



7th MEETING OF THE EU-CENTRAL AMERICA ASSOCIATION AGREEMENT

CIVIL SOCIETY FORUM ON TRADE AND SUSTAINABLE DEVELOPMENT

4th June 2021

Video conference

Board of Trade and Sustainable Development Report to the Civil Society Dialogue Forum

Introduction

On May 31st and June 1st, 2021, The European Union (EU), Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama (Central America) held the seventh meeting of the Trade and Sustainable Development Board (hereinafter the Board) under the EU-Central-America Association Agreement. The meetings were held virtually, through the Zoom platform, due to the COVID-19 pandemic. During the meeting the Board addressed the following issues:

Exchanges on individual agenda items

Welcome and presentation of the members of the Board on Trade and Sustainable Development

The meeting was chaired by the Pro-Tempore Presidency held by Costa Rica. The Board members were introduced, including the representatives of the European Commission and the European External Action Service, as well as members of the Board from the Ministries of Environment and Labour of Central America. . During this meeting the Board addressed the following issues:

Overview of relevant policy developments in the EU and CA: short recap of information exchanges held in the run-up to the TSD Board meeting

The EU presented a policy update on EU initiatives which include elements of Responsible Business Conduct (RBC).

The presentation focused on the initiative on Sustainable Corporate Governance with a legislative proposal for the third trimester of 2021 with the objective to improve the EU regulatory framework on company law and corporate governance, including mandatory horizontal human rights, including labour rights, and environmental due diligence throughout the supply chain; Proposal for Corporate Sustainability Reporting Directive, adopted in April 2021, the future European Sustainability Reporting Standards to be developed by the European Financial Reporting Advisory Group; Sustainable Battery Regulation: proposal adopted in December 2020 to minimise the negative impact of battery production on the environment; Deforestation and forest degradation: adoption of legislative proposal foreseen for Q3 2021,; other initiatives regarding the promotion of decent work



worldwide, pay transparency measures, sustainable product initiative, and a Code of conduct for responsible food business and marketing practices as part of the “Farm-to-Fork” Strategy.

Costa Rica provided an update on the ongoing negotiations of the Agreement on Climate Change, Trade and Sustainability (ACCTS) between Norway, Iceland, Switzerland, Fiji, and Costa Rica. It also reported progress in promoting trade that favours the environment in the framework of the World Trade Organization (WTO) through the work of the Structured Dialogue on Trade and Environment which is an initiative coordinated by Canada and Costa Rica that seeks to define work priorities on these issues to be included in the WTO agenda. Finally, Costa Rica highlighted the process of accession and recent entry to the Organization for Economic Cooperation and Development (OECD) as of May 25. In addition, Costa Rica shared its experience working on the adoption of the OECD guidelines for multinational enterprises and promoting Due Diligence.

Overview of relevant EU cooperation projects in CA: short recap of information exchanges held in the run-up to the TSD Board meeting

SIECA made a presentation on the activities carried out within Components I and III of the Central American regional economic integration programme INTEC, financed by the EU, related to trade and sustainable development for Central America.

The programme's objectives include sensitising public and private sector organisations as well as civil society to the implementation of international agreements, in particular the Association Agreement, in the fields of employment, environment and corporate social responsibility. In addition, the programme supports the marketing of products that comply with specific environmental and social requirements, facilitating their access to the EU market and supporting the export readiness of the private sector.

Component III provides direct support to private sector via two measures: 1) focusing on sustainable value chains and targeting cacao and derivatives, special coffees, fresh fruit and vegetables, fish and seafood; 2) connecting 200 female led businesses in Central America for handicraft and design to global markets via digitalisation and online marketing.

It was reported that national workshops on Trade and Sustainable Development were held in the Central American countries to address issues related to the implementation of Title VIII of the Association Agreement related with environment, labour, corporate social responsibility and support for the promotion and access to the EU market for segments that meet specific environmental and social requirements. In addition, a Regional Workshop to be held on June 29 and 30, 2021, in virtual mode, is being coordinated.

Regarding the "EKO BOOTCAMP 2.0" initiative, it was noted that the programme to accelerate exports to the EU is focused on sectors selected by the CA countries, covering 120 companies that work with sustainable products or have implemented sustainable practices.

The "Connecting Central America" initiative supports 48 beneficiary companies by providing capacity building for developing marketing plans, advice regarding production, business management, export management, and certifications. The beneficiary companies also have a Corporate Social Responsibility (CSR) Plan that will be implemented, starting in the second half of 2021.



The initiative "Linking Central American Women's Enterprises with the Crafts and Interior Decoration Market" benefits 200 CA enterprises led by women. It provides workshops and training for the development of their products. This initiative has reached 71 companies, helping develop a total of 417 new products.

Status of the implementation of the commitments assumed on labour matters.

In relation to the status of the implementation of the commitments on labour matters:

- The Parties widely discussed various issues, emphasizing the efforts made by the countries in the prevention of child labour, highlighting their efforts in 2021 as the international year for the eradication of child labour; In addition, the efforts and challenges faced in terms of promoting freedom of association and the right of association were widely debated; and all countries shared their progress in eradicating discrimination and promoting gender equality in the workplace.
- The Parties shared their interest in continuing these discussions through bilateral meetings.

Ex-post evaluation of the Agreement: state of play and next steps

The EU referred to the evaluation of the Trade Pillar of the Association Agreement that it is carrying out. It was explained that it is a usual process that is carried out about 5 years after the entry into force of a trade agreement. The evaluation will analyse economic, social, environmental and human rights impacts of the Trade Pillar. In the case of CA, data from the period 2014-2019 and the previous 5 years will be evaluated. The evaluation will include the general analysis and ten case studies. A separate part of the analysis will be dedicated to the implementation of the Trade and Sustainable Development Title and operation of its institutional structures. Desk research will be complemented by a wide stakeholder engagement programme. A public consultation process is to be conducted from June to September 2021. In addition, bilateral interviews will be held. The EU also indicated that an initial report of this evaluation will be presented to the European Commission in November 2021 and the final report is expected for April 2022.

Estado de situación de la implementación de los compromisos asumidos en materia de asuntos ambientales.

In relation to the status of the implementation of commitments on environmental matters:

- The Parties exchanged valuable information on their efforts in the implementation of various multilateral environmental agreements relevant to the trade issue, such as the CITES, Basel, Rotterdam and Stockholm agreements. Several Parties highlighted the opportunity presented by the COVID 19 pandemic to promote policies that promote a green economic recovery, and to strengthen the climate commitments assumed in the framework of the Paris convention.
- The parties agreed to continue their exchanges of information on topics of interest such as: participation in global initiatives to promote the circular economy and the issue of plastics, climate policies and their effect on trade, and biodiversity and agriculture within the



framework of climate commitments. In addition, they undertook to respond in greater depth to various individual inquiries made on the implementation of the multilateral environmental agreements discussed.

State of play and next steps regarding the implementation of the provisions on Trade Favouring Sustainable Development: Relevant developments and potentialities for organic production in Central America

With the objective of article 288 of the TSD chapter in mind, notably to facilitate and promote trade in products that respond to sustainability consideration such as organics, the EU and Central America discussed the situation and prospects for organic agricultural production in the EU and in Central American countries. The EU presentation showed the steadily increasing demand for organic products in the EU market, 2nd largest globally, while Central American presentations revealed the dynamic development of organic value chains for several products, which are part of the most important agricultural goods export categories to the EU, generating employment opportunities in a sustainable fashion and benefits for the environment. Both parties expressed an interest to continue the dialogue on this matter.

The Central American countries made presentations in which they detailed aspects of the applicable national regulations; the main exported products; the percentage of the areas cultivated under the organic modality; the main countries to which they export; and challenges they face to boost this type of production and their exports.

The increase in organic production in recent decades was discussed, as well as the territorial coverage dedicated to this type of activity, for example the case of Honduras, which went from cultivating approximately 5,000 hectares in 2006 to more than 56,000 hectares in 2020.

The increase in organic production in recent decades was discussed, as well as the territorial coverage dedicated to this type of activity, for example the case of Honduras, which went from cultivating approximately 5,000 hectares in 2006 to more than 56,000 hectares in 2020.

Regarding the types of products grown in the region, it was concluded that there is a wide diversification of production and that the products are complementary.

Revision of the letter submitted to the TSDB by the Advisory Groups

The TSDB included a discussion and review of the note from the Advisory Groups received on May 31, 2021, within the coordination agenda item for the CSDF meeting. The note was read and discussed in depth by the members of the TSDB, on this issue the members made reflections on the issues addressed that will share with de advisory groups during this dialogue.

Conclusions and next steps

- Regarding the progress reported in *terms of responsible business conduct and due diligence*, the Parties underlined the importance of keeping an open information exchange on the progress of the policies and initiatives underway in the EU that were discussed during the meeting, particularly on those that will directly affect global supply chains.



- Derived from the *discussion of the issues on labour matters*, the Parties will share additional information on the specific questions that were raised during the meeting and proceed to complete the round of bilateral follow-up meetings initiated in 2021, as well as to work towards a joint labour conference in 2022 if possible.
- Regarding *environmental matters*, the Parties expressed their willingness to continue exchanging information on the issues discussed during the meeting. In particular, there is great interest in continuing the information exchange regarding the questions posed on circular economy strategies, biodiversity, agricultural practices and climate change, the application of carbon border adjustment measures (CBAs), as well as exchanging positions in relation to the application of multilateral conventions related to the sound management of chemicals and waste (Basel, Rotterdam, Stockholm and Minamata).
- Regarding *trade favouring sustainable development*, specifically on the issue of organic production, the Parties welcome the possibility of following up on the opportunities that the European market poses for organic products, so the possibility to provide subsequent exchanges of information is kept open.
- In relation to the *ex-post evaluation of the Association Agreement*, the Parties expressed their commitment to collect the information required to carry out this evaluation. Likewise, the importance of promoting broad participation by governments and advisory groups in this process was expressed.