11 (focusing on SMEs).

<sup>35</sup> For the utilisation rate of EU TRQs by the three partner countries, TAXUD Surveillance Data Set; For the Rate of utilisation of TRQs by the EU: DIAN (Dirección de Impuestos y Aduanas Nacionales) with regards to Colombia, SUNAT (Superintendencia Nacional de Aduanas y de Administración Tributaria) with regard to Peru, Ministry of Agriculture of Ecuador.

| Specific analysis to be carried out (numbers refer to bullet points in ToR)   | Main methodological approach and sources  |
|---|---|
|   | this cannot be inferred from statistical analysis, including in the context of sub-tasks 9.5 / 9.6.   |
| 7. Trade diversion, in particular from inter-regional Andean trade towards the EU;  | The analysis of trade diversion effects will be based on the results of the CGE modelling (see section 5.1.2), which will be complemented with views of stakeholders provided in the consultations.   |
| 9. Comparison of the development of trade in goods between the signatory countries with a suitable reference group of countries.  | This analysis will compare trends in bilateral trade since the application of the Agreement with bilateral trade between the EU28 and selected third countries, and between each of the three partners with selected third countries. Suggested reference groups are: (a) for EU trade: Bolivia, MERCOSUR, Chile; (b) for the partners: USA and China. Sources: COMEXT (for EU trade) and UN COMTRADE (partner trade) |
| 10. Identification of regions within the partner countries that have benefited most and of regions having benefited least (including the identification of constraints) | This analysis will be based mainly on literature review and consultation activities in the partner countries, including in the context of case studies.   |

### 5.1.2 Task 9.2: Present the overall economic impacts

This task will rely on the CGE modelling undertaken by DG Trade and will address the Agreement's impact on the following economic indicators in the EU28 and each of the partner countries, as well as other countries.

- Overall and macroeconomic impacts:
  - Bilateral and total exports and imports;
  - GDP and welfare;
  - Terms of trade.
- Impacts at sector level:
  - Bilateral and total exports and imports;
  - Output and value added.

The CGE model analysis constitutes a key element for assessing the economic impact of the Agreement as analysed in JC 1B.1. Note that some impacts identified in the model simulations will be addressed separately in other tasks.<sup>36</sup>

Box 2 provides a brief summary of the CGE model which has been used to identify the main economic impacts of the Agreement.

#### Box 2: Summary of the CGE model used for the evaluation

The simulation uses the (standard) dynamic Global Trade Analysis Project (GTAP) CGE model (GTAP-dyn) and Version 10a of the GTAP database, using 2014 as the base year. For the modelling, the 141 regions of the database were aggregated into 22 countries regions, and 59 sectors are distinguished; using a high level of disaggregation in terms of sectors/industries but a high level of aggregation in terms of regions is considered as appropriate for the purposes of the evaluation.

To isolate the effects of the Agreement, the simulations compare the situation with the Agreement being in place (the "baseline") with a hypothetical situation that would have occurred in the absence of the Agreement (the "counterfactual"). The simulations cover the period 2011 to 2020; the impacts that will be reported in the evaluation will mostly compare the situation with and without the Agreement in the year 2020. Neither the impact of the UK's withdrawal from the EU nor any impact of Covid-19 are considered in the model; again, this is justified from a methodological point of view as the aim is to isolate the effects of the Agreement. With regard to bilateral trade between the EU and the three partners, the following is assumed:

<sup>36</sup> Specifically, the Agreement's impact on LDCs will be addressed in task 9.15 (see section 5.1.15), and the impact on government revenues in task 9.13 (see section 5.1.13). The impact on social indicators, notably employment, wages and consumer prices, will be addressed as part of the social impact evaluation (see section 5.2.1), and the impact on CO<sub>2</sub> emissions as part of the environmental analysis (see section 5.2.2).

- Baseline: The Trade Agreement is in force from the beginning of 2013 for Colombia and Peru, and from the beginning of 2015 for Ecuador. While the actual dates for the start of implementation of the Agreement differed from these dates, they are the dates from which the GSP+ would have ceased to apply for the partner countries. In other words, from the beginning of 2013/2015 the preferential rates in place were a result of the Trade Agreement, even though initially they still continued to be under GSP+ terms.
- Counterfactual: MFN tariffs apply in trade between the EU and Colombia/Peru from the beginning of 2013, and between the EU and Ecuador from the beginning of 2015.

Note that the simulations cover only changes in tariffs, but not any changes resulting from the Agreement on non-tariff barriers on goods and services.

### 5.1.3 Task 9.3: Analyse the evolution of trade in services and foreign direct investment

Although they are treated jointly in the ToR, the evaluation report will provide separate analyses (in separate sections) of the Agreement's impact on services trade and foreign direct investment (FDI), in line with the evaluation framework, specifically JC 1A.3, 1A.4 and 1A.5.

The analysis of trade in services between the EU and the three partners, as well as of bilateral FDI will in principle follow the same methodology as the analysis of trade in goods. However, due to data availability constraints, a stronger focus will need to be placed on qualitative analysis and information sourced from stakeholders. Table 5 and Table 6 provide summaries of the proposed approaches.

**Table 5: Methodological approaches and sources for the analysis of trade in services (task 9.3)**

| Specific analysis to be carried out                                      | Main methodological approach and sources   |
|--|--|
| 1. Overall performance of bilateral services trade                       | This analysis will compare the performance of bilateral total services trade in relation to two comparators: (a) comparison with corresponding total goods trade over time, also comparing the performance prior to and since the start of the Agreement; (b) comparison of bilateral services trade of the EU and the partners with (1) their total services trade and with (2) services trade of a reference group of countries; the countries to be considered will be the same ones as for trade in goods.<br>Sources: EUROSTAT (for all partners) and OECD (for Colombia)   |
| 2. Services sectors showing biggest increase in bilateral services trade | Comprehensive bilateral trade data broken down by services sub-sectors or modes of supply are not available for the required period <sup>37</sup> , and therefore a coherent quantitative analysis is not possible. However, based on initial research undertaken during the inception phase – comprising both a review of total services trade by the partners and information from EU stakeholders, financial services, tourism, transport, and financial services are the most important services sectors, with business services and telecommunications also ranking high in some countries; and accordingly the analysis will place a particular importance on these. Additional sector-specific analysis will be undertaken through case studies (see section 6)<br>Sources: TISMOS, BATIS; stakeholder contributions; sector-specific sources |
| 3. Services sectors having performed worst in bilateral services trade   |  |
| 4. Review of services trade restrictions                                 | Here, the analysis will relate the observed levels and trends in services trade to potential explanations. In particular, the commitments made by the Parties in the Trade Agreement will be reviewed, and their importance for trade in services be determined through consultations with stakeholders, a review of the literature, as well as considering established indices measuring services trade restrictiveness.<br>Sources: Agreement; existing studies and implementation reports; OECD Services Trade Restrictiveness Index (only available for EU Members States and Colombia); stakeholder contributions   |

<sup>37</sup> For example, the OECD/WTO Balanced Trade in Services (BATIS) database only covers the period 1995 to 2012; the WTO/EU Trade in Services data by mode of supply (TISMOS) database has services trade broken down by mode of supply for services sub-sectors but has no bilateral trade; Eurostat's services trade database has bilateral trade but not broken down by sub-sectors; other databases usually do not report bilateral services trade, or at least not for the three Andean countries.

**Table 6: Methodological approaches and sources for the analysis of bilateral FDI (task 9.3)**

| Specific analysis to be carried out                  | Main methodological approach and sources   |
|--|--|
| 1. Overall performance of bilateral FDI              | This analysis will apply a similar methodology as the overall analysis of services trade: (a) comparison of bilateral FDI flows before and after the application of the Agreement; (b) comparison of bilateral FDI flows of the EU and the partners with (1) total FDI of the same entity with the world and (2) bilateral FDI with a reference group of countries; the countries to be considered will be the same ones as for trade in goods.<br>Sources: EUROSTAT and partner country national statistics (Banco de la Reserva de Colombia; Banco Central del Ecuador; Banco Central de Reserva del Perú)   |
| 2. Sectors showing biggest increase in bilateral FDI | This analysis will follow the same approach as for goods trade: Best and worst performing sectors will be identified (a) in terms of growth rates since the Agreement's application, and (b) in terms of changes in growth rates before and after the application. As FDI statistics broken down by country and sector are not available for all partner countries, <sup>38</sup> complementary information and data will be collected from stakeholders.<br>Sources: EUROSTAT and partner country national statistics (Banco de la Reserva de Colombia; Banco Central del Ecuador; Banco Central de Reserva del Perú); complementary data from OECD and UNCTAD FDI statistics |
| 3. Sectors having performed worst in bilateral FDI   |  |
| 4. Review of investment climate                      | Here, the analysis will relate the observed levels and trends in FDI to potential explanations. In particular, changes in the investment climate brought about by the Agreement will be reviewed, and their importance for FDI be determined through consultations with stakeholders, a review of the literature, as well as considering established indices measuring the investment climate.<br>Sources: Agreement; existing studies and implementation reports; OECD FDI Regulatory Restrictiveness Index (not available for Ecuador); stakeholder contributions  |

#### 5.1.4 Task 9.4: Determine the impact on implementation of the Agreement of the various institutional structures

The analysis of the functioning of the Agreement's institutional structure contributes to several judgement criteria under evaluation question 1A, to what extent the institutions set up by the Agreement have contributed to achieving its objectives outlined in the Agreement's Article 4 (especially JC 1A.2, 1A.7 and 1A.9), as well as evaluation questions 4, 5 and 6.<sup>39</sup> Seeking to determine this, we will analyse provisions of the Agreement referring to institutions, as well as their operation in practice.

We will start with an analysis of the provisions in the Agreement and subsidiary documents on institutional structures and their functioning,<sup>40</sup> i.e. Articles 12-14 on the Trade Committee, Articles 15-16 setting up specialised bodies (eight sub-committees) and coordinators of the Agreement, provisions under individual chapters referring to the operation of the sub-committees, as well as the Rules of Procedure of the Trade Committee (Decision No. 1/2014 of the Trade Committee). This will enable us to develop a good understanding regarding the mandate of each institution, its decision-making powers, including those related to amending the Agreement and monitoring the compliance by each Party, frequency and format of meetings, relations with other institutions in the Agreement, reporting and escalation, as well as relations with other forums, e.g. WTO Committees. In this way, we will establish an expectation regarding the influence each institution should have on implementation of the related part of the Agreement or its entirety.

In the second step, we will analyse the actual operation of the institutional structures. This will be done based on review of the available documents, e.g. the Commission's annual FTA Implementation Reports, minutes from individual meetings of the Trade Committee and Sub-Committees, joint statements of the Parties (published for Trade and Sustainable Development chapter), decisions of the Trade Committee and Sub-Committees, and other types of evidence. The latter may include frequency and attendance of meetings, the effectiveness in decision-making and problem solving and execution of those decisions

<sup>38</sup> Often, FDI is broken down either by partner country or by sector, but not both.

<sup>39</sup> Note that the functioning of structures related to TSD will be analysed separately under task 10.2; see section 5.2.1.2 below.

<sup>40</sup> Also see the summary provided in section 2.3 above.

(e.g. the time elapsing between a decision of the Trade Committee or a Sub-Committee and their implementation by the Parties), as well as the readiness of the Parties to follow-up the engagement with business and civil society, issues raised and advice provided in that context.

Desk research will be complemented by stakeholder consultations, including interviews with officials of the Parties, business and civil society representatives to gather their views regarding operation of the institutional structures of the Agreement and recommendations for the future. Stakeholder inputs will be particularly important for assessing the impact of the operations of the institutional structures, i.e. to what extent decisions have led to an enhanced functioning of the Agreement and bilateral trade.

To the extent possible, we will focus on concrete examples, from within each Agreement chapter illustrating operation of the institutions and drawing on the analysis done under other tasks. Examples could include removed market access barriers, improved protection of IPR (e.g. improved protection of geographical indications (GIs) against usurpation or inclusion of new GIs, into the scope of the Agreement)<sup>41</sup>, extended access to contracts under government procurement<sup>42</sup> or support for sustainable development and respect for labour and environmental standards. If we identify cases of an unsatisfactory performance in any of the analysed aspects, we will provide them as well, together with recommendations for ways to address it in the future.

#### *5.1.5 Task 9.5: Analyse to what extent the implementation of the customs and trade facilitation-related provisions of the Agreement have simplified or complicated life for key stakeholders*

Based on reviews of the Agreement text as well as the work of the Sub-committee on "Customs, Trade Facilitation and Rules of Origin" (see sub-task 9.4), we will analyse which customs-related issues have facilitated or complicated bilateral trade, corresponding to a part of JC 1A.2. The scope of the analysis will include:

- Business awareness of the functioning of the Agreement, including functioning of administrative cooperation;
- Rules of origin;
- Management of TRQs;
- Agricultural safeguard measures; and
- Approved exporter status.

The focus of the analysis will be mostly qualitative. We anticipate that information will emerge primarily from stakeholder contributions, which will be identified through several methods, including the specific questions in the targeted business survey, the SME Panel questionnaire, and other consultation activities with exporter, importer and logistics companies and associations, as well as customs authorities.

#### *5.1.6 Task 9.6. Analyse the implementation of the SPS Measures chapter of the Agreement*

Methodological aspects described in the preceding section are also valid for SPS-related issues (which also contributes to answering to a part of JC 1A.2) – i.e. a focus on qualitative analysis and stakeholder inputs. In addition, and as requested in the ToR, we will analyse

---

<sup>41</sup> E.g. see Decision No. 1/2018 of Trade Committee of 13 December 2018 modifying Appendix 1 to Annex XIII to the Trade Agreement between the European Union and its Member States, of the one part, and Colombia, Ecuador and Peru, of the other part [2019/179], OJ L 33, 05.02.2019, p. 35.

<sup>42</sup> E.g. see Decision No. 1/2017 of the EU-Colombia-Peru Trade Committee of 24 November 2017 amending Appendix 1 of Annex XII ('Government Procurement') to the Trade Agreement between the European Union and its Member States, of the one part, and Colombia and Peru, of the other part, OJ L 1, 4.1.2018, p.1.



the extent to which the capacity building and technical assistance provided by the EU to Colombia, Peru and Ecuador has been effective to improve implementation of the Agreement, and identify priority areas for further trade-related assistance. This exercise will be carried out by a meta-analysis of existing evaluation studies of trade-related interventions funded by the EU in the partner countries during the evaluation period. Assistance of DG DEVCO might be important under this task to collect the relevant evaluation studies.

#### *5.1.7 Task 9.7: Analyse the implementation of the government procurement chapter of the Agreement*

The analysis will examine the impact of the opening of the government procurement markets of the Parties under Title IV of the Agreement, in line with JC 1A.6. The analysis will first determine, based on a review of statistical data, the extent to which EU firms could participate and have participated in public procurement in the three Andean countries and vice versa. Thereafter, we will assess to what extent the implementation of the Agreement has caused or contributed to increased participation of the other party in public procurement, and which issues have been confronted:

- Statistical analysis: Subject to data availability (especially in the partner countries), we will compute (ideally for points in time before and after the application of the Agreement) the proportion of public procurement contracts (by number and value) which has been awarded to EU businesses in the three Andean countries, and vice versa. Where possible, a more refined analysis will be undertaken at a disaggregated level:
  - By type of economic operator, especially SMEs: we will provide data and analysis on the participation of SMEs to procurement tenders as well as data and analysis on the use of procurement procedures notably limited tendering. This will provide an important source of information for Task 9.11 (Impact of the Agreement on SMEs);
  - By sector: we will look in more detail at the sectors which are benefiting most from increased access to public procurement markets as requested in the ToR, but also at sectors where no benefit has materialized.

Data sources: The statistical analysis will be based on official statistics provided by Eurostat (for the EU) and the national authorities in partner countries.<sup>43</sup> As a first review of data available online has determined certain data gaps, both in terms of the period covered, the scope of coverage in terms of procuring entities, and the information provided about sectors as well as the nationality and size of contractors. We will therefore also contact the procurement entities directly to request further data. Anecdotal evidence will also be collected from companies and business associations.

- Analysis of Agreement implementation: This analysis will be qualitative and consist of a review to what extent the provisions in the Agreement have been implemented in practice, and which issues have been confronted in the three partner countries. For instance, in 2017, the EU and Colombia signed a Decision of the Trade Committee on Government Procurement, whereby Colombia specified for its sub-central level coverage, that 'procuring entities' cover all sub-central public procuring entities, not

---

<sup>43</sup> For Colombia, accessible under the open data portal accessible through the website Colombia Compra Eficiente of the National Planning Department and the National Procurement Agency (Agencia Nacional de Contratación Pública) <https://www.colombiacompra.gov.co>; for Ecuador, data are provided by the National Public Procurement Service (Servicio Nacional de Contratación Pública, Sercop; <https://portal.compraspublicas.gob.ec>) and the National Information Service (<https://sni.gob.ec>); for Peru, the Ministry of Economy and Finance provides data up to 2015 (<https://www.mef.gob.pe/es/estadisticas-sp-16297>), while the Supervisory Body for Government Procurement (Organismo Supervisor de las Contrataciones del Estado, OSCE) provides statistics up to 2019 (<https://www.gob.pe/osce>).

having an industrial or commercial character.<sup>44</sup> At the Trade Committee meeting in December 2018, the EU raised the issue that in some public procurement procedures carried out by entities operating in the field of utilities, EU companies do not receive national treatment. EU and Colombia appear to have a different interpretation as to the scope of the exception for entities not having an industrial or commercial character. Accordingly, the analysis will be complemented by a case study on this topic (see section 6.2).

Data sources will be the recent and ongoing work of the Sub-committee on Government Procurement, as well as the business surveys and targeted consultations of companies and business organisations as well as of procuring entities.

#### *5.1.8 Task 9.8: Analyse the implementation of other areas of the Agreement*

The methodological approach foreseen to analyse other areas of the Agreement (in particular TBT, e-commerce, competition, and protection of IPRs, including GIs; contributing to responses to JC 1A.7 and 1A.8) will be in line with the methodological approach for public procurement. Whenever possible, an effort will be made to compile statistical descriptive analysis on each issue prior and after application of the Agreement. For instance, in the case of IPRs/GIs, any statistics of trade flows (in particular agri-food products) will be compiled to identify the effects of the Agreement on trade in GI products. For other issues listed in the ToR, the contribution of trade statistics will be less evident (TBT, e-commerce, Competition and Protection of IPRs) but an effort to ground the analysis in qualitative elements will be made as much as possible. The majority of the analysis will however be qualitative. Main information sources, in addition to the Agreement and existing studies and reports, will be the recent and ongoing work of the relevant sub-committees (such as the ones on Intellectual Property and Technical Obstacles to Trade), complemented by targeted consultations and the business surveys.

#### *5.1.9 Task 9.9: Analyse the impact of the tariff concession granted by the EU for imports of bananas*

This task is one of the elements to assess the economic impact of the Agreement (JC 1B.1). Ample information on imports of bananas from the three partner countries into the EU and the impact on the EU market is already available based on the banana stabilisation mechanism and the Commission's monitoring and reporting under it. What is less studied is the impact of the Agreement on the partner countries. Against this backdrop, we envisage three types of analysis under this task:

- Descriptive statistical analysis based on trade in bananas since at least 2010 in order to capture developments before and after the application of the Agreement. The analysis would distinguish bilateral trade in bananas, EU banana imports from the non-LDC ACP countries, from LDCs, and intra-EU supply, including from the Outermost Regions, in order to determine changes in trade patterns caused by the Agreement. In addition, to the extent possible, trade in conventionally and organically produced bananas will be distinguished, as well as trade under fair trade mechanisms be singled out; this will facilitate the social and environmental evaluation of the Agreements impact on trade in bananas.
- Quantitative impact analysis: We will use a partial equilibrium analysis using the Global Simulation (GSIM) model (Francois and Hall, 2009). In a similar fashion as the CGE modelling undertaken by the Commission, the PE modelling will compare the situation that would prevail without the Agreement being in place and the actual current situation (with the Agreement). The simulations will estimate the impact of the

---

<sup>44</sup> Decision No 1/2017 of the EU-Colombia-Peru Trade Committee of 24 November 2017 amending Appendix 1 of Annex XII ('Government Procurement') to the Trade Agreement between the European Union and its Member States, of the one part, and Colombia and Peru, of the other part. OJ L1, 4.1.2018, p.1 (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22018D0001&from=EN>).



Agreement on trade flows, including trade diversion and trade creation, output, and welfare. The analysis will be undertaken at distinguishing the following regions: EU; Colombia; Ecuador; Peru; Central America; banana producing ACP countries and LDCs; and the rest of the world (ROW).

- Qualitative impact analysis: Causal chain analysis will be applied to look at what the Agreement's social and environmental effects could be, both in the partner countries, in the EU banana producing regions, and in ACP/LDC countries. The focus in the social and human rights analyses will be on how vulnerable groups could be affected at sector level. The qualitative sectoral environmental analysis will cover the impact of the Agreement on land use and related issues, waste and waste management, and biodiversity. The analysis might be complemented with a case study on the effect of the Agreement on sustainable banana farming practices and production.

#### *5.1.10 Task 9.10: Analyse the impact of the Agreement on diversification of bilateral trade.*

The diversification of trade in goods between the Parties (another element to assess the economic impact of the Agreement, JC 1B.1) will be evaluated according to two main dimensions:

- Diversification in the range of products traded between the EU and each of the partners: To analyse this, bilateral merchandise trade flows will be analysed at the product/sub-heading (HS 6-digit) level, measuring: (a) the number of new goods exported/imported bilaterally; and (b) the evolution of the diversification of exports using concentration ratios and the Herfindahl-Hirschman Index (HHI). To estimate the effect of the Agreement, these indicators will be compared longitudinally (i.e. comparing before/after the application of the Agreement) and horizontally (comparing with reference countries; section 5.1.1 above). In addition, a case study on export diversification is proposed (see section 6). Data sources will be COMEXT and UN COMTRADE.
- Investigation of whether new enterprises started to export or whether enterprises already exporting started to export new products: We expect to undertake this analysis by relying on available firm-level data as well as the business survey and other consultation activities directed towards businesses, including SMEs. This is proposed to be supported by a case study (see chapter 6).

#### *5.1.11 Task 9.11: Analyse the impact of the Agreement on SMEs*

In order to assess the impact of the Agreement on SMEs (also related to JC 1B.1) the proposed methodology will implement the "SME-Test" as described in the Better Regulation Guidelines (European Commission 2017); it should be noted that the evaluation will apply a slightly broader definition of SMEs by explicitly addressing also the impact of the Agreement on micro-enterprises as well as non-registered (informal) businesses, which are particularly important in the three Andean partner countries.

Horizontally, throughout the analysis we will put special focus on identifying the sectors where SMEs could be particularly impacted by the Agreement:

- With regard to potential negative impacts on SMEs, the analysis needs to establish whether SMEs are being disproportionately affected or disadvantaged compared to large companies. Difficulties encountered by SMEs will be examined, including regarding rules of origin.
- With respect to potential positive impacts on SMEs the analysis will focus on whether SMEs in all Parties are making use of the Agreement. Particular attention will be placed on establishing whether new SMEs are starting to export (see previous section), and if SME exports have increased more than on average.

These impacts will be determined applying the “SME-Test,” which will comprise the following elements:

- Statistical analysis of SME (trade) performance: Early on, through statistical analysis we will identify whether and which type of SMEs (e.g. medium-sized) are among the affected population. In the cases where this is not clear, we will identify the characteristics of the affected business/sector(s), e.g. the distribution of businesses per size class. This might include further sources of information (e.g. organizations representing SMEs interests) and additional variables like (a) the proportion of employment concerned in the different categories of enterprises affected, (b) weight of the different kinds of SMEs in the sector (micro, small and medium) and (c) links with other sectors and possible effects on subcontracting and relations with suppliers.
- Assessment of the Agreement’s impact on SMEs. To determine how the Agreement has contributed to the SMEs’ performance, first the overall impact on SMEs will be assessed (mostly qualitatively). Since the impact on micro-companies can differ strongly from the impact on medium sized ones, we will avoid a “one-size fits all” approach. A particular focus will be on the impact which the Agreement has had on SMEs’ competitiveness (including in relation to larger companies), both from direct effects and indirect (including unintended) effects, such as increased regulatory costs; the analysis will provide special attention those regulatory costs that may be felt disproportionately by SMEs such as compliance and administrative costs. Second, the above overall analysis will be enriched by collecting information on 20 concrete “stories” of how SMEs (five each in the EU, Colombia, Ecuador and Peru) have been affected by the Agreement. The stories will be presented in a way that could be useful for other business that are yet to benefit from the Agreement, hence the focus of the concrete stories will be on enabling factors and conditions that could be replicated by other companies or in other sectors.

The main data sources, in addition to existing reports and studies, will be the following ones:

- Key data sources for statistics will be Eurostat’s Structural Business Statistics for EU SMEs as well as official national statistics from partner countries.<sup>45</sup>
- Consultation of SME stakeholders: In addition to the open public consultation, the business survey will include specific questions on SME impacts, and a separate SME panel survey through the Enterprise Europe Network is planned, complemented with meetings targeting SME representatives (see Appendix B).

#### *5.1.12 Task 9.12: Analyse the impact of the Agreement on consumers*

The analysis in this sub-task will contribute to JC 1B.2 and be divided into two parts. The first one relates to consumer rights and the second one to welfare-related impacts, which also affect consumers in their purchasing decisions.<sup>46</sup> It will be guided by the EU Better Regulation Tool Nr 32 related to impacts on consumers.

Regarding consumer rights, the starting point in the literature (see e.g. Cernat et al. 2018) is that consumers usually benefit from global trade and preferential trade agreements due to lower prices of purchased goods and services (resulting from reduced tariff and NTBs), a wider variety of traded goods and services, the related satisfaction of diversified needs

---

<sup>45</sup> For Colombia, available from the Departamento Administrativo Nacional de Estadística (DANE; <https://www.dane.gov.co>); for Ecuador, from the Instituto Nacional de Estadística y Censo (INEC; <https://www.ecuadorencifras.gob.ec/estadisticas-de-las-empresas/>); for Peru, from the Instituto Nacional de Estadística e Informática (INEI; <http://m.inei.gob.pe/>) and the Ministerio de la Producción (MEP; <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>)

<sup>46</sup> To avoid overlaps with task 10.3, here we will analyse effects for wages and other types of income, welfare, poverty and inequality, while in task 10.3 we will focus on effects for employment levels.

and preferences, and a higher quality of available goods and services. We will review whether these expectations have been fulfilled by the Agreement; this will also cover the review of impacts regarding standards (safety of traded goods and services), as well as consumer awareness related to trade between the EU and the three Andean countries, their knowledge about the market offer and their trust in it. This analysis will also draw on other parts of the evaluation analysing implementation of provisions related to regulatory measures, e.g. TBT, SPS, TSD, and dialogue and cooperation between the EU and each of the partner countries and transparency. It will outline what level of protection, including consumer protection and production standards is provided by the Agreement and how effectively these provisions have been implemented in practice, e.g. if the Agreement may have influenced regulations of any Party or standards referred to and if in this way it may have contributed to improved quality or safety of traded goods.

To analyse these effects, inferences will be drawn from the changes in trade flows; and available statistics on trade in sub-standard consumer goods (e.g. under the RAPEX system). This will be complemented by stakeholder consultations, incl. consumers and their representative organisations and their views concerning impacts of the Agreement. We note that in consultations related to other EU trade agreements (e.g. modernisation of the Agreement with Chile), EU respondents highlighted importance for the EU to keep the existing high standards and equally they would expect exporters from other countries to meet them. Moreover, given the increasing awareness and expectation by consumers that production processes respect human rights, labour, and environmental standards, we will seek to identify through literature review, stakeholder consultations and case studies (e.g. in the banana sector) whether the Agreement has had any impacts on the sustainability of production methods (e.g. if it encouraged a wider uptake of voluntary sustainability standards or an improved respect of human and labour rights), as well as environmental standards more in general, in the context of goods and services traded between the EU and the three partner countries. In this context, as well as in case studies, we will seek to determine to what extent the Agreement has contributed to attainment of SDG 12 (responsible consumption and production).

The second part of the analysis will focus on impacts of the Agreement on welfare, including wages and other types of income, consumer prices, poverty and inequality levels, and the situation of vulnerable consumers.<sup>47</sup> We will start with a description of the situation in the EU and partner countries over the analysed time and values of the relevant indicators (e.g. percentage of the population living below the poverty line), as well as factors which (might) have influenced them. We have already identified relevant data sources, including publications of national statistical institutes related to poverty levels, household surveys on income and expenditures, and reports of the World Bank, OECD and national authors.<sup>48</sup> In the next step, we will use the economic modelling results to estimate the impacts of the Agreement on welfare and consumer prices, which are directly estimated in the model, as well as inequality, using the Gini coefficient,<sup>49</sup> and poverty. The analysis will match the modelling results with the description of the actual situation to infer to what extent the Agreement has contributed to the observed trends and to what extent this was a play of other factors (e.g. changes in employment policy and social protection coverage). This will help us to answer to what extent the Agreement has contributed to the attainment of SDG 1 (no poverty) and SDG 10 (reduced inequality). This will be complemented by stakeholder

---

<sup>47</sup> In this context, we will analyse the affordability of goods and services, based on changes in income and price levels, as well as composition of baskets of purchased goods and services of different groups of consumers, depending on their income type and level.

<sup>48</sup> Information and data sources identified to-date are provided in the references listed at the end of this report.

<sup>49</sup> The Gini coefficient is the most commonly used measure of inequality. It ranges from zero (expresses perfect equality, e.g. everyone has the same income) to 1 (maximal inequality, e.g. one person has all the income and all others have none).

consultations to close potential gaps in the analysis. We will finish the analysis with providing recommendations.

#### *5.1.13 Task 9.13: Analyse the impact of the Agreement on the budgets of the EU and the partner countries*

The analysis of the Agreement's impact on the EU and partner government budgets (contributing to assess the economic impact of the Agreement, JC 1B.1 but also certain elements of the social and human rights impacts, JC 1B.2 and 1B.4) will largely result from the CGE model. Two effects need to be distinguished here. First, there will be a direct negative effect in tariff revenues foregone due to the agreed tariff cuts; these are calculated explicitly in the model simulations. Second, a (usually positive) effect on government revenue stems from the overall changes in the economy brought about by the Agreement, measured e.g. by changes in GDP; typically, changes in other government revenues (apart from border taxes) are roughly proportional to changes in nominal GDP. The analysis will estimate the overall revenue impact as the sum of the two effects (i.e. tariff revenues plus other government revenues), where nominal GDP will be taken as a proxy for the change in other government revenues.

#### *5.1.14 Task 9.14: Analyse the impact of the Agreement on EU Outermost Regions (ORs)*

For analysing the Agreement's impact on the EU ORs (also contributing to JC 1B.1), a matching analysis will be undertaken, i.e. it will be determined to which extent the ORs export products to the rest of the EU for which the Agreement has changed market access conditions and therefore increased competition for OR exports by partner country exports; based on experience, this analysis has to be done at a highly disaggregated product level. If there is competition between the ORs and partner country exports, then the potential negative effect through preference erosion and/or increased competitive pressure on third markets will be assessed in more detail. This will be done qualitatively, distinguishing, if applicable, the ORs which might be positively or negatively affected by the Agreement.

#### *5.1.15 Task 9.15: Analyse the impact of the Agreement on developing countries and LDCs*

The starting point for the analysis of the Agreement's impact on LDCs (the final element of the economic impact analysis related to JC 1B.1) will be the CGE model simulations. Because the model does not have a separate LDC region, nor considers any individual LDC, we will take the region "Sub-Saharan Africa" as a proxy for LDCs in the initial analysis. This will be complemented by the same approach used for the ORs as described in section 5.1.14.

## **5.2 Analysis of effects of the Agreement's implementation on sustainable development**

### *5.2.1 Economic and social dimensions*

#### 5.2.1.1 Task 10.1: Effects of implementation of the TSD chapter

The analysis under this task contributes to a response to JC 1A.10, i.e. to what extent the TSD chapter has supported sustainable development in the Parties and whether actions taken by the Parties helped to attain the Sustainable Development Goals, in particular

SDGs No. 8 and 13-15<sup>50</sup>. We will start with an overview of the provisions of the TSD chapter and grouping them into “building blocks”, as follows:

- the promotion in law and practice of core labour standards contained in eight ILO fundamental conventions, as well as exchange of information regarding advancement in ratification of the ILO priority conventions and other ILO conventions classified as up-to-date (Article 269);
- the effective implementation in law and practice of the multilateral environmental agreements listed in Article 270 (as well as other MEAs which may be added to this list by means of a Trade Committee decision);
- the right of the Parties to regulate, i.e. to adopt and modify domestic policies, priorities and legislation in areas related to sustainable development, and to establish own levels of labour and environmental protection, consistent with the internationally recognised standards and agreements referred to in Articles 269 and 270, striving towards high levels of environmental and labour protection (while the Parties shall not lower the environmental or labour standards afforded by law to attract trade or investment) and shall not fail to effectively enforce their environmental and labour laws) (Articles 268 and 277);
- sustainable management of natural resources (forestry, fish stocks, conservation and sustainable use of biodiversity) (Articles 272-274);
- enhancing efforts related to climate change, including through domestic policies and international initiatives to mitigate and adapt to climate change, trade and investment policies and responsible use of natural resources (Article 275);
- promotion of best business practices related to Corporate Social Responsibility (CSR), facilitation and promotion of trade and foreign direct investment contributing to sustainable development (e.g. trade and investment in environmental goods and services) (Article 271), and cooperation in related areas (Article 286);<sup>51</sup>
- institutional provisions (Articles 280-282) – these will be analysed in detail in Task 10.2; see next section); and
- dedicated dispute settlement mechanism related to TSD (Articles 283-285).

In the second step, we will map actions taken by the Parties in the above-listed areas since the Agreement’s application until now. We will use diverse information sources, starting with Joint Statements of the Parties issued at the occasion of annual TSD Sub-Committee meetings since the first one in 2014, minutes from those meetings, the Commission’s annual FTA implementation reports, as well as conclusions and recommendations adopted by civil society representatives. They will be complemented by evidence collected by the evaluation team members located in the three Andean countries, literature review (e.g. reports of the international monitoring bodies set up for conventions referred to by the chapter), descriptions of the technical assistance projects and other types of cooperation, and targeted interviews with government and Commission officials, EU Delegations and civil society.

In the third step, we will evaluate the impacts of the above-listed initiatives and their contribution to attaining objectives of the TSD chapter and relevant SDGs. When possible, we will seek to use quantitative indicators, e.g. changes (if any) in the number of working children, number of identified forced labour cases, number of labour (environmental) inspectors and inspections carried out, number of enterprises following CSR practices in their daily operation, etc. In the case of technical assistance projects, we may focus on immediate outcomes, e.g. the number of entrepreneurs or inspectors trained. Moreover,

---

<sup>50</sup> **SDG No. 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, **SDG No. 13:** Take urgent action to combat climate change and its impacts; **SDG No. 14:** Conserve and sustainably use the oceans, seas and marine resources for sustainable development; **SDG No. 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

<sup>51</sup> We will also refer to policy dialogue and assistance projects supporting implementation of the TSD chapter.

we will use stakeholder engagement in partner countries and other sources to identify qualitative impacts, such as increased awareness of entrepreneurs, workers or consumers.

In this context, we note that at least some of the above-mentioned initiatives and their impacts will need to be looked at also in the general part of the social and environmental analysis (tasks 10.3-10.8). In such cases, to avoid repetition, we will analyse each of them only once (in the general part) and cross-reference our findings. We will finish the analysis with recommendations.

#### 5.2.1.2 Task 10.2: Institutions under the TSD chapter

The analysis under this task also contributes to a response to JC 1A.10, i.e. to what extent the TSD Sub-Committee and other components of the institutional structure of the TSD chapter i.e. civil society Domestic Advisory Groups (or domestic consultative mechanisms) of the Parties supported implementation of this chapter, as well as sustainable development in the Parties and attainment of the SDGs, in particular SDGs No. 8 and 13-15.<sup>52</sup> While the main objective of work will be a standalone evaluation of these structures under this task, our analysis will also serve as an input to task 9.4 (section 5.1.4), i.e. the evaluation of the general institutional mechanisms under the Agreement. In the first step, we will analyse the institutional provisions of the TSD chapter, i.e. Articles 280 to 282, to outline the mandate of each of the components, their ways of working (e.g. meetings and points of contact), and mutual relations (e.g. joint meetings, the so-called open sessions between members of the TSD Sub-Committee and civil society representatives and the public at large).

In the second step, we will focus on the operation of the institutional mechanism under TSD chapter in practice, starting from setting up the structures and how much time it has taken to make them operational (e.g. how much time it took the Parties to establish their Domestic Advisory Groups or to designate consultative mechanism, and ensure participation of their representatives in annual meetings), over frequency of meetings foreseen by the chapter (TSD Sub-Committee and annual open sessions with civil society) and their attendance by the Parties and their civil society representatives, their interactions and the results of work. We will use available written sources, such as meeting documents (agendas, civil society conclusions and joint statements of the Parties), the Commission Annual FTA Implementation Report, research reports and positions of civil society organisations, including an Information Report being prepared by the EESC. This will be complemented by interviews with partner country government representatives, Commission officials and EU Delegations in partner countries, members of relevant Sub-Committees, members of the EU Domestic Advisory Group (DAG) and its EESC Secretariat, members of the partner countries' DAGs or domestic consultative mechanisms as well as other civil society representatives and researchers.

In the third step, we will evaluate the effectiveness and efficiency of the institutional mechanisms under the TSD chapter substantively, i.e. how they have supported implementation of TSD provisions, how diligent and effective they have been in monitoring compliance and actions taken by the Parties, addressing problems, and pursuing cooperation and dialogue. For example, in this part, we will evaluate civil society's capacity to monitor actions taken by the Parties and providing recommendations, as well as to take part in annual meetings (in this context, we will compare the situation in the first few years with the period since late 2018, when a technical assistance project was launched under the Partnership Instrument providing funds for civil society representatives' participation

---

<sup>52</sup> **SDG No. 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, **SDG No. 13:** Take urgent action to combat climate change and its impacts; **SDG No. 14:** Conserve and sustainably use the oceans, seas and marine resources for sustainable development; **SDG No. 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

in annual meetings under the TSD chapter). Also in this part, we will evaluate the work of the TSD Sub-committee and the role of individual Parties in it as regards monitoring actions of others, willingness to address areas of concern and pursue constructive cooperation and dialogue, as well as to follow-up recommendations of the civil society. Subsequently, we will evaluate the role of joint meetings, including open session and its features in delivery of commitments under TSD chapter. We will seek views of civil society and the Parties as to whether the format of open sessions and time dedicated to those meetings is adequate or whether any changes are recommended. We will also evaluate annual DAG-to-DAG meetings and accompanying workshops and their role in the civil society's capability building, strengthening dialogue and cooperation and improving monitoring activities. We will complete the analysis with recommendations.

#### 5.2.1.3 Task 10.3: Employment impacts<sup>53</sup>

The analysis under this task will provide a response to the question to what extent the Agreement influenced (if at all) employment levels in the Parties and what kind of social impacts are related to this (JC 1B.2). We will also seek to determine, if employment patterns influenced by the Agreement helped to attain objectives of SDG 1 (no poverty).

We will start with a description of the actual situation in the EU and partner countries since 2008, and developments in employment and unemployment levels for the whole economy and across sectors. If disaggregated data is available, we will also provide findings in a break-down by skills (i.e. for skilled and low-skilled workers), by gender or by other characteristics, e.g. for urban and rural areas or by country region. We will also identify factors influencing observed trends, including policy measures applied by the governments, migration from rural to urban areas, as well as migration within the Andean region (e.g. from Venezuela), changes resulting from a new organisation of work, the use of new technologies, and digital economy, as well as diversification of the economy and others, including trends which may be attributed to trade and investment flows and implementation of trade agreements.

We have already identified several information and data sources, incl. household surveys processed by national statistical institutes, labour market reports published by national banks or ministries of labour and employment, ILO data regarding shares of broad economic sectors (agriculture, industry and services) in the overall employment in partner countries (disaggregated by gender), ILO studies (e.g. on macroeconomic environment and labour in Colombia), and OECD publications (e.g. policies regarding youth in Peru and jobs strategy recommendations for Colombia). For the EU, data will come mainly from the EU Joint Employment Reports.<sup>54</sup>

In the second step, the analysis will focus on evaluating quantitative impacts of the Agreement on the number of jobs (for skilled and un-skilled workers, for the EU and partner countries across sectors) and will be based on the results of the CGE results. We will then compare outcomes of the economic modelling with the real life data to determine to what extent trends observed in the total employment rate and across sectors may have resulted

---

<sup>53</sup> Impacts related to income (including wages), welfare, poverty and inequality are addressed in task 9.12 (impacts on consumers); see section 5.1.12.

<sup>54</sup> Analysing statistical data related to employment and unemployment rates in the three Andean countries, we will highlight different methodological approaches taken by their statistical institutes which result in significant differences in numerical values (e.g. the employment rate may vary between 60% and 95%, depending on the group of population defined as 100%, i.e. whether it includes only employed and unemployed actively looking for a job or whether it includes also people inactive on the labour market or being outside the labour market but being of the working age). Similarly, large differences may occur depending on whether the total employment will be considered as all jobs, irrespective of the category or whether the analysis will be limited to formal jobs only. Finally, statistics in the EU and the three partner countries usually in addition to the total employment rate provide also rates for underemployment, i.e. the number of part-time jobs or jobs being of poor quality.



from implementation of the Agreement and to what extent they should be attributed to influence of other factors mentioned-above, including also trade agreements which the EU or the three Andean countries have with other partners. We will use stakeholder consultations to verify and complement our findings and will conclude the analysis with recommendations to the Parties.

5.2.1.4 Task 10.4: Impacts on pillars of Decent Work Agenda, working conditions, labour standards, social protection, other public policies, and labour inspection

Given the broad scope of this task (which also contributes to answering JC 1B.2), we will divide it into three sub-tasks, addressing, respectively, working conditions and labour inspection, labour standards and social dialogue (the Decent Work Agenda), and social protection and other public policies (education or health care). For each of the sub-tasks, the analysis will be carried out in two steps.

In the first one, we will describe the situation in the EU and partner countries and changes over time regarding the subject matter, as well as factors influencing observed trends, in order to determine (in the second step) in which way and to what extent the Agreement might have affected the analysed aspects, e.g. effective implementation of the eight ILO fundamental conventions and rights of workers enshrined therein, including eradication of child labour. Specifically:

- Task 10.4 a) on working conditions and labour inspection<sup>55</sup> will include quality indicators, e.g. the average number of working hours per employee per week, the number or rate of fatal and non-fatal accidents at work, wage levels, type and duration of contract (incl. permanent contracts, as well as part-time workers, temporary workers or casual ones), duration or frequency of training provided or paid by employer (incl. training on health and safety as a way of preventing accidents at work), as well as the number of labour inspectors and inspections carried out at work places.
- Task 10.4 b) on labour standards will look at the situation of effective implementation of core labour standards as contained in the fundamental ILO Conventions and evaluated by the ILO monitoring bodies. This will include looking into respect for ILO Conventions No. 138 and 182, with trends in child labour occurrence (the number of working children, types of activities and sectors involved, the number of hours worked, motives for undertaking work and government policies addressing this problem), respect for the ILO fundamental Conventions No. 29 and 105 and in this context occurrence of forced labour (types of activities and sectors involved), respect for ILO Conventions No. 87 and 98, including conditions for setting up, joining and operation of trade unions and employer organisations, and functioning of social dialogue for the whole country and – if data is available – across sectors, including indicators, such as trade union density, i.e. the share of trade union members in the total number of workers for the whole country and in a break-down by sector. The task will also look into respect for the ILO fundamental Conventions No. 100 and 111 and discrimination in employment and occupation (with a more detailed analysis dedicated to groups of workers which may be affected by discrimination, e.g. migrants, disabled people and indigenous people, as well as youth, on the labour market).<sup>56</sup>

---

<sup>55</sup> The analysis will cover the overall functioning of labour inspection services, including the coverage of the country territory, the number of inspectors, their powers, equipment and funding. It will also emphasise the role played by inspection services (and their effective operation) in the enforcement of labour standards, including those enshrined in the ILO fundamental conventions.

<sup>56</sup> We have already identified several information and data sources regarding matters covered by the eight ILO fundamental conventions and situation in this regard in partner countries. For example, regarding child labour, for each of the Andean countries, we have statistics and description of trends (provided mainly by statistical institutes) regarding the share of working children in the total number of children and trends in this regard, their background (types of families they come from), sectors of activity, reasons for taking labour, as well as incidence of hazardous work. These will be complemented by national and ILO research studies



- Task 10.4 c) on social protection and public policies will be combined with findings under task 9.13 about impacts of the Agreement on public revenues in the EU and the three Andean partner countries. This is given the fact that by tariff reduction a trade agreement may have an impact on public revenues and through this channel, on public funds available for expenditures, incl. for public policies and services, e.g. social protection, education or health care, their availability, and accessibility for different population groups, and their quality.<sup>57</sup>

We will also analyse factors influencing the observed trends in each area, such as government policies, actions taken by private sector, or regional and global trends. The latter, such as migration, automation of production and tasks, a new organisation of work, digitisation of the economy, digital trade, and trends in sectors, such as fluctuation of commodity prices in agriculture and extraction of minerals, as well as global dynamic development of tourism play an important role in job creation and destruction, demand for certain skills types and levels, working hours, contractual relations and other elements of job profiles and quality indicators. These in turn may have an impact on the situation on the labour market (and the employment and unemployment rate), incomes (and thus either help to reduce child labour occurrence or aggravate the situation), social protection coverage and conditions for workers to organise and to protect their rights.

In the second step, we will match the sectors most affected (positively or negatively) by the Agreement with a mapping of sectors from the point of view of job quality or respect for labour standards, i.e. which sectors score high and which have a poor record on child labour, forced labour, operation of trade unions or non-discrimination at work and job quality indicators, as well as which trends have been observed therein and how this mapping looks like in comparison with the set of sectors most affected by the Agreement. Sectors identified as performing well or badly in these areas and have been affected by the Agreement will require a closer analysis, including through case studies (e.g. case study on child labour or on freedom of association and the right to collective bargaining). This will let us conclude if the Agreement contributed in any way to the observed trends in job quality, respect for labour standards or public policies. In this context, we will also refer to findings from our analysis under task 10.1 identifying actions taken by the Parties within the areas covered by the TSD chapter aiming to ensure decent work, respect for labour standards or strengthening labour inspection to say if provisions of the Agreement might have encouraged them, and therefore whether the Agreement may have contributed to changes regarding job quality and respect for labour standards by inducing changes in trade and investment flows or through the provisions in text of the Agreement encouraging actions to be taken by the Parties. We will complement desk research with stakeholder engagement and finish our analysis with recommendations.

#### 5.2.1.5 Task 10.5: Impacts on the informal economy and informal employment

The analysis in this task will provide an answer to the question to what extent the Agreement impacted the size and other characteristics of the informal economy and

---

analysing situation regarding child labour more in detail, as well as conclusions of the ILO monitoring bodies. On forced labour, we have identified estimations regarding shares of population affected by it, National Action Plans to combat forced labour (Peru) or National Development Plans (Colombia) analysing situation regarding forced labour and proposing actions to take, as well as other initiatives pursued e.g. in cooperation with the ILO. Conclusions of the ILO monitoring bodies will be used as well in our analysis. On freedom of association and the right to collective bargaining, the so far identified sources include ILO and OECD publications on trade union presence (density) and activity, as well as conclusions of the ILO monitoring bodies. Regarding non-discrimination at work, we have identified statistics and analytical reports on the situation of disabled people, migrant workers and indigenous peoples on the labour market. We will also refer to conclusions of the ILO Committees.

<sup>57</sup> Regarding sources of data and information, we have identified ILO and OECD reports analysing social protection systems in the three partner countries.

informal employment in Colombia, Peru and Ecuador, and what kind of social impacts may be related to it (part of JC 1B.2).

In the first step, we will develop a description of the situation in the three partner countries since 2008 concerning the size and structure of their informal economy, including size across sectors and share in employment, in a breakdown by gender, region and area of residence (urban and rural), if such disaggregated data is available. Moreover, based on the literature review complemented by stakeholder consultations, we will seek to determine factors influencing its existence in each country and any differences between sectors and regions, changes over time and interactions between formal and informal part of the economy,<sup>58</sup> as well as impact of the latter on living and working conditions. We will also look for evidence if there are interdependencies between informal economy and trade and investment flows (e.g. whether there is any dependency between the size of informal economy in a given sector and this sector's role in the international trade). If relevant data and information is available, we will also seek to establish, if prior trade agreements of the three partner countries had any impact on their informal economy in general or in individual sectors. Data for this part of the analysis will come from national statistical institutes and ILO publications analysing informal employment rates over time and rates of informality among the MSMEs. We will also refer to measures taken by the governments as part of their dedicated policies to formalise employment and economy.

In the second step, based on the results of the economic modelling, and the analysis of trade and investment flows between the EU and each of the partner countries, additional literature review and stakeholder consultations, we will assess to what extent any of the changes observed in the informal economy may be attributed wholly or partly to the operation of the Agreement. We will complete the analysis with recommendations.

#### 5.2.1.6 Task 10.7: Impacts on uptake of responsible business conduct/corporate social responsibility practices

The analysis under this task will help to respond to an evaluation question about the extent to which the Agreement has supported sustainable development, incl. respect for labour and environmental standards and human rights in partner countries by encouraging uptake of Responsible Business Conduct (RBC)/CSR practices (part of JC 1B.2).

We will start with mapping RBC/CSR practices in each of the three Andean partner countries including practices of European companies investing there or having their suppliers, as well as existing government initiatives promoting them. In doing so, we will also use findings from the research under task 10.1 identifying RBC/CSR initiatives undertaken within the TSD chapter. We will aim at a better understanding of the uptake of CSR/RBC practices by enterprises, factors influencing it and presence of CSR/RBC in the EU relations with the partner countries, incl. technical assistance and cooperation projects. We have already identified some information sources for this part of the analysis, such as National Action Plans on Business and Human Rights, annual reports (RobecoSAM) with a ranking of companies applying RBC/CSR practices, outcomes of a survey with public perceptions of practices pursued by enterprises, OECD reports from activities of National Contact Points under OECD Guidelines for Multinational Enterprises, reports from the OECD Global Forum on Responsible Business Conduct, annual reports of the international network Corresponsables outlining CSR/RBC practices of companies operating in the three partner

---

<sup>58</sup> For example, according to literature and stakeholder views, also from other countries, low production costs of informal enterprises, possible partly due to tax avoidance, low wages and non-payment of social security contributions, may trigger price competition with formal enterprises narrowing down the ability of the latter to increase capital and to invest in development and innovation.

countries, incl. multinationals, and information about EU assistance project supporting CSR/RBC and responsible supply chains in Asia and Latin America.<sup>59</sup>

Based on this, in the second step, we will analyse, primarily based on stakeholder consultations, whether the Agreement might have encouraged the uptake of CSR/RBC practices. Forward looking, we will also ask stakeholders, incl. members of the EU and partner country DAGs about their recommendations for further promotion of CSR/RBC practices, including within the framework of the TSD chapter and its dialogue and cooperation activities.

#### 5.2.1.7 Task 10.8: Impacts on women (gender equality)

The analysis under this task will provide a response to the question about the effects of the Agreement for women and the impact this had on their situation and economic empowerment as workers, entrepreneurs, traders and consumers (part of JC 1B.2). It will also seek to address the extent to which the Agreement may have contributed, or not, to the attainment of SDG No. 5 (gender equality). The methodological approach will be guided by UNCTAD's Trade and Gender Toolbox (UNCTAD 2017), which considers impacts on women in their four above-mentioned roles. We will complement this with elements from approaches proposed by other authors analysing impacts for women generated by trade and trade agreements. E.g., Fontana (2009) proposes to analyse employment and wage effects from the gender perspective, changes in prices of goods and services, notably imported ones, and their impacts on consumption patterns of different household groups, effects of changes in public revenues (due to tariff reduction) on provision of public services, and whether a trade agreement might have had an impact on division of household work and access to resources by men and women.<sup>60</sup>

In the first step, we will analyse the situation in the EU and the three Andean countries regarding women's participation in the labour market, activity as entrepreneurs and traders (with a consideration of their access to assets and supporting measures) and their position as consumers, including the level and type of income received and being at their disposal (this will also include a consideration of a share of women living in poverty). Based on the available data, we will analyse gender inequalities before and after the application of the Agreement (e.g. in employment and wage levels, access to social benefits and existing rights), as well as policies and measures applied by the Governments supporting an increased women's participation, e.g. child and other care facilities, access to funds and training, support for setting up and running a business or support for exporters.

In the second step, we will compare the actual observed trends with the modelling results to determine to what extent they might have been impacted by the Agreement and to what extent they may result from influence of other factors (e.g. domestic policies or global trends).

- Focusing on **women as workers**, we will identify sectors important for them (based on their shares in the total women employment and the ratio of female and male workers) and determine whether the Agreement has contributed to job creation or losses in sectors employing women and if this had an impact on the number (or share) of women employed there over time. In this context, we will also consider impacts of tariff reduction on public revenues and whether this might have had an impact on the provision and quality of public services (e.g. health care, education, child care and

---

<sup>59</sup> [http://trade.ec.europa.eu/doclib/docs/2018/march/tradoc\\_156624.pdf](http://trade.ec.europa.eu/doclib/docs/2018/march/tradoc_156624.pdf) and Corporate Social Responsibility in the context of relations between the European Union and the Community of Latin American and Caribbean States: [https://eulacfoundation.org/en/system/files/EU\\_LAC\\_CSR\\_EN.pdf](https://eulacfoundation.org/en/system/files/EU_LAC_CSR_EN.pdf)

<sup>60</sup> Other publications suggesting complementary approaches and additional elements for analysis include Fontana and Wood (2001), Fontana (2004), European Institute for Gender Equality (2016), or Hannah et al. (2018).

other care facilities) which in turn may have an effect on women and their ability to participate in the labour market or to undertake an economic activity (women are often employed in public sector services and in addition availability of care facilities for children or other family members may increase women's chances for participation in the labour market).

- For **women as entrepreneurs**, if relevant data is available, we will identify sectors of their economic activity and compare trends in the actual operation of these sectors over time (e.g. growth or decline) with economic modelling results for sectoral output in sectors important for women entrepreneurs. We will also look at conditions for setting up and running a business, the rate of informal enterprises in the economy (including of women-led enterprises) and any supporting measures for MSMEs in general and those led by women in particular.
- For **women as traders**, again, if relevant data is available, we will identify groups of products or services manufactured/provided by women-led enterprises, as well as their engagement in international trade. Again matching these sectors with those impacted most by the Agreement, based on the CGE modelling, we infer the impact of the Agreement on the operation of women in the context of international trade, sales and exports of their products or services or their competition with imports. We will also consider whether the Agreement provisions regarding e.g. tariff reduction, SMEs, TBT, or SPS might have opened opportunities for women-led enterprises (given their size and sectors of operation).
- Concerning the role of **women as consumers**, we will look at real life trends in income and price levels and compare them with outcomes of the economic modelling to see what impacts the Agreement might have had on welfare and price levels, as well as the availability and accessibility of goods and services.

We have already identified some sources of data and information, incl. household surveys processed by national statistical institutes regarding employment rates of women and the share of their employment across sectors. Moreover, there are national and international publications with data regarding women entrepreneurs, e.g. reports of ECLAC, Mastercard Index of Women Entrepreneurs, Global Entrepreneurship Monitor, and for Colombia, WTO Trade Policy Review Report, given that Colombia was one of the first few countries which included references to policies and measures towards women in its WTO TPR reports. Our desk research will be complemented by engagement with stakeholders, including women organisations to identify barriers in their activity on one hand and facilitating measures on the other, and to gather more insights into impacts of the Agreement.

In the final step, we will provide recommendations concerning ways to strengthen positive and to mitigate negative effects of the Agreement on women in their four roles. In this context, we will make a reference to the WTO Buenos Aires Declaration on Women and Trade which was supported by the EU and all three Andean countries,<sup>61</sup> to workshops held in its follow-up to (e.g. on women in global supply chains or women in e-commerce)<sup>62</sup>, discussions on the role of women in trade held at the WTO Public Forum and initiatives launched by diverse organisations, e.g. UNECE (on women and standard setting) to see how the Agreement's provisions and cooperation between the Parties may further support women in the context of their trade relations.

### *5.2.2 Environmental dimension (task 10.6)*

The environmental analysis will provide a response to the judgement criterion on environmental impact (JC 1B.3) as well as contribute to the responses to the evaluation questions on influencing factors (EQ2), unintended effects (EQ3), the cost-benefit ratio

---

<sup>61</sup> See [https://www.wto.org/english/news\\_e/news17\\_e/mc11\\_12dec17\\_e.htm](https://www.wto.org/english/news_e/news17_e/mc11_12dec17_e.htm).

<sup>62</sup> [https://www.wto.org/english/tratop\\_e/womenandtrade\\_e/womenandtrade\\_e.htm](https://www.wto.org/english/tratop_e/womenandtrade_e/womenandtrade_e.htm).

(EQ5), and coherence of the Agreement with other policies and particularly the EU's commitment to the SDGs (EQ7).

Figure 3 illustrates our overall understanding on (1) how trade agreements can generate environmental impacts and (2) how to evaluate these. It applies the logic of first identifying the components in the Agreement that may have generated environmental impacts (FTA elements), then establishing how these elements may have created – directly or indirectly, intended or unintended – environmental impacts (the impact channels) on various areas of environmental performance (the impact areas) and how we will evaluate these impact areas in this evaluation.

**Trade Agreement's elements:** The Agreement contains (1) measures easing market access for the Parties and (2) several rules-based measures (related to common ambitions in the areas of biological diversity, forestry, climate change and fisheries, on the effective implementation of various multilateral agreements and the commitment not to lower environmental protection to promote trade and investment). The impact of changed market access is analysed using the economic changes as the foundation. The impact of rules-based measures (such as those stipulated in the TSD chapter) is analysed in section 5.2.1.1 (Task 10.1).

**Impact channels:** The Agreement may have produced direct environmental impacts through changes in economic activity, which may have led to changes in pollution and GHG emissions and may have put additional strain on bio-resources as higher levels of output require more environmental inputs (Copeland and Taylor 2004). The Agreement may also have created indirect environmental impacts through structural adjustments in the economies and through specific rules-based trade measures. Thus, depending on the type of trade element, the Agreement may have created positive and negative impacts on the environment in a direct or an indirect way.

Also, our approach acknowledges four impact channels to distinguish the ways in which the Agreement may have created impacts on the various areas of the environment: The **scale effect** (the impact created from increased production as a result of the Agreement), the **structural effect** (the dynamic effect of the Agreement on the growth and contraction in production in different sectors), **technology effects** (impacts triggered through increased efficiencies from increased competition or from a transfer in environmental goods and services) and potentially the **product effect** (impact via changes in production standards and use of goods in a country, e.g. through strengthened environmental policies and environmental regulation).

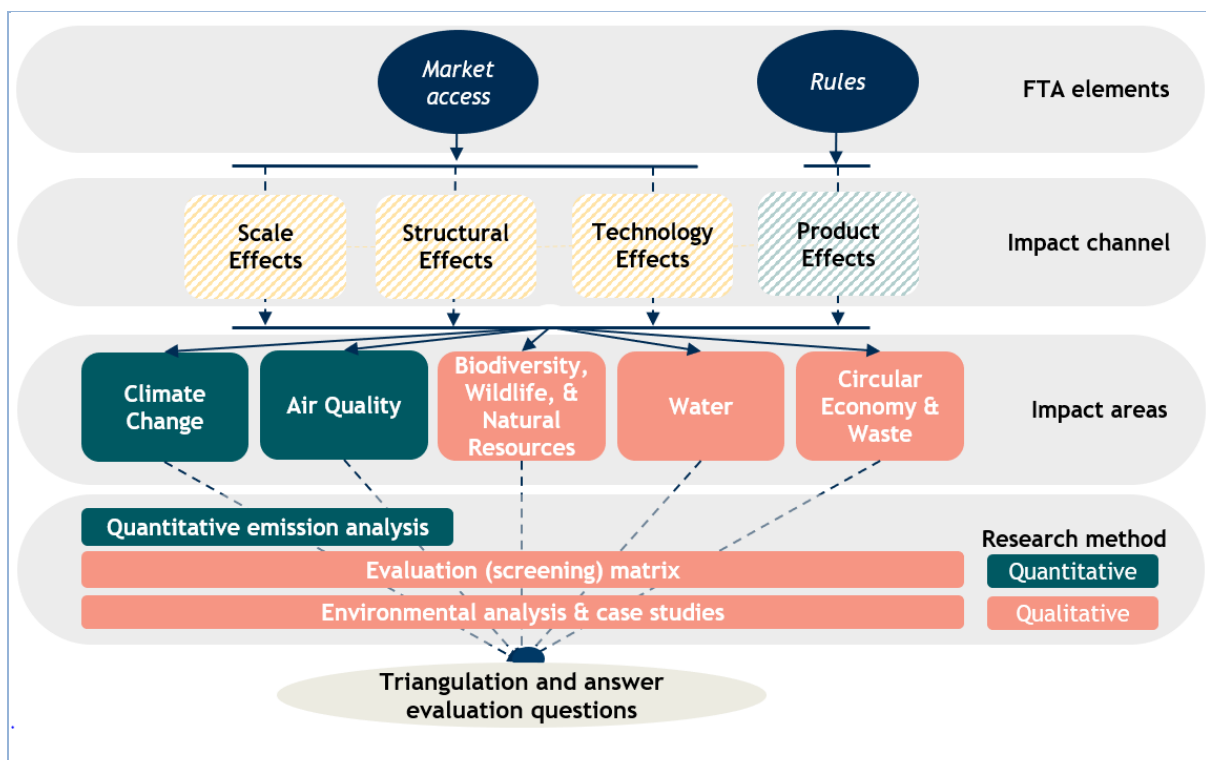
**Impact areas:** Ultimately, the Agreement may have created impacts in various dimensions of the environment through the different impact channels. Given the information in the documentation on the environmental aspects of the Agreement, we distinguish the following impact areas: (1) **climate change**, (2) **air quality**, (3) **biodiversity, wildlife & natural resources**, (4) **water**, and (5) **waste & circular economy**.

**Research methods:** For some impact areas, there is more reliable information and data available than for others with which to undertake quantitative assessment. For these impact areas, we aim to conduct additional **quantitative research** on top of the CGE modelling (in particular, on GHG emissions, air quality depending upon data availability). Since this quantitative analysis builds on the CGE modelling results – which isolates the economic impacts induced by the Agreement – the analysis allows us to assess the causal relation between the Agreement and GHG emissions/air pollutants. For areas not subject to this quantitative approach, we aim to compile quantitative statistics and analyse trends, but we expect to rely more intensively on **qualitative research** to complement the evaluation. We aim to achieve a transparent, evidence-based evaluation of the

environmental impacts in which we focus on the most significant impact areas.<sup>63</sup> This implies that:

- For **climate change**: Focus on establishing the Agreement's impacts on the major GHG emissions (being carbon dioxide, methane and nitrous oxide);
- For **air quality**: Further details the impacts of the Agreement on the various types of non-GHG air pollutants (ozone precursor gases, acidifying gases and primary particulates);
- For the **other impact areas**: Develop fundamental baselines based on qualitative and, where possible, quantitative data, for each impact area in which we explore developments in environmental performance since the implementation of the Agreement. We will specifically comment on relevant provisions announced in the TSD chapter, per impact area. Based on input from the European Commission, several environmental topics were selected to be included in case studies to assess the environmental impact in detail (for more information, see chapter 6). In these **case studies**, we envisage to combine two qualitative research methods by using causal chain analysis (CCA) and drawing from ecosystem accounting principles.

**Figure 3: Overall environmental approach for evaluation of impacts**



Our methodology contains the following activities, which are described in the next sections:

- Activity 1: Fine-tuned methodology and 1<sup>st</sup> round impact screening;
- Activity 2: Establishing the baselines (2<sup>nd</sup> round impact screening);
- Activity 3: Quantitative evaluation of impacts;
- Activity 4: Qualitative evaluation of impacts and case studies

#### 5.2.2.1 Activity 1: Fine-tuned methodology and 1<sup>st</sup> round of impact screening

In this section we describe the cross-task methodological fundamentals, focussing on the changes compared to the proposal. As per the proposal, a 1<sup>st</sup> round of impact screening

<sup>63</sup> Being a combination of the environmental performance in a certain impact area and the potential effect of the Agreement on this performance.



was performed. The purpose of this was to inform about any areas to be studied in detail during the evaluation where the Agreement may have had an impact. This includes the identification of major environmental issues/risks in the partner countries, because any potential changes that may have been caused by the Agreement regarding these issues are of particular importance. The screening thus aims at identifying correlation (changes in environmental variables; and changes in related economic variables) but does not establish causality – that will be the object of the detailed evaluation exercise. The results of this screening are also summarised here.

## Methodological fundamentals

- **Geographical scope:** The environmental analysis focusses on Colombia, Peru, and Ecuador as well as the EU. However, within defining the geographical scope of this analysis, one needs to differentiate *local* and *global* environmental impacts. As climate change is a global environmental threat affected by global GHG emissions, limiting the evaluation to the EU and the partner countries does not allow to evaluate the Agreement's impact on climate change. For that reason, the geographical scope is extended to include the rest of the world in the gross GHG emissions analysis. All other environmental impact categories consider more local phenomena and we will therefore focus on Colombia, Ecuador and Peru. The impacts on the EU will be evaluated when relevant (based on impact screening), but we expect that the evaluation will be centred around the partner countries. Given the fact that Ecuador joined the Agreement later, the evaluation may be lighter, depending on data availability.
- **Environmental scope (environmental impact areas):** Based on a review of relevant documents (e.g. the ToR, the EU-Andean SIA (Development Solutions, CEPR, and University of Manchester 2009), and the Agreement), initial stakeholder involvement and expert knowledge on environmental impacts in the partner countries, we will focus on five environmental impact areas, as shown in Table 7.

**Table 7: Overview of environmental impact areas and sub-areas**

| Impact area                                | Sub-areas   |
|--|---|
| Climate change                             | Gross GHG emissions and Land use, land use change and forestry (LULUCF) |
| Air quality                                | Primary particulates  |
|  | Acidifying gases  |
|  | Ozone precursor gases   |
| Biodiversity, wildlife & natural resources | Diversity of flora and fauna species                                    |
|  | Fisheries   |
|  | Wildlife  |
|  | Forestry  |
|  | Mining (mineral and metals)   |
| Water                                      | Water quality and availability  |
|  | Water and soil contamination  |
| Waste & Circular economy                   | Waste and hazardous waste management                                    |
|  | Circular economy, focussing on waste                                    |

## Selecting priority areas for analysis – impact screening

Any evaluation of this scope needs to unite two seemingly conflicting requirements, i.e. scope (consider a broad range of potential impacts) and depth (evaluate impacts with sufficient level of detail). We consider both requirements crucial for a decent evaluation. In order to allow ourselves to integrate sufficient focus in the analysis – which allows for in-depth analyses, while limiting the risk of overseeing large impacts – we use impact screening.

Impact screening is a methodological tool to identify the environmental impact (sub)areas which should be prioritised in the evaluation, starting very broad considering a wide range of potential impacts and analysing the most significant impact areas and/or sectors in more detail. In essence, the prioritisation is based on (i) screening of the most prevailing existing environmental threats per country (based on literature review and expert opinions) and

(ii) scoping impacts caused by the Agreement (at a sector level) by economic changes, trade rules (i.e. provisions in the TSD chapter), literature review and/or expert opinions. The main advantage of impact screening is that it ensures a systematic and transparent approach and that it allows us to bring focus in the analysis (by prioritising on the most impactful phenomena).

### **Results of 1<sup>st</sup> round of impact screening**

As mentioned, the results of the 1<sup>st</sup> round of impact screening will give guidance on scoping the remainder of this study by selecting priority areas which will be analysed in more detail. We note that this is only a 1<sup>st</sup> round. A 2<sup>nd</sup> round of impact screening will be performed during the evaluation, based on which the final selection of areas to be assessed in more detail will be made. The initial findings can be summarised as follows. Potential impacts are in random order:

- Potential environmental impacts related to changes in the agricultural sector: Changes in agricultural production can generate environmental impacts, for instance through land use change. Land use change can create impacts on water quality and quantity, soil depletion, climate change and biodiversity (Development Solutions, CEPR, and University of Manchester 2009). The economic modelling results show a positive effect of the Agreement on production in the 'Vegetables, fruits and nuts' sector in all partner countries. It is to be assessed if this resulted in land use change and environmental impacts. Various specific crops can generate different environmental effects. The production of fruits, such as bananas, may be related to the use of pesticides, which has traditionally generated environmental pressures in areas surrounding the plantations in the partner countries (Heifer Foundation 2014). Banana production may also affect the water quantity and quality of the local water resources. In Ecuador, for instance, an increase of the illegal use of irrigation water has been reported in the banana sector resulting from increased production (Heifer Foundation 2014). The production of asparagus, which according to reports increased as a result of the Agreement in the Ica and Villacurí valleys, may also result in environmental impacts, mainly due to the use of groundwater and the application of technologies like dry irrigation. The production of avocados has more than doubled in both Peru and Colombia since 2012, according to FAO statistics, which may have created environmental impacts.

Experts also emphasise that the Agreement may have generated positive effects on (i) the export (and production) of certified<sup>64</sup> organic products (e.g. bananas and other fruits) as the partner countries responded to expectations of European consumers; and (ii) improved environmental legislation in the agricultural sector (including, but not exhaustive, the legislation on the use of pesticides and fertilizers, animal welfare). The relation between the Agreement and these events and trends is to be assessed in more detail in the analysis.

- Potential impact on forests: Deforestation is an important environmental issue in the partner countries. It is also a complex matter which deserves to be assessed in detail in this evaluation. Deforestation is related to various drivers, including agricultural production (EU 2013) and palm oil production (EPRS and ICEI 2018). Based on the debate on palm oil in the EU, The European Parliament adopted mechanisms to control imports of palm oil. In a report from Solidaridad (2019), the production of sustainable palm oil was analysed in Colombia from 2014-2018. They found that the relative share of Round Table for Sustainable Palm Oil certified palm oil imported from Colombia to Europe went from 23% to 31% throughout 2014-2018 (Solidaridad 2019). Another certification, the International Sustainability and Carbon Certification (ISCC), is a requirement for the production of biofuels in Europe

---

<sup>64</sup> E.g. Better Gold Initiative, Fairtrade and Fairmined.



since 2016. Since then, an increase in certified biofuels is observed in Colombia (from 7% in 2017 to 26% in 2018) (Solidaridad 2019).

- Potential impact on logging: Logging, both legally and illegally, is a major environmental threat in all partner countries. Ecuador's Wood Industry Association has estimated that 70% of all timber sold in the country is illegally harvested (Development Solutions, CEPR, and University of Manchester 2009, 85). In Colombia in particular, experts flag deforestation (e.g. in the Amazon) as a major issue. Forestry is addressed in the Agreement (Article 273, trade in forest products). It is noted that the Article does not contain a specific forestry protection annex with detailed obligations, in contrast to the FTA between Peru and the United States. The effectiveness of this provision is therefore questioned by some experts (Cantuarias Salaverry and Stucchi López Raygada 2015) and will be studied more closely in this evaluation.
- Potential effect of international treaties on biodiversity and wildlife (as stipulated in Art. 207 of the Agreement): Efforts have been made to increase the protection of biodiversity by safeguarding local wildlife species in partner countries. For instance, the Colombian government developed the sustainable management framework of an indigenous species of caiman under the Agreement, which was adopted at the 17<sup>th</sup> Meeting of the Conference of the Parties in Johannesburg, in 2016, leading to positive impacts on wildlife in Colombia.<sup>65</sup> There is no absolute consensus in the literature on the impact of the provisions of the Agreement on the protection of IPR (Fritz 2018; EPRS and ICEI 2018). Under the Agreement, the Parties agreed to cooperate and promote the protection of plant varieties based on the International Union for the Protection of New Varieties of Plants (UPOV) convention, which has influenced the development and implementation of the national intellectual property laws for plants (Jefferson 2020). Yet, it is suggested that this may have harmed the crops owned by small producers that allegedly violated plant breeders' rights (Fritz 2018). In addition, a potential increase in the production of non-traditional products for export may have affected the variety of cultures and thus possibly the ecosystems of the respective lands (Giorgetti 2015; Daza et al. 2020). Given the absence of consensus, this will be studied in more detail in the evaluation.
- Environmental impact related to mining: Mining, related to deforestation, soil degradation, water depletion and pollution, is also an environmental concern in all partner countries. An example is the El Cerrejón coal mine that was extended to Bruna Stream in Colombia which included the privatisation of the adjacent waters (EPRS and ICEI 2018). As result, the waterbodies are depleted and degraded, hampering ecosystems. Therefore, the Agreement has helped the promotion of initiatives towards a sustainable mining sector by providing technical assistance to small-scale miners and public authorities. However, despite progress on environmental legislation for the mining and energy sector (e.g. Colombia joining of the Minamata Convention on Mercury in 2018), some studies report that in recent years there has been a trend towards more flexible environmental standards and rules governing the mining-energy sector in Colombia and Peru (EPRS and ICEI 2018; Transnational Institute and International Office on Human Rights - Action Colombia (OIDHACO) 2016).<sup>66</sup> In response to this, the EU has noted the need to ensure compliance with the environmental commitments in the Agreement (Mujica and Fernández Maldonado 2020). Similarly, the European Parliament asked the

---

<sup>65</sup> See <https://www.cancilleria.gov.co/en/newsroom/news/cites-aprueba-consenso-propuesta-colombia-uso-sostenible-especie-caiman-cocodrilus>

<sup>66</sup> Also see Centro de Políticas Públicas y Derechos Humanos EQUIDAD 2017: Queja contra el gobierno peruano por falta de cumplimiento de sus compromisos laborales y ambientales, contenidos en el Acuerdo Comercial entre Perú y la Unión Europea.

Colombian government, within the framework of the Agreement, to be informed about the measures adopted to guarantee the effective application of the legislation on the protection of the environment and diversity, especially related to deforestation and the extraction of raw materials (Delgado and Hawkins 2020).

While the above observations highlight potential areas of interest for the evaluation, it should be noted that these are events and trends found in the literature and mentioned by experts. These events (and the 2<sup>nd</sup> round of impact screening) will inform the study team in scoping the actual evaluation and should by no means be interpreted as the study team's conclusions.

#### 5.2.2.2 Activity 2. Establishing the baseline

The objective of this activity is to gain an understanding of the partner countries' developments per environmental impact area since the implementation of the Agreement (regardless of causality with it). We separate environmental governance and performance:

- **Governance:** An overview of the (developments in) environmental governance within a country (which governmental body is responsible for a certain environmental impact area). This includes the developments in environmental governance since the implementation of the Agreement, focussing on topics treated with specific provisions in the TSD chapter (e.g. if countries changed their positions in specific Multilateral Environmental Agreements). Comments on the effectiveness of the policy framework in place will also be included. These are based on e.g. the performance of local governmental bodies following international standards and evaluations.
- **Performance:** An overview of developments in environmental performance per impact area since the implementation of the Agreement. This will be based on literature review (e.g. independent evaluations), environmental indicators, and stakeholder input (to obtain additional input, validate work and fine-tune results). We aim to make extensive use of data on environmental indicators in this section to show simple trends.

The output of the baselines is relevant in two ways for the remainder of the evaluation:

- It provides input for the 2<sup>nd</sup> round of impact screening, which will bring more focus to the evaluation of the impacts of the Agreement (and assure that the focus lies on the adequate environmental topics); and
- It identifies potential impacts (based on trends). The causality of these potential impacts/trends will be assessed in activities 3 and 4.

#### 5.2.2.3 Activity 3. Quantitative evaluation of impacts

The objective of the activity is to assess the Agreement's impact on *gross* GHG emissions and air pollution in a quantitative manner. As air pollution is a local phenomenon, we will assess the impact on air pollutants only on the Parties. As climate change is a global phenomenon (driven by global GHG emissions), we aim to estimate the *global* change in GHG emissions resulting from the Agreement. In this way, we also consider the difference in climate change impacts from trade creation and trade diversion.

The quantitative environmental analysis focuses on those environmental impact areas for which the CGE modelling results can be used, as this is essentially the only method to isolate the environmental impacts induced by the Agreement from the overall change in environmental performance.

We will analyse the Agreement's impact on the three major GHGs, being CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O.<sup>67</sup> Regarding air pollutants, we will focus on primary particulates (e.g. PM<sub>10</sub> and PM<sub>2.5</sub>) and on acidifying gases (NH<sub>3</sub>, NO<sub>x</sub> and SO<sub>2</sub>).

As the Commission's CGE results do not cover effects on methane and nitrous oxide emissions, nor on air pollutants, we have developed a methodology to estimate the change in emissions and air pollutants induced by the Agreement. Since we need to combine the CGE modelling results with our model, it is not fully possible to decompose the overall impact figure into the four drivers of the result (scale, structural, technology and product effects) using the extended environmental input-output model underlying the CGE results. However, with the CGE sectoral output results as a basis, we can approximate the scale, structural and technology/product effects.

We emphasise that the analysis of the Agreement's impact on climate change and air pollution will not be limited to this quantitative analysis on gross GHG emissions. Given the importance of the Amazon as a *global carbon sink* (Phillips, Brien, and the RAINFOR collaboration 2017), the impact on LULUCF will be critically assessed in the proposed case study on climate change (see section 6.2).

#### 5.2.2.4 Activity 4. Qualitative evaluation of impacts

The objective of this activity is to evaluate the Agreement's impact on (1) biodiversity, wildlife & natural resources, (2) water & marine and (3) waste and circular economy, using mostly qualitative research methods. Depending on data availability, we aim to identify trends, developments and cause-effect relations between the Agreement and the environment. By combining the existing environmental drivers and pressures, the CGE results and TSD provisions, we naturally also include potential *unintended* and *unforeseen* effects.

Our approach in this analysis is based on two steps:

1. For all selected impact areas, a **broad assessment** is done based on desk research. This broad assessment will build on the fundamentals of the baselines from activity 2. In contrast to activity 2, this assessment seeks to comment on and explore the causality between observed trends and the Agreement. We note that this is challenging since there is no counterfactual situation to compare against. Given (i) the number of environmental impact areas, (ii) the number of countries, (iii) the available resources for the project, and (iv) the challenges to isolate the causal relation between the Agreement and trends, we will not analyse all environmental impact areas with the same level of detail.
2. The environmental impact areas which are expected to be most affected by the Agreement (based on the impact screening) are selected for an in-depth analysis in **case studies**. In these case studies, we envisage to combine two qualitative research methods by using **causal chain analysis** (CCA)<sup>68</sup> and drawing from the **ecosystem accounting** principles<sup>69</sup>.

---

<sup>67</sup> Aside from CO<sub>2</sub>, methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) emissions also contribute to global warming. In fact, the *global warming potential* of these non-CO<sub>2</sub> GHGs is much higher than the global warming potential of CO<sub>2</sub> (factors 25 and 298, respectively).

<sup>68</sup> See: [https://trade.ec.europa.eu/doclib/docs/2016/april/tradoc\\_154464.PDF](https://trade.ec.europa.eu/doclib/docs/2016/april/tradoc_154464.PDF)

<sup>69</sup> This implies that a full ecosystem accounting exercise is out of scope. Instead, we aim to use as many indicators/data to comment on the scale of the impacts for which we may draw from ecosystem accounting principles.

The output of activities 3 and 4 will be used to answer relevant evaluation questions and judgement criteria. We note that the qualitative analysis is closely related to section 5.2.1 in which the implementation of the TSD chapter is evaluated.

### **5.3 Analysis of the Agreement's effects on human rights (Task 11)**

The human rights analysis will focus on how particular measures of the Agreement may have affected the enjoyment of specific human rights in all the Parties and the ability of the state Parties involved to fulfil or progressively realise their human rights obligations, corresponding to JC 1B.4.

The analysis will rely on the methodology of human rights impact assessment (HRIA)(United Nations Human Rights Council 2011; European Commission 2015), as well as on the experience from previous HRIAs, taking into account strong points of the ex-post assessments that have been done so far (e.g. ex-post evaluation of the EU-Korea FTA).

The normative background for the analysis will be based on the international human rights normative framework, including the core UN human rights treaties and conventions,<sup>70</sup> the Charter of Fundamental Rights of the European Union, relevant regional human rights treaties,<sup>71</sup> core ILO Conventions,<sup>72</sup> and, where relevant, domestic legislation and customary international law.

In line with the ToR, the analysis will use a longitudinal analysis, i.e. the human rights situations in the EU and three Andean partner countries before the application of the Agreement will be compared to the situation after the application. For Colombia and Peru, the Agreement period covers six years, but for Ecuador only three years. Considering the time lags required until economic impacts translate into human rights impacts, the analysis with respect to Ecuador is expected to be limited. To address this challenge, the analysis for Ecuador will be undertaken with a particular focus on consultations.

**Information sources.** The quantitative part of the analysis will be based on the economic modelling results provided by the Commission. Although these cover a number of economic and social variables, they need to be complemented with other data sources, such as human rights indicators. The qualitative part of the analysis will be based on literature review, legal text of the Agreement and stakeholder outreach.

Apart from the reports and publications suggested in the ToR<sup>73</sup> and in line with the HRIA guidelines, the analysis will rely on the information from the EU's Human Rights Dialogues, the EU Reports on Human Rights and Democracy in the World, the EU Human Rights

---

<sup>70</sup> Core UN human rights treaties include: International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), International Covenant on Civil and Political Rights (ICCPR), International Covenant on Economic, Social, and Cultural Rights (ICESCR), Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), Convention on the Rights of the Child (CRC), International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICMW), International Convention for the Protection of All Persons from Enforced Disappearance (ICPED), International Convention on the Rights of Persons with Disabilities (ICRPD), and their Optional Protocols.

<sup>71</sup> The European Convention on Human Rights, the American Convention on Human Rights, the American Declaration on the Rights and Duties of Man, the "Protocol of San Salvador".

<sup>72</sup> Core ILO Conventions include: Forced Labour Convention, 1930 (No. 29), Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), Right to Organise and Collective Bargaining Convention, 1949 (No. 98), Equal Remuneration Convention, 1951 (No. 100), Abolition of Forced Labour Convention, 1957 (No. 105), Discrimination (Employment and Occupation) Convention, 1958 (No. 111), Minimum Age Convention, 1973 (No. 138), Worst Forms of Child Labour Convention, 1989 (No. 182).

<sup>73</sup> These include both analytical papers (CEPR 2012; DG Trade 2016; EPRS and ICEI 2018; Fritz 2018; Orbie and Van den Putte 2016) as well as a complaint filed in 2017 by a number of EU and Peruvian NGOs, *Queja contra el gobierno peruano por falta de cumplimiento de sus compromisos laborales y ambientales previstos en el acuerdo comercial entre Perú y la Unión Europea*. For information about the follow-up to the complaint, see <http://www.redge.org.pe/node/2880>.

Country Strategies and their annual implementing reports. Next to that, the assessment will refer to the most recent periodic reports of the UN human rights treaty bodies, reports of the Universal Periodic Review (UPR), reports of the UN special rapporteurs on various topics and countries, and other relevant UN documents. When available, thematic reports as well as UNDP, OHCHR, UNICEF, UNESCO statistics that may be relevant for the analysis will be studied too. These sources will be complemented by reports from such organisations as the European Union Agency for Fundamental Rights (FRA), reports and recommendations of the Council of Europe and by work of other international NGOs in this area, e.g. International Federation for Human Rights (FIDH), Human Rights Watch, or Global Witness. For a focused first-hand evidence gathering purposes local human rights experts will be contacted, as well as the National Human Rights Institutions (NHRIs) in Colombia (Defensoria del Pueblo), Ecuador (Defensor del Pueblo) and Peru (Defensoria del Pueblo).

Inputs from stakeholders are particularly relevant to get insights into the impact of the Agreement on human rights, e.g. with respect to vulnerable groups or gender equality, that can be used for selection of human rights that may have been affected by the Agreement, for a better interpretation of the results of the economic analysis, and for more accuracy of the analysis based on evidence provided by local organisations and experts. Stakeholder consultations will also contribute to the sectoral analysis where the in-depth knowledge and expertise could be of added value.

With the help of the local experts and the NHRIs, we particularly intend to reach out to disadvantaged persons or groups of persons such as groups of persons with low income, women, indigenous peoples, children, minorities (e.g. Afro-Colombians in Colombia), migrants, persons with disabilities, and others. We aim to use the feedback of and engagements with stakeholders to trace back some key causal-chains in human rights, rather than simply report on the outcomes of the engagement. Evidence collected during stakeholder consultations should also facilitate our work on recommendations.

The two main analytical stages for the human rights analysis are (1) the screening and scoping for specific human rights impact of the Agreement, and (2) a detailed assessment of three trade-related human rights issues in the partner countries (both quantitative and qualitative in nature). We focus primarily on the three Andean partner countries as impacts of the Agreement on the human rights situation in the EU are anticipated to be limited, given the limited economic effects of the Agreement there.

The two main analytical steps are complemented by civil society consultations (as briefly mentioned above and explained in more detail in Appendix B). They will lead to the response to the evaluation questions (notably JC 1B.4 on the human rights impact), as well as to corresponding recommendations relating to the human rights impacts of the Agreement including proposals for additional flanking measures with a particular focus on the most vulnerable groups. Recommendations will be focused on how any potential tension between the Agreement and human rights obligations could be addressed through additional policy, legislative or implementation measures (flanking measures). We will formulate recommendations taking into account the effectiveness of the Agreement as well as its coherence with the EU commitments on sustainable development in trade policies as a contribution attainment of the SDGs.<sup>74</sup>

### *5.3.1 Screening and scoping for specific human rights impacts*

The focus of the analysis will be on how specific human rights (issues) have been affected by trade and trade-related measures under the Agreement. To identify these specific

---

<sup>74</sup> That is why some of the human rights indicators for evaluation also constitute indicators for specific SDGs (see table, this list can also be modified to include more such indicators relevant for the analysis).

human rights, a screening and scoping exercise will be performed. The cause-effect relationships between the Agreement and human rights will be established based on various sources, in particular, the analysis of the legal text of the Agreement, literature review, modelling results, human rights indicators, and stakeholder inputs. It is important to note that the cause-effect relation could have originated from a specific trade measure, but also from an overall effect of the Agreement.

For an ex-post evaluation, we have to realise that the enjoyment of a certain human right has evolved over time because of a range of factors that are interrelated with each other, of which the Agreement (and its trade and investment provisions) is only a part. Domestic social and political factors play a large role in how the enjoyment of human rights develops. Therefore, the screening and scoping analysis aims at isolating the Agreement's impact from all the other effects by looking at the causal effects following the implementation of the Agreement. This is a challenging task to do, especially when human rights indicators that we can measure are broad, and because the counterfactual situation, i.e. the world without the Agreement being in place, is not observable. For example, indicators that matter for looking at the human right to an adequate standard of living are the poverty ratio, status of workers in the informal sector, and minimum wage regulations, complemented by the effect of the Agreement on wages (overall) and employment (at sectoral level). It is the interaction between existing conditions and the ex post measured effect of the Agreement that allows drawing conclusions on how certain rights, in this example the right to an adequate standard of living, are likely to be affected. There are, however, also other factors besides the Agreement that will have an impact – for example when a newly elected government decides to raise the minimum wage or extends the scope of unemployment benefits. These are not due to the Agreement, but do have an impact on the right to an adequate standard of living.

Moreover, the broad nature of most human rights indicators also means it is challenge to measure effects on specific sub-groups. For example, with the abovementioned indicators, how can one distinguish between the effects on an average Colombinan worker's adequate standard or living and the effects for Afro-Colombians? We will try establish such details, also via the consultations, but there are limits as to how far disaggregation of effects can work.

For that reason, several control steps are planned to be used in order to come to a prioritised and nuanced list of human rights for a detailed assessment:

- First, to identify a link between the Agreement and human rights, we will rely on the screening of the legal text of the Agreement, as well as checking if all the provisions of the Agreement have been applied in order to better understand what impacts on human rights may potentially have been caused.
- Second, we will study multiple secondary materials, including relevant studies and reports of the Agreement's overall or specific (relevant) effects, as well as documents prepared by stakeholders and media reports.
- Third, we will gather inputs from stakeholders to see if they can provide any additional evidence directly linking the changes in the enjoyment of rights by the rights-holders and changes in the level of respect for, and protection and fulfilment of, rights by the duty-bearersevolvement of human rights to the coming into force and (lack of) implementation of the Agreement provisions. Since stakeholder consultations are intended to be run throughout the project, the screening and scoping step will thus be updated in case new relevant information becomes available.
- Fourth, we will look at the quantitative data we have from the CGE modelling to retrace the cause-and-effect steps expected in the ex-ante assessment to see if the changes in the economic production structure that were predicted by the model then actually happened – and, thus, whether the causes for expected human rights effects have actually materialised in reality or not;



- Fifth, we will look at the social and political situation of the partner countries to use that information to detach the impact of the Agreement from the overall development of human rights over time so as to ensure that possible pre-existing conditions of stress or vulnerability have not affected this impact.

As a result of the screening and scoping exercise and in line with the EC Guidelines for HRIAs, we will provide an overview of the main human rights affected by the Agreement, specifying the following information (European Commission 2015, 5) in a tabular format:

- Specific human rights/issues (and with respect to which population groups if applicable/possible);
- Short note on the evidence of the impact with a reference to the source of information;
- Whether the affected right is an absolute human right or not;<sup>75</sup>
- The kind of impact (direct or indirect);
- The degree of the impact (major or minor);
- The direction of the impact on a 5-grade Likert scale: positive impact (++), somewhat positive impact (+), no impact (0), somewhat negative impact (-), negative impact (--).

### *5.3.2 Detailed assessment of specific human rights impacts*

Based on the screening and scoping exercise, we will select human rights for detailed assessment with respect to the impacts that may have occurred since the start of the provisional application of the Agreement. For this purpose, we will establish a baseline for each right before the year of provisional application of the Agreement. Then, we will examine evidence starting from that year onwards describe developments in key indicators of these rights (see Table 8). Finally, we will compare the pre- and post-Agreement periods and consider the extent to which changes could be attributed to it.

To address the challenge of isolating the Agreement impact from other factors that could have affected the enjoyment of a human rights over time, we propose the multi-pronged approach (i.e. methodological triangulation in order for one methodological element to corroborate/validate the other method) for each of the prioritised human rights as indicated in Figure 4.

---

<sup>75</sup> See Tool #28 of the European Commission's Better Regulation Toolbox (2017), available at: [https://ec.europa.eu/info/law/law-making-process/planning-and-proposing-law/better-regulation-why-and-how/better-regulation-guidelines-and-toolbox/better-regulation-toolbox\\_en](https://ec.europa.eu/info/law/law-making-process/planning-and-proposing-law/better-regulation-why-and-how/better-regulation-guidelines-and-toolbox/better-regulation-toolbox_en)

**Figure 4: Overview of the multi-pronged approach to human rights impact assessment**



- First, we will use the *modelling results* that already disentangle the Agreement's impact from the overall impact. In this respect, depending on the selected rights, we will study such parameters as employment, wages and prices (depending on the availability of the data) to estimate the impact of the Agreement on the right to work and the right to an adequate standard of living. If data is available on the wage gap, we will be able to see the impact on the right to freedom from discrimination (gender equality) from that perspective both overall and at sector level.
- Second, we will analyse contextually relevant *human rights indicators* – a combination of structural, process and output indicators (United Nations Human Rights Office of the High Commissioner (OHCHR) 2012) – from the statistical databases of ILO, World Bank, UN and other organisations (see Table 8 for a preliminary overview of indicators that could be used for the analysis) to investigate how the selected human rights have evolved over time. While doing so, we will look at the development of human rights along the timeline from five years before the implementation of the Agreement until the most recent year for which the data is available.  
When comparing the periods of time before and after the application of the Agreement, we will look for shocks (relatively sharp increases/decreases) around the time of application to search for an Agreement impact (linked to trade measures agreed upon in the Agreement coming into effect). We will also investigate whether other shocks have taken place that could explain observed changes in human rights (e.g. changes in domestic laws). This will be done in order to analyse the time periods around the application of the Agreement in more detail trying to distinguish the Agreement's impact from other possible impacts in those periods that are not related to trade between the EU and the partner countries.
- Third, we will study relevant EU reports, reports of the UN human rights treaty bodies, the Universal Periodic Review (UPR), most recent periodic reports by the Committee on Economic, Social and Cultural Rights (CESCR) and comments and contributions of different actors to the consideration of these reports, the reports of the UN special rapporteurs on various topics and countries, and other relevant UN documents, ILO reports and other relevant ILO documents, expert opinions, additional *literature review* in order to find further qualitative evidence relevant for the assessment of the development of selected human rights, and in order to cross validate that no other



factors have affected any change in a human right around the time of coming into force of the Agreement or their postponed impacts.

**Table 8: Preliminary overview of the human rights indicators**

| Human right   | Components of the right | Indicator  | Database          |
|---|-------------------------|--|-------------------|
| <b>Right to food</b><br>Art.25 UDHR, Art. 11(1) and (2) ICESCR, CESCR General Comment No. 12  | Nutrition               | Proportion of targeted population covered under public nutrition supplement programmes | FAO               |
|   |                         | Percentage of children under 5 years of age who are overweight                         | WHO / UNICEF / WB |
|   |                         | Percentage of children under 5 years of age who are stunted                            | WHO / UNICEF / WB |
|   |                         | Prevalence of obesity in the adult population (18 years and older)                     | WHO               |
|   | Food security           | Per capita food supply variability   | FAO               |
|   |                         | Political stability and absence of violence/terrorism                                  | WB/WWGI           |
|   | Food availability       | Average dietary energy supply  | FAO               |
|   |                         | Average value of food production   | FAO               |
|   | Food accessibility      | Prevalence of undernourishment   | FAO               |
|   |                         | Prevalence of severe food insecurity in the total population                           | FAO               |
| <b>Right to water and sanitation</b><br>Arts.11 and 12 ICESCR, CESCR General Comment No.15    | Water use               | Water use efficiency (a number of indicators)  | FAO (AQUASTAT)    |
|   |                         | Water stress (SDG 6.4.2)   | FAO (AQUASTAT)    |
|   |                         | Percentage of population using safely managed drinking water                           | WHO/UNICEF        |
|   | Sanitation              | Percentage of population using safely managed sanitation services                      | WHO/UNICEF        |
|   |                         | Percentage of children under 5 years of age affected by wasting                        | WHO/UNICEF/WB     |
| <b>Freedom from discrimination</b><br>(gender equality)<br>Art.2 UDHR, Art.2 ICESCR           | Employment              | Ratio of female to male labour force participation rate                                | WB                |
|   |                         | Gender Equality Index  | UNDP              |
|   |                         | Unemployment rates by sex  | ILO               |
|   |                         | Employment to population ratios by sex   | ILO               |
|   |                         | Gender wage gap by occupation  | ILO               |
|   |                         | Female share in managerial positions   | ILO               |
| <b>Right to just and favourable working conditions</b><br>Art.23 (1), (3) UDHR, Art. 7 ICESCR |                         | Informal employment  | ILO               |
|   |                         | Hours of work  | ILO               |
|   |                         | Safety and health at work  | ILO               |

\*This is a preliminary overview which will be fine-tuned and elaborated upon, also for other human rights, depending on the outcome of the screening exercise.

- Fourth, we will review the *inputs from stakeholders* (evidence of direct or indirect links between the Agreement and human rights) in order to (i) cross-validate that no other factors have affected any change in a human right around the time of coming into force of the Agreement; and (ii) find further qualitative evidence of a link between how the human right has evolved and the Agreement.<sup>76</sup>
- Fifth, we will investigate the scope of human rights related *legal provisions* in the Agreement and whether they have been implemented as agreed or not.<sup>77</sup>
- Sixth, we will look at the *social and political situation* of the respective countries to use that information to detach the Agreement's impact from the overall development of human rights over time to ensure that possible pre-existing conditions of stress or vulnerability have not affected this impact.

<sup>76</sup> Because for Ecuador, quantitative analysis will be challenging and literature sources may be limited, stakeholder consultations will be particularly important.

<sup>77</sup> For conclusions and recommendations we will also consult recent research on the non-trade provisions and their relevance (see e.g. Milewicz et al. 2018; Raess, Dür, and Sari 2018).

To the degree possible, the analysis will reflect upon the affected individuals and/or groups of people or actors, especially indigenous people and women. In close cooperation with the social analysis (see section 5.2.1) we will also look at how the Agreement has impacted gender equality and labour rights.<sup>78</sup>

In the course of the analysis, as mentioned in the introduction to this section, we aim to identify opportunities that the Agreement may not have capitalised upon to see how provisions in the Agreement could have been implemented in order to reduce negative impacts found and/or enhance positive effects.

#### **5.4 Concluding tasks**

Based on the various analyses undertaken, including the case studies, the evaluation team will prepare:

- A comprehensive review of the extent to which impacts identified in the 2009 EU-Andean Trade Sustainability Impact Assessment (Development Solutions, CEPR, and University of Manchester 2009) have actually materialised (Task 8);<sup>79</sup>
- Replies to the evaluation questions (Task 13); and
- Conclusions and recommendations (Task 14).

## **6 CASE STUDY SELECTION AND METHODOLOGY**

### **6.1 Case Study Selection**

As part of the evaluation, nine case studies will be prepared. Their purpose is to illustrate some of the more general findings as well as to address issues, through a “deep-dive”, which are not very suitable to be analysed at an economy-wide or sectoral level.

As there is a multitude of potential case studies, a careful selection of those cases that will provide an added value to the overall analysis while maintaining a balance in terms of geography, issues and impact areas is important. Although a strictly scientific selection method is hardly possible, given the vast scope of the Agreement and the heterogeneous topics covered, we have applied a number of criteria and considerations to ensure representativeness:

- Geographically, case studies are to cover effects in, and interests across, all Parties. Likewise, some case studies should be country-specific while other should be cross-country;
- Thematically, cases studies should address economic, social, environmental and human rights issues in a balanced way.

Applying these criteria, a first list of case study candidates was prepared in the technical proposal for the study; this was then fine-tuned based on initial research and consultations during the inception phase. Table 9 provides an overview of the proposed case studies, indicating their geographical and impact area coverage, as well as their added value

---

<sup>78</sup> Although we expect some overlap on labour-related rights with the evaluation of social impacts, there will be cross-references to ensure a holistic analysis. Moreover, taking into account the interrelated nature of human rights, we reserve the right to address the rights of the workers from other relevant perspectives not covered in the social analysis (e.g. as related to vulnerable groups).

<sup>79</sup> Depending on the evaluation progress made and the robustness of findings available at the time of the interim report, a preliminary review of the SIA’s conclusions and recommendations might already be provided in that report.

compared to the overall analysis. Each of the proposed case studies is presented in more detail in the next section.

**Table 9: List of proposed case studies**

| No | Case study topic   | Geographical focus | Key impact areas                   | Value added compared to overall analysis   |
|----|--|--------------------|------------------------------------|--|
| 1  | Review of specific services and investment issues: the impact of the Agreement on tourism <sup>80</sup>      | EU                 | Economic, social, environmental    | Deep-dives into one services sector with high economic importance and high political prominence due to Covid-19 impact.  |
| 2  | Public sector awareness and implementation of the Agreement's public procurement provisions                  | EU                 | Economic/ Agreement implementation | Zooms into one specific problem related to public procurement provisions in the Agreement & complements the overall analysis in 9.7  |
| 3  | Effect of the Agreement on sustainable farming practices and production: the case of bananas <sup>81</sup>   | Partner countries  | Economic and environmental         | Such effects are not covered by overall analysis under task 9.9.   |
| 4  | Impact of the Agreement on MSMEs and informal sector   | Ecuador            | Economic, social & human rights    | The focus of the case study will be on sectors engaged in trade with the EU, notably exports, which according to initial information have benefitted substantially from the Agreement. This is different than the overall analysis in Task 10.5. The other two partner countries might also be covered in this case study. |
| 5  | Export diversification and spatial effects of the Agreement: the case of tropical fruit production in Nariño | Colombia           | Economic, social & human rights    | Case study of one example of spatial effects coupled with export diversification, complements 9.10.  |
| 6  | Export and import diversification and new opportunities created by the Agreement for SMEs                    | EU                 | Economic                           | Studies impact of the Agreement on diversification of imports and exports by EU SMEs, complementing the analysis under tasks 9.10 and 9.11   |
| 7  | Impact of the Agreement on child labour and children's rights  | Partner countries  | Social and Human rights            | Provides particular focus on one important issue covered by task 10.4: Complements work with a focused analysis of the situation in areas and sectors particularly engaged in trade with the EU.   |
| 8  | Impact of the Agreement on freedom of association in sectors involved in trade with the EU                   | Partner countries  | Human rights, social               | Complements work to be done under Task 10.4 with a focused analysis of the situation in sectors particularly engaged in trade with the EU.   |
| 9  | Impact of the Agreement on biodiversity in Peru – e.g. the case of avocados <sup>82</sup>                    | Peru               | Environmental                      | Complements overall analysis in 10.6 with a specific example for one impact area (deep-dive)   |
| 10 | Climate change   | Partner countries  | Environmental                      | The analysis in 10.6 will show the Agreement's impact on gross GHG emissions in all countries resulting from economic changes and emission intensities per sector. This case study will complement this analysis with deep-dives on specific elements (e.g. the impact on forestry and land use).                          |

<sup>80</sup> Depending on the initial research, i.e. if it turns out that the Agreement's impact on the sector has been limited, other sectors such as telecoms, infrastructure or financial services could be considered.

<sup>81</sup> Note that the focus on bananas is still indicative; other products (such as cocoa, avocado, broccoli, shrimps, tropical fruits, etc.) could also be of interest. We will start screening a broader product scope and then narrow down the case study topic.

<sup>82</sup> The topics of the proposed two environmental case studies – biodiversity (Peru) and climate change and LULUCF (partner countries) – will be further specified based on the 2<sup>nd</sup> round of impact screening matrix. Based on economic modelling results, experts' opinions and literature review, the most relevant topics will be selected.

In case during the further research it turns out that any of the proposed case studies is not after all suitable for analysis, it could be replaced, after discussion with the Commission, by one of the following ones:

- Implementation challenges for EU GIs including the process for their protection and market issues;
- Export and import diversification and new opportunities created by the Agreement;
- Non-economic impact of Agreement-induced mining on rural communities.

## **6.2 Case Studies – Summaries and Methodologies**

### **Case study 1: Review of specific services and investment issues: the impact of the Agreement on tourism**

*Summary:* The purpose of this case study is to analyse how and to what extent the Agreement has led to increased EU FDI in the sector (hotels, travel companies) in partner countries, and what has been the impact of such FDI, including in terms of increase in arrivals from EU, employment, and environmental effects. It should be noted that in case that the research shows that EU presence in tourism in the partner countries is low, other services sectors such as telecoms, infrastructure or financial services could be considered. The need for a case study on the Agreement's impact on a services sector stems from the fact that the CGE modelling provides no reliable information in this regard, because it only covers the impacts stemming from changes in tariffs.

*Methodology:* The analysis will start with a review of statistics on sectoral FDI (taken from task 9.3, see section 5.1.3 above) as well as descriptive statistics and data on the tourism sectors in the partner countries (in terms of sectoral employment and investment, visitor arrivals, type of tourism product and regions visited) to establish the development of the sector since 2008. A particular focus will be placed on determining any changes (in trends, or other structural changes) around the time of application of the Agreement to get a first idea of any potential impact of the Agreement. This will then be tested in interviews with stakeholders from the sector. Initially, economic stakeholders, i.e. EU investors and their representative bodies, will be consulted to confirm the extent to which the Agreement has influenced investment activity in the sector. Following that, consultations with other stakeholders in the partner countries will be held to identify and discuss the implications of this investment in terms of employment (both direct and indirect), and local environmental indicators such as water and wastewater, energy use, or waste issues.

### **Case study 2: Public sector awareness and implementation of the Agreement's public procurement provisions**

*Summary:* Under the Agreement, Colombia, Peru and Ecuador commit to provide EU companies, goods and services non-discriminatory access to the public procurement of local municipalities in addition to that of central authorities above the pre-determined financial thresholds, within the scope of covered procurement as defined in the market access commitments of Colombia, Peru and Ecuador. In turn, Colombian, Peruvian and Ecuadorians bidders are granted access to the procurement of EU central and sub-central authorities (Annex XII, Appendix 1). In 2017, the EU and Colombia also signed a decision on Government Procurement, which further clarified the coverage of Colombia at the sub-central level in Colombia.<sup>83</sup> However, at the Trade Committee meeting in December 2018 the EU raised the issue of lack of national treatment in some public procurement procedures carried out at local level in utilities fields. In initial stakeholder consultations

---

<sup>83</sup> Decision No 1/2017 of the EU-Colombia-Peru Trade Committee of 24 November 2017 amending Appendix 1 of Annex XII ('Government Procurement') to the Trade Agreement between the European Union and its Member States, of the one part, and Colombia and Peru, of the other part. OJ L1, 4.1.2018, p.1 (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22018D0001&from=EN>).

during the inception phase, the evaluation team was informed that some procuring entities in Colombia especially at sub-central level and in the utilities sectors might not be fully aware of the obligations under the Agreement and as a result thereof, and possibly of other factors, national treatment might be denied. Therefore, the case study will seek to identify to what extent public procurement in Colombia has been opened up in practice for EU businesses at all levels, and which issues and problems have been encountered. The purpose would be to arrive at recommendation for a smooth implementation of commitments on public procurement. Eventually some recommendations could be useful also for Peru and Ecuador.

*Methodology:* The analysis will be qualitative in nature. The basis for the case study will be the statistical data collected as part of the analysis in task 9.7 on public procurement (see section 5.1.7 above) in order to determine the level of openness of sub-central procurement for EU businesses; this is likely to require additional requests for data and consultations with procuring entities, as well as business development staff of EU companies (or their representative organisations). In follow-up consultation with these entities, any potential underlying reasons for obstacles in accessing covered procurement opportunities will be identified.

### **Case study 3: Effect of the Agreement on sustainable farming practices and production: the case of bananas**

*Summary:* Although the Agreement establishes no specific rules on organic, fair, or other sustainable farming practices, it cannot be excluded that changes in such practices have resulted as an unintended effect. In line with this, the purpose of this case study will be to determine to what extent and how the Agreement has led to a change in production towards sustainable farming practices and production. Based on the initial research undertaken during the evaluation inception phase, the focus of the case study is likely to be on banana production. Nevertheless, before a final decision is taken, practices for other products, such as coffee, cocoa or cut flowers, will also be considered.

*Methodology:* Although some data and research literature on sustainable agricultural practices, certification schemes and exports from the three Andean partner countries (especially Ecuador) exist, the primary data source for the case study will be interviews with stakeholders, notably to establish the extent to which the Agreement has had an impact on fostering exports of sustainably produced agricultural products to the EU and, in consequence, led to an expansion of output. The detailed methodology will be determined after the initial screening of products has been completed and the product (and partner country) on which the case study will focus has been selected; this will be presented in the interim report.

### **Case study 4: Impact of the Agreement on MSMEs and informal sector**

*Summary:* The purpose of this case study is to analyse whether increased exports from Ecuador to the EU resulting from the Agreement have helped job creation and formalisation of enterprises and employment and improvement of social rights and working conditions. Ecuador has been selected as the target because initial information has indicated that informal businesses have been part of export supply chains that have increased significantly after the Agreement started to be applied. There is thus prima facie information that the effect of the Agreement on the informal sector may have been particularly high in Ecuador. Effects in the other two partner countries might however also be considered in the case study

*Methodology:* The starting point for the case study will be provided by tasks 9.10; 9.11 (impacts on trade diversification and on micro-, small and medium-sized enterprises), and tasks 10.3, 10.4 and 10.5 (impacts on employment, working conditions and labour standards and informal economy). Based on their findings related to the horizontal analysis

covering all sectors, we will focus on sectors involved in trade between Ecuador and the EU. We will seek to establish whether exports to the EU have supported job creation, formalisation of enterprises and improvement of respect for labour standards and working conditions in sectors involved. Depending on the identified sectors and types of enterprises, we may also include a consideration of decent work promotion in global supply chains, in line with the ILO approach. Data for the analysis will be provided e.g. by national statistics, and ILO publications regarding informal employment in the analysed period, characteristics of the micro-, small and medium-sized enterprises in Ecuador and the informality rate, as well as measures taken by the Government to encourage formalisation of the economy and to strengthen labour inspection services to ensure more effective enforcement of labour-related legislation. This will enable us to differentiate effects of the Agreement from other factors. In the second step, based on trade data, including from the Commission's implementation reports and the economic modelling, we will identify sectors engaged in exports to the EU and changes in employment levels in those sectors triggered by the Agreement. We will then match this data with previous findings to conclude whether there is a correlation between the group of sectors where changes in trade flows and employment were caused by the Agreement on one hand and on the other, sectors where there were high levels of informality (and changes therein), sectors where we observed changes in the respect for labour standards or working conditions (job quality) and sectors where micro-, small and medium-sized enterprise operate and are involved in international trade. This analysis will be complemented by stakeholder engagement to get more insights into the observed trends and potential causality. Based on this, we should be able to conclude whether the Agreement played a role in changes in levels of informal economy or informal employment, job creation, respect for labour standards and working conditions in sectors in Ecuador involved in trade with the EU.

#### **Case study 5: Export diversification and spatial effects of the Agreement: the case of tropical fruit production in Nariño**

*Summary:* Based on initial research, the Agreement has led to a diversification of Colombian exports into new products (such as tropical fruits and avocados), which are produced in remote areas of the country (e.g. Nariño in the south). This case study will seek to identify the causal link between the Agreement and export performance of rural areas, using Nariño (or another region to be identified) as an example. The purpose is to identify the underlying mechanisms for such export success that could be supported further in order to ensure that the benefits of the Agreement in terms of export performance are widely shared across geographical regions.

*Methodology:* The case study will start with the identification of key socio-economic data of the region and their development over time (since 2008), which will be compared to the region's trade performance (in particular: exports to the EU) over the same period. The aim of this time-series analysis is to determine any potential change induced by the Agreement based on statistical data. This analysis will be complemented by consultations with stakeholders in the region as well as, if possible, with EU importers buying from the region, in order to confirm the findings from the statistical analysis, as well as determine the underlying reasons for the export diversification and increase, and the local economic, social and environmental effects that follow therefrom.

#### **Case study 6: Export and import diversification and new opportunities created by the Agreement for SMEs**

*Summary:* Contributing to tasks 9.10 and 9.11, the subject of this case study is to determine how and to what extent the Agreement has led (or not) EU SMEs to start exporting to or importing from any of the three partner countries, as well as which obstacles new traders still face (for example, data from the partner countries suggests that the survival rate of new exporting SMEs is low).

*Methodology:* The starting point for the case study will be the quantitative work undertaken as part of task 9.11 on the entry of new EU exporters, but will focus on SMEs only, and will also comprise new importing SMEs. A problem to be still addressed is to obtain firm-level bilateral trade data specifically for SMEs, as this does not seem to be available in publicly available statistics. In case no such statistics can be obtained, the case study will apply a qualitative approach, based on information provided by EU SME associations and individual SMEs, both through the business survey and interviews.

### **Case study 7: Impact of the Agreement on child labour and children's rights**

*Summary:* The objective of this case study is to identify whether the Agreement has had an impact (and if so, what sort of impact) on the occurrence of child labour and respect for children's rights in the partner countries, in particular in areas and sectors involved in trade with the EU.

*Methodology:* The basis for the analysis under this case study will be provided by task 10.1 (TSD Title) and 10.4 (impacts for labour standards). They will provide an answer to the question of whether the Agreement had any impact on the occurrence of child labour and the respect by partner countries of the ILO fundamental conventions, including on elimination of child labour (No. 138 and 182). As part of that analysis, we will collect data regarding child labour over time and across sectors, complemented by information about steps taken by the Governments to address that issue. Building on it, in the case study, we will look to establish whether or not the Agreement had an impact on the occurrence of child labour and respect for children's rights in the partner countries, in particular in areas and sectors involved in trade with the EU. Based on trade statistics, including from the Commission's annual FTA implementation reports, and results of the economic modelling, we will identify sectors engaged in export or import activity with the EU, as well as regions in partner countries which might have been affected by that trade. In the following step, we will match this information with the previous analysis in order to check whether there is a correlation between sectors and regions where child labour occurs and those involved in trade with the EU; and if so, what trends have been observed in the number of working children, the number of hours worked, motives to work, related types of activities, as well as factors influencing the situation. This part of the analysis will be complemented by other sources, including stakeholder engagement to understand whether indeed, causal links between implementation of the Agreement and occurrence of child labour (or lack thereof) are plausible or whether there are other factors influencing the situation which should be considered. Moreover, as indicated above, the analysis will take into consideration dialogue and cooperation between the EU and partner countries under the TSD chapter regarding elimination of child labour and other actions undertaken by the partner countries. Then, to broaden the analysis, we will look also at the respect for children's rights, including the right to health, right to education, right to an adequate standard of living, right to adequate housing or right to a clean environment, and if the trade activity had any impact on these. Desk research will be complemented by stakeholder engagement and the analysis will be finished with conclusions and recommendations.

### **Case study 8: Impact of the Agreement on freedom of association and the right to collective bargaining in sectors involved in trade with the EU**

*Summary:* This case study will aim at responding to the question whether the Agreement has had any impact in the partner countries on freedom of association and the right to collective bargaining, as well as respect for workers' rights and decent working conditions in sectors particularly involved in trade with the EU.

*Methodology:* The basis for the analysis under this case study will be provided by task 10.1 (TSD Title) and 10.4 (impacts for labour standards and working conditions). They will provide a reply to the questions of whether the Agreement has had an impact on the ability of workers in partner countries to organise, to bargain collectively and to exercise their

rights across the whole economy; and whether the TSD Title and its provisions on effective implementation of the ILO fundamental conventions have encouraged partner countries to better observe them in law and practice. Building on these findings, in the case study, we will analyse whether the Agreement has had any impact on freedom of association, social dialogue, the right to collective bargaining and respect for workers' rights and decent working conditions in sectors particularly involved in trade with the EU. Based on trade data, including from the annual Commission's FTA implementation reports, and results of the economic modelling, we will identify sectors engaged in exports or imports activity with the EU. In the following step, we will analyse working conditions in these sectors and trends in job quality indicators over the reporting period (e.g. the number of accidents at work, types of contracts, working hours, social protection coverage of workers, etc.), as well as trends in indicators related to trade union activity (e.g. the rate of trade union members in the total number of workers in the sector, the number of collective agreements and the ways in which bipartite and tripartite dialogue is pursued). We will also search for information about Government policies and private sector initiatives, as well as other factors which may have influenced the situation in the analysed sectors. This will be complemented by stakeholder engagement to get insights on labour-related dimensions in the analysed sectors, and on whether the Agreement may have played a role in it e.g. through changes in demand and supply (resulting in adapted output), increased competition, prices, customers' expectations, civil society monitoring, etc. and if any of these had an impact on working conditions, freedom of association and the right to collective bargaining and their exercise in practice.

#### **Case study 9: Impact on biodiversity in Peru**

*Summary:* The first environmental case study is on the Agreement's effect on biodiversity in Peru. The exact locus of the analysis will be finalised in the implementation stage, based on the 2<sup>nd</sup> round of impact screening. The 1<sup>st</sup> round of impact screening shows, e.g., production growth in the vegetables, fruits and nuts sector as a result of the Agreement. Taking this information together with relevant provisions in the Agreement, information from the literature review as well as stakeholder input, the impact of expanded output of products such as avocados could become the focal point of this case study. Where possible (and relevant) we will use biodiversity indicators to support the case study.

The proposed *methodology* for the case study is presented in Box 3.

#### **Case study 10: Impact on climate change through the LULUCF sector in partner countries**

*Summary:* Whereas in many countries, gross GHG emissions account for the lion's share of a country's impact on global warming, the LULUCF (land use, land use change and forestry) sector is a key determinant in the partner countries' impact on global warming, given the role of the Amazon as a carbon sink. For that reason, this case study will complement the climate change analysis in the general environmental analysis (on gross GHG emissions), by assessing the Agreement's impact on the LULUCF sector in all partner countries. In addition, we will also explore the Agreement's impact on LULUCF policies in the partner countries. Again, the focal point of the case study is to be determined based on the 2<sup>nd</sup> round of impact screening.

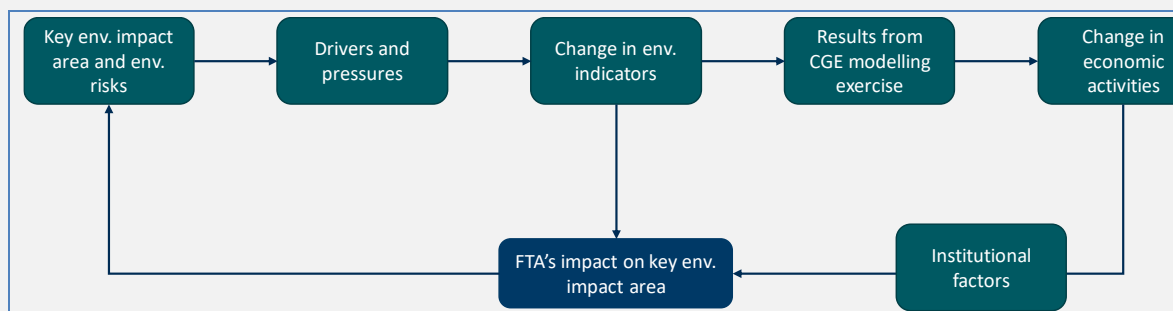
The proposed *methodology* for the case study is presented in Box 3.



### Box 3: Methodology for environmental case studies

By means of the **causal chain analysis** (CCA)<sup>84</sup>, we strive to find cause-effect links between changes in economic outputs and changes in environmental performance, while also considering potential changed (enforcement of) environmental legislation (i.e. institutional factors). Figure 5 tracks the logic chain for the case studies. We commence our analysis with a detailed assessment of the key **risks, threats and pressures** associated with a certain impact area, and how these have evolved over the time period of the Agreement. Next, we will assemble any data in relation to **indicators** reporting on these factors over the period of analysis.

**Figure 5 Conceptual model of the causal chain analysis**



We then relate the (1) risks, threats and pressures and (2) indicators to the **economic modelling** results. Through this, we naturally include potential *unintended* effects too. Qualitative analysis will be undertaken based on academic literature exploring this relationship, and supported by interviews with relevant stakeholders. We then consider **institutional factors** that may mitigate the causal attribution of the Agreement on the threats, such as clauses in the Agreement (in the TSD chapter) or other agreements that reduce the link between the activity and the identified threat or pressure, or otherwise **flow-on** to environmental outcomes beyond the boundaries of the Agreement.

Lastly, we draw **conclusions** from the data and from interviews on the estimated impact of the Agreement on the impact area. This may be quantitative where data allows, but will otherwise be qualitative descriptions of the impacts based on the chain of logic, informed by literature and interviews.

## 7 CONSULTATIONS

### 7.1 Consultation Strategy

The consultation strategy presented in the technical offer has been refined during the inception phase (Task 6); it is presented in Appendix B. Box 4 summarises our expectations regarding the main inputs expected from stakeholders.

#### Box 4: Expectations regarding inputs from stakeholders

Inputs from stakeholders are expected at all stages of the study. The study team will welcome, in particular:

- Responses to the online public consultation;
- Evidence of specific cases/examples on how the Agreement has affected economic performance, sustainable development and human rights, both in Peru/Colombia/Ecuador and in the EU. Contributions will be particularly welcome in relation to the priority areas of analysis:
  - Impact on investment climate and investment flows (see task 9.3);
  - Impact of the Agreement on trade diversification (in terms of goods and services, traders, regions involved in trade, etc.) (see task 9.10);
  - Impact of the Agreement on SMEs (see task 9.11);
  - Effects of the implementation of the TSD chapter (see task 10.1);
  - Performance of the institutions established under the TSD chapter (see task 10.2);
  - Impacts of the Agreement on pillars of Decent Work Agenda, working conditions, labour standards, social protection, other public policies, and labour inspection (see task 10.4);
  - Impacts on the informal economy and informal employment (see task 10.5);
  - Environmental impacts (see task 10.6); and
  - Any of the case studies.

<sup>84</sup> See: [https://trade.ec.europa.eu/doclib/docs/2016/april/tradoc\\_154464.PDF](https://trade.ec.europa.eu/doclib/docs/2016/april/tradoc_154464.PDF)

- Written contributions (positions) expressing views on how the Agreement has affected economic performance, sustainable development and human rights across the parties, in particular with regard to – but not restricted to – the analytical priority areas;
- indication of relevant publications that would focus on the impact of the Agreement in the partner countries;
- indication of actions taken by Colombia, Ecuador and Peru in areas covered by the TSD chapter, i.e. changes in policies, strategies, action plans, and legislation in the areas of labour, environment and climate change; ratification and implementation of international conventions in these areas, and engagement with civil society into a dialogue on them;
- written comments on the draft Inception Report, draft Interim Report and draft Final Report;
- proposals for and comments on draft conclusions and recommendations of the report, including how to improve operation of the Agreement (if needed);
- names of organisations, or indication of vulnerable groups that may have been affected by the Agreement in the partner countries, as well as relevant contact details, for the evaluation team to reach out to the most relevant, additional stakeholders.

## **7.2 Study Website and Electronic Communications**

The establishment and continuous updating of a website, as well as ongoing electronic communications with stakeholders are one element of the consultation strategy. During the inception phase, the website has been established and launched, and an initial e-communication has been sent out to identified stakeholders (Task 5). The website is available at:

<http://www.fta-evaluation.eu>

Electronic communication with stakeholders will take place through email newsletters as well as Twitter, using BKP's Twitter account (@BKPEconAdvisors). Headline tweets are planned to be re-tweeted by DG Trade's account (or be tweeted first by DG Trade and then re-tweeted in the BKP account).

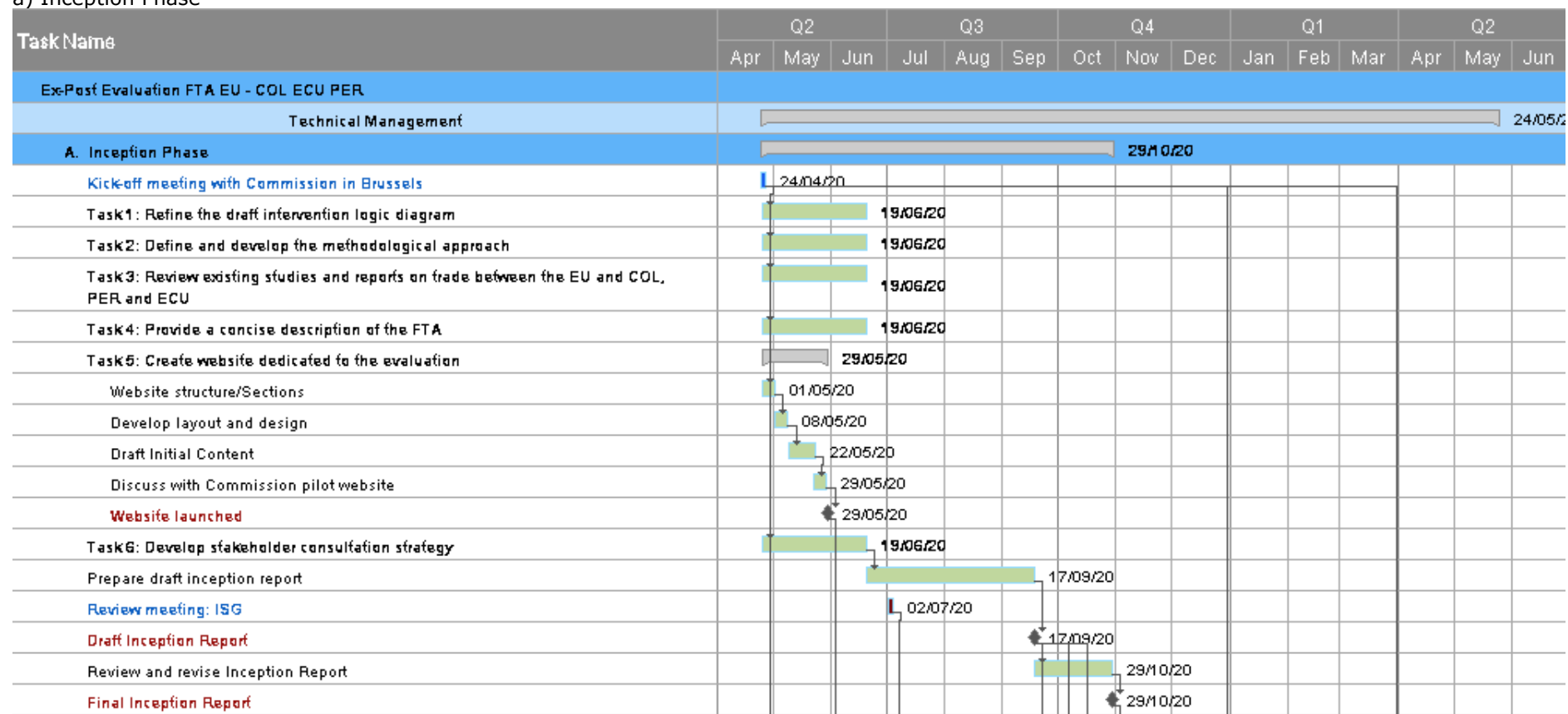
Further details are provided in Appendix B.

## **8 STUDY WORK PLAN**

The detailed study schedule, which sets out the activities and deadlines for outputs as presented throughout this inception report, is presented in Table 10. The detailed plan for the consultations is presented in Appendix B.

**Table 10: Study schedule**

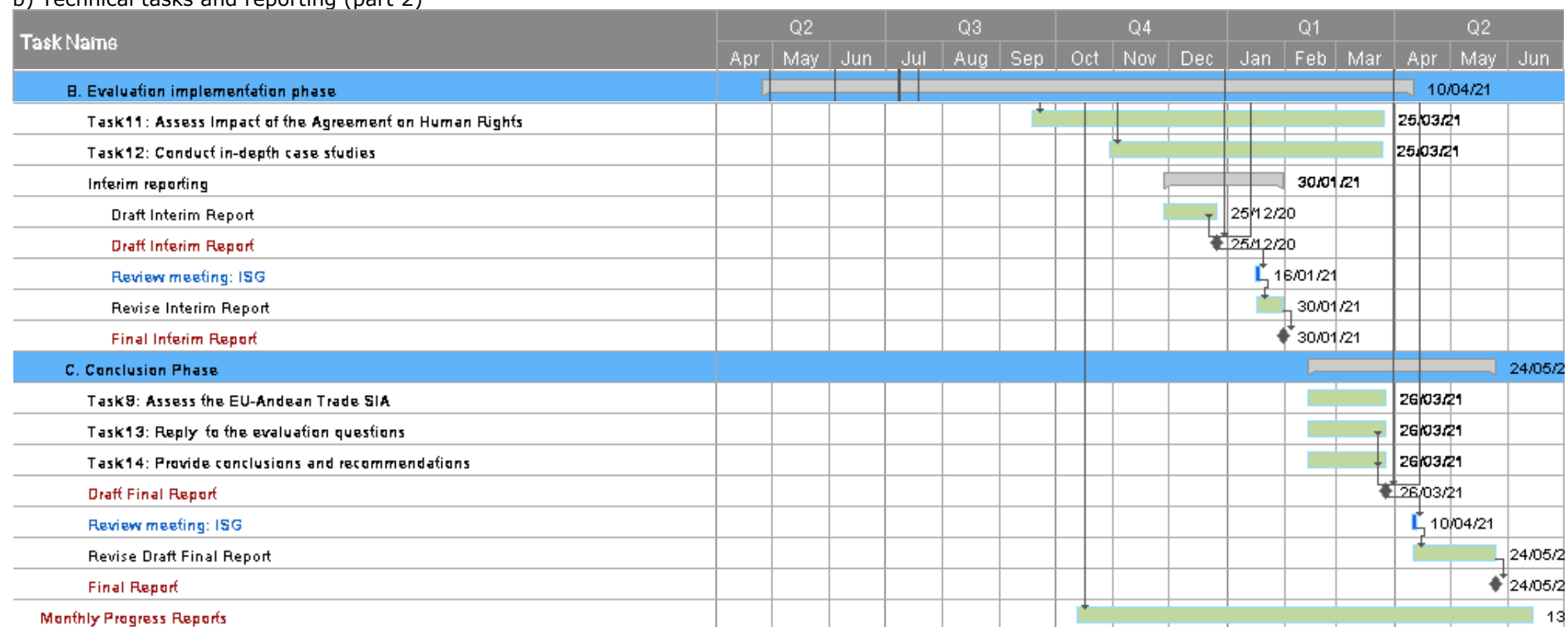
## a) Inception Phase



b) Technical tasks and reporting (part 1)

| Task Name   | Q2  |     |     | Q3  |     |     | Q4  |     |     | Q1  |     |     | Q2  |     |     |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|   | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
| <b>B. Evaluation implementation phase</b>                             |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| <b>Task9: Analyse economic effects</b>                                |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.1: Analyse evolution of trade in goods                              |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.2: Present overall economic impacts                                 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.3: Analyse evolution of trade in services and FDI                   |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.4: Analyse FTA institutional structures                             |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.5: Analyse effect of FTA customs and trade facilitation provisions  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.6: Analyse effect of SPS provisions                                 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.7: Analyse impact on government procurement                         |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.8: Analyse effects of other FTA areas (IPR, competition, etc.)      |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.9: Analyse impact of EU tariff concessions for bananas              |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.10: Analyse impact on diversification of bilateral trade            |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.11: Analyse SME impact  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.12: Analyse impact on consumers                                     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.13: Analyse impact on EU and partner country budgets                |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.14: Analyse impact on EU Outermost Regions                          |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9.15: Analyse impact on developing countries and LDCs                 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| <b>Task10: Analyse sustainability effects of the Agreement</b>        |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 10.1: Analyse effects of FTA TSD chapter                              |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 10.2: Examine the impact of institutional structure under TSD chapter |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 10.3: Analyse impact on wages, employment, household income & poverty |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 10.4: Assess effects on four pillars of Decent Work Agenda            |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 10.5: Assess effects on informal economy and employment               |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 10.6: Assess environmental effects                                    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 10.7: Assess FTA effects on RBC/CSR                                   |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 10.8: Assess effects on gender inequality                             |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |

## b) Technical tasks and reporting (part 2)





## REFERENCES

- Alarco, Germán, César Castillo, Enrique Fernández Maldonado, and Ana Romero Cano. 2018. '¿Qué Pasó a Cinco Años Del TLC Entre Perú y La Unión Europea?' Lima: Red Peruana por una Globalización con Equidad/CooperAcción. <https://www.redge.org.pe/sites/default/files/libro%20RedGe%20TLC-UE-5%20años.pdf>.
- Cantuarias Salaverry, Fernando, and Pierino Stucchi López Raygada. 2015. 'Acuerdo comercial entre Perú, Colombia y la Unión Europea: contenido, análisis y aplicación'. Universidad del Pacifico. <https://fondoeditorial.up.edu.pe/producto/acuerdo-comercial-entre-peru-colombia-y-la-union-europea-contenido-analisis-y-aplicacion/>.
- Centro de Políticas Públicas y Derechos Humanos EQUIDAD. 2017. 'Queja Contra El Gobierno Peruano Por Falta de Cumplimiento de Sus Compromisos Laborales y Ambientales, Contenidos En El Acuerdo Comercial Entre Perú y La Unión Europea'.
- CEPR. 2012. 'Assessing the Economic Impact of the Trade Agreement between the European Union and Signatory Countries of the Andean Community (Colombia and Peru). Final Project Report'. DG Trade.
- Cernat, Lucien, Daphne Gerard, Oscar Guinea, and Lorenzo Isella. 2018. 'Consumer Benefits from EU Trade Liberalisation: How Much Did We Save since the Uruguay Round?' Chief Economist Note 1/2018. Brussels: DG Trade. [https://trade.ec.europa.eu/doclib/docs/2018/february/tradoc\\_156619.pdf](https://trade.ec.europa.eu/doclib/docs/2018/february/tradoc_156619.pdf).
- Copeland, Brian R., and M. Scott Taylor. 2004. 'Trade, Growth, and the Environment'. *Journal of Economic Literature* 42 (1): 7–71.
- Daza, Esteban, Israel Chuqimarca, David Singaña, Tamara Artacker, and Maria José Llerena. 2020. 'Comercio Justo: Estudio de Impactos Del Tratado de Libre Comercio Entre La UE y Ecuador En La Agricultura'. Berlin: Friedrich-Ebert-Stiftung. <http://www.fes.de/cgi-bin/gbv.cgi?id=16285&ty=pdf>.
- Delgado, Giancarlo, and Daniel J Hawkins. 2020. 'Comercio Justo: Estudio de Impactos Del Tratado de Libre Comercio Entre La UE y Colombia En La Agricultura'. Berlin: Friedrich-Ebert-Stiftung. <http://www.fes.de/cgi-bin/gbv.cgi?id=16299&ty=pdf>.
- Development Solutions, CEPR, and University of Manchester. 2009. 'EU-Andean Trade Sustainability Impact Assessment. Final Report'.
- DG Trade. 2016. 'Assessing the Economic Impact of the Trade Agreement between the European Union and Ecuador'. Brussels: European Commission.
- EPRS, and ICEI. 2018. 'Trade Agreement between the European Union and Colombia and Peru. European Implementation Assessment'. EPRS\_STU(2018)621834\_EN. European Parliamentary Research Service.
- European Commission. 2015. 'Guidelines on the Analysis of Human Rights Impacts in Impact Assessments for Trade-Related Policy Initiatives'. Brussels: European Commission. [http://trade.ec.europa.eu/doclib/docs/2015/july/tradoc\\_153591.pdf](http://trade.ec.europa.eu/doclib/docs/2015/july/tradoc_153591.pdf).
- . 2019. 'Staff Working Document: Accompanying Document to the Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2018 - 31 December 2018'. SWD(2019) 370 final. Brussels: European Commission. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019SC0370&from=EN>.
- European Institute for Gender Equality. 2016. 'Gender Impact Assessment: Gender Mainstreaming Toolkit'. EIGE. <https://eige.europa.eu/rdc/eige-publications/gender-impact-assessment-gender-mainstreaming-toolkit>.
- Fontana, Marzia. 2004. 'Modelling the Effects of Trade on Women, at Work and at Home: Comparative Perspectives'. *Economie Internationale*, no. 99: 49–80.
- . 2009. 'Gender Justice in Trade Policy: The Gender Effects of Economic Partnership Agreements. Synthesis Report'. London: One World Action. <http://oneworldaction.org.uk/GendJustTrad.pdf>.
- Fontana, Marzia, and Adrian Wood. 2001. 'Modelling the Impacts of Trade Liberalisation on Women, at Work and at Home'. Research Report to ESCOR, Research Scheme R7240. <https://assets.publishing.service.gov.uk/media/57a08d5840f0b652dd0018fe/R7240.pdf>.
- Fritz, Thomas. 2018. 'Cinco Años del Tratado de Libre Comercio de la Unión Europea con Colombia y Perú. Valores Europeos puestos a Prueba'. Berlin: FDCL. <https://www.fdcl.org/publication/2018-10-01-cinco-años-del-tratado-de-libre-comercio-de-la-union-europea-con-colombia-y-peru/>.
- Giorgetti, Vittorio. 2015. 'The EU Normative Power as a Shield for Dependency?' Prague: Institute of International Relations. <https://www.iir.cz/en/article/the-eu-normative-power-as-a-shield-for-dependency>.
- Gómez Isa, Felipe, Ester Muñoz Nogal, María Nagore, Łukasz Szoszkiewicz, Katrin Wladasch, Wenhai Dai, Si Lv, et al. 2016. 'Challenges to the Effectiveness of EU Human Rights and Democratisation Policies'. Large-Scale FP7 Collaborative Project GA No. 320000. FRAME.
- Hannah, Erin, Adrienne Roberts, and Silke Trommer. 2018. 'Gendering Global Trade Governance through Canada-UK Trade Relations'. <https://www.kings.uwo.ca/kings/assets/File/academics/polisci/bios/hannah/KSG-Final-Report.pdf>.
- Heifer Foundation. 2014. 'Acuerdo Comercial Multipartes Ecuador-Unión Europea: ¿Negociación de Un TLC? Posibles Impactos En El Sector Rural'.
- Jefferson, David J. 2020. *Towards an Ecological Intellectual Property Reconfiguring Relationships Between People and Plants in Ecuador*. Routledge.

- Milewicz, Karolina, James Hollway, Claire Peacock, and Duncan Snidal. 2018. 'Beyond Trade: The Expanding Scope of the Nontrade Agenda in Trade Agreements'. *Journal of Conflict Resolution* 62 (4): 743–73. <https://doi.org/10.1177/0022002716662687>.
- Mincomercio. 2018. 'Informe Sobre Los Acuerdos Comerciales Vigentes de Colombia'. Bogotá: Ministerio der Comercio, Industriy y Turismo.
- . 2019. 'Informe Sobre Los Acuerdos Comerciales Vigentes de Colombia'. Bogotá: Ministerio der Comercio, Industriy y Turismo.
- . 2020. 'Informe Sobre Los Acuerdos Comerciales Vigentes de Colombia. Borrador - Para Comentarios'. Bogotá: Ministerio der Comercio, Industriy y Turismo.
- Ministerio de Ambiente y Desarrollo Sostenible. 2019. 'Identificación y Análisis de Impactos de La Actividad Minera y La Explotación Ilícita de Minerales En Los Ecosistemas Del Territorio Colombiano'.
- Ministerio de Comercio Exterior y Turismo. 2014. 'Estudio de Aprovechamiento Del TLC Perú – Unión Europea. Primer Año de Vigencia Del TLC'. Lima: Ministerio de Comercio Exterior y Turismo.
- . 2015. 'Estudio de Aprovechamiento Del TLC Perú – Unión Europea. Segundo Año de Vigencia Del TLC'. Lima: Ministerio de Comercio Exterior y Turismo.
- . 2016. 'Estudio de Aprovechamiento Del TLC Perú – Unión Europea. Tercer Año de Vigencia Del TLC'. Lima: Ministerio de Comercio Exterior y Turismo.
- . 2017. 'Estudio de Aprovechamiento Del TLC Perú – Unión Europea. Cuarto Año de Vigencia Del TLC'. Lima: Ministerio de Comercio Exterior y Turismo.
- . 2018. 'Estudio de Aprovechamiento Del TLC Perú – Unión Europea. 5º Año de Vigencia Del TLC'. Lima: Ministerio de Comercio Exterior y Turismo.
- . 2019. 'Estudio de Aprovechamiento Del TLC Perú – Unión Europea. 6º Año de Vigencia Del TLC'. Lima: Ministerio de Comercio Exterior y Turismo.
- . 2020. 'Estudio de Aprovechamiento Del TLC Perú – Unión Europea. 7º Año de Vigencia Del TLC'. Lima: Ministerio de Comercio Exterior y Turismo.
- Mujica, Maldonado, and Enrique Fernández Maldonado. 2020. 'Comercio Justo: Estudio de Impactos Del Tratado de Libre Comercio Entre La UE y Perú En La Agricultura'. Berlin: Friedrich-Ebert-Stiftung. <http://www.fes.de/cgi-bin/gbv.cgi?id=16310&ty=pdf>.
- Orbie, Jan, and Lore Van den Putte. 2016. 'Labour Rights in Peru and the EU Trade Agreement: Compliance with the Commitments under the Sustainable Development Chapter'. 58. *Working Papers*. Working Papers. Österreichische Forschungsförderung für Internationale Entwicklung (ÖFSE) / Austrian Foundation for Development Research. <https://ideas.repec.org/p/zbw/oefsew/58.html>.
- Phillips, Oliver L., Roel J. W. Brien, and the RAINFOR collaboration. 2017. 'Carbon Uptake by Mature Amazon Forests Has Mitigated Amazon Nations' Carbon Emissions'. *Carbon Balance and Management* 12 (1): 1. <https://doi.org/10.1186/s13021-016-0069-2>.
- Raess, Damian, Andreas Dür, and Dora Sari. 2018. 'Protecting Labor Rights in Preferential Trade Agreements: The Role of Trade Unions, Left Governments, and Skilled Labor'. *The Review of International Organizations* 13 (2): 143–62. <https://doi.org/10.1007/s11558-018-9301-z>.
- Selleslaghs, Joren. 2016. 'The EU's Performance in Latin America's Fight against Drugs and Related Organized Crime'. *Global Affairs* 2 (5): 527–37. <https://doi.org/10.1080/23340460.2016.1276403>.
- Transnational Institute, and International Office on Human Rights - Action Colombia (OIDHACO). 2016. 'Repercusiones en Colombia del acuerdo comercial con la Unión Europea tras tres años de su implementación'. <https://www.tni.org/es/publicacion/repercusiones-en-colombia-del-acuerdo-comercial-con-la-union-europea-tras-tres-anos-de>.
- UNCTAD. 2017. 'Trade and Gender Toolbox'. [http://unctad.org/en/PublicationsLibrary/ditc2017d1\\_en.pdf](http://unctad.org/en/PublicationsLibrary/ditc2017d1_en.pdf).
- United Nations Human Rights Council. 2011. 'Report of the Special Rapporteur on the Right to Food, Addendum, Guiding Principles on Human Rights Impact Assessments of Trade and Investment Agreements'. A/HRC/19/59/Add.5.
- United Nations Human Rights Office of the High Commissioner (OHCHR). 2012. 'Human Rights Indicators. A Guide to Measurement and Implementation'. [http://www.ohchr.org/Documents/Publications/Human\\_rights\\_indicators\\_en.pdf](http://www.ohchr.org/Documents/Publications/Human_rights_indicators_en.pdf).



## APPENDICES

### ***Appendix A: Draft Outline for Interim/Final Report***

ABSTRACT

TABLE OF CONTENTS

LIST OF TABLES AND FIGURES

ACRONYMS

EXECUTIVE SUMMARY

1 INTRODUCTION

#### **PART A: CONTEXT**

2 EVALUATION BACKGROUND AND OBJECTIVES

3 DESCRIPTION OF THE EU-COLOMBIA/PERU/ECUADOR TRADE AGREEMENT

4 EVALUATION METHODOLOGY

#### **PART B: EVALUATION FINDINGS**

5 [PRELIMINARY] RESULTS OF THE ECONOMIC ANALYSIS

6 [PRELIMINARY] RESULTS OF THE SOCIAL ANALYSIS

7 [PRELIMINARY] RESULTS OF THE ENVIRONMENTAL ANALYSIS

8 [PRELIMINARY] RESULTS OF THE HUMAN RIGHTS ANALYSIS

#### **[DRAFT FINAL REPORT:] PART C: CONCLUSIONS AND RECOMMENDATIONS**

9 RESPONSES TO EVALUATION QUESTIONS

10 CONCLUSIONS

11 RECOMMENDATIONS

REFERENCES

APPENDICES

Appendix A: Mapping of report sections to ToR tasks

Appendix B: Mapping of report sections to evaluation framework

Appendix C: Consultations Report

Appendix D: Evaluation methodology

Note: Case studies will be presented within the section to which they refer.

## ***Appendix B: Consultation Strategy and Plan***

See separate document.

**Appendix C: Literature review**

| Source  | Summary/relevant statements  |
|---|--|
| <b>Studies by or commissioned by EU institutions and Partner governments</b>  |  |
| Annual reports on the implementation of the EU-Colombia/ Peru/ Ecuador Agreement by the European Commission   | <p>Up to the end of 2019, five annual implementation reports on the Agreement have been prepared by the European Commission. These reports provide:</p> <ul style="list-style-type: none"> <li>• Descriptive statistics on the development of trade between the EU and the Andean partner countries, broken down by sector;</li> <li>• Information about the utilisation of the Agreement, such as fill rates of TRQs by the EU and the Andean partners;</li> <li>• Descriptive statistics (although not disaggregated by sector) on trade in services and bilateral investment;</li> <li>• Updates on the activities of the implementation bodies, including issues discussed, during the year covered;</li> <li>• Updates on the implementation of provisions on TSD, including substantive issues discussed, agreed and implemented, involvement of civil society and cooperation activities; and</li> <li>• Information about the specific monitoring actions, in particular the stabilisation mechanism for bananas.</li> </ul> <p>Conclusion of latest report:</p> <ul style="list-style-type: none"> <li>• Economic impact: "After almost six years of provisional application with Colombia and Peru and the three years with Ecuador, the Agreement continues to function well and has created important business opportunities, which are being increasingly seized by businesses and exporters from both sides. Despite a slight decrease in bilateral trade with Colombia and Peru in 2018, the Agreement continues to contribute to an important diversification of Colombia and Peru's exports, away from mineral products or ores, notably in favour of the agricultural sector, thus creating new opportunities, notably for SMEs. With Ecuador, results after two years of implementation are positive and there is still potential for growth and diversification on both sides."</li> <li>• Implementation issues: "Full implementation of the Agreement remains a priority for the EU. The institutional framework under the Agreement has been working well and allows for discussions to seek solutions to the implementation and market access issues on both sides. Nevertheless, some difficulties persist and all Parties should continue working on the implementation of the Trade Agreement in order to bring further benefits to their businesses and consumers."</li> </ul> |
| Annual reports on the implementation of the Agreement by the Ministry of Foreign Trade and Tourism, Peru (Ministerio de Comercio Exterior y Turismo 2014; 2015; 2016; 2017; 2018; 2019; 2020) | <ul style="list-style-type: none"> <li>• Exports from Peru to EU have fallen over the 7 years of implementation, as have imports from the EU</li> <li>• Export diversification: 1,013 new products have been exported from Peru; 3,761 new firms started exporting to the EU, of which 89% are micro- and small exporters. But low survival rate (i.e. most new exporters thereafter cease exporting to EU again)</li> </ul>   |
| Annual reports on Colombia's trade agreements by the Ministry of Trade, Industry and Tourism, Colombia (Mincomercio 2018; 2019; 2020)   | <ul style="list-style-type: none"> <li>• Economic impact: <ul style="list-style-type: none"> <li>◦ Colombia's trade balance with the EU has worsened, largely due to a decline in exports. EU is main destination for agricultural exports (80%). Main beneficiary products: banana, café, avocado (+100% since 2013), palm oil (+186% since 2012)</li> <li>◦ Diversification: 588 new products since 2013, 1,282 new exporting companies</li> <li>◦ The EU is the largest investor in Colombia, with an increasing trend</li> <li>◦ Tourism has expanded both ways: arrivals from EU: from 264k in 2013 to 530k in 2019, Colombians to EU from 298k to 696k</li> </ul> </li> <li>• Implementation issues: SPS and residue limits, SPS plan for bovine meat and dairy products needs to be implemented in order to gain access to EU market, anti-deforestation measures taken by the EU affecting palm oil exports; threat of losing market access for tuna</li> </ul>  |
| Trade Agreement between the European Union and Colombia   | <ul style="list-style-type: none"> <li>• Trade impact: <ul style="list-style-type: none"> <li>◦ "the FTA can be, in addition to a mechanism for stabilising the exchange of goods between the Parties, a stimulus to greater productive diversification in the Andean economies. The number of new products sold by Colombia and Peru to the EU in the</li> </ul> </li> </ul>  |

| Source  | Summary / relevant statements  |
|---|--|
| and Peru. European Implementation Assessment (EPRS and ICEI 2018)   | <p>last five years, and which come from industries that are more sophisticated than the usual exporting sectors of the three Andean countries, are evidence of this. The dynamism of the FTA and services activity also seem to indicate new opportunities for international expansion between the Parties. The scientific and technological capacity of European countries, and their longstanding experience in international cooperation programmes in this sphere, mean that there is great potential to develop this area under the Agreement.” (p. 27)</p> <ul style="list-style-type: none"> <li>○ Benefits for SMEs: more SMEs in Colombia have started to export (2012: 1,600; 2016: 2,000) (p. 52)</li> <li>• Human rights impact: EP requirement for CO and PE to undertake commitment to public policies to promote and defend human rights “appears to have been fulfilled by the drafting of action plans by the Governments of Colombia and Peru” (p. 27). But: “The abundant information available on violations of the rights of citizens, which greatly affect vulnerable populations (Afro-Colombians, indigenous populations and activists), as well as the criminalising of social protest, demonstrate the need for closer monitoring of how this aspect of the Trade Agreement will evolve. The lack of institutionalised measures to guarantee workers’ rights and liberties, as well as high levels of job insecurity, short-term work, informal and illegal employment, characterise the current employment conditions in the productive sector, including among foreign companies. Lastly, there is evidence of lack of compliance in the consultation phase. More effective involvement of civil society organisations should be pursued to fully guarantee the monitoring and defence of human rights.” (p. 28)</li> <li>• Environmental impact: “the relaxing of environmental standards and the contentious situation regarding biodiversity and resources, as well as the lack of guarantees of respect for human rights and fundamental labour rights, call into question the effectiveness of the roadmap in both Andean countries. The European institutions may consider reflecting on potentially defining actions to improve the implementation of the Agreement” (p. 33)</li> </ul> |
| Assessing the economic impact of the Trade Agreement between the European Union and Ecuador (DG Trade 2016)   | <ul style="list-style-type: none"> <li>• Economic impact: <ul style="list-style-type: none"> <li>○ “Ecuador’s real GDP could increase by 0.4 % compared to the baseline scenario where Ecuador would maintain GSP+ tariffs. Taking into account the fact that Ecuador was to lose its GSP+ rates, the effect on GDP is even more significant.</li> <li>○ Ecuadorian traders would also benefit from the Trade Agreement due to the resulting small decline in import prices (-0.01 %) and increase in export prices (0.23 %).”</li> <li>○ “Real GDP, welfare and real wages for skilled and unskilled workers in the EU are also expected to increase. The macroeconomic impact is, however, insignificant relative to the size of the EU economy.</li> <li>○ Changes to total trade are positive for both Parties and the change in bilateral trade in the long run is significant.</li> <li>○ Ecuador’s exports to the EU would be 30 % higher and imports from the EU 40 % higher compared to a situation where Ecuador had not signed the Agreement and had lost GSP+ tariffs”</li> </ul> </li> <li>• Social impact: <ul style="list-style-type: none"> <li>○ “The effect on welfare in Ecuador is positive and significant. The effect can be quantified as USD 103 million directly linked to the EU-Ecuador Trade Agreement and USD 197 million from avoiding the opportunity cost of losing GSP+ tariffs and facing MFN tariffs.</li> <li>○ The Trade Agreement could increase real wages for skilled and unskilled workers in Ecuador by around 0.5 %.”</li> </ul> </li> </ul>  |
| Assessing the Economic Impact of the Trade Agreement between the European Union and Signatory Countries of the Andean Community (Colombia and Peru). Final Project Report (CEPR 2012) | <ul style="list-style-type: none"> <li>• Overall: <ul style="list-style-type: none"> <li>○ The “ambitious scenario” of the SIA has not been reached – more the modest one.</li> <li>○ GDP impact in CO + PE are mostly from NTB liberalisation (for EU, only from tariff lib)</li> </ul> </li> <li>• Sector effects: <ul style="list-style-type: none"> <li>○ Agriculture: small losses for EU of -0.04% (vegetables &amp; fruit -0.4% output); CO: 0.98% (sugar: +9.6%); PE 1.65% (non-ruminant meat 6.1%, other benefitting sub-sectors: food products, sugar)</li> <li>○ Manufacturing: small for EU 0.04 (textiles: +0.16), losses for CO -1.0% (textiles -8.4%; motor vehicles -4.0%) and PE -0.6 (metals -2.6, machinery -2.4%)</li> <li>○ Services: small changes across the board, some gains for construction in CO (+0.7%) and PE (+0.3%)</li> </ul> </li> <li>• Revenue: tariff revenue EU -1.0%; CO -31.2%; PE -21.9%</li> </ul>   |

| Source   | Summary/relevant statements  |
|--|--|
| <p>EU-Andean Sustainability Impact Assessment (Development Solutions, CEPR, and University of Manchester 2009)</p> | <ul style="list-style-type: none"> <li>• Social impact: the "Andean-EU agreement would contribute to the goals of poverty and inequality reduction, thus improving the social conditions in the partner countries" (p. 44)</li> <li>• Sectoral effects (note: findings are somewhat counterintuitive!) <ul style="list-style-type: none"> <li>◦ agriculture: overall negative in EU (output -1.1%) and EC (-5.5%), positive in CO (+0.2) and PE (1.6%), but heterogenous across sub-sectors, e.g. vegetables, fruits, nuts in CO (11.2%) and EC (+8.7%)</li> <li>◦ processed agricultural products and primary products: losses for CO (output -1.5%) and EC (-2.3%), no effect in EU, gains for PE (+1.1%)</li> <li>◦ industry: minor for EU (output max. -0.2% for metals), and heterogenous for Andean partners: CO (-5.8% for wood products to +24.5 for motor vehicles), EC (-24.1% motor vehicles to 2.3% for electronic equipment), PE (-5.6% machinery to 5.5% for chemicals, rubber and plastics); with corresponding employment effects</li> <li>◦ services: minor for EU (output max 0.08% for air transport), and heterogenous for Andean partners: CO (-19.8% insurance to 6.0% utilities); EC (-13.0% recreation to 5.2% communications); PE (-10.4% insurance to 0.6% construction)</li> </ul> </li> <li>• Environmental impacts: <ul style="list-style-type: none"> <li>◦ CO2 emissions: increase in all partners, and globally 1,075 to 4,488 MT (0.00% to 0.01%)</li> <li>◦ additional pressure on both land and water, deforestation (including through illegal logging practices): "Increased market access for processed timber products can be expected to add to existing deforestation trends, including illegal logging" (p. 86). At least in part counteracted through FLEGT.</li> <li>◦ Biodiversity: "The expansion of production and trade in agricultural and agricultural processed products that results from the proposed EU-Andean trade agreement will have potentially adverse biodiversity impacts" (p. 87)</li> </ul> </li> <li>• Social impacts <ul style="list-style-type: none"> <li>◦ Possible reduction in social expenditure due to lower tariff revenues in Andean countries</li> <li>◦ "the environmental deterioration that may occur with the increase of large-scale economic activity in the rainforest and tropical areas of all Andean countries may negatively impact the long term development of indigenous peoples" (p. 87)</li> </ul> </li> <li>• Other areas: Benefits from investment liberalisation, opening up of public procurement, trade facilitation; mixed effects from IPR strengthening</li> </ul> <p>Summary (p. 123f): No major impacts in EU. "The main economic impacts in the Andean Countries are as follows: In the agriculture and agricultural processed goods sector, only horticulture (edible fruits, nuts and vegetables) is expected to increase production across all four Andean countries. Forestry and fisheries will display mixed results with both increases and decreases in output according to individual countries.</p> <p>Changes in the mining sector are predicted. Primary mining is estimated to increase production in each country across the region. In the agriculture and agricultural processed goods sector, primary mining and horticulture (edible fruits, nuts and vegetables) are the only two subsectors expected to increase production across all four Andean countries. Forestry and fisheries will display mixed results with both increases and decreases in output according to individual countries. In addition, primary mining is estimated to increase production in each country across the region.</p> <p>In the industrial sector, output of light industrial goods (textiles, clothing, and leather goods) will generally increase among the Andean countries as a result of trade liberalisation. Output of heavy industrial goods will increase on average over all Andean countries.</p> <p>In the services sector, trade liberalisation would result in general decreases in the output of the financial, insurance, business and recreation services sub-sectors. Output in the utilities, construction, distribution and communication sub-sectors are predicted to increase in most Andean countries.</p> <p>An investment agreement is expected to have a positive impact on inbound capital flow and employment. The potential benefits of public procurement are positive. Trade facilitation reforms are expected to improve business efficiency and facilitate growth and investment. These potential economic impacts in the Andean countries will pose significant environmental and social challenges:</p> <ul style="list-style-type: none"> <li>• In the large-scale formal mining sector, the restrictions on workers' rights will restrain any significant increase in real wages or improvement in working conditions. Additional negative social impacts of further expansion of mining and hydrocarbons in rural territories of the four Andean countries might arise from the local and national conflicts that have emerged in the last five years.</li> </ul> |

| Source  | Summary / relevant statements   |
|---|---|
|   | <p>The mining sector is a key source of water pollution (acid water with high metal content) which gives rise to health problems for local communities.</p> <ul style="list-style-type: none"> <li>• Key sources of pollution are discharges from mining activities, industrial and agricultural processing and agricultural runoffs.</li> <li>• Increased market access for processed timber products can be expected to add to existing deforestation trends. Illegal logging is a significant contributor to this problem.</li> <li>• The expansion of production and trade in agricultural and agricultural processed products that results will have potentially adverse biodiversity impacts. In particular, any additional pressure on the rate of deforestation represents an immediate threat to biodiversity. Similarly, the conversion of pristine habitats and natural resources to agricultural production and mining would also have significant negative implications for biodiversity.</li> <li>• Changes within the industrial sector, with some industries expected to increase production and others to experience a decline, will give rise to short to medium term adjustment costs, including unemployment and decline in household incomes.</li> <li>• Trade liberalisation is often associated with a decline in indirect tax revenues and an overall fall in total government revenue. This could lead to a fall in social expenditure, for example on education and health, with negative consequences for vulnerable households and poverty groups.</li> <li>• Liberalisation of infrastructural services is expected to improve the quality of services supplied, but improvements in access and affordability of basic services for the poor will depend on effective regulation." </li></ul>  |
| <b>Other studies</b>  |   |
| <p>Identification and Analysis of the Impact of Mining Activity and Illicit Exploitation on Ecosystems in Colombia (Orig. <i>Identificación y análisis de impactos de la actividad minera y la explotación ilícita de minerales en los ecosistemas del territorio colombiano</i>) (Ministerio de Ambiente y Desarrollo Sostenible 2019)</p> | <ul style="list-style-type: none"> <li>• Environmental impacts of mining activities related to water: direct disposal of tailings (mining waste) and acid drains in the effluents and rivers of the mining regions; direct removal of acid mine drains in the soil causing erosion and contamination of the soil by heavy metals, increase in water turbidity, loss of quaternary water deposits present in La Guajira and El Cesar, generation of sludge with heavy metals resulting from the processes of neutralization and treatment of mine drains, and decrease in soil microbial diversity and presence of erosion in soils impacted with mine drains.</li> <li>• The environmental impacts are aggravated due to illegal mining activities. As for coal mining, the 2012 Mining Census showed a 40% level of illegality, particularly concentrated in underground mining, which is mainly carried out in the departments of Cundinamarca, Boyacá, Norte de Santander, Antioquía and Valle del Cauca.</li> <li>• Moreover, in Colombia the underground extraction of coal involves the generation of solid waste and domestic and non-domestic wastewater that, when thrown and dumped without treatment, contaminates the soil, and which are likely to accumulate metals at toxic levels for the flora, fauna and people who inhabit the area.</li> </ul>  |
| <p>Five Years of the Free Trade Agreement of the European Union with Colombia and Peru (<i>Cinco Años del Tratado de Libre Comercio de la Unión Europea con Colombia y Perú. Valores Europeos puestos a Prueba</i>) (Fritz 2018)</p>  | <ul style="list-style-type: none"> <li>• Palm oil: Colombia exports 52% of its palm oil to the EU; The most important buyers are the Netherlands, followed by Spain. 46% of the total exports of Colombian palm oil producers export only to the Netherlands. This has affected considerably local water resources.</li> <li>• Environmental impact on biodiversity: The provisions of the FTA on the protection of intellectual property rights counteract European commitments to protect biodiversity. The Parties undertook to apply the UPOV Convention, which undermines crop diversity in the interest of private companies. In Colombia, in recent years, there has been an increase in the destruction of crops owned by small producers that allegedly violated plant breeders' rights.</li> <li>• In Peru, the INIA (National Institute for Agricultural Innovation) in 2013 requested plant variety protection for more than 50 potato varieties. Indigenous communities protested against it, claiming that they traditionally cultivated these varieties.</li> <li>• Under the <i>Title IX: Trade and Sustainable Development</i>, there is no suspension clause that allows interrupting the commercial advantages after violations of labor and environmental regulations. Furthermore, violations of the Title IX cannot even be dealt with under the Agreement's dispute settlement procedure. Article 285 (<i>Report of the Group of Experts</i>) of this Title states explicitly: "This Title is not subject to Title XII (Dispute Settlement)." Instead, the Title IX contains a weak alternative dispute resolution procedure that lacks sanction possibilities. Due to this deficiency, there is no mechanism to effectively sanctioning violations of the Title IX. Contracting Parties face no significant risk if they violate labor or environmental standards. Therefore, it is not surprising that until now, the application of the Title IX is extremely disappointing, increasing activities with a very negative impact on the environment.</li> </ul> |

| Source   | Summary/relevant statements   |
|--|---|
| <p>¿Qué pasó a cinco años del TLC entre Perú y la Unión Europea?<br/>(Alarco et al. 2018)</p>  | <ul style="list-style-type: none"> <li>Moreover, the so-called roadmaps for human rights and environmental and social standards, which Peru and Colombia created in response to the Resolution 2628 of the European Parliament are still largely ineffective today. The roadmaps for human rights and environmental and social standards were ultimately not integrated into the text of the Agreement, nor were they declared in condition for signature.</li> <li>Economic impacts <ul style="list-style-type: none"> <li>Trade has not increased following the Agreement implementation;</li> <li>Peru's export portfolio has hardly changed</li> </ul> </li> <li>Sustainable development and institutional mechanisms: <ul style="list-style-type: none"> <li>The TSD chapter establishes clear minimum standards that the Parties have to comply with, which is positive</li> <li>However, these have not been respected by the Government of Peru, as a result of which Peruvian (and EU) NGOs have filed a complaint in 2017 (see summary below)</li> <li>The establishment of the mechanisms for civil society participation in the Agreement is not sufficient: in Peru, existing (and ineffective) PPD mechanisms have been used</li> </ul> </li> <li>Summary: Results of the Agreement have been disappointing: the impact that was hoped for has not been achieved. Also, civil society has become critical of trade liberalisation</li> </ul>  |
| <p>Impact on Colombia of the Trade Agreement with the European Union after three years of its implementation<br/>(<i>Repercusiones en Colombia del acuerdo comercial con la Unión Europea tras tres años de su implementación</i>)<br/>(Transnational Institute and International Office on Human Rights - Action Colombia (OIDHACO) 2016)</p> | <ul style="list-style-type: none"> <li>Environmental impacts <ul style="list-style-type: none"> <li>Exports of fossil fuels (oil, coal) Coal remain to be one of the main export products from Colombia to the EU, which promotes mining activities (such as Cerrejón and Drummond). The socio-environmental conflicts generated by the extraction of coal have been repeatedly denounced and documented by social organizations in Colombia, in relation to the violation of the rights to water, health, a healthy environment, housing, and permanence in the territory by indigenous, peasant and afro-descendant communities.</li> <li>Palm oil: Water bodies heavily affected by the increase of the oil palm plantations in Colombia. The area Mapipán Poligrow, 13 water sources have dried up, as the plantation of 15,000 hectares of oil palm has changed the region's underground water sources, affecting more than 200 families.</li> </ul> </li> <li>Human rights impact: There is an increasing number of cases of harassment, assault, and attempted killings of human rights defenders, and those defenders of economic, social and cultural rights. This is an issue where the Agreement has not had the effects that civil society had expected.</li> <li>Summary: "In the three years of provisional implementation of the agreement, its monitoring has been carried out by the European Commission, through the preparation of two annual reports, which present an overview of the changes in relation to trade and investment flows. However, these reports lack a more detailed evaluation of the impacts of the agreement on the Colombian economic structure and, beyond that, the consequences for living conditions, labor rights and the situation of social and environmental conflicts for the population."</li> </ul> |
| <p>Labour rights in Peru and the EU trade agreement: Compliance with the commitments under the sustainable development chapter<br/>(Orbie and Van den Putte 2016)</p>  | <ul style="list-style-type: none"> <li>the Peruvian government has not succeeded in promoting ILO core labour standards nor in effectively implementing them (especially trade union rights).</li> <li>Impact on domestic labour law in Peru: indications of de jure or de facto lowering of (a) labour inspection, (b) special export regimes, and (c) health and safety at work: <ul style="list-style-type: none"> <li>The labour inspection agency (SUNAFIL) has de facto been weakened and copes with structural deficiencies.</li> <li>The special export regime for certain agricultural products like asparagus (Law No 27360), which limits labour conditions for workers in this sector, will remain in place at least until 2021.</li> <li>The legislation on health and safety at work was weakened in 2014.</li> </ul> </li> <li>Dialogue with civil society: the Peruvian government fails to organise an effective domestic dialogue with a view to monitor the chapter on sustainable development. Consultations do not take place.</li> </ul>  |
| <p>Trade agreement between Colombia, Peru, and the European Union: content,</p>  | <ul style="list-style-type: none"> <li>Forest protection: Unlike the FTA with the United States, the EU-FTA does not include a specific forestry annex with a detailed list of obligations. The FTA with the United States implied for Peru to assume several unilateral obligations to improve the Peruvian forestry sector.</li> </ul>  |



| Source   | Summary/relevant statements  |
|--|--|
| <p>analysis and application (<i>Acuerdo comercial entre Perú, Colombia y la Unión Europea: contenido, análisis y aplicación</i>) (Cantuarías Salaverry and Stucchi López Raygada 2015)</p>   | <p>In the case of the FTA with the EU, forestry is addressed in a general way in the text of the Agreement (article 273, Trade in forest products). The Parties agree to effectively apply the Convention on International Trade in Endangered and Endangered Species (Cites), especially regarding timber species that could be covered; develop mechanisms to identify the illegal origin of forest products; promote the use and adoption of forest certification instruments; promote citizen participation in forest management (dedicated to wood production) and strengthen supervision and control mechanisms, through independent institutions. However, In Peru, existing institutional and legal environmental frameworks have not been sufficiently strengthened to keep pace with this growing export process.</p>  |
| <p>European Union Trade Agreement: Negotiating an FTA? possible impacts in the rural sector (<i>Acuerdo Comercial Multipartes Ecuador-Unión Europea: ¿Negociación de un TLC? Posibles impactos en el sector rural</i>) (Heifer Foundation 2014)</p>  | <ul style="list-style-type: none"> <li>• Environmental impacts due to increased banana production. Being Ecuador one of the main banana exporters worldwide, the impacts on the environment of the increase of banana production are relevant. By the time report was published, Ecuadorian banana exports captured 35% of the need of the European Union market for this fruit. In Ecuador it has been reported that the banana industry uses large amounts of pesticides for the control of pests and diseases, which has traditionally generated critical epidemiological conditions in the areas surrounding the plantations. Moreover, the banana industry uses high amounts of water, causing pressure on the quantity of the local water resources. During the production phase, the generated waste usually ends up in the bodies of water, natural ecosystems, garbage dumps or in the neighbouring populations. This is coupled with an increased use of plastic, which is used for protection and packaging of fruit. The report also notes a rise of the illegal use of irrigation water in the banana industry as a result of the increase of production and exports.</li> <li>• Other agricultural products: The monoculture of some export products (such as broccoli) has produced serious environmental impacts because it tends to monopolize the use water resources, and heavily pollute it.</li> </ul>  |
| <p>Complaint against the Peruvian government for lack of compliance with its labor and environmental commitments, contained in the Trade Agreement between Peru and the European Union (<i>Queja contra el gobierno peruano por falta de cumplimiento de sus compromisos laborales y ambientales, contenidos en el Acuerdo Comercial entre Perú y la Unión Europea</i>) (Centro de Políticas Públicas y Derechos Humanos EQUIDAD 2017)</p> | <ul style="list-style-type: none"> <li>• Weakening of environmental regulations. Since the application of the FTA, among others, new certification procedures have been created. These procedures have potentially undermined the environmental regulatory controls in Peru. One example is the recent introduced <i>Sustaining Technical Reports</i> (ITS) that modify the established procedure of <i>Environmental Impact Studies</i> (EIAS). With the ITS, it is now possible to extend investment projects in different sectors and implement technological improvements in operations without following the traditional procedures of the EIAS. The main differences between the regular procedure and the ITS are the significant reduction of time for the approval of amendments (from 120 to 15 working days) and the non-requirement of an informed participation of citizens. Currently, ITS is a mechanism mainly used by the mining and hydrocarbon sectors in Peru; and has caused serious socio-environmental conflicts. The fact that ITS do not include a public consultation leads to the exclusion of potential negative impacts.</li> </ul> <p>One of the most important changes that occurred after the application of the FTA was the creation of the Law No. 30230, which aims to promote private investment, especially in the extractive sector. The Article 19 of this Law had weakened the environmental enforcement in the country, as the National Environmental Assessment and Enforcement Agency (OEFA) was deprived of powers to impose sanctions in case of environmental violations. This reduction of regulation applicable to sectors with a high environmental impact –such as mining or hydrocarbons– generated widespread discontent among the population, with the consequent increase in the number of socio-environmental conflicts in the extractive sector. According to the report, the most tangible proof of the terrible damage to the environment and to Amazonian indigenous caused by Article 19 are the recent catastrophic oil spills in the Peruvian Amazon caused in the installations of the state company Petroperú. In total, during the last 20 years there have been 40 oil spills, 20 of which have occurred in the last 4 years, which has not only led to the poisoning of waters and forests, but has left communities without food and water.</p> <p>In addition, in 2014 the Supreme Decree <i>Regulation for Environmental Protection in Hydrocarbon Activities</i> was approved. The decree lowered previous environmental and social standards, especially in the field of hydrocarbon exploration, and affected public participation.</p> <ul style="list-style-type: none"> <li>• Regarding the export of agricultural products, the FTA has increased the production of asparagus in Peru. The intensive production of asparagus has negatively impacted the access to water resources in the Ica and Villacuri valley, mainly due to the use of groundwater and the application of technologies (such as dry irrigation) that dry up local aquifers, which affects local inhabitants and small farmers.</li> </ul> |

## **HOW TO OBTAIN EU PUBLICATIONS**

### **Free publications:**

- one copy:  
via EU Bookshop (<http://bookshop.europa.eu>);
- more than one copy or posters/maps:  
from the European Union's representations ([http://ec.europa.eu/represent\\_en.htm](http://ec.europa.eu/represent_en.htm));  
from the delegations in non-EU countries  
([http://eeas.europa.eu/delegations/index\\_en.htm](http://eeas.europa.eu/delegations/index_en.htm));  
by contacting the Europe Direct service ([http://europa.eu/europedirect/index\\_en.htm](http://europa.eu/europedirect/index_en.htm))  
or calling 00 800 6 7 8 9 10 11 (freephone number from anywhere in the EU) (\*).

(\*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

### **Priced publications:**

- via EU Bookshop (<http://bookshop.europa.eu>).

### **Priced subscriptions:**

- via one of the sales agents of the Publications Office of the European Union  
([http://publications.europa.eu/others/agents/index\\_en.htm](http://publications.europa.eu/others/agents/index_en.htm)).

