

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

(TRADE/2019/C3/C04, Contract No. SI2.826253)

## Civil Society Dialogue meeting

Webex, 15 November 2021

## Presentation of draft evaluation findings and conclusions

Consortium led by



**bkp** ECONOMIC ADVISORS

# The report package

- **Draft final report volume 1**
  - Presents evaluation findings and evidence in detail, structured in line with ToR tasks
- **Draft final report volume 2 (annexes)**
  - Additional supporting evidence (by impact dimension): annex A-F
  - Consultations report: annex G
- **Draft final report volume 3 (case studies)**
  - 10 case studies supplementing the overall analysis with selected thematic/sectoral info
- **Synthesis report**
  - Responses to evaluation questions
  - Structure in line with Better Regulation guidance and recommendations for SWPs

# Evaluation criteria and questions

## **Effectiveness** (section 5.1 of synthesis report)

- Achievement of operational objectives (Article 4 of the Agreement) – EQ 1A

## **Impact** (section 5.2)

- **Economic, social, environmental, human rights** impacts of the Agreement – EQ 1B
- Influencing factors and unintended effects – EQ 2-3

## **Efficiency** (section 5.3)

- Ratio between costs and achievements, distribution of costs and benefits – EQ 4-6

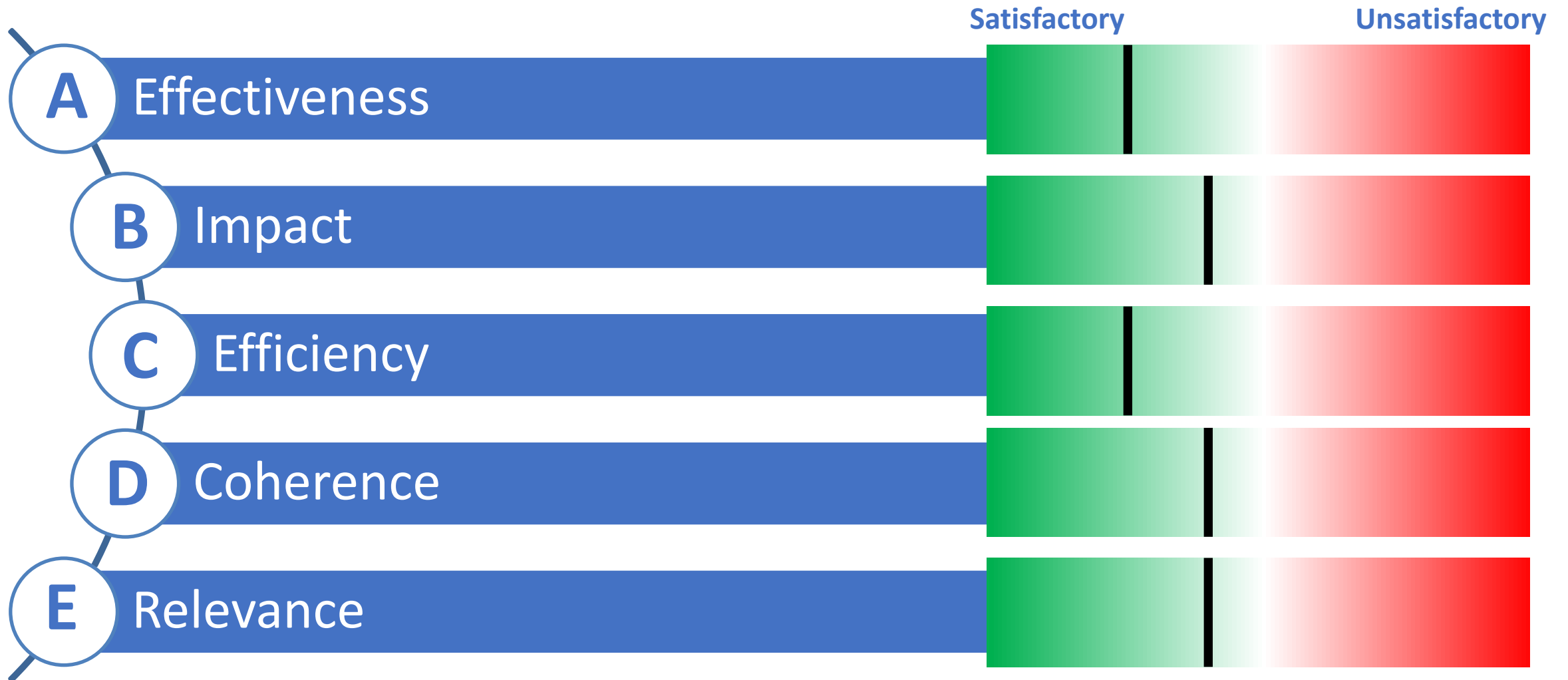
## **Coherence** (section 5.4)

- Alignment of Agreement with EU trade and development policies (EU commitment to sustainable development in trade policies as a contribution attainment of the SDGs) – EQ 7

## **Relevance** (section 5.5)

- Degree to which the Agreement addresses trade needs and issues of the Parties – EQ 8





# Summary assessment of performance across evaluation criteria








# Answers to evaluation questions



## EQ1A: To what extent have the operational objectives as laid down in Article 4 of the Agreement been achieved? (1)

1. **Tariff liberalisation:** Implemented as per Agreement 
  - Bilateral trade in goods and total exports: increase
2. **Facilitation of trade** in goods: overall, NTMs not used as supplement for tariffs   
Some room for improvement regarding:
  - RoO (direct transport, digital movement certificates, approved exporters)
  - TRQ administration (Ecuador)
  - AEO schemes: limited use
  - SPS/TBT: trust building & support regarding MRLs (and other EU measures part of Green Deal, Farm to Fork)
3. **Trade in services, investment & e-commerce:** limited role in Agreement implementation 
4. **a) Public procurement:** no effect visible, some interpretation issues (Colombia) 

## EQ1A: To what extent have the operational objectives as laid down in Article 4 of the Agreement been achieved? (2)

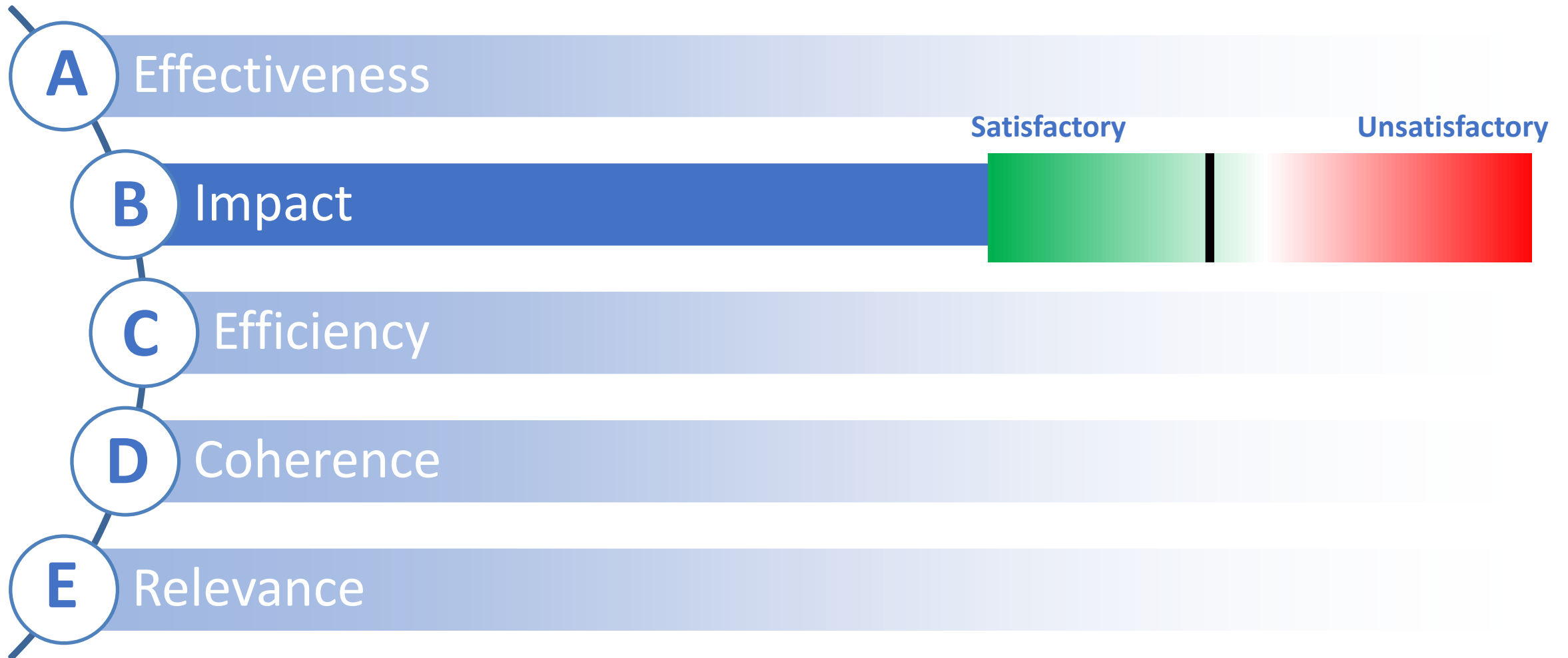
4. **b) IPR/Geographical Indications:** Progress made but sometimes slow registration (EU) and some enforcement issues (all) 
- c) Competition:** Agreement = sound legal basis for cooperation 
5. **Dispute settlement:** difficult to assess 
  - Overall DSM: no formal disputes, consensual approach, outsourcing of disputes to WTO; solutions where technical issues are concerned; some longstanding issues
  - TSD DSM: no formal disputes; EU engagement with PE and EC regarding labour rights with mixed effectiveness - CS stakeholders would prefer more affirmative approach of EU
6. **TSD Title implementation:** Good in areas where assistance projects have been implemented or where EU could take own actions. But difficult to identify concrete actions or changes attributable to Agreement as main factor 
7. **Technical assistance:** provided, has effectively addressed some weaknesses; but disagreements among stakeholders over whether assistance has been sufficient 

# Effectiveness – lessons learnt and recommendations

- Consider further measures to facilitate trade, e.g. promotion of approved exporter status, potential expanded use of digital documents, review of Agreement provisions on direct transport
- Technical assistance could help to ensure that exporters of products covered by SPS requirements can keep benefitting from Agreement preferences
- Further measures could encourage more new exporters, especially MSMEs, e.g. (still) stronger focus on raising awareness of businesses for the Agreement, strengthening the EU Chambers in partner countries, promoting Access to Markets tool
- Increased focus on ways to develop bilateral trade in services is recommended, e.g. by establishing a dedicated sub-committee that could also follow-up on negotiation of MRAs



# Answers to evaluation questions



## EQ1B: What has been the impact of the Agreement? (1) Economic impact





	EU	Colombia	Peru	Ecuador
<b>GDP</b>	+\$1.3B/0.01%	+\$42M/0.01%	+\$49M/0.03%	+\$128M/0.16%
<b>Sectoral output (max/min)</b>	+0.1% auto & machinery  -0.2% some agri-food	+0.9% VFN, chemicals  -1.2% basic pharma	+1.9% other food  -0.9% basic pharma	+4.1% other food  -4.2% auto
<b>Trade diversification</b>	More exporters, more products exported – but trend slowed down since Agreement			
<b>MSMEs</b>	More MSME traders; stakeholders positive – but more support needed (e.g. meeting SPS/TBT requirements)			
<b>Tariff/gov revenues</b>	-\$424M/-1.6% of tariff rev	-\$763M/-1.2% of gov rev	-\$33M/-0.1% of gov rev	+\$29M/0.1% of gov rev
<b>EU Outermost Regions (OR):</b>	No impact except increased stress on sugar (La Réunion, Guadeloupe), some possible stress on meat & fish preps (Azores)			
<b>Developing countries/LDCs:</b>	Negligible impact			






## EQ1B: What has been the impact of the Agreement? (2) Social impact

- **Employment:** ↑ vegetables, fruits and nuts, other food products (all Andean), fisheries (EC), chemicals and textiles (CO, PE), machinery and automotive (EU).  
↑ ↓ machinery (Andean, reduced employment, but investment in productivity & exports)
- **Welfare, poverty reduction:** ↑ agriculture & rural areas (Andean). ↔ low job quality stays
- **Consumers:** ↑ availability, accessibility, safety and diversity of goods and services
- **Informality:** ↑ ↓ formal jobs created, e.g., banana, mining, palm oil (CO), mining and agro-industry (PE), and a mix of formal & informal in cotton, textiles (PE) and in agriculture (EC)
- **Women:** ↑ ? jobs created, e.g., flowers (CO, EC), textiles (PE), no effects in services, possible mixed effects (but no detailed data) across agriculture and industry
- **Labour standards, working conditions:** ↑ projects & dialogue ? not clear direct effects
- **CSR / RBC practices:** ↑ national frameworks, business practice, certification schemes

## EQ1B: What has been the impact of the Agreement? (3) Environmental impact

- **Overall:** very small impact, following from the small economic impacts, and mixed:
- Global **GHG emissions:** slightly positive effect (-0.74 Mtonne CO<sub>2</sub>eq reduction, excl. LULUCF emissions) 
- **Biodiversity:** overall effects marginal, but some likely negative local/regional effects from increased production of specific products such as avocados in Peru and shrimp in Ecuador. 
- **Deforestation:** No effect found in Ecuador and Peru, and a small contribution to deforestation arising from agricultural activity in Colombia (about 0.5% of total deforestation arising from agricultural activity in the country). 
- **Other environmental effects** overall marginal, some potential local/regional negative effects, e.g. water availability from avocado production in Peru 

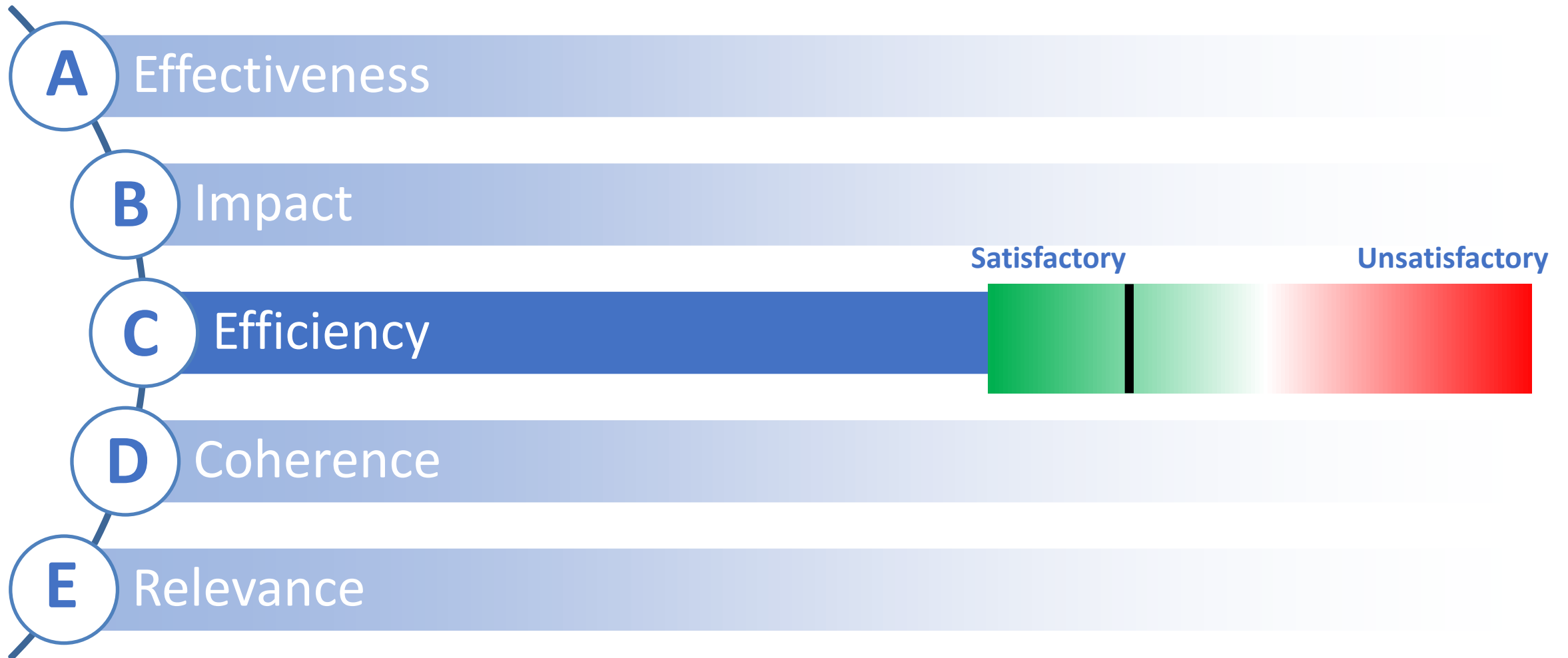
## EQ1B: What has been the impact of the Agreement? (4) Human rights impact

- **Andean states:** Overall, minor impact **EU:** No impact  
Based on screening and scoping 3 (groups of) human rights selected for further analysis:
- **Freedom of association**, incl. right to form & join trade unions: mixed but small effects caused both by economic effects and by dialogue under TSD Title & CS engagement;
-   Serious situation before FTA; violence against trade unionists (COL); multiple violations recorded by ILO / dialogue under TSD Chapter & CS engagement – limited impact
-  Trade union activity low before FTA; still low; 6 complaints to the ILO; minimum 30 workers rule / cooperation under TSD ongoing
- **Children's rights** (incl. child labour):  
Predominantly rural areas; many initiatives / difficult to establish link with Agreement: but through job creation for adults in agriculture, textiles, garments – possible role in reduced child labour incidence
- **Right to water:**  
Causal link not straightforward, vulnerable situation before Agreement, especially in Peru, possible minor impact due to increased production of water-intensive/ water polluting goods

# Impact – lessons learnt and recommendations

- Capacity of many businesses in Andean countries, esp. MSMEs, to engage in trade or value chains with the EU is limited
  - ⇒ support, also by the EU, to enable MSMEs to improve productivity and competitiveness and to benefit from the Agreement remains important, e.g. as export marketing training for businesses, (even) more information about the respective partner market, and more specific support in market entry
- Andean countries should put more effort on job quality in addition to job creation: improve labour inspection, ensure equal labour rights under special regimes
- Expand cooperation on collection of sex-disaggregated data, and promotion of women's participation in trade
- Strengthen monitoring and adopt measures to mitigate the impact of farming on forests, and support initiatives to lower LULUCF emissions

# Answers to evaluation questions



## EQ4: To what extent has the Agreement been efficient with respect to achieving its objectives?

### Efficiency dimensions:

1. Efficiency in relation to objectives (EQ4)
2. Institutional efficiency (EQ5/6)
3. Cost-benefit ratio (EQ5/6)

### 1. Efficiency in relation to objectives:

- preference utilisation high ( $\geq 97\%$ ) for Andeans, lower but increasing for EU (2018: 56%-72%);
- trade diversion in line with other FTAs;
- alternative trade policy instruments to achieve same results?
  - some not available for the EU (unilateral preference schemes, development cooperation)
  - would arguably have caused larger distortions (subsidy schemes)
  - or would have been less targeted (unilateral liberalization)





**EQ5 & 6: 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? Are there unnecessary regulatory costs (including administrative burden)?**

## **2. Institutional efficiency:**

- (Sub-)Committees perform well as forums for exchange of information and views, but less well as bodies for resolving issues (esp. regarding different interpretations of the Agreement)
- Dialogue with civil society representatives would benefit from better opportunities for CS to contribute to discussions of the Parties, submitting proposals and raising concerns.
- Insufficient follow-up to civil society recommendations by the Parties
- DAG/domestic consultative groups have performed unevenly across the Parties, primarily as a result of differences in the availability of resources and capacities.

## **3. Proportionality and distribution of costs and benefits:**

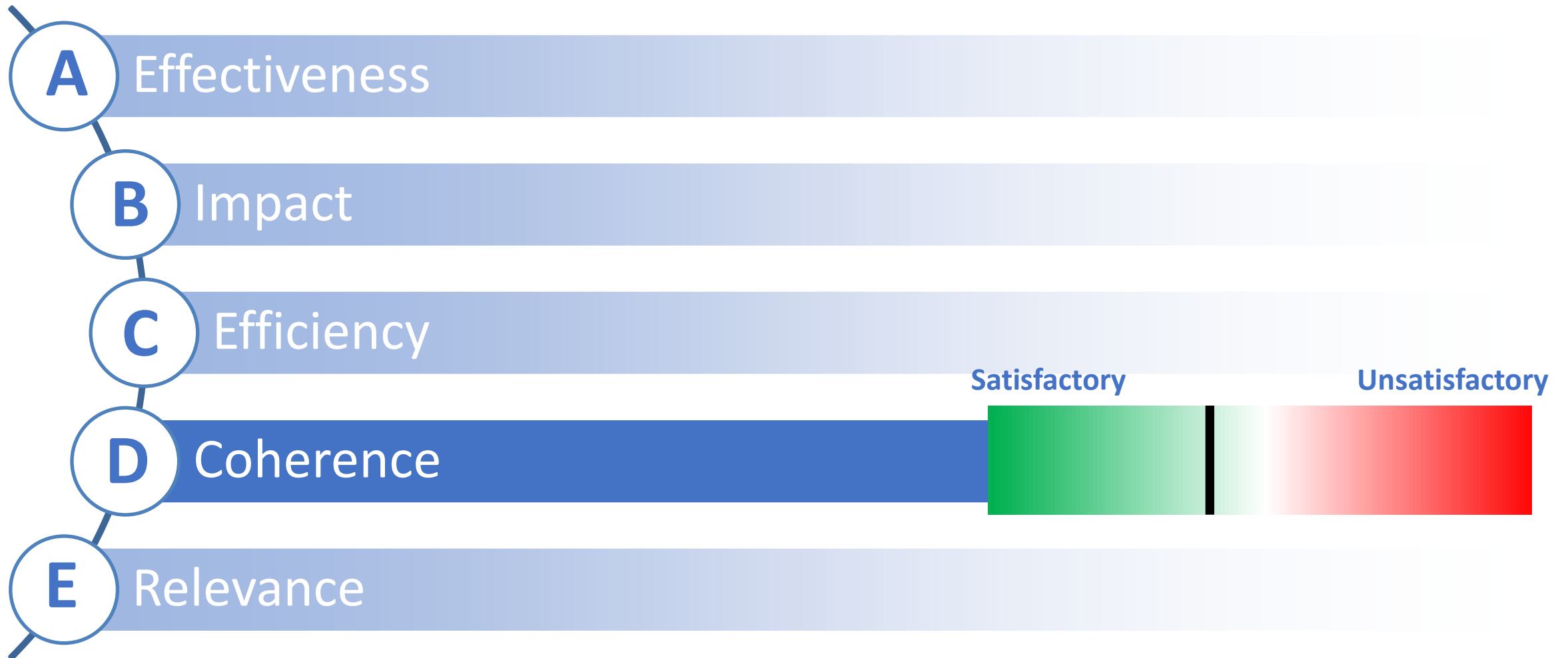
- Costs for traders (e.g. RoO) inevitable, not raised as problems, and Agreement offers cost-saving options (e.g. approved exporter status)
- Administrative costs for Parties arising from meetings and follow-up are considerable but not unduly high in comparison to Agreement benefits
- Distribution of costs & benefits: rather limited differential effects across sectors, firm size etc.



# Efficiency – lessons learnt and recommendations

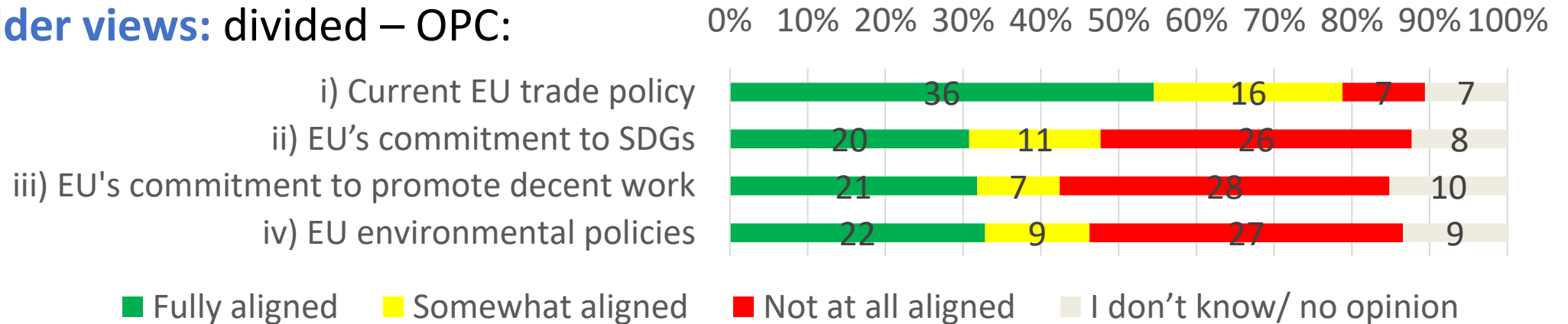
- Strengthen decision-making/problem solving role of Trade Committee, e.g. by
  - repackaging issues affecting different chapters
  - holding meetings at the political level, and engaging Ministers for Trade and the Trade Commissioner (as foreseen in Article 12) to advance in the discussions
- Enhance TSD Sub-committee: set targets, develop road maps with actions to be taken by the Party in the area of concern, incl. timelines, outputs, and responsible institutions
- Consider options to foster the cooperation between the Parties and civil society, e.g.
  - strengthened domestic PPD prior to annual meetings => briefing at TSD SC
  - dedicated meetings between TSD Sub-committee and all domestic mechanisms as part of annual meetings / TSD SC to invite DAG chairs to discuss DAG work during the year (Korea example)
  - more use of virtual meetings
- Capacity building and additional support should be provided to non-EU DAGs
- Expectations management: be more cautious in communications about the scope and level of authority and powers of the TSD Title and the TSD SC

# Answers to evaluation questions



## EQ7: 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?

### ■ Stakeholder views: divided – OPC:



### ■ Evaluation assessment:

- High degree of policy coherence *at the time of Agreement signature*
- Moderate coherence with *current* EU policies:
  - No conflict with current **EU trade policy**, but no active promotion of new topics either (GVCs, services, e-commerce, green & digital transformation...)
  - **SDGs & Decent Work**: TSD Title and its implementation are coherent with this, but limited positive contributions
  - **Environment & climate change**: Agreement impact somewhat coherent with Green Deal and Biodiversity Strategy (small GHG reduction, overall limited impact on biodiversity), but Agreement is not aligned with more ambitious environmental and climate strategies



# Coherence – lessons learnt & recommendations

- Enhance coherence with **EU trade strategies**:
  - Stronger implementation focus on new issues and priorities set in the 2015 and 2021 EU trade strategies (e.g. trade in services, digital trade, green transformation).
- Enhance coherence with **EU environmental policies**: Intensify efforts to prevent deforestation in Andean partner countries
  - Use cooperation under the Agreement to contribute to the creation of deforestation-free agriculture and agricultural value chains
  - Provide support for improving forest management and due diligence and controls in the forestry sector

# Answers to evaluation questions



## EQ8: 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?

### ■ Evaluation assessment:

- Agreement relevant in the sense of providing a basis for fostering bilateral trade, and trade and development of the Parties more broadly;
- but fails to capture or address many new challenges, needs and issues that have arisen both for the EU and the Andean partner countries since the signing of the Agreement



### ■ Lessons learnt & recommendations

- Cooperation in Committees on practical measures related to new issues could be expanded (broader approach to flanking measures).
  - E.g. more cooperation on fostering organic and fair trade would contribute to the need for enhancing the sustainability of productive activities fostered by the Agreement
- Agreement scope allows discussion of new trade needs (e.g. digital trade, effects of Green Deal, etc.)
  - Contemplate modernisation of Agreement only if common understanding between the Parties on the benefits of addressing new issues more explicitly

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



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