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EVALUATION

of the impact of the Trade Agreement between the European Union and its Member States, of the one part, and Colombia, Ecuador and Peru, of the other part

{SWD(2023) 328 final}

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Glossary

Term or acronym	*Meaning or definition*
CGE	Computable general equilibrium
CRS	Corporate Social Responsibility
CS	Civil Society
DAG	Domestic Advisory Group
EEAS	European External Action Service
EP	European Parliament
FTA	Free Trade Area
GSP	General System of Preferences
GSP+	Special Incentive Arrangement for Sustainable Development and good Governance
HS	Harmonised System
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GHG	Green House Gas
GVC	Global Value Chain
ILO	International Labour Organisation
MEAs	Multilateral Environmental Standards and Agreements
MFN	Most favoured nation
MSME	Micro, Small and Medium Enterprises
NTM	Non-tariff measures
OPC	Open Public Consultation
RoO	Rules of Origin
SDG	Sustainable Development Goal
SIA	Sustainability Impact Assessment
SPS	Sanitary and Phytosanitary
TBT	Technical barriers to trade
TPR	Trade Policy Review
ToR	Terms of Reference
TRQ	Tariff-Rate Quota
TSD	Trade and Sustainable Development
WTO	World Trade Organization

1. INTRODUCTION

Purpose and scope of the evaluation/check

This *ex post* evaluation has been undertaken to analyse the economic, social, environmental and human rights (including labour rights)[1] impact of the implementation of the European Union's Trade Agreement with Colombia, Peru and Ecuador (hereafter the 'Agreement'). It also seeks to determine whether there are any areas of work that could benefit from further implementation efforts to ensure that the Parties take full advantage of the opportunities offered by the Agreement.

To support the European Commission's evaluation of the Agreement, in 2020 the European Commission's Directorate-General for Trade (DG Trade) awarded a contract for an independent study to a consortium led by BKP Economic Advisors (BKP). The study was undertaken during the period April 2020 to July 2021.

The present evaluation was conducted by experts from both the EU and partner countries.

The *ex post* evaluation analysis is part of the EU policy to foster future policymaking in accordance with the 'EU Better Regulation' policy[2]. It is not linked to a legal obligation or to a planned future reopening of the Agreement.

The **purpose** of the study was to analyse the economic, social, environmental and human rights (including labour rights) impact of the Agreement and to determine whether the parties needed to further their implementation efforts to ensure that they are taking full advantage of the opportunities offered by the Agreement.

The final report[3] of the external study is a source of useful information and economic analysis but does not represent the Commission's views. In this evaluation, the Commission departments present their assessment of the findings and conclusions set out in the final report of the study.

The final report focuses on the extent to which the objectives of the Agreement have been reached in terms of the following four criteria listed in the EU's Better Regulation guidelines and toolbox:

- *Effectiveness*: the extent to which the objectives of the Agreement have been achieved and the factors influencing their achievement, including identification of any unintended consequences.

- *Efficiency*: the extent to which the Agreement has been efficient in achieving its objectives: what costs were associated with the achievement of the objectives and whether they have they been proportionate to the benefits obtained; what factors influenced the costs and benefits and their distribution across different stakeholder

[1] Whenever the SWD refers to human rights, this includes labour rights.

[2] Better regulation: guidelines and toolbox (europa.eu)

[3] Webpage of the ex-post evaluation

groups; and whether there are any remaining inefficiencies and regulatory costs related to the Agreement.

- *Coherence*: the extent to which the Agreement has been coherent with current EU trade policy and other EU policies related to sustainable development and the achievement of the Sustainable Development Goals (SDGs)

- *Relevance:* the extent to which the provisions of the Agreement are relevant for addressing current trade issues faced by the EU and its partners.

The *ex post* evaluation provides responses to a number of **evaluation questions** (**Box 1**) which were contained in the evaluation's terms of reference (ToR).

As the evaluation questions are broad, they were set out in an **evaluation framework** that provides, for each evaluation question, the judgement criteria, the analysis needed to substantiate the findings and conclusions drawn, and the sources through which data and information were obtained.

The evaluation framework also links evaluation questions and judgement criteria to the analytical tasks to be performed as specified in the terms of reference for the external study. During the reporting phase, an additional question (EQ 1B) related to the Agreement's impact was added to the questions listed in the ToR.

Box 1: Evaluation questions

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 evaluation's **methodological approach** was to determine the Agreement's effect by comparing the present situation (where the Agreement between the Parties has been applied since 2013 in the cases of Peru and Colombia, and since 2017 in the case of Ecuador) with a hypothetical situation (where the Agreement is assumed never to have taken place).

A key **source** for assessing the quantitative trade and economic effects of the Agreement were the economic model simulations[4], which were based on official trade and economic statistics. These data were complemented with official economic and trade data from the partner countries, which also constituted the basis for the quantitative analysis of the Agreement's social effects. Sources for the qualitative analysis were existing studies, official documents and position papers from both official sources and interested parties and stakeholders[5].

In addition, contributions received from more than 140 stakeholders[6] in the course of a comprehensive **consultation process** were a key source of information. More specifically, consultation activities took place through five 'pillars', each with different target groups and using different communication channels. Firstly, all key stakeholders identified by the consultants (some 1100 organisations and individuals) as well as the interested public at large were kept informed about the evaluation and its progress, activities, outputs and findings through an evaluation website, email newsletters and Twitter. Secondly, for all stakeholders, an online public consultation (OPC) was open from 13 January 2021 to 6 May 2021, receiving 70 responses. Thirdly, targeted consultation tools – in particular workshops in the partner countries, an online survey for businesses (including MSMEs) in the EU and partner countries, and interviews and meetings with stakeholders in the EU and partner countries – constituted a key instrument for obtaining in-depth information and views on the Agreement from a diverse set of stakeholders. Fourthly, discussions with EU civil society were held as part of DG Trade's civil society dialogue (CSD) meetings. Finally, additional meetings with EU institutions took place in the context of Steering Committee meetings (involving the various departments of the European Commission) and interviews.

Despite the broad approach and solid methodological underpinnings of the evaluation, a number of **limitations** should be noted. Firstly, due to the COVID-19 pandemic, most consultation activities had to be conducted online. Some interviews took place physically between local team members and stakeholders, but a visit by the core evaluation team to the Andean partner countries was not possible. Although outreach in partner countries to stakeholders in rural areas was possible, thanks to relatively good internet connectivity, physical visits would have been preferable to be able to better assess actual effects on the ground. Secondly, some limitations in data availability and reliability required the substitution of quantitative analysis by qualitative analysis, and in some cases prevented a definitive assessment of causality between the Agreement and observed developments. Last but not least, the COVID-19 pandemic affected not only the consultation activities but also the

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[4] The economic model simulation was prepared by the European Commission (DG TRADE).

[5] All sources used are provided in the main evaluation report and its annexes prepared by the Consortium.

[6] Includes European Commission departments, Member States, other EU institutions, the governments, authorities and agencies of the three partner countries, business organisations and individual businesses, civil society organisations, academia, individual citizens, and representatives of international and regional organisations.

findings: first, because data for 2020 are distorted by the effects of the pandemic, and second, because the pandemic also shaped the perceptions of stakeholders and in particular their views about recent economic and social developments in the Party countries and the reasons for those developments.

2. WHAT WAS THE EXPECTED OUTCOME OF THE INTERVENTION?

2.1 Description of the intervention and its objectives

The Agreement was one of the first of a new generation of trade agreements. 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, intellectual property rights and trade and sustainable development) which aim to go further than the commitments made by the Parties under the WTO.

At the time of the negotiations, Colombia, Ecuador and Peru were benefiting 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 the prospect of losing GSP status as a result of the upcoming reform of the GSP. This meant that in the absence of a trade agreement with the EU, the three Andean countries would have run the risk of losing preferential access to EU markets and face most-favoured-nation (MFN) tariffs instead. This would have had a negative impact on their trade flows with the EU.

The agreement with Colombia and Peru was signed in June 2012. It has been provisionally applied since March 2013 (in the case of Peru) and since August 2013 (in the case of Colombia).

Also in 2013, negotiations resumed with Ecuador for its accession to the agreement and were concluded in July 2014. The Protocol of Accession for Ecuador was signed in November 2016 and has been provisionally applied since 1 January 2017.

Subsequently, 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.

The **objectives** of the trade pillar are outlined in Article 4 of the Agreement and are as follows: (1) progressive and gradual liberalising of trade in goods, (2) facilitating trade in goods, (3) liberalising trade in services, (4) creating an environment favourable to investment, (5) liberalising current payments and capital movements, (6) effective and reciprocal opening of government procurement markets, (7) protecting intellectual property rights effectively, (8) promoting free and undistorted competition, (9) establishing a fair and predictable dispute settlement mechanism, (10) promoting trade in a way that contributes to sustainable development, and (11) cooperating on technical assistance.

The extent of attainment of these objectives is assessed in Section 4.1. Broadly, however, the expectation was that:

- Actions undertaken to implement the first nine of these objectives would lead to liberalisation and expansion of trade and investment flows between the Parties. This in turn was expected to foster greater progress in the development of trade and investment, enhance the competitiveness of companies and promote the integration of the partner countries into the global economy – and thereby contribute to faster economic growth and higher living standards in the partner countries.

- Actions undertaken to implement the last two of the above-listed objectives would stimulate trade which supports sustainable development, with a particular emphasis on protecting the environment and respect for labour rights. This was expected to make a contribution to overall sustainable development in the partner countries.

Further details on the objectives and their connections to multiple shared outcomes and impacts are described in Figure 2: 'Intervention hypothesis of the trade pillar of the EU-Central America Association Agreement' (see below Annex II on Methodology). They will be discussed in greater detail in Section 4.2.

The Agreement has not yet been ratified by all EU Member States; the ratification process is still ongoing[7].

2.2 Point(s) of comparison

2.2.1 Comparison of key modelling assumptions of earlier *ex ante* policy analysis and the present *ex post* evaluation

The negotiations were accompanied by a sustainability impact assessment (SIA) in support of the negotiations delivered in October 2009[8]. The SIA studied the likely economic, social and environmental impacts of a potential multi-party trade agreement between the European Union and its Member States, and the Andean countries of Colombia, Ecuador and Peru. The final report for the SIA was delivered in October 2009, and the Commission published its written response in a position paper in November 2010[9].

The economic modelling for the SIA was built on two different scenarios. The first scenario involved 'modest' liberalisation:

- it assumed a 90% reduction of tariffs, a 50% reduction in the estimated cost of barriers to trade in services, and cost reductions equal to 1% of the value of trade achieved via trade facilitation measures.

The second scenario was labelled 'ambitious':

- it assumed a 97% reduction of tariffs, a 75% reduction in the estimated cost of barriers to trade in services, and cost reductions of 3% of the value of trade arising from trade facilitation measures.

[7] http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2011057)
https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2016044
[8] https://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_146014.pdf
[9]https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/0bdf774c-2a18-4155-b0ff-f2bbc76db85c/details?download=true.

The *baseline scenario* in the SIA for each of these modelled liberalisation scenarios assumed a successful outcome of the Doha Round of multilateral negotiations at the WTO. For the purposes of modelling, it also assumed continued enjoyment by the Andean countries of the benefits they derived from GSP+ in the event that no trade agreement with the EU was concluded. Upon careful consideration from today's vantage point, it become evident that these assumptions are not viable. The model simulations undertaken for the *ex post* evaluation cover the period 2011 to 2020 and compare the developments of two **scenarios** – a 'baseline' with the Agreement in place, and a counterfactual scenario in which the Agreement was not in place.

For the baseline, the following assumptions were made:

- It was assumed that the trade Agreement entered into force at the beginning of 2013 for Colombia and Peru, and at the beginning of 2015 for Ecuador. While the actual dates for the start of implementation of the Agreement differ from these dates, these 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 in the EU for the three partner countries were a result of the trade agreement, even though initially they still continued to be under GSP+ terms.
- The baseline also incorporates the EU trade agreements that were applied up to 2020 (e.g. CETA with Canada and EPA with Japan), as well as significant global trade policy development such as the USA–China tariff war. Accordingly, the tariff changes brought about by these are included in the baseline tariffs considered for the simulations.
- The withdrawal of the United Kingdom from the EU is not considered in the model (as it came into effect only in 2021), nor is the impact of COVID-19. Accordingly, in terms of the regions, simulations for the EU represent those for the EU-28.

For the counterfactual scenario simulating the absence of the Agreement, it was assumed that:

- the three partner countries apply MFN tariffs on imports from the EU throughout the whole period;
- the EU applies MFN tariffs on imports from Colombia and Peru from the beginning of 2013, and on imports from Ecuador from the beginning of 2015 (i.e. that the benefits of GSP+ had been lost).

A notable limitation of the model-based analysis is that it only comprises changes in tariffs. Changes in non-tariff barriers – for both goods and services – resulting from the Agreement are not modelled. This means that the simulations only capture part of the Agreement's effects, and in particular any simulated changes in services sectors are exclusively the result of indirect adjustment effects across the economies.

It is important to state that a direct comparison between the 2009 SIA and the present evaluation is difficult due to differences in the methodologies applied and the extent to which the outcome of the negotiations (or its approximation) was known at the time of conducting the analysis. The SIA is a useful reference point, but it was prepared before the conclusion of the negotiations and thus differs in its expectations from the level of liberalisation finally agreed. Conversely, the *ex post* evaluation looks at how the Agreement has worked since it provisionally entered into force.

Annex II provides a detailed note on the methodology and analytical models used for the *ex post* evaluation. **Annex VII** compares the results anticipated in the *ex ante* modelling from 2009 with the effects identified in the *ex post* evaluation of 2022.

2.2.2 Key findings of the SIA

Impact on trade and welfare

The overall economic impact of an EU-Andean FTA was estimated to be very positive, with output/income gains for all economies in all scenarios. This is particularly noteworthy because the Andean countries already had access to the EU market thanks to their GSP tariff concessions.

Trade flows were expected to expand; the effect was expected to be marginal in the EU but more significant for the Andean countries[10]. It was also thought that some small trade diversion effects might be felt vis-à-vis the US and Mercosur.

Impact on GDP

In the case of the ambitious modelled scenario, the impact on GDP for the EU was estimated at less than 0.1%. For the Andean partner countries, the impact on GDP was estimated to be +1.3% for Colombia, +1.9% for Ecuador, and +0.7% for Peru. No separate estimate was provided for the impact on GDP for the modelled scenario that assumed 'modest' liberalisation.

Main gains/losses across goods sectors[11]

- For the EU: the liberalisation of trade with the Andean countries had a moderate impact on primary products and processed foods subsectors. There are only very small changes in the agriculture and agricultural processed goods sector and a small decline in the vegetables, fruit and nuts subsector.

- For the Andean countries: the vegetables, fruit and nuts subsector was predicted to increase its output significantly in Colombia (11.2%) and Ecuador (8.7%), contributing a significant share of total national value added in both countries. This is almost entirely due to banana production. See further details below.

[10] By 9.9% (Colombia), 7.9% (Ecuador) and 7.2% (Peru).

[11] The global effects of even the most ambitious scenario are very small. The national income effects for Mercosur, USA and the rest of the world are negative, yet positive for the LDCs. However, these effects are small in both the short and long run.

Main sustainability issues by type of impact[12]

Social impact

Positive: positive changes in average wages for unskilled workers were expected to be negligible in the EU and moderately positive in the Andean countries except for Ecuador, where there might be a short-term negative effect for low-skilled workers. National employment effects would be positive in all scenarios.

Negative: some effects were identified by the SIA as having a possible negative social impact, e.g. in view of the past opposition of some local populations to the extension of mining operations or hydrocarbons production sites. The SIA also mentioned the possibility that in the large-scale mining sector, restrictions on workers' rights could limit increases in real wages and hamper substantial improvements in working conditions. In the biofuels and palm-oil sectors, the SIA suggested that the increase of production could have a potentially negative social impact in Andean countries given the risk of displacement of populations and the possible social consequences that could follow.

Environmental impact

Positive: the increase in greenhouse gas emissions was expected to be negligible. The study stated only that any increase in greenhouse gas emissions resulting from an EU-Andean trade agreement was not expected to be significant against the background of global emissions.

Negative: the SIA pointed out that the predicted growth in the agriculture sector in Andean countries could add pressure on both land and water resources. The study also highlighted the risk of generating significant sources of pollution as a consequence of an increase in mining activities or large-scale agricultural production, or in the event of unregulated expansion of some sectors such as textiles, chemicals, rubber and plastics. Finally, the study suggested that the Trade Agreement might have potentially significant impacts in terms of deforestation and reduced biodiversity as a result of the predicted expansion of the agriculture and timber industries.

Key sectoral findings

The SIA included analyses of primary sectors (agricultural and processed agricultural goods, mining and fishing), industrial goods, services and 'other'.

Agricultural and processed agricultural goods, mining and fishing

The EU was expected to experience a marginal decline in mining. The importance of the mining sector, particularly in Ecuador, was expected to produce a significant expansion in the Andean countries. The growth in mining output was linked to the growth in capital stock through investment that was assumed to occur. However, this expected expansion also

[12] The SIA did not contain any dedicated human rights impact assessment (HRIA), as it predates the introduction of HRIA in the Commission's policy analysis of the EU's trade agreements.

assumed that the political conditions and negotiations with local populations regarding mining expansion in the rural area would be favourable to further large-scale mining development.

The environmental impacts of increased biofuel production resulting from a trade agreement were expected to be mixed. Due to fears that increased biofuel production might lead to greater food insecurity, the Andean countries had signalled a preference for cultivating new lands rather than for transferring existing cropland to the production of ethanol feedstock.

Industrial goods

No major changes were anticipated in sectoral output in the EU, and for most sectors output was unchanged under the different scenarios. For some Andean countries, the most pronounced changes were expected to occur in 'machinery and equipment'. Here, the estimated change was +31%, but the sector's total value-added is only about 0.4%. In the case of Colombia there were some sectors with significant changes under all scenarios. For example, the output of the 'motor vehicles and parts' sector was expected to increase by 25% under the ambitious scenario, but its share in total value added is smaller than 0.5%. For Ecuador, significant changes in sectoral output were anticipated only in sectors which are small, making these effects marginal. In the Peruvian economy, output of 'textiles' and 'wearing apparel' were both expected to expand by over 3%, while the manufacturing of 'chemical, rubber and plastic products' was estimated to increase by more than 5%.

Services

Liberalisation within the EU-Andean Agreement was expected to lead to greater competition from EU providers in the Andean countries, particularly in banking, insurance, telecommunications, computer and related services, distribution services, and construction and engineering services. The EU is the leading investor in the Andean countries, accounting for more than a quarter of total FDI in the region. EU direct investment in Andean countries had significantly increased in the years prior to the SIA, with EU companies taking part in privatisation processes in services, in the financial system, manufacturing, and mining and oil activities.

Other

Investment: the proposed agreement was expected to increase the flow of foreign investment. In addition, by improving investor confidence, domestic investment might also be stimulated. Investment provisions in the Agreement were expected to have a positive impact on FDI and also to have a 'crowding in' effect on domestic investment. The increase in growth resulting from FDI inflows was expected to have a positive long-term impact on employment.

Public procurement: additional gains were expected to accrue for Andean exporting firms if the proposed agreement helped them to compete for public sector contracts for the supply of goods and labour services in the EU countries.

Trade facilitation: the main economic benefit to the Andean countries of trade facilitation provisions in a trade agreement was expected to arise from efficiency gains resulting from customs and related procedural reforms. These gains were expected to contribute to an improvement in the business environment and to facilitate the growth of investment and employment in exports production.

Intellectual property rights: in stakeholder consultations for the study, civil society organisations in the Andean partner countries expressed concerns about the extension of intellectual property protections that could potentially increase the price of generic medicines, impact agricultural production and reduce food security.

3. How has the situation evolved over the evaluation period?

Current state of play

Trade in goods[13]

EU[14] imports from partner countries

EU imports from Colombia performed unevenly over time. They roughly doubled from EUR 4 billion in 2007 to about EUR 8 billion in 2012 to 2014, and then fell to EUR 4.8 billion in 2019.

EU imports from Peru also initially increased considerably, from EUR 4.2 billion in 2007 to more than EUR 6 billion in 2011 and 2012, and since then have fluctuated between EUR 5 billion and EUR 6 billion. Imports from Ecuador increased steadily from 2007 to 2017 (with the exception of 2008, the global financial crisis year), from EUR 1.8 billion to EUR 3 billion, and since then remained constant at that level until 2019.

It is, however, important to note that the values of total bilateral trade are affected by the large share of mineral fuels (primarily coal) in Colombia's exports to the EU, ranging from about 40% to 70% during most of the period considered until 2018. The share then dropped to about 20% in 2019, reflecting the extreme fluctuations in the world coal price.

Similarly, a significant share of Peru's exports to the EU consists of copper ore (ranging from 14% to 30% in total bilateral export value), the size of which again is heavily dependent upon the world market price.

When excluding mineral fuels and ores, trade performance shows a more stable pattern of exports from Colombia to the EU over the period 2007 to 2013, fluctuating between EUR 2.0 billion and EUR 2.7 billion, and an almost steady increase of Colombia's exports to the EU since 2013, from EUR 2.1 billion to EUR 3.9 billion in 2019. Similarly, non-ore and

[13] Annex VI. Trade in Goods.

[14] The EU data relates to EU28 data, as the external consultant carried out its assessment before Brexit took place, and all statistical references relate to data up to 2019.

non-mineral imports from Peru steadily increased from EUR 3.2 billion in 2013 to EUR 4.2 billion in 2019.

The most important EU imports by sector from the partner countries were as follows:

- For *Colombia*, the sectoral composition of exports to the EU in value terms has been influenced to a large extent by changes in the price of coal. Thus, in 2013 coal accounted for 73% of Colombian exports to the EU, followed by fruit (11%) and coffee (5%). By 2019, Colombia had diversified the range of products exported: fruit accounted for 26% of its total exports to the EU, followed by mineral fuels (22%), precious minerals (15%) and coffee (12%).

- The sectoral composition of EU imports from *Peru* changed considerably over the period 2007 to 2019 and shows a much more diversified basket of products exported to the EU. In the pre-Agreement period, they were dominated by ore (a third of total EU imports from Peru in 2012 and 2013) together with rapidly increasing imports of mineral fuels (in 2012, 12% of total imports from Peru). Since 2013, imports of fruit have grown fastest. In 2019 they became the EU's largest import from Peru (24% of total imports, overtaking the 23% accounted for by ore).

- The most important EU imports from *Ecuador* are agricultural and fishery products: the ten largest imported products are from the agriculture, fisheries and forestry sector. The most important commodities are fruit (about 30% of all imports from Ecuador), preparations of fish (23%), and fish and crustaceans (22%), followed by cut flowers (7%) and cocoa (6%). Changes in the sectoral composition of EU imports from Ecuador since the application of the Agreement have been limited.

EU exports to partner countries

The EU's (non-mineral fuels) exports to Colombia increased steadily from 2007 to 2015 before dropping sharply in 2016 and then resuming the previous growth trend[15]. Exports to Peru during the Agreement period continued the generally positive trend of the pre-Agreement period, albeit at a slower rate. Exports to Ecuador increased steadily until 2015 before dropping sharply in 2016 during Ecuador's recession year, and then resumed a growth path from 2017 onwards. However, the post-Agreement growth rate for exports to Ecuador is much higher than the rate of pre-Agreement growth.

The most important EU exports to the partner countries by sector were as follows:

- EU machinery exports to *Colombia* remain the most important sector in value terms, representing 18% of overall EU exports to Colombia in 2019. A significant export performance was shown by pharmaceuticals (14% of total exports). Other sectors among the top 10 exports are vehicles, plastics, paper and paper articles, and optical and miscellaneous equipment.

[15] Annex VI, Trade in goods.

- The EU's top five exports to *Peru* are the same as those to Colombia, although in a slightly different order. Machinery accounts for about 30% of total EU exports to Peru, while electrical machinery, vehicles, pharmaceutical products and optical and other equipment each account for 5% to 10% of EU exports. The best performing sectors (among the top 10 sectors in terms of export growth) since the Agreement has been applied were rail transport equipment (average annual growth of 22%), pharmaceutical products (12%), and miscellaneous chemical products (10%).

- The sector composition of EU exports to *Ecuador* is similar to that of EU exports to Colombia and Peru: machinery exports (about 20% of total exports), pharmaceuticals, vehicles and electrical machinery. An important difference when compared to Colombia and Peru is the notable level of exports of mineral fuels to Ecuador. This is the second most important sector after machinery – but it is highly volatile, in line with price fluctuations in the world market. Among the major export sectors, rail transport equipment, vehicles, fish and crustaceans and paper have all shown high growth rates since the Agreement has been applied.

Bilateral trade balances

In terms of bilateral trade balances, the EU has had consistent although fluctuating trade deficits with Ecuador and Peru since 2007. The EU had a trade deficit with Colombia until 2016 with respect to total trade, and a rapidly increasing surplus since then – in effect, the EU moved from a trade deficit of EUR -3.0 billion in 2012 to a trade surplus of EUR 2.0 billion in 2019. However, the bilateral trade balance between the EU and Colombia depends significantly on the impact of global coal prices because of the high share of coal in Colombia's exports to the EU. Looking at non-mineral fuels trade only, the EU has had a consistent trade surplus with Colombia, which steadily increased from EUR 0.6 billion in 2007 to EUR 4.0 billion in 2014 before dropping again and stabilising at EUR 2.8 billion to EUR 2.9 billion since 2016.

Trade in services

Trade in services accounts for a substantial share of total trade between the EU and the three partner countries, representing between 20% and 40% of combined goods and services trade. The actual share varies across the three bilateral relationships, as well as by the direction of trade: Colombia's services exports to the EU amount to between 40% and 45% of Colombia's overall exports to the EU since 2013. Conversely, Ecuador's services exports to the EU represent a much smaller share of its total exports to the EU, at about 20% since 2015. Generally, the share of total exports to the EU accounted for by services exports has remained constant over time, with the exception of Peruvian services exports to the EU, whose share has increased from 15% in 2011 to 30% in 2019[16].

[16] Services trade data reported here are based on the WTO-OECD Balanced Trade in Services (BaTIS) database released in January 2021, which provides bilateral services trade data by sector until 2019 (Liberatore and Wettstein 2021).

The EU constitutes an important market for Andean partner countries' services exports: in 2019, between 20% (Colombia) and 30% (Ecuador and Peru) of total services exports were to the EU – these shares are higher than for goods trade. The largest three services export sectors to the EU by any of the Andean partner countries are travel, transport, and other business services.

EU services exports show a long-term upward trend for exports to Colombia (from USD 2 billion in 2007 to USD 3.5 billion in 2019) and Peru (from USD 1.4 billion in 2007 to USD 2.3 billion in 2019, and constant exports to Ecuador (at around USD 1 billion)). The largest three services export sectors from the EU to any of the Andean partner countries are commercial services, transport and travel services.

EU investment in the Andean partner countries

EU investment in the three partner countries has shown (as is quite usual for FDI) a high degree of volatility. In line with the difference in size of the partner countries, Colombia used to be the most important destination (stocks of EUR 15 billion and above), although it has been competing for that position with Peru in the most recent years for which Eurostat data are available, 2017 and 2018, after a rapid increase in EU investment in Peru from EUR 10 billion in 2014 to almost EUR 17 billion in 2016. Ecuador ranks third, with EU FDI stocks increasing sharply from EUR 4.0 billion in 2013 to EUR 13 billion in 2015. In terms of the relative importance of EU FDI in the partner countries in total EU outward FDI, it is roughly proportional to the trade shares, i.e. between 0.1% and 0.35%. Seen from the Andean partner country perspective, EU investment is sizable, with the EU accounting for up to half of total foreign investment (Table 6-8) and being the largest investor in all three partners.

4. EVALUATION FINDINGS (ANALYTICAL PART)

4.1. To what extent was the intervention successful and why?

The *ex post* evaluation replies to the eight evaluation questions (EQs) related to the four evaluation criteria of effectiveness, efficiency, coherence, and relevance[17]. More details, including the Annex III. Evaluation matrix and, where relevant, Details on answers to the evaluation questions (by criterion) are provided in Annex III.

4.1.1. EFFECTIVENESS: ACHIEVEMENT OF THE AGREEMENT'S OPERATIONAL OBJECTIVES

Evaluation questions EQ 1A: To what extent have the objectives as laid down in Article 4 of the Agreement been achieved? EQ 2: What are the factors influencing (either positively or

[17] Section 4 on the findings of the evaluation should be read in conjunction with: Section 1 p. 6 (as well as Annex II) which explain the relationship between the overall evaluation criteria and the specific evaluation questions to be investigated and answered; and Annex III, which relates the specific evaluation questions to the applied judgement criteria, the analytical tasks expected to be performed in order to investigate the specific evaluation criteria, and the sources of evidence for the investigative work.

negatively) the achievements of those objectives? EQ 3: Has the Agreement had unintended (positive or negative) consequences, and if so, which ones?

The extent to which these have been achieved is summarised in the following sections.

4.1.1.1. IMPLEMENTATION OF TARIFF LIBERALISATION

Evidence shows that there has been an increase in EU bilateral trade with the Andean partner countries, which has been beneficial for both regions. The trade volumes have been balanced over the years; it is a complementary trade, with the main benefits accruing to sectors where the respective party has a comparative advantage (Andean countries exporting mostly agricultural products and the EU manufactured products). The EU remains the third destination for CA exports, and the third supplier of CA (behind the US and China).

Evidence also shows that EU exports have been driven by two factors. Firstly, the Agreement effectively liberalised tariffs previously imposed on EU exports (while the Andean partner countries already enjoyed GSP preferential access). Secondly, the reduction in non-tariff measures (e.g. customs, TBT regulations) facilitated trade.

All Parties have been implementing their tariff liberalisation schedules in line with the Agreement provisions, and transition periods for most products are now completed. Stakeholders interviewed by the evaluation team, including trading companies, confirmed that the utilisation of preferential tariffs poses no problems for trade between the Parties.

In line with this, the CGE model simulation results show that the Agreement has led to increases in all bilateral trade flows between the Parties, in both directions. For Peru and Ecuador, exports to the EU are estimated to have increased more, both in absolute (USD) and relative (percentage) terms, than imports from the EU. For Colombia, the opposite is true: the EU's exports to the country are estimated to have increased by close to USD 3.9 billion (26.3%) – the largest change by far among any of the bilateral trade relations covered by the Agreement – while its exports are estimated to have increased by USD 268 million (3.9%). In relative terms, apart from EU exports to Colombia, the Agreement had the largest impact on EU-Ecuador trade, with Ecuador's exports to the EU estimated as being 18.7% higher than they would have been without the Agreement, and the EU's exports to Ecuador estimated as being 12.6% higher.

The model simulations also show the positive impact of the Agreement for all Parties' overall exports. However, the effect is limited, as the Andean countries enjoyed GSP+ preferences prior to the application of the Agreement. Sectors where a Party has a comparative advantage (such as machinery, equipment and vehicles in the EU; fruit and vegetables as well as food products in the Andean partner countries) have benefited the most from the Agreement.

4.1.1.2. *FACILITATION OF TRADE IN GOODS*

Evidence shows an overall trade increase for the Andean region and that the Agreement has had a trade facilitating effect. Despite customs issues having posed a few problems in the implementation of the Agreement, the administration of customs rules has mostly been in line with the Agreement. Areas identified for improvement include: raising business awareness of the measures on customs and trade facilitation in the Agreement; clarifying application of the direct transport rule; digital movement certificates; and approved exporters status.

Overall, although some irritants have been raised by the Parties over time in bilateral meetings between the Parties, along with issues raised by some stakeholders, **non-tariff measures** have not constituted a major burden for trade between the Parties and, crucially, they have not been erected as a substitute for tariff liberalisation. At the same time, more progress could have been made in some areas to further facilitate bilateral trade. For instance, burdensome import procedures remain a difficulty for importers of pharmaceutical products and alcoholic beverages in Colombia.

Non-compliance with **rules of origin (RoO)** by traders has not been a problem in the implementation of the Agreement.

Three aspects where room for improvement might exist are:

- *Rules on direct transport between the Parties:* According to the Agreement, preferences only apply to products which are transported directly between the Parties. To facilitate exports by companies with regional distribution centres (e.g. in Panama), the EU suggested that deconsolidation[18] of shipments should be considered acceptable under a change to the Agreement; this view was also supported in the evaluation consultations by members of the partner countries' business community. However, representatives of the Andean countries remain concerned that there could be difficulties for proper control and verification of the eligibility of deconsolidated goods for preferential access, and that deconsolidated goods could be shipped from ports other than the territory of the EU.

- *Digital movement certificates:* To simplify paperwork, the Andean partner countries suggested at the 2020 Customs Subcommittee meeting that the use of digital certificates of origin be considered. These were already introduced on a temporary basis in response to the COVID-19 pandemic, provided that after the crisis period is over an authentic EUR.1 certificate is presented upon request. The EU considers that digital certificates are not possible under the Agreement and favours the use of self-certification under the approved exporter schemes provided for in the Agreement.

[18] 'Deconsolidation' is the process of breaking down a single shipment of cargo into several smaller shipments and processing those shipments for final inland delivery directly from the port of entry to a store or distribution centre.

- *Approved exporter status:* The Agreement provides for the possibility of recognising 'approved exporters' who make frequent shipments of products under this Agreement. Approved status would allow such exporters to make use of invoice declarations instead of certificates of origin, which would facilitate trade for such approved exporters. However, based on consultations, awareness of the approved exporter status among businesses in the Andean partner countries appears to be low.

Tariff rate quotas (TRQs) have been partially effective both in opening up the Parties' markets for the products covered and in limiting the increase in imports. Exports have not yet started or increased for all product categories covered by TRQs. Some stakeholders have pointed out that the preferences offered to Andean exporters under TRQs have not been sufficient to kick-start exports and that more assistance for domestic producers is required to make them export-ready. Regarding the administration of TRQs, stakeholders consulted had no complaints about practices in Colombia, Peru and the EU and its Member States. For Ecuador, however, the management of TRQs especially in the dairy sector, in combination with non-automatic import licencing and the criteria applied for the granting of licences, has been a recurrent issue in the meetings of the Subcommittee on Agriculture (most recently in 2022). The EU claims that the current practice does not comply with the Agreement's first-come, first-served principle, violates WTO rules, lacks transparency and creates uncertainty as to whether and when importers will be able to use the applicable preference. It may also entail possible discrimination between different importers. Delays in issuing licences pose particular problems for perishable products. Although Ecuador's Ministry of Agriculture has made some changes to the management of quotas in response to demands made by the EU[19], the EU states that the system remains cumbersome and makes exports of perishable goods particularly difficult. Low (albeit slowly increasing) quota fill rates for dairy products support this argument.

Agricultural safeguards have not been applied, and based on the research undertaken there would have been no justification for them.

Sanitary and phytosanitary (SPS) measures do not appear to have created an undue barrier to bilateral exports of products concerned by such measures, as shown by the strong increase in exports of some such products by all Parties and by the estimated positive overall impact of the Agreement on trade in agricultural and food products.

At the same time, there are certain disagreements between the Parties on a number of issues together with concerns over the trade impact of regulatory changes on SPS measures. These topics are discussed yearly in the SPS Subcommittee meetings with continuous follow-up between the Parties. Although views about the effectiveness of these discussions vary across stakeholders, a number of issues were solved under this mechanism. Other issues have remained on the agenda for extensive periods of time, such as the EU requirements for maximum residue limits (MRLs) of pesticides, where the Andean countries keep expressing

[19] In a recent letter, the Ecuadorian Ministry of Trade stated the intention to bring the TRQ system and non-automatic import licensing into line with the Agreement and with WTO rules.

their concerns despite the fact that there is no impact on their exports to the EU. Nevertheless, collaboration on SPS measures has in general been effective. Furthermore, the very presence of the SPS Subcommittee allows the Parties to directly discuss issues related to SPS measures (including planned regulatory changes) in a more detailed way than would be the case in a WTO context, which would be the alternative in the absence of the Agreement. This in itself constitutes a benefit of the Agreement. Finally, technical assistance plays a particularly important role in the area of SPS issues due to its highly technical nature.

Some EU stakeholders interviewed on the subject of **technical barriers to trade (TBT)** in the Andean countries reported that TBTs sometimes seemed to be motivated by sensitivities to import increases. However, most stakeholders (in both the EU and the partner countries) also confirmed that TBT issues do not constitute a major concern for them and do not affect trade with the respective partner. Even so, TBT issues are an area of frequent discussions between the Parties. A number of the issues discussed relate to planned changes in technical regulations (such as the potential tightening of requirements in the EU in the context of the European Green Deal[20] or the Farm to Fork strategy)[21] rather than *ex post* reviews of existing regulations or their implementation. This is an indication that cooperation between the Parties on TBT matters is functioning. Discussions in the relevant subcommittees together with follow-up discussions have been reasonably effective in addressing a number of the issues raised, even though for other topics progress has been limited.

4.1.1.3. FACILITATION OF TRADE IN SERVICES AND INVESTMENT

The Agreement did not provide for an actual opening-up of services sectors – rather, it improved the level of 'binding'[22]. Hence no major impact of the Agreement on services trade between the Parties was to be expected. In addition, there is no dedicated subcommittee on trade in services under the Agreement: discussions on services take place in the Trade Committee only on an ad hoc basis.

The shares of trade in services of commercial relations between the Parties have remained generally constant over time. The stability of service export shares in total export shares

[20] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. The European Green Deal, COM/2019/640 final, 11 December 2019; for more information, see https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en.

[21] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system, COM(2020) 381 final, 20 May 2020; for more information and documents, see https://ec.europa.eu/food/farm2fork_en.

[22] In trade policy terms there is an important distinction between the conditions that a state 'applies' in its market through its domestic regulatory framework and the conditions that it 'binds' in its WTO General Agreement on Trade in Services (GATS) schedule, or in bilateral agreements with other WTO members. These 'bindings' create a sort of floor: applied measures can be changed at any time, provided that a state does not breach its bound commitments.

indicates that the Agreement has not disproportionately liberalised goods trade at the expense of services trade or vice versa. As the Agreement is not intended to provide for an actual opening of services sectors, but rather to provide greater legal certainty for service suppliers with respect to their counterparties (i.e. the ‘binding’ of existing legislation), no major impact of the Agreement on services trade between the Parties was to be expected.

Discussion of issues related to trade in services in the Subcommittee on Market Access has been limited. Similarly, no complaints by stakeholders on the implementation of commitments made by the Parties regarding trade in services were identified.

The Agreement also provides predictability and security for investors through specific provisions on **investment** in Chapter 2 of Title IV. As in the case of cross-border services, the commitments made do not seek to introduce changes in the applied regulatory framework of the Parties.

In this context, investment trends before and after the application of the Agreement are not markedly different, and the share of bilateral investments in total FDI has not significantly changed. The sectoral composition of EU investment in the Andean partners has not changed either, with the possible exception of EU investment in Ecuador.

4.1.1.4. IMPLEMENTATION OF TRADE-RELATED PROVISIONS

The Agreement also addresses a number of other policy areas impacting on trade between the Parties, such as government procurement, intellectual property rights including geographical indications, competition, and e-commerce.

- **On government procurement, disagreements as to its scope and coverage resulted in limited participation of EU suppliers in the public procurement market of the partner countries.**
- **On geographical indications, there is a growing interest in the European methodology with increasing requests for protection of the Andean GIs on the EU market, corresponding to increased willingness to protect EU GIs on their market.**
- **On competition rules, they facilitate consultations and requests for information, and overall constitute a sound legal basis for cooperation and consultations between the European Commission and the Andean partner countries’ competition authorities.**
- **On e-commerce rules, they have played a limited role in implementation except in relation to digital movement certificates during the COVID-19 pandemic.**

The implementation of the Agreement’s **Government Procurement** Title has been one of the most difficult areas, with the most important and longstanding issue being disagreement between the EU and Colombia on the Agreement’s coverage of procurement entities. Due to Colombia’s restrictive interpretation of its commitments, EU companies have been denied national treatment in some tendering procedures, such as those for public utilities at sub-central level in the transport field and in the *Corporaciones autónomas regionales*. More needs to be done to increase transparency and facilitate EU access to government procurement markets in the partner countries. For example, EU stakeholders in Colombia consulted for the evaluation considered that the costs of participation, including costs arising from excessive information and documentation requirements, were high. Regarding transparency, only Ecuador currently provides easily accessible information about upcoming tenders covered by the Agreement[23], and the complexity of e-procurement systems in itself constitutes a barrier to accessing government procurement opportunities.

As a result of the remaining barriers and because of the complexities of procurement systems, participation of EU suppliers or service providers in the government procurement markets of the Andean partners – or vice versa – has remained limited throughout the Agreement period.

Title VII of the Agreement addresses **intellectual property rights (IPR)** in detail, both regarding substantive aspects of IP protection and enforcement by the Parties. Two elements in this area were found to be of particular importance for the evaluation. First, concerns were raised during the consultations about the potential negative impact that might result from extending the term covered by *patent protection* on the availability of affordable medicines in the Andean partner countries. Second, the provisions on *geographical indications (GIs)* are of particular importance for the EU. Other issues contained in the Agreement and discussed in the annual meetings of the Subcommittee on Intellectual Property (such as enhanced IP enforcement to fight counterfeiting and other IPR infringements) would contribute to an environment more conducive to trade and investment. Despite this, overall trade between the Parties does not appear to have been substantially affected.

Geographical indications: The number of GIs protected under the Agreement varies across the Parties. Of the 117 EU GIs listed in the Agreement, all are fully protected in Colombia, 106 in Peru (10 did not obtain protection for various reasons, such as claims that the specified product is generic, or conflict with existing trademarks), while in Ecuador all 117 EU GIs are now protected, while the last pending GI from the initial list has been protected as of May 2022. Conversely, the Andean partners sought protection of their GIs in the EU to a more limited but also varying extent. The originally negotiated agreement contained, in its Annex XIII, 1 GI from Colombia and 3 GIs from Peru. When Ecuador joined, 1 GI was protected under the protocol of accession. Subsequently, Colombia achieved protection of 9 additional GIs in 2019 and 2 more in February 2021, and 1 more in November 2022. Also in November 2022, Peru achieved protection of 6 additional GIs and Ecuador achieved protection of 3 additional GI. This means that a total of 13 GIs from Colombia, 9 GIs from Peru and 4 GIs from Ecuador are now protected in the EU. Three other GIs from Colombia and Ecuador are still in the process of being added to the protection. Stakeholders in the partner countries noted that the GI approval process in the EU was extremely slow – the approval of the Colombian GIs approved in 2019 took 6 years. It should be added that GI standards between EU and the three Andean Community countries vary considerably and requests for additional

[23] However, the size of Ecuador's government procurement market is limited, and has decreased over time due to the budgetary constraints which the government has been facing. As a result, it attracts limited interest by EU companies; this was confirmed in interviews held with representatives of EU business interests in Ecuador.

information were made by the EU on several occasions to clarify the nature of the GIs to be protected under the Agreement.

EU stakeholders stated that an explanation for the different approaches to embracing GIs across the partner countries stems from international competition between the GI approach (favoured by the EU) and the trademark approach (promoted by the USA). With both the EU and the USA being important partners for the three countries, it is not easy for them to decide which approach to favour. However, the stakeholders noted that Colombia and Peru have started to see the benefits of the EU GI approach, as also witnessed by the increasing requests for protection of their GIs in the EU, and thus have stepped up their efforts to protect EU GIs in turn.

In terms of enforcement, the Andean partner countries do not actively monitor *ex officio* the respect for protected GIs in the market, unlike the EU (such active monitoring is not an obligation specifically set out in the Agreement). The EU Delegations engage in some monitoring, and important GIs are also monitored by the rights holders.

The Agreement's provisions on **competition** cover the establishment of general principles, cooperation and transparency through exchange of information and consultations, and technical assistance. They also establish the obligation on the Parties to have competition laws and authorities in place and to apply competition laws in a transparent, timely and non-discriminatory manner, respecting the principle of due process and the rights of defence. Competition matters are excluded from the Agreement's dispute settlement provisions, and no subcommittee has been established to discuss competition matters; instead, notifications, cooperation and consultations take place directly between the Parties' competition authorities. Even before the start of application of the Agreement, all Parties already fulfilled the requirement of having competition authorities and competition laws that are in line with the implementation principles established in the Agreement.

Overall, the competition Title in the Agreement constitutes a sound legal basis for cooperation and consultations between the European Commission and the Andean partner countries' competition authorities. The Agreement provisions facilitate consultations and information exchange and have in at least some cases also been formally quoted when requesting information from or dialogue with another party's competition authority.

The Agreement also includes provisions on **e-commerce** in Chapter 6 of Title IV. However, that chapter has played a very limited role in implementation, except as regards the use of digital movement certificates during the COVID-19 pandemic.

Use of the dispute settlement mechanism[24]

The Agreement provides for separate dispute settlement mechanisms (DSMs), including that covering the TSD Title.

[24] See Chapter 10 of the main evaluation report.

No formal disputes under the **general DSM** have been initiated, as the main forums for discussion continue to be the Trade Committee and/or the respective subcommittees where some issues have been discussed over several years. This shows the preference of the Parties to keep discussions open despite sometimes limited progress, rather than to resolve the issues in a formal dispute settlement procedure. One consideration is that the issues addressed often refer to domestic policies which can best be solved through bilateral discussions.

According to the external consultant for the evaluation, the reluctance to initiate a formal dispute may also prolong discussions. Although the EU has occasionally indicated that a formal dispute might be initiated[25], this has not yet happened.

However, the Parties have resorted to the WTO DSM to resolve disputes concerning WTO rules that have an impact on bilateral trade. Thus, the EU initiated two WTO disputes against Colombia regarding Colombia's treatment of imported spirits (DS502) and its anti-dumping measures on frozen potatoes (DS591)[26]. Similarly, Colombia and Ecuador registered as third parties in WTO disputes initiated by other countries on certain difficult SPS and TBT issues (notably related to palm oil).

The **TSD DSM** has also not been formally triggered since the start of application of the Agreement. However, the Commission has engaged in a dialogue with Peru[27] and Ecuador[28] further to civil society complaints made in both those countries.

Some stakeholders from civil society called for the Commission to go beyond the letter of the Agreement and be more active in its engagement with partner countries, including a more active use of the existing dispute settlement mechanism.

[25] E.g. in the context of tax treatment of Pisco in Peru, at the 2016 meeting of the Sub-committee on Agriculture.

[26] The final and binding award of the Appeal Arbitrators, published on 21 December 2022, confirms that Colombia's anti-dumping investigation was flawed in several respects, including the calculation of the dumping margin and the injury analysis. This was the first WTO appeal dealt with under the 'Multi-party interim appeal arbitration arrangement', known as the 'MPIA'.

[27] Implementation of the TSD Title.

[28] Restrictions in the establishment and functioning of trade unions.

4.1.1.5. *IMPLEMENTATION OF THE TRADE AND SUSTAINABLE DEVELOPMENT TITLE*

The inclusion of commitments on TSD is a feature of the new generation of trade agreements signed by the EU, such as that with Peru, Colombia and Ecuador. They cover commitments to implement in practice both core labour standards (as contained in the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998)[29], and eight key Multilateral Environmental Standards and Agreements (MEAs). In addition, the Title also includes specific substantive provisions in relation to various thematic areas such as biodiversity; sustainable forest management; illegal fishing; climate change issues; and non-discrimination in working conditions, including those of legally employed migrant workers. In procedural terms, the Agreement establishes a regular dialogue with civil society as well as a dedicated dispute settlement mechanism. All Parties reported tangible progress in the implementation of the TSD provisions, including core labour standards. In particular, progress was notable in areas where assistance projects have been implemented or the EU was able to take own actions. The TSD Subcommittee has provided an effective platform for reviewing developments in their domestic environmental legislation (including on climate policy), for monitoring compliance with international obligations, for mutual exchanges of information on progress in the implementation of NDCs (in the context of the Paris Agreement), and for exchanging information on other key environmental issues.

All Parties have ratified the eight core labour conventions that are identified in the Agreement. In the TSD Subcommittee meetings, all Parties reported **progress in the implementation of core labour standards**[30], which also represents an important advance in the pursuit of related SDGs. Respect for and promotion of core labour standards has been a standing topic in the work of the TSD Sub-Committee, in particular as regards:

- **Child labour**: Parties have taken steps to reduce the incidence of child labour and thus to come closer to meeting the commitments of Article 269 of the TSD Title and SDG No 8.7 (i.e. 'Take immediate and effective measures to … secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.').

- **Forced labour**: Parties have also taken steps to combat forced labour and trafficking in human beings in order to meet the commitment of Article 269 of the TSD Title and SDG

[29] On 11 June 2022, the International Labour Conference amended this Declaration by adding to it a safe and healthy working environment as a fifth principle and right. The operational safety and health principle is included in the more recent trade agreements negotiated by the EU, not applied retroactively to the Agreement with Peru, Colombia and Ecuador.

[30] Other topics frequently discussed at TSD meetings included informal economy, tripartite dialogue and legislative reforms.

No 8.7 ('Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking.').

- Parties have systematically exchanged information on progress as regards **freedom of association**, building on the observations put forward by the ILO and OECD regarding, among others, the high level of impunity for perpetrators of violence against union leaders, the continuing practice of negotiating collective pacts with non-unionised workers, full alignment of legislation with ILO Convention on Freedom of Association and Protection of the Right to Organize or the lack of progress in respecting the right to strike.

  - **Labour inspection capacity**: Parties have systematically discussed ways to strengthen labour inspection. The Trade4DecentWork project, financed by the EU and with the participation of the ILO, has aimed to strengthen labour inspection capacity, especially in rural areas, where it is so necessary.

  - With regard to **non-discrimination at work**, the Parties have reported on the steps taken to improve the situation of women and disabled persons on the labour market.

  - The TSD Subcommittee provides a platform to discuss and review the development of domestic environmental and climate legislation and the fulfilment of the commitments made in the Agreement by the Parties, monitoring compliance with international obligations.
  - **Climate**: Parties have systematically exchanged information on the progress of their respective climate strategies and the implementation of nationally determined contributions (NDCs).

  - **Environment**: Parties have exchanged information on domestic and international developments on green transition, biodiversity, deforestation and the circular economy in the light of the implementation of international commitments.

Similarly, the dialogue with civil society provided for by Article 282 of the Agreement represents a suitable platform for civil society and stakeholders to monitor the implementation of the trade and sustainable development provisions and enable stakeholders to voice their concerns.

4.1.1.6. Implementation of technical assistance and strengthening of trade capacities

Technical and financial support has been provided at varying degrees in relation to different areas covered by the Agreement. For example, the EU has provided technical assistance to improve the (export) competitiveness of MSMEs in the Andean partner countries and to encourage bilateral trade. Also, some trade adjustment support – e.g. for the dairy sector in Colombia – has been provided, as well as assistance in relation to labour issues (e.g. elimination of child labour and strengthening labour inspection) and uptake of corporate social responsibility (CSR) practices. A significant amount of technical assistance has also been provided to the Andean partner countries in relation to SPS issues, as well as (on a more limited scale – generally limited to participation in trainings and seminars), IPR, competition and other matters. Some other areas have received less attention to date, such as government procurement.

Stakeholders noted that market access commitments, collaboration and technical assistance especially in the more technical areas – such as SPS, TBT, IPR, government procurement – are complementary and are all crucial elements for the success of the Agreement.

4.1.2. *Impact of the Agreement*

Going beyond the effectiveness of the Agreement in terms of achieving operational objectives, evaluation question 1B ‘What has been the impact of the Agreement?’ addresses the wider impact of the Agreement across the four main impact dimensions: economic, social, environmental, and human rights situation.

The following sections summarise the main evaluation findings for each of these impact dimensions and also present the findings regarding external factors which have influenced the effectiveness and impact of the Agreement (EQ 2), as well as unintended effects of the Agreement (EQ 3).

4.1.2.1. Economic impact

According to the CGE simulations, the Agreement has contributed to increases in overall trade for all Parties. These changes in trade flows caused by the Agreement have also led to changes in other economic areas.

The reduction in barriers to trade between the Parties caused by the Agreement is equivalent to a reduction in market distortions and therefore allows for resources to be allocated more efficiently. As a result, the economic effect of the Agreement on *global* **gross domestic product (GDP)** is positive, being estimated at USD 728 million (comparing world GDP in 2020 with the Agreement with world GDP in 2020 without the Agreement).

All four Parties to the Agreement have benefited from an increase in their GDP. In absolute terms, in 2020, *EU* GDP (measured at initial market prices) is estimated to be higher by USD 1.3 billion than it would have been without the Agreement. Gains for *Colombia* and *Peru* are estimated at USD 42 million and USD 49 million respectively, while *Ecuador*’s gains are estimated at USD 128 million.

The Agreement’s impact on **sectoral production/output** is as follows:

- In the *EU*, most manufacturing sectors benefit from the Agreement – output increases by up to USD 1.2 billion in the vehicles sector (driven by stronger exports to the partners and overall), although in relative terms the increases are modest, not exceeding 0.1% compared to the absence of the Agreement. In contrast, two sectors are estimated to register sizable declines in output: vegetables and fruit (USD –279 million), and other food products (USD –422 million); again, in percentage terms these declines are limited (–0.22% in the case of fruit and vegetables, and -0.06% for other food products). The impact on other good sectors is modest. Most services sectors are calculated to register marginal gains resulting from higher domestic demand in response to the small increase in GDP.

The EU's tariff concessions for *banana* imports from the Andean partner countries led to an increase in bilateral trade in bananas in 2019/2020 (compared to the situation that would have prevailed without the concessions) ranging from a 9% export increase for bananas from Peru to almost 16% for Colombia. Banana production in the three countries also increased as a result of the Agreement, by 1.7% in Ecuador, 3.9% in Colombia, and 4.5% in Peru, leading to an increase in welfare in those countries. On the other hand, EU banana producers were impacted negatively, with an output decrease of between 0.5% and 0.8%.

- In *Colombia*, the pattern across sectors is more mixed. Some sectors in which exports have increased as a result of the Agreement have also seen total imports increase, so that the net effect on outputs depends on the balance. Thus, output of basic pharmaceuticals, machinery and equipment, metal products, and miscellaneous manufactures sectors are estimated to decrease despite increases in total exports, because total imports have increased by a larger amount. For other sectors, the net effect on output is positive, because the export increase overcompensates the import increase, or because imports decline. This is the case most strongly for chemicals (+USD 136 million or 0.9%), other food products (+USD 48 million or 0.4%) and fruit and vegetables (USD +46 million or 0.9%). Most services sectors are estimated to benefit as a result of the overall positive economic impact of the Agreement.

- In *Peru*, output increases resulting from the Agreement are relatively widely dispersed across sectors. The leading beneficiaries in terms of total export increases, i.e. other food products and chemical products, are also the two sectors seeing the largest positive output change: USD +226 million or 1.9% for other food products, and USD +558 million or 1.6% for chemical products. Fruit and vegetables, and vegetable oils and fats also register output increases of around 1% as a result of the Agreement. At the other end of the spectrum, miscellaneous metals (USD -147 million or -0.7%) and basic pharmaceuticals (USD -16 million or -0.9%) are the sectors with the largest estimated contractions. Other manufacturing sectors are also estimated to contract somewhat, at between 0.2% and 0.4% due to the Agreement, mostly as a result of increasing total imports which are not mirrored by corresponding export increases.

- For *Ecuador*, the positive impacts of the Agreement are most concentrated on a limited number of sectors, whereas a higher number of sectors experiences modest contractions in output. Among the beneficiaries, the most important ones are other food products (USD +179 million or 4.1%), construction services (USD +113 million/0.7%) and fruit and vegetables (USD +27 million/0.8%). Conversely, the sector registering the largest decline in output is motor vehicles (USD -40 million or -4.2%). Other sectors estimated to register output declines of 1% to 2% include various manufacturing and some agricultural sectors; the declines are primarily explained by import increases which outweigh export increases.

Based on the analysis undertaken, the Agreement appears to have encouraged **MSMEs** to engage in bilateral trade between the Parties. This primarily seems to be a consequence of the tariff preferences in combination with the efficient operation of customs. Stakeholders, both from the public and from the private sectors, considered that the impact of the Agreement on MSMEs has been positive, as it had created many opportunities for expanded sales either as direct exporters or as suppliers to exporters. At the same time, they were of the view that the positive potential of the Agreement for MSMEs could be improved by providing assistance to businesses, including in such matters as compliance with SPS requirements.

4.1.2.2. SOCIAL IMPACT

The Agreement's social impact is assessed across a number of areas and indicators, comprising employment, consumer welfare and poverty effects; impact on the informal economy, on women, on labour standards and working conditions; and the effect on CSR/responsible business conduct (RBC).

Overall, the estimated effects of the Agreement on **employment** across sectors follow the pattern of trade impacts and are most positive in the Andean countries in the fruits, vegetables and nuts sector, and in fisheries, notably in Ecuador. In industry, sectors such as food products, chemical products or textiles (the latter in Colombia and Peru) are also estimated to be beneficiaries of the Agreement. On the other hand, in sectors such as motor vehicles, machinery, and equipment, there has been a decline in employment in the Andean countries, with the effects being most pronounced in Ecuador. Some stakeholders acknowledge that imports of machinery from the EU have contributed to the increased competitiveness of certain sectors (such as food products) in the Andean countries and support the exports of these sectors as well. In the EU, employment effects are very limited in relative terms for most sectors.

The Agreement is likely to have contributed to an increase in overall **welfare** and to **poverty reduction**, although it is complicated to draw conclusions based on available data. While the overall effects are likely to be limited, it is thanks to the Agreement and increased exports to the EU that jobs have been created in the Andean countries, mainly in agriculture; that is to say, in rural areas which had poverty levels much higher than in urban areas and where the labour participation rate was lower than in urban areas (e.g. in Colombia). These additional jobs and income opportunities may have benefited people who previously had been inactive or had insufficient income, thus contributing to poverty reduction. However, some stakeholders drew attention to groups (such as small agricultural producers on family farms or small producers in the dairy sector) that may not have benefited from the Agreement to the same extent as larger enterprises, and/or who may have been negatively affected by increased import competition. Moreover, low job quality – including low wage levels in agriculture and among sub-contracted workers in palm oil or mining sectors – reduces the positive welfare effects resulting from increased trade.

The effects of the Agreement for **consumers** are found to be rather positive, with an overall increase in availability, accessibility and diversity of goods and services thanks to the reduction of tariffs and non-tariff barriers.

Findings from the analysis suggest that sectors that contribute most to exports from Colombia and Peru to the EU are those that already had lower levels of **informality** prior to the Agreement's application, and which have managed to lower the levels of informality further in the period analysed. According to the literature and data, these sectors have a more diversified economy, are more competitive, are better connected to the world and are more exposed to international trade than the rest of the country. In addition, the analysis of the types of jobs created since the start of application of the Agreement in selected exporting sectors in Colombia and Peru (agriculture, agro-industry and mining in Peru, and banana, the palm oil sector and mining in Colombia) suggests that the Agreement may have contributed to the creation or maintenance of formal jobs in these sectors – although their quality may require improvement. This is especially the case in mining and the palm oil sector in Colombia and Peru, as well as in agriculture in Peru more broadly, where it is only recently that legislative changes have brought about improvements to the rights of workers covered by the special regime. In Ecuador, the relation between the Agreement and informality is indeterminate and there is no clear pattern between the export impact of the Agreement and informality levels.

The impact of the Agreement on **women** as workers, entrepreneurs and traders – and hence its contribution to the attainment of SDG 5 (gender equality) – has been evaluated primarily on the basis of the differential effects of the economic impacts of the Agreement. On this basis, estimates from the economic modelling suggest that for the 70%-75% of women in Colombia and Peru and a large proportion of women in Ecuador employed in services sectors, the effects of the Agreement will be very limited. Some positive impacts for jobs in wholesale and retail trade have benefited women, while less positive effects (e.g. in the hospitality sector) are likely to have been cushioned by the overall growth of the sector over time (at least until the Covid-19 pandemic). Impacts for female workers in agriculture and manufacturing are likely to be mixed and varying across sub-sectors, with the overall effects for women being smaller than for men. The shares of women in sectors benefiting from exports to the EU vary from 7% (banana sector) to 64% (flower sector) in Colombia and are more equal in some sectors in Peru (e.g. 52% in blueberries and 61.5% in the textile and garment sector) and Ecuador (51% in the flower sector). Jobs created or preserved thanks to the Agreement, notably in rural areas, are likely to have contributed (even if in a limited way) to gender equality in cases where they opened income-generation opportunities for women. However, as many of these jobs are in low-skilled and low-pay categories, they have not changed the overall disadvantaged position of women in the labour market. Recent legislation adopted in the Andean countries aims at preventing discrimination on gender grounds at the workplace[31].

[31] In Ecuador, Decreto No 34/2000 'Ley de Igualdad de Oportunidades para la Mujer' aiming to eliminate any type of discrimination against women. Several laws are in force in Colombia on gender equality, Peru approved its national gender equality policy in 2019; it included an assessment of the gender pay gap and, in item 4.3, measures for 'strengthening the formal labour market inclusion of women'. There is also a law in Peru prohibiting wage discrimination on gender grounds, which came into force on 28 December 2017 (Ley No 30709).

Findings related to female entrepreneurship are similar. The Andean countries and the EU have taken measures to support female entrepreneurs and traders that have contributed to economic and social development, poverty reduction and women's economic empowerment. Women-led businesses are often small and operate in sectors with low profitability (e.g. some services sectors) or where high entry barriers or regulatory barriers in international trade increase the costs of presence in the market or impede international activity (e.g. food products, textiles, and garments). However, the situation has been improving thanks in part to contributions received from the EU to support both legislative initiatives (such as the Colombian Law on Entrepreneurship adopted in 2020) and programmes for women entrepreneurs – such as the Peruvian programmes 'Mujer Produce' (woman produces) and 'Ella exporta' ('She exports').

To determine to what extent the Agreement may have contributed to attaining SDG 8 (sustainable development and full and productive employment and decent work for all, including respect for ILO core labour standards), the external study examined its influence on the observing of **labour standards and working conditions** in the Andean partner countries.

The study found that the Agreement has contributed by providing a forum for discussion about working conditions and a framework for assistance projects, including on labour inspections in rural areas. The strengthening of labour inspections and improvement of working conditions in sectors exporting to the EU, including health and safety at work, minimum wages, working times and social security coverage have systematically been reviewed and included as points for discussion in the meetings of the TSD Subcommittee[32].

- In *Colombia*, the government has taken action to address some challenges related to working conditions. These include strengthening the capacity of labour inspection services and increasing the [legal] minimum wage. The implementation of projects jointly with the ILO with funding provided by the EU has contributed to increasing the capacity to address health and safety at work in certain sectors (e.g. in the coffee supply chain). In this area, the European Commission is also contributing to the Vision Zero Fund by providing EUR 1.8 million from the EU programme for employment and social innovation (EaSI). The funds, destined for a project for improving occupational safety and health (OSH) in the global coffee supply chain, have been used to finance actions in Colombia (one of the world's leading producers) aimed at addressing health and safety at work, including the development of guidelines and training courses in response to the COVID-19 crisis. The EU also provides assistance for sustainability and decent work in the coffee supply chain focusing on ensuring fair working conditions, elimination of child labour, addressing informality, and respect for human rights. In this regard, the European Union's programme for employment and social innovation (EaSI) in association with the International Labour Organisation (ILO) is developing a project called 'Sustainable

[32] Agreed minutes of the meetings are available at: https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/13387f3e-ebf0-4750-9781-6d7dbaf54d67?p=1&n=10&sort=modified_DESC.

supply chains to build forward better'. This project aims to promote decent work in global supply chains and to address decent work challenges and opportunities in five selected supply chains and countries, including the coffee supply chain in Colombia.

- In *Peru*, the government has also taken steps to improve job quality, e.g. through changes in the special regime in agriculture, strengthening capacity and extending the network of labour inspection, and extension of health care insurance and social security coverage to a larger share of workers. Moreover, projects with the ILO have been implemented focusing on improved respect for health and safety at work in some sectors, such as construction and the agro-exporting industry. However, job quality (including in sectors exporting to the EU) remains a challenge that should be addressed through effective implementation and enforcement of the existing legislation and, in sectors covered by special regimes, putting workers' rights on a similar footing to the rights of workers under the general labour regime. Moreover, technical assistance projects with the EU, the ILO and Latin American countries should continue, with the aim of strengthening labour inspection capacity, labour formalisation and respect for labour standards and health and safety at work. In this regard, the EU is planning to support an ILO project that aims to find innovative solutions for formalisation in Latin America and the Caribbean, because the very high number of workers and firms in the informal economy is one of the most characteristic features of the labour markets in the region. This is a structural and persistent problem that in recent years has affected around 50% of workers in the region, even during the growth decade. In 2019, before the COVID-19 pandemic, there were around 140 million informal workers in LAC. In addition, in May 2022 the EU organised a TAIEX workshop with the three Andean countries to exchange best practices and policy developments on tackling informality in the labour market.

- In *Ecuador*, job quality has been closely related to the macroeconomic situation there and changes in its trade environment. Thus, the fall of global oil prices followed by the economic slowdown in Ecuador had an impact on employment, wage levels and public revenues, including the ability to hire labour inspectors. The Agreement seems to have played a role in improving labour rights and working conditions in Ecuador through the creation of additional export opportunities.

Finally, in Article 271 of the Agreement, the Parties agree to promote best business practices related to corporate social responsibility **(CSR)** and to encourage the development and use of flexible, voluntary and incentive-based mechanisms that can contribute to coherence between trade practices and objectives of sustainable development.

The evaluation report confirms that the Andean partner countries have pursued domestic policies encouraging the application of CSR practices, and these efforts have been supported by the EU through assistance projects and dialogue under the TSD Title. The evaluation report also finds that civil society from both the EU and the Andean countries also contributed to the CSR process, in particular with the joint submission to the TSD Committee held in

Lima in 2017 which emphasised the role that the National Action Plan on Business and Human Rights adopted in Colombia could play in encouraging respect for human rights by enterprises.

The report considers it probable that trade with the EU, notably exports in the flower sector, vegetables, fruits and nuts, and textiles have contributed to a broader trend of promoting CSR practices, respect for human rights and labour and environmental standards through customers' expectations. This is corroborated by the findings of the business survey conducted for the evaluation, in which around one third of enterprises said they had strengthened their CSR practices as a result of the operation of the Agreement. Equally, around one third stated that they had strengthened their corporate policies for human rights, labour or environmental standards.

4.1.2.3. ENVIRONMENTAL IMPACT

The impact of the Agreement on **climate change** in 2020 has been assessed by combining the following effects: changes in gross global greenhouse gas (GHG) emissions caused by changes in output due to tariff liberalisation under the Agreement; changes in GHG emissions arising from land use, land-use changes and forestry (LULUCF) in the Andean partner countries; and the potential impact of the Agreement on governance and standards relevant for climate change. Based on these analyses, the net quantified impact of the Agreement is a small decrease in global GHG emissions, as shown in Annex IX.

The impact of the Agreement on **biodiversity and natural resources** is based on an analysis prepared by the consultant team for the purposes of the ex-evaluation report. This analysis focused on the potential effects of tariff cuts on land-use change and permanent deforestation in the Andean countries, the Agreement's effects on sustainability of governance related to natural resources, and two case studies on shrimp production in Ecuador and avocado production in Peru. Given the scarcity and limited availability of information, the biodiversity impact analysis does not provide findings on the environmental impact of other (mono)crops traded between the EU and the Andean countries.

Based on this assessment it can be concluded that the negative impact of the Agreement on biodiversity and natural resources was very small. This overall finding is derived from the following component analyses:

As regards ***deforestation***, the analysis has highlighted the variety of circumstances in the partner countries. In Colombia, the expansion of commercial agriculture has been correlated with *deforestation*, but the analysis has found that such changes are only marginally attributed to the impact of the Agreement, accounting for roughly 0.5% of the total deforestation driven by commercial agriculture observed over the period of the Agreement. It is unlikely that this deforestation occurred in the most (biodiverse) intact areas in Colombia.

For Ecuador and Peru, conversely, there is no evidence of deforestation driven by agriculture.

The TSD Title has had a marginally positive impact on the biodiversity and natural resources of the partner countries. The meetings of the TSD Sub-Committee proved to be a relevant platform to flag and discuss environmental issues related to biodiversity and natural resources. With the adoption of EU legislation such as on deforestation[33], this forum may also serve to inform on the scope and details of such policy measures and to discuss with all Parties matters of compliance.

With respect to other environmental impact areas, it is estimated that the Agreement had a small negative impact on **water availability and quality** in Colombia, mostly caused by increased agricultural production, although increased demand for sustainable products may have compensated for a proportion of the negative effects. In Ecuador and Peru, the impact of the Agreement on water is estimated to be marginally positive, as tariff reductions seem to have benefited agricultural sectors with lower water footprints.

For **waste management**, the main effects of the Agreement are likely to be related to the improvement of the environmental framework in Colombia (e.g. the ban on single-use plastics), Ecuador and Peru. In all three Andean countries, the promotion of circular economy practices in key sectors, including agriculture, have led to certain improvements with regard to waste management.

Pilot activities such as the one carried out by the United National Industrial Development Office in Colombia, promoting an integrated approach to sustainable artisanal gold mining, are valuable contributions to tackling the issue of water quality and waste management due to river-based mining activities.

4.1.2.4. HUMAN RIGHTS IMPACT

Three trade-related human rights covered by the Agreement were selected for an in-depth evaluation: freedom of assembly and association, the right to join and form trade unions, and child labour. The evaluation also covered in detail other non-trade-related human rights, notably the right to water.

For other human rights, the initial screening and scoping analysis showed that the Agreement could have had only very minor effects, and these were not analysed further. Similarly, no effects on the human rights situation in the EU were determined, and the detailed analysis therefore focused solely on the three Andean partner countries.

The TSD chapter covers trade-related human rights. For example, it reaffirms the obligations of the Parties regarding **freedom of association**[34] as laid down in ILO Fundamental Conventions No 87 and No 98, which cover freedom of association, the right to organise and collective bargaining, as well as respect for core labour standards so as to promote decent terms and conditions of work and a balance between workers and employers in the workplace. In addition, Article 277 includes undertakings by the Parties not to lower existing levels of

[33] Proposal for a Regulation of the European Parliament and of the Council on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010.

[34] Article 269(3)(a).

protection with respect to labour rights, referring to both the legal framework and implementation of the existing laws, in a manner affecting trade or investment between the Parties. According to the analysis carried out by the consultant, the Agreement has had mixed but overall small effects on the right to freedom of assembly and association, including the right to join and form trade unions in the Andean partner countries.

- The situation of trade unions in *Colombia* over the last decade was mainly shaped by the security situation in Colombia, the Labour Action Plan adopted with the US, political dialogue with the EU, and macroeconomic developments which influenced the creation of formal jobs in some sectors while preserving structures with sub-contracted workers in other sectors (e.g. in mining). There were multiple violations of the right to freedom of association, as recorded by the ILO as well as the EU, in particular with respect to collective agreements with non-unionised workers. The Commission is closely following a case related to a complaint brought by one organisation active in the mining sector on sub-contracting. The Agreement is likely to have had some impact on these developments. Overall, in all sectors of the economy the number of collective agreements has increased. Technical assistance projects and capacity building together with dialogue under the TSD Title between the European Commission and partner country governments along with civil society engagement have had positive, although limited, effects. Bilateral discussions with Colombia in areas of common interest (*mesas sectoriales*), for example on social and labour issues, were launched in 2022[35]. The first discussion, held in July 2022, dealt with the eradication of child labour and labour inspections.

- In *Peru*, multiple violations have been recorded by the ILO and the EU with respect to freedom of association[36]. Some stakeholders report that increased competition linked to the Agreement has led to a number of violations, in particular the practice of temporary contracts or sub-contracted workers (e.g. in mining) which makes it more difficult for workers to organise. The Commission is following closely a case related to a complaint brought by one organisation active in the mining sector on sub-contracting. The economic analysis shows that agricultural sectors in Peru have grown as a result of the Agreement. That means that more employment and economic opportunities have been created. However, the overall number of people working under temporary contracts in the agricultural sector has increased, which implies that job creation has mainly occurred in short-term and not long-term contracts. In fact, by creating favourable conditions for trade and encouraging economic activity in these sectors, the Agreement may have contributed indirectly to preserving the special regimes. In any case, discussions under the TSD Title about the effective implementation of the ILO fundamental conventions (including on freedom of association and collective bargaining) kept the attention of the Parties focused on the

[35] https://www.eeas.europa.eu/eeas/memorandum-understanding-eu-colombia_en.

[36] ILO recorded multiple complaint procedures on freedom of association cases; 13 of them are active – see https://www.ilo.org/dyn/normlex/en/f?p=1000:20060:0::FIND:NO:
20060:P20060_COUNTRY_ID,P20060_COMPLAINT_STATU_ID:102805 1495810

need to seek improvements, notably in response to civil society complaints. A TAIEX workshop on 'Labour conflict management: restorative practices' was held on 8–9 June 2017 in Peru. The aim was to collaborate with the Peruvian government in the establishment of an effective system of out-of-court settlement of conflicts and to help solve labour law disputes amicably. A road map to this effect was adopted as a result of the workshop. Another TAIEX workshop on labour conflict management was held on 6-7 October 2020 between the EU and Peru. Experts from the European Commission and Member States and participants from public authorities and social partners from Peru attended the event. The aim of the workshop was to contribute to the strengthening of social dialogue and follow up on efforts made to establish an effective dispute resolution system in the context of labour rights in Peru.

- In *Ecuador,* in the period 2012 to 2019, six complaints were submitted to the ILO on freedom of association. Trade union activity in Ecuador is low due to national regulations on the formation of trade unions (minimum 30 workers per enterprise) and the high level of informality. The Commission is following closely the case related to the complaint brought by an organisation active in the banana sector and has reiterated its support for ILO work on the enforcement of labour standards, in particular with regard to the requirements for training and registration of trade union organisations in Ecuador. With respect to **child labour**[37], the Agreement includes commitments of the Parties regarding practical implementation of the already ratified ILO Fundamental Conventions No 138 (on minimum age) and 182 (on worst forms of child labour), which includes the abolition of child labour. The child labour incidence in all three Andean countries is often related to rural areas, poverty and informal economic activities. However, the governments have taken many initiatives, including in cooperation with the private sector, international organisations, the EU, NGOs, and other countries from Latin America to prevent and eliminate child labour through awareness-raising campaigns, providing jobs for adult household members, improving labour inspection capacity, encouraging better school attendance, and promoting certification schemes. In this context, the Agreement may have contributed to reduced child labour incidence through creating job opportunities for adults, mainly in agriculture but also in the textile, garment, and mining sectors.

In relation to the **overall human rights situation** (i.e. going beyond trade), the evaluation focused on violence against human rights defenders and trade union activists, where Colombia has traditionally witnessed very high levels, even though there has been a decrease in murder and attack rates against trade unionists in the years of implementation of the Agreement.

The evaluation report considers that the Agreement served as a lever to support political dialogue between the EU and Colombia. The Commission and the EEAS regularly monitor

[37] Article 269(3)(c)

the situation in Colombia and hold high-level meetings on human rights with Colombia, in addition to the cooperation provided to international partners including the UN Verification Mission and the Human Rights Office.

As for Ecuador, over the past decade it has made progress with respect to the protection of the right to peaceful assembly.

Based on the consultant's assessment of the results of the economic analysis, literature review and stakeholder consultations, no significant impact of the Agreement on the **right to water** was detected. The baseline analysis indicates that all Andean countries had faced water pressure issues prior to the application of the Agreement, attributable to various factors including the climate characteristics of certain areas and regions, a fairly low percentage of the rural population with access to safe drinking water facilities (especially in Peru), and water pollution/pressure caused by business activities.

4.1.2.5. Influencing factors for achievement of the Agreement's objectives

Evaluation question 2 analysed 'What are the factors influencing (either positively or negatively) the achievement of the Agreement's objectives?'

Factors influencing the achievement of operational objectives: the expansion of trade in goods between the Parties has been facilitated by the fact that the work of implementing authorities and agencies is relatively advanced. As a result, the implementation of tariff changes, RoO and paperwork related to SPS and TBT has not faced any major impediments. There are still discussions about the administration of TRQs in Ecuador and about government procurement at sub-central level in Colombia.

Factors influencing the achievement of impact (i.e. the Agreement's contribution to sustainable economic growth through the increase in trade between and of the Parties): the implementation of the Agreement has taken place mostly in an adverse global trade environment. The slowdown of globalisation, increasingly protectionist tendencies from an increasing number of countries and the retreat of GVCs all had a dampening effect on trade at a global level that also affected trading activities by the Parties even before COVID-19 became a global pandemic in early 2020. Another factor limiting the positive economic impact of the Agreement has been productive capacity constraints, in particular by MSMEs in the Andean partner countries and especially when compared to the high standards and consumer expectations in the EU.

In terms of social impacts, one factor influencing developments in the Andean countries has been the arrival of a high number of migrant workers from Venezuela in the last few years, putting pressure on receiving communities and public services, and influencing the situation in local labour markets.

4.1.2.6. *UNINTENDED EFFECTS OF THE AGREEMENT*

Evaluation question 3 asks whether ‘the Agreement [has] had unintended (positive or negative) consequences, and if so, which ones?’

A broad range of such unintended effects was identified at the negotiation stage, in particularly in the 2009 EU-Andean Trade Sustainability Impact Assessment (SIA) (Development Solutions, CEPR, and University of Manchester 2009), mostly relating to undesirable social and environmental impacts associated with increased output and sectoral production shifts.

However, the effects anticipated in the SIA have been only partially confirmed in the evaluation. In particular, because the Agreement’s economic impact has been more limited than originally expected, the ‘significant environmental and social challenges’ (p. 124) identified in the SIA tended to be rather small (and mixed), as indicated in Annex VI. Trade in Goods.

4.1.3. *EFFICIENCY OF THE AGREEMENT*

4.1.3.1. *EFFICIENCY OF THE AGREEMENT REGARDING ACHIEVEMENT OF OBJECTIVES*

Evaluation questions EQ 4, 5 and 6[38] seek to determine the extent to which the Agreement has been used by traders and whether there could have been other, less costly mechanisms or instruments to achieve the same results. Indicators used to evaluate the responses to these questions are the level of utilisation of the preferences provided by the Agreement (including of TRQs) and the extent of trade diversion caused by it.

The potential benefits of a trade agreement in liberalising trade between the parties and in reducing or eliminating trade barriers can be compromised if the procedures required in order to secure those benefits are excessively burdensome or bureaucratic. In other words, traders may forgo the benefits and prefer to pay duties rather than subject themselves to an onerous, bureaucratic procedure for requesting certificates, rules of origin confirmations, etc.

For this reason, the preference utilisation rate is taken as a ***proxy*** measure of efficiency. It focuses on the extent to which the Agreement has actually contributed to smoother import and export processes, with minimal/tolerable levels of administrative burden from the point of view of the economic operators involved.

Preference utilisation[39] in the EU on Andean exports has been high for all partner countries. On average over the period since the start of application of the Agreement, utilisation rates

[38] 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)?

[39] 2021 Implementation and Enforcement of EU Trade Agreements - Preferential utilisation on EU imports (europa.eu)

were about 97% for Colombia, 98% for Peru, and 99% for Ecuador. Preference utilisation on EU exports to the Andean countries was lower, ranging (in 2020, the last year for which data are available) from 66% in Peru to 72% in Ecuador and 78% in Colombia.

Overall, therefore, the use of preferences has been rather satisfactory over the period of implementation of the Agreement. It should also be noted that the use of preferences on EU exports to the Andean partner countries has improved over time (in 2014 it was 42% in Peru and 56% in Colombia). The use of preferences on Andean partner country exports to the EU is slightly higher than the use of preferences under GSP prior to the start of the Agreement. For TRQs[40], the finding is similar to that just described for tariff preference utilisation. There was a high take-up of TRQs on Andean partner country exports for those products where they are competitive, and a lower but increasing take-up of TRQs on EU exports to the Andean partners (see: Annex VIII. Utilisation TRQ s).

At an aggregated level, the Agreement mostly shows a common pattern: for the three Andean partners together, exports to the EU in 2020 are higher by USD 1.5 billion than they would have been without the Agreement. For the same period, the net export creation effect for the EU was USD 2.7 billion.

Ultimately, the Agreement's efficiency in achieving its objectives must be assessed against alternative trade policy instruments such as unilateral preferences or liberalisation, development cooperation, or subsidy schemes. These options were either: not available for the EU (unilateral preferences and development cooperation had previously been granted to the partner countries but had to be ended as a result of their reaching higher middle-income status); would arguably have caused larger distortions (such as subsidy schemes); or would have been less targeted (unilateral liberalisation). As such, the Agreement's efficiency in relation to the objectives has been high.

4.1.3.2. INSTITUTIONAL EFFICIENCY, COSTS AND BENEFITS OF THE AGREEMENT

In terms of **institutional efficiency**, the *Trade Committee* and the eight subcommittees have played a useful role in providing a forum for an overview of trade relations between the Parties, and the Trade Committee exercised its formal decision-making power to ensure operation of the Agreement and its institutional structures. However, for the most contentious issues, Parties have tended to reiterate the positions expressed previously in the subcommittee meetings, while the Trade Committee has struggled to perform as a superior body in resolving issues that could not be addressed by the subcommittees. To get around this issue in future, greater reliance could be placed on Article 12 of the Trade Committee's mandate (which allows for high level political involvement – of trade ministers and the Trade Commissioner – to resolve issues where the technical committees have been unable to agree)[41].

[40] Annex VIII on utilisation of TRQs.

[41] This approach was already taken in 2022, in the IX Trade Committee meeting held in Ecuador.

The evidence gathered in the external study showed that all Parties agree that the *Contact Points* (established under the TSD Title) have performed their role well and that they represent an effective element of the institutional structure in preparation for joint meetings and their follow-up, for planning cooperation activities and for addressing concerns. The Parties also agree that TSD Sub-Committee meetings have provided a valuable forum for exchanging information about the Agreement's implementation, notably for implementation priorities, for discussing needs for technical assistance or for expressing interest in cooperation activities, for acknowledging efforts made by the Parties (e.g. to reduce child labour) and for encouraging new actions. However, there are areas for further improvement. Representatives from the *domestic mechanisms* established by the Agreement, also known as domestic advisory groups (DAGs), take the view that communication and inclusiveness within the dialogue with civil society could be improved. In line with Article 281, these domestic mechanisms do not participate in the discussions between the Parties. Their advisory role is therefore focused on submitting proposals (e.g. for cooperation activities) and raising concerns based on the results of the monitoring activities carried out by the Parties.

The domestic mechanisms of each Party are expected to hold their meetings (1-4 a year) to discuss implementation and prepare for the annual meeting[42]. In practice, their workings vary significantly between the Parties:

- The EU DAG holds regular meetings; the European Commission takes part in these meetings to exchange information and discuss proposals. The Commission considers these exchanges highly valuable and has used the meetings to reflect on ways to support the domestic mechanisms in the Andean partner countries and to boost dialogue among the Parties for better monitoring of the Agreement.

- In *Colombia*, progress has been made over time in the establishment and operation of an independent domestic mechanism. A process of dialogue between representatives from civil society and the Colombian government has started, as well as with the EU as part of the Article 282 dialogue with civil society. The submission setting out the views of the employers' and the workers' representatives as contributions to the 2022 meeting could be used to gauge the vitality and independence of the domestic mechanism.

- In *Ecuador*, the domestic mechanism was renewed in 2021, through a broad consultative process involving departmental as well as national level. Over time, the domestic mechanism has increasingly worked in close coordination, while transparency in the composition has facilitated the establishment of contacts with the EU Delegation and the EU DAG, and the sharing of best practices. Ecuador has also created a digital repository to allow stakeholders to access the documents necessary for the functioning of the domestic mechanism.

[42] Article 281 of the Agreement leaves the choice of the format of the domestic consultative groups to the discretion of the parties and sets out few requirements for them. The overarching requirement should be that these mechanisms are effective in exercising their role in monitoring implementation of the TSD Title and providing advice to the Parties.

- In *Peru*, the government's choice has been to consult – in line with the provisions of the Agreement – existing domestic labour and environment committees. On labour, the consultative committee is the National Labour and Employment Promotion Council, the main tripartite forum for the discussion of labour and social protection policies. On environment, Peru can rely on a variety of consultative structures – either technical groups or national commissions – which all include government representatives, private sector and civil society. In particular, the National Commission on Climate Change has been identified as the main forum for discussing the implementation of the Agreement. The Commission remains very willing to work with Peru and is committed to accompanying efforts to improve the operation of the designated consultative mechanism and of social dialogue in Peru.

In line with Article 282 of the Agreement, every year the Parties hold a dialogue with civil society where implementation of the TSD Title is discussed publicly. This dialogue between governments and civil society at large constitutes one of the key elements of implementation of the TSD Title. EU funding has improved the prospects for direct participation as well as the possibility of attending remotely.

In addition to the provisions of the Agreement, "*DAG-to-DAG" meetings* have been held annually. These meetings have provided an opportunity for members of the DAGs to discuss the implementation of the TSD Title in a more restricted forum, and to work on joint positions to be shared with the Parties, typically during the dialogue with civil society meetings. Such documents contain recommendations to the Parties on issues of concern related to the implementation of the sustainability provisions of the Agreement; they are intended to be a way of holding the Parties to account.

The Commission supports timely and fact-based pertinent submissions as useful tools to help monitor the implementation of the Agreement. To this end, the Directorate-General for Trade has funded a comprehensive project supporting civil society organisations (CSOs) and is preparing to launch a follow-up phase.

Regarding the **proportionality and distribution of costs and benefits**, the economic analysis shows that all Parties to the Agreement register a net benefit in terms of higher GDP[43]. The main direct beneficiaries are exporters and importers, with their suppliers and customers (including consumers) also benefiting. On the other hand, governments (through lower public revenues) and import-competing businesses and their employees (through reduced output and a reduction in associated profits, wages and employment) pay the costs.

The **administrative costs for the Parties** arising from the annual meetings and follow-up activities are not found to be unduly high in comparison with the benefits of the Agreement. Moreover, the experience during the Covid-19 period showed that increased use of remote meetings is possible and could help to further reduce administrative costs.

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[43] Annex X. Changes in GDP (at initial market prices) in EU and Partner countries caused by the Agreement (year 2020).

4.1.4. POLICY COHERENCE OF THE AGREEMENT

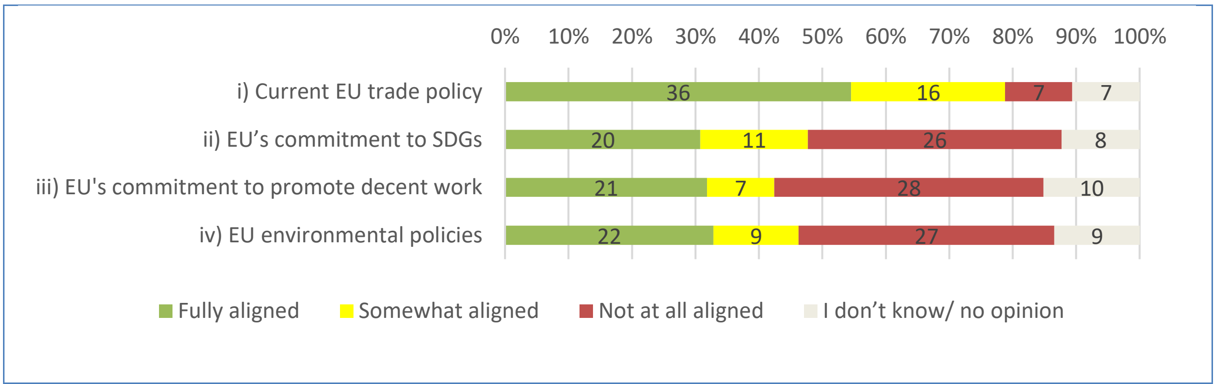
Evaluation question 7 assesses to what extent the Agreement has been coherent with the EU's trade and development policies and, in particular, with the EU's commitment to sustainable development in trade policies as a contribution attainment of the SDGs. The question assesses whether the Agreement remains coherent for the Parties' trade needs and objectives almost a decade after it was negotiated, and in a global trade context that has changed considerably to address the current trade needs and issues of the EU, Colombia, Peru and Ecuador.

The Agreement is coherent with the EU's overall trade policy, with the EU's commitment to the SDGs and the EU's environmental policies both at the time of negotiation and the start of application, as well as during the period of its application until now. In other words, the Agreement continues to be coherent with EU trade policy as it stands today.

Stakeholder views on the Agreement's coherence with wider EU policy objectives are divided. A large majority of stakeholders who responded to the OPC considered that the Agreement is either fully or at least somewhat aligned with the EU's trade policy. However, some stakeholders took the view that the Agreement is 'not at all aligned' with the EU's commitments to attainment of the SDGs, the promotion of decent work, or vEU environmental policy objectives (Figure 1). They also took the view that the Agreement is not aligned with the aims and objectives of the EU's approach to trade and sustainable development (TSD) as set out in the 2018 15-point action plan. EU-based respondents, as well as the submissions received from civil society, trade unions and individuals, were particularly critical of the Agreement's lack of coherence with wider EU policy objectives in place today.

However, based on the findings presented in the *ex post* evaluation, even if new EU trade policy objectives and priorities have emerged or evolved during the last 10 years, in terms of overall impact the Agreement is still a powerful tool to implement the policies.

Figure 1: Distribution of views on the Agreement's alignment with EU policy objectives (number and % of responses)



Source: OPC responses

4.1.4.1. *Coherence with EU trade policy*

When the Agreement was negotiated and entered into force (2013), it fully reflected the EU's trade policy objectives and priorities and hence was coherent with EU trade policy at that time. Subsequently, new EU trade policy strategies were adopted first in 2015 and again in 2021. The 2015 *Trade for All* strategy sought to address new economic realities such as global value chains, the digital economy and the importance of services; it also touched upon the issues of competition, e-commerce, protecting innovation and regulatory cooperation. The 2021 *Open, sustainable and assertive trade policy* aims at building on the EU's trade openness so as to contribute to economic recovery through support for the green and digital transformations. It has a renewed focus on strengthening multilateralism and reforming global trade rules to ensure that they are fair and sustainable. It also provides for strengthened rules to tackle competitive distortions.

In June 2022, the Commission adopted its Communication 'The power of trade partnerships: together for green and just economic growth'. The Communication strengthens the cooperation-based approach in TSD implementation, emphasising the participation of and support for civil society. At the same time, the new policy puts the focus on implementation and enforcement, including through remedial actions, which strengthens the role that EU trade agreements can play to protect international standards on climate, environment and labour. In line with this Communication, the Commission is bringing its outcome also to the implementation of the trade agreement with the Andean countries.

While not an integral part of the Agreement as signed, new topics such as the development of global value chains, services trade, digital trade, e-commerce and the green and digital transformation are a critical aspect of the discussions held in the subcommittees and Trade Committee, contributing to coherence with the Agreement's implementation and impact on the ground.

Similarly, most of the elements contained in the new TSD policy linked to the recent developments can be rolled out within the existing FTA framework and the Commission is working towards this objective in cooperation with the partner countries.

4.1.4.2. *Coherence with EU policies aimed at attaining the SDGs and the EU's commitment to the Decent Work agenda*

In the Agreement, the Parties express their commitment to sustainable development and respect for labour rights in line with the established practice at the time of the Agreement's negotiations. Since then, the 2015 'Trade for All' strategy not only aimed at responding to new economic realities; it also included a commitment to using EU trade policy to promote sustainable development and human rights. The Agreement's TSD Title and its implementation are coherent with this approach.

4.1.4.3. *Coherence with EU environmental and climate change policies*

Since the signing of the Agreement, major developments have taken place with respect to environmental policies in the EU. Milestone achievements include the ratification of the Paris Agreement in 2016, the adoption of the European Green Deal in 2019 and the release of the EU biodiversity strategy for 2030[44] in 2020.

The European Green Deal is one of six strategic priorities for the EU for the period 2019-2024. Among others flagship initiatives, in 2020 the Commission adopted the Farm to Fork strategy and in November 2021 it adopted the proposal for a regulation to prohibit the importation of products linked to deforestation and forest degradation, irrespective of the legality of the source.

The European Green Deal identifies diplomacy and trade policy as the means to promote and enforce sustainable development across the globe and to support the EU's green transition. In addition, environmental objectives have also gained a more prominent and integral role in the 2021 EU trade policy.

In terms of the coherence of the Agreement with the EU's environmental policies, the external study found that the Agreement was broadly coherent with the policies in place at the time of signature of the Agreement.

4.2. How did the EU intervention make a difference and for whom?

The evaluation criterion of EU added value investigates changes that are attributable to the EU intervention, over and above what could reasonably have been expected from actions at national level by EU Member States. It is intended to provide verification of compliance with the subsidiarity principle.

In the present study EU added value has not been specifically addressed because trade policy falls under an exclusive competence of the Union as defined by Article 3 TFEU of the Lisbon Treaty[45]. In this case, the question of EU added value is answered by the efficiency and effectiveness analysis (points 4.1.1 and 4.1.2 of this report).

[44] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. EU Biodiversity Strategy for 2030. Bringing nature back into our lives, COM(2020) 380 final, 20 May 2020.

[45] Article 3 TFEU of the Lisbon Treaty defines the following areas as exclusive EU competences: the competition rules within the internal market, the customs union, the common commercial policy, monetary policy for the Euro countries, the conservation of marine biological resources under the common fishing policy and the conclusion of international agreements.

4.3. Is the intervention still relevant?

Evaluation question 8[46] assesses whether the Agreement remains relevant for the Parties' trade needs and objectives almost a decade after it was negotiated, and in a global trade context that has changed considerably[47].

Among the current trade needs **of the Andean partner countries** are the need to further diversify exports, ensure greater inclusivity of trade, and ensure the sustainability of production for export (but also domestic) markets.

The Agreement is relevant for these issues. The elimination of tariffs and trade facilitation has created a basis for export diversification by the Andean countries, and some diversification (mostly within the agriculture and food production sectors) has indeed taken place. The number of exporters has grown, and MSMEs have also benefited from the Agreement, contributing to an expansion of export-driven production and a more inclusive distribution of the benefits of trade. The TSD Title provides a framework for addressing sustainable development issues related to bilateral trade. Technical assistance and cooperation have also taken place in this regard (and have had some success); at the same time it is clear that among stakeholders there are disagreements regarding the effectiveness of these measures, mainly among civil society representatives.

As already mentioned in the previous section on coherence, trade needs and issues **in the EU** have evolved considerably since the Agreement was negotiated. The new trade strategies have highlighted the following trade needs of the EU: prioritising global value chains (GVCs), services trade, digital trade and e-commerce, the role of trade policy in the green and digital transformation, and an increased focus on enforcement. Considerations about issues such as strengthening due diligence across supply chains, the European Green Deal, and the Farm to Fork strategy attest to the important changes that have taken place in respect of the EU's needs to which the Agreement and bilateral trade between the EU and the Andean partner countries also has to respond in order to remain relevant.

Civil society has raised concerns about the effectiveness implementation of the environmental and social sustainability issues and the way their inputs are addressed under the TSD Title.

Overall, the Agreement remains relevant in the sense of providing a floor for promoting bilateral trade and trade and development of the Parties more generally. However, the new

[46] Q8: 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?

[47] The evaluation of relevance 'looks at the relationship between the needs and problems in society and the objectives of the intervention' (Better Regulation Tool #47, p. 351). Like the evaluation of coherence, the relevance of the Agreement can be assessed statically, determining the degree to which the Agreement addressed the trade needs and problems *at the time of its start*, and dynamically, i.e. determining the degree to which the Agreement addresses the trade needs and problems of the Parties *today*. The main focus is on this latter question.

challenges, needs and issues that have arisen both for the EU and the Andean partner countries since the signing of the Agreement require further attention.

5. What are the conclusions and lessons learned?

5.1. Conclusions

In general terms, the Commission departments agree with the conclusions of the evaluation report that the Agreement is well balanced and ambitious, offering substantial gains on both sides on market access and rules. The Commission considers valid the observation that the Agreement has gradually opened up markets on both sides and has contributed to the stability and predictability of the trade and investment environment, thus promoting the diversification of export-oriented trade both in terms of operators and in terms of number of products.

At the same time, in line with the outcomes of the Commission TSD review of June 2022, the Commission is implementing concrete measures to strengthen the effectiveness of labour, sustainable development, climate change and environmental commitments of the TSD Title using the current provisions of the Agreement associated with relevant EU legislation (autonomous trade instruments), notably the forthcoming EU Regulation on deforestation-free supply chains, the EU Carbon Border Adjustment Mechanism, and the proposed EU Directive on corporate sustainability due diligence.

The vast majority of the TSD review action points can already be implemented by the Parties at this stage or by means of a decision of the bodies established under current trade agreement (under the EU-Colombia-Peru-Ecuador FTA, the TSD Subcommittee and/or the Trade Committee). The Commission departments are reaching out to the Andean authorities in this regard. However, providing for the possibility of temporarily withdrawing trade preferences (applying 'trade sanctions') as a measure of last resort in cases of serious violations of the ILO Fundamental Principles and Rights at Work or material breaches of the Paris Agreement would require a reopening of the Agreement.

Once the Agreement has been fully ratified by all EU Member States, the Commission services will propose a targeted update in order to fully implement the action points of the TSD policy review.

5.1.1. *Effectiveness*

The analysis of the impact on trade and other economic indicators shows that the overall effects of the Agreement on trade, GDP, welfare, consumers and workers in the EU and in the Andean countries have been moderately positive. All Andean countries are estimated to have gained in terms of welfare and income.

The Agreement has been effective with regard to the achievement of operational objectives. On the positive side, *tariff liberalisation* has taken place as planned, and has led to higher levels of *trade in goods* – both bilaterally and globally – than would have been the case in the absence of the Agreement. The relative overall limited increase in the goods trade is partly a consequence of the fact that the Andean partner countries already enjoyed preferential access to the EU market under the GSP+ arrangement in the years before the FTA entered into force. However, following the review of the GSP mechanism, the Andean partners would have lost such preferences in the absence of a trade agreement.

Customs procedures and other non-tariff instruments have not been used by the Parties as a substitute for tariffs.

The external study shows that while tariffs have largely been eliminated for trade between the EU and the Andean countries, there is still room for improvement regarding the reduction of non-tariff measures. This involves considering simpler procedures, agreeing on internationally recognised standards and avoiding unnecessary duplication of conformity assessments or other administrative procedures.

Diversification in the Andean partner countries – in terms of both the products which they export and the numbers and nature of companies (mainly micro and small and medium-sized enterprises) engaged in exporting – has improved since the provisional application of the Agreement. Nonetheless, the EU market is still challenging for Andean companies when it comes to competing in markets for more complex products.

It is difficult to measure the effectiveness of the Agreement in facilitating *trade in services* and *bilateral investment*. Services sectors have played a limited role in the implementation of the Agreement. The opening of *government procurement* markets has not led to increased participation in those markets by suppliers and providers from the respective other Party to the Agreement.

Progress has been made in the registration and enforcement of *GIs*, although there is room for improvement regarding enforcement, an area which the Commission intends to continue emphasising. The Agreement’s articles on *competition* also constitute a sound legal basis for cooperation and consultations between the European Commission and the Andean partner countries’ competition authorities.

The effectiveness of the *dispute settlement* provisions of the Agreement is difficult to assess, as no complaint has ever brought under the Agreement. The fact that about half of the disagreements identified have been solved through the institutional mechanism set up in the Agreement indicates that this approach works. At the same time, the fact that some formal disputes have been tabled at the WTO may indicate a reluctance on the part of certain stakeholders to rely on the dispute settlement provisions provided by the Agreement.

The Commission departments take note of the evaluation report's assertion that the assessment of the *TSD Title's* effectiveness and its implementation faces analytical challenges. The Commission considers highly plausible that a direct and tangible impact can indeed be identified in areas where assistance projects have been implemented. Considering the difficulties of identifying concrete direct impacts of the Agreement, the Commission departments confirm their commitment to using the institutional dialogue established under the TSD Title, including the specific dialogue with civil society, as an essential tool to identify, prioritise, and act upon TSD matters, in particular counting on the input from civil society organisations.

5.1.2. IMPACT

The Commission departments welcome the conclusion that the **impact of the Agreement overall has been positive.** The economic modelling undertaken for the study suggests that the Agreement has led to a **small increase in GDP** in all Parties and globally. Generally, sectors in which the Parties have comparative advantage are those which have benefited: in the Andean partner countries especially agriculture and food products, but also some (mostly light) industries; and in the EU industrial sectors, led by machinery and the automotive sector. Because of this strengthening of sectors with existing comparative advantage, the Agreement has so far had a limited effect on export diversification in the Andean countries on a wider scale. However, diversification within the primary sector has occurred (i.e. a shift from extractives to agriculture) with the increase in agricultural products exported. Likewise, diversification of exporters has taken place, including an increase in exporting MSMEs.

Among the *social* impacts, sectoral employment shifts follow the economic changes. In the EU, effects are negligible; in the Andean partner countries, the strongest positive effects are in the vegetable, fruits and nuts sector, as well as other agri-food sectors, while there are contractions in a number of industrial sectors. The Commission takes note that the impact on welfare and poverty, as well as on consumers, is estimated to be positive but rather limited. The Commission considers that even if the gender-related impact of the Agreement is hard to detect, this has not prevented the EU from allocating support programmes. The Commission concurs with the conclusions of the study that as far as working conditions and labour rights are concerned, although the Andean partner country governments have taken measures to improve job quality, issues remain in terms of labour inspection, trade union operation, and special labour regimes for selected (agricultural) sectors. Finally, corporate social responsibility (CSR) practices have expanded, a positive trend which was supported by the increased trade between the Andean countries and the EU that has resulted from the Agreement.

The *environmental* impact of the Agreement is in line with the earlier SIA findings. The impact overall is found to be small, consistent with the small economic impacts, and mixed. The impact on global GHG emissions is slightly positive. Overall effects on biodiversity are marginal. No effect on deforestation is found in Ecuador and Peru, but a small increase in deforestation arising from agricultural activity was found in Colombia (about 0.5% of total deforestation arising from agricultural activity). Other environmental effects are marginal.

The impact of the Agreement on the *human rights* situation in the Andean partner countries has been limited, and no impact was determined in the EU. A mixed and limited overall impact was found on the right to freedom of assembly and association. The Agreement has contributed to the creation of employment, but much of this was by means of temporary contracts which may have limited the capacity of the workers to properly organise. The situation in Colombia is shaped by the security situation there; in recent years Colombia has witnessed a general decrease in the rates of murder and attacks of trade unionists. The Agreement may have contributed to reducing child labour by creating more job opportunities for adults. The Agreement itself has not had a significant overall impact on the right to water, but this is starting from a baseline in which all the Andean partner countries faced water pressures prior to the application of the Agreement.

5.1.3. Efficiency

The Agreement's **efficiency in relation to the objectives is evaluated as high**: preference utilisation is high and the extent of trade diversion is in line with other trade agreements.

The **efficiency of the institutional components of the Agreement is assessed as mixed**: The Trade Committee and the subcommittees have played a fundamental role as forums for the exchange of information and views, but performance with regard to the resolution of trade irritants between the Parties has been mixed, in particular whenever different interpretations of the Agreement were concerned.

Dialogue with civil society representatives, notably with advisory groups or domestic mechanisms (DAGs), constitutes one of the key elements of implementation of the TSD Title in particular. The Commission departments acknowledge the value that the work and meetings of the DAGs (and their joint positions) bring to the discussion of issues related to the implementation of the Agreement's provisions on sustainability. This work also feeds into the meetings for the dialogue with civil society.

The Commissions recognise that DAGs have performed unevenly in their function as consultative groups across the Parties, primarily as a result of differences in capacity and in the availability of resources. The Commission departments are willing to continue considering ways to further facilitate the contribution of the DAGs and support of civil society organisations more broadly in this context, including additional EU funding as appropriate.

5.1.4. Coherence

The coherence of the Agreement with the EU's overall trade policy **at the time of its signing was high.** In particular, the TSD Title (for example) reflected the EU's prevailing policies and strategies regarding sustainable development. In terms of its effects and impact, the Agreement is also broadly coherent with environmental policy objectives and with the EU's commitment to the SDGs and Decent Work agenda, even bearing in mind the evolution of the EU objectives and policies since the signature of the Agreement.

In some of these issues, an additional effort is needed to enhance the Agreement's relevance for current trade challenges faced by the EU and the Andean partner countries (e.g. effective implementation of ILO core labour standards and enhancing sustainable development including the relations and participation of DAGs and regulatory cooperation). However, this has not prevented the newer environmental policy objectives from becoming central elements of discussions between the Parties, as demonstrated by the extensive coverage in the relevant subcommittees of the respective policies on climate action and on circularity, including plastics, deforestation and biodiversity. As per the June 2022 TSD Communication, the Commission departments reiterate the intention to use trade agreements to facilitate dialogue with trade partners on these matters and, as appropriate, support trading partners in meeting the sustainability requirements of the EU trade-related autonomous instruments. In terms of coherence with EU trade policy objectives and priorities, **the Agreement does not conflict with the new priorities** (and therefore there is no incoherence).

5.1.5. RELEVANCE

The Agreement's relevance for the trade needs and issues of the Parties is mixed and is closely related to the evaluation of coherence. The Agreement has been and remains relevant in the sense of providing a basis for fostering bilateral trade and the overall trade and development of the Parties. However, the new challenges, needs and issues that have arisen both for the EU and the Andean partner countries since the signing of the Agreement are not present per se in the legal framework that was approved and therefore the Agreement itself, its implementation and its results address these issues in only a limited way.

5.2. Lessons learned

The lessons learned from the evaluation and the recommendations are presented in the following sections, grouped by evaluation criterion. The Commission departments' views on the recommendations are presented as annotations.

5.2.1. EFFECTIVENESS

Some lessons learned from the *ex post* evaluation and recommendations to further improve the effectiveness of the Agreement, also shared by the Commission departments, are:

- Further measures to facilitate trade could be considered, including promotion of the approved exporter scheme and a review of the Agreement's provisions on direct transport to ensure eligibility for preferences.

- Technical assistance is needed to ensure that exporters of products covered by SPS requirements can keep benefiting from the preferences offered by the Agreement.

- Actions such as Access to Market Days or similar could be envisaged to encourage more new exporters to take advantage of the Agreement, especially MSMEs.

- In the external study, the consultants suggested setting up a dedicated services subcommittee. The Commission analysed the number of services issues raised and discussed during these 10 years and concluded that only one irritant fell under the services remit. That discussion took place during the 8th meeting of the Market Access Subcommittee. In view of the low number of services issues raised during the period, the possibility of transferring discussion of such matters to another subcommittee and the requirement for all Parties to agree in modifying the terms of the Agreement, the Commission favours keeping the current framework in place.

5.2.2. IMPACT

Some lessons learned and recommendations to further improve the impact of the Agreement, also shared by the Commission, are:

- Although the Andean partner countries are all upper middle-income countries, the capacity of many businesses – in particular MSMEs – to engage in trade with or take advantage of value chains linked to the EU is limited. Technical assistance therefore remains important to provide support enabling MSMEs to improve their productivity and competitiveness and benefit from the Agreement.

- The Agreement has been positive for job creation, but the nature of those jobs (whether formal or informal) and their quality also play a role in the economic situation of workers and their families. It is therefore important that in addition to creating the conditions for new jobs, all the Andean partner countries pay sufficient attention to the issue of job quality.

- To further strengthen working conditions and labour rights, technical assistance projects involving the EU, the ILO and the partner countries should continue, with the aim of strengthening labour inspection capacity, labour formalisation, and respect for labour standards and health and safety at work.

- The Commission departments note that the EU funds a variety of programmes and tools to provide support to the areas of working conditions and labour rights, among others the EU-ILO Supply Chain Project, EUROsociAL+, and the Vision Zero Fund Initiative. TAIEX resources have also been mobilised to tackle problems such as labour informality. In the same vein, recent actions in Colombia and Ecuador, implemented via ILO, have increased the capacity of the rural labour inspection services.

- The analysis of the social impacts of the Agreement was made more difficult by the lack of data disaggregated by gender and sector. It would be helpful to encourage the Andean partner countries to gather statistics showing gender-disaggregated employment data and to include this issue in future policy dialogue, under either the TSD Title or other relevant chapters.

- Measures should be taken to avoid a situation where the opportunities and incentives provided by the Agreement might be exploited in a way that contributes to deforestation. In this respect the new EU deforestation regulation will be key in supporting this objective.

- The Commission notes that the three partner countries already participate in several EU regional programmes related to biodiversity, illegal trade in wildlife, and climate change (EUROCLIMA, AL-INVEST Verde, EL PACcTO, etc.) and will continue to be engaged in these areas in the context of the future programming exercise (2021-2027).

- Colombia, Ecuador and Peru will also all be beneficiary countries of the new regional Amazon Basin programme (AMAZONIA+) which will be launched in 2023 and will be implemented through Member State organisations and the JRC. The programme will work with local and regional governments as well as local communities and indigenous peoples to fight deforestation and forest degradation.

5.2.3. EFFICIENCY

Some lessons learned and recommendations to further improve the efficiency and implementation mechanisms of the Agreement, also shared by the Commission departments, are:

- The role of the **Trade Committee** as a decision-making body and in particular the role it can play in problem-solving could be enhanced, in particular in cases where discussions at the working level in subcommittee meetings do not bring about a satisfactory outcome over time. The period since the Agreement entered into force has shown the difficulty of unblocking stalemated positions. The Trade Committee should provide political momentum for problem-solving, including by repackaging issues affecting different chapters, holding Trade Committee meetings at a political level on an ad hoc basis, and involving ministers for trade and the Commissioner responsible for trade (as provided for in Article 12) to help advance the discussions. The Commission takes note of these recommendations as it prepares future engagements of the Trade Committee.

- Regarding the strengthening of the **TSD Sub-Committee** for addressing implementation shortcomings related to TSD issues, the evaluation recommends the following:

    - Issues of concern related to the implementation of the TSD Title should continue to be addressed. Examples are the commitment not to encourage trade or investment by reducing levels of protection, and to properly enforce labour or environmental laws, as well as commitments to implement ILO core labour standards and multilateral environmental agreements (MEAs) properly in practice. This exchange of information constitutes the basis on which the Parties can further discuss and determine whether any actions are required.

    - Recognising that addressing certain issues or improving a given situation may take time, the use of cooperation activities should continue.

    - If needed, matters blocked at a technical level should be escalated to the Trade Committee.

- The *ex post* evaluation report also identifies various options to possibly **foster cooperation between the Parties and civil society**. The first option would be to strengthen domestic dialogue between governments and civil society, including consultations before TSD Sub-Committee meetings. This would give civil society more opportunities to express their views, share results of monitoring and formulate proposals, which would then be included in a briefing for the TSD Sub-Committee meeting. Secondly, to enable civil society dialogue with all Parties, dedicated meetings between the members of the TSD Sub-Committee of all Parties and all advisory groups or domestic mechanisms (DAGs) should be held as part of the joint annual meeting. Alternatively, the Parties could envisage inviting members of domestic advisory groups to participate in the part of the TSD Sub-Committee meeting dedicated to the follow-up of discussions from the previous year and to the presentation of new findings from implementation monitoring. Finally, more active and frequent use of virtual (i.e. online) meetings of both the domestic consultative mechanisms (DAGs) and between these and the Parties to the agreement could help civil society advance its priorities, work on opinions, and monitor activities through remote connections.

- In relation to the above recommendations, the EU regularly consults with the EU domestic advisory group before the meetings. As regards the Andean partner countries, the practice is progressively gaining traction. Consultations took place prior to the meeting of the TSD Subcommittee in 2022 and were acknowledged by civil society stakeholders during the dialogue with civil society.

- The Commission departments also agree with enhanced support to the partner country's domestic consultation mechanisms, as recommended by the evaluation report. For instance, the Commission supports the idea that the EU DAG could organise additional meetings or workshops with invited speakers, opening up the possibility of addressing topics from the broad spectrum covered by the TSD Title. Such workshops should be open to civil society from the Andean countries so as to help develop capacity.

- Capacity-building measures and additional support (including financial support to allow for a secretariat) to the non-EU DAGs/domestic consultative mechanisms could also be provided. Such support should normally be provided by the respective governments, but in cases where resource or capacity constraints of the partner country governments do not allow for such support, the EESC or INTPA could step in to provide technical or financial support. This support would reply to the call from some DAGs for support to institutionalise the DAG by setting up a permanent secretariat.

- The creation of a capacity building measures would not only institutionalise the domestic mechanism but would also facilitate communication between the different DAGs and with the authorities.

- A secretariat would strengthen domestic dialogue between the government and civil society, including consultations before the TSD Sub-Committee meetings, where civil society could express views, share the results of monitoring, and formulate proposals, which would then be included in the TSD Sub-Committee discussions. It would enable civil society dialogue with all Parties through dedicated meetings between interested parties, advisory groups or domestic mechanisms. It would also improve communication about the scope and level of authority and powers of the TSD Title and the TSD Sub-Committee so as to avoid creating unrealistic expectations about what the TSD Title can achieve.

- More broadly, the Commission departments recognise that input from civil society organisations, through well-substantiated and evidence-based contributions, is essential to identify, prioritise, and act upon TSD matters. The cooperation and exchanges between the EU stakeholders and their partner organisations abroad are also essential, including those with the DAGs.

- The Commission considers the dialogue with civil society to be a suitable format for contributions from a broad spectrum of stakeholders. The Commission counts on this active involvement to continue and strengthen over the years ahead. To this end, the Directorate-General for Trade of the European Commission has extended to 2024 funding earmarked for supporting civil society organisations, including those based in the partner countries, and is preparing to launch a follow-up phase. DG Trade is also fully engaged in communication with civil society organisations in relation to complaints, including enhancing information on how to make full use of the Single Entry Point.

5.2.4. Coherence

Based on these conclusions, a list is set out below of some lessons learned and recommendations also shared by the European Commission to improve the coherence of the Agreement with other EU policies:

- Taking into account the framework established by the Agreement, its implementation should now also cover the new issues and priorities set in the 2015 and 2021 EU trade strategies, such as the green transformation or the TSD review.

- The Agreement has been and remains relevant for fostering bilateral trade and the overall trade and development of the Parties. Its modernisation could, nevertheless, be envisaged so that the Agreement addresses all new areas of the relevant trade and investment relationship between the EU and the Andean countries, notably in the area of sustainability. In particular, the Commission is open to engaging with the Andean partners and initiating the process for review of the Agreement with the particular aim of strengthening, among other elements, the enforcement mechanism of the TSD Title. This would include introducing a compliance phase; evaluating the possibility of applying trade sanctions in serious instances of non-compliance with the ILO fundamental principles and rights at work; introducing a reference to the Paris Agreement as an essential element; and incorporating provisions on gender.

- Such modernisation could only be envisaged once the Agreement is fully ratified and if all Parties agree in engaging in this direction. It is important to note the procedural steps that would be required for such modernisation, including a scoping exercise with all the Parties so as to clarify their wishes, and on the EU side an impact assessment and Commission recommendation to the Council to open negotiations and negotiating directives.

- In the meantime, several actions mentioned in the TSD review could be deployed without reopening the Agreement. The Commission is already working with the partners to improve mutual interactions among the DAGs.

- The Commission is already engaged in ongoing communication with European civil society. In this context, the revised Operating Guidelines published in June 2022[48] facilitate public access to the Single Entry Point. Domestic advisory groups (DAGs) can file collective complaints on violations of TSD commitments and – if warranted – represent the interests of a party located in a partner country.

- The evolution of international labour standards should be monitored and included in our discussions with the members of the Agreement.

- The Commission has also taken action – via the proposal for a Regulation[49] – to tackle deforestation and forest degradation, which are among the main drivers of climate change and biodiversity loss[50]. The Regulation, expected to be formally adopted in early 2023, would introduce mandatory due diligence rules for operators that place a certain number of agricultural and industrial commodities[51] and their derived products on the EU market or export from it.

5.2.5. RELEVANCE

Some lessons learned and recommendations to improve the relevance of the Agreement also shared by the European Commission are:

- Although new issues are discussed between the Parties in annual meetings of the Trade Committee and subcommittees and their follow-up, cooperation on practical measures related to them could be expanded. This need not necessarily take place as part of implementation of the Agreement in a strict sense but could be undertaken as a flanking measure. Examples include further cooperation on fostering organic and fair trade to enhance the sustainability of productive activities fostered by the Agreement, and an enhanced focus on ways to develop bilateral trade in services.

- Some of the current trade issues – such as digital trade or the consequences of the European Green Deal or the Farm to Fork strategy for trade – are not addressed in the Agreement per se. Nevertheless, the scope of the Agreement and the institutions established under it provide a framework for discussing and addressing them in the

[48] Operating guidelines for the Single Entry Point and complaints mechanism for the enforcement of EU trade agreements and arrangements operational_guidelines.pdf (europa.eu).

[49] REGULATION COM(2021) 706 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/201.

[50] This would be in line with (and thereby anticipating) the forthcoming law to prevent imports that contribute to deforestation, building on the Commission *Communication on Stepping up EU Action to Protect and Restore the World's Forests (*available at: https://ec.europa.eu/info/sites/default/files/communication-eu-action-protect-restore-forests_en.pdf), as well as national strategies of the Andean countries, which aim to prevent deforestation.

[51] The initial scope of commodities will be beef, wood, palm oil, soya, coffee, cocoa, rubber. The product scope is meant to be progressive, meaning that it will be reviewed periodically.

implementation of the Agreement. These topics could also be an integral part of any scoping related to the possible modernisation of the Agreement.

- To ensure the continued relevance of the Agreement for today's trade issues, further efforts on implementation and follow-up are required. Such efforts will be very much in line with the EU's increased focus on the enforcement of trade agreements.

ANNEX I: PROCEDURAL INFORMATION

1. Lead DG, D*e*cide Planning/CWP references

Lead DG: European Commission Directorate-General for Trade, DG Trade

Decide reference number: PLAN/2018/2807 - TRADE - *Ex post* evaluation of the EU-Colombia/Ecuador/Peru trade agreement'

2. ORGANISATION AND TIMING

An Inter-service Steering Group (ISG) was established[52] on 17/05/2019 for the purpose of reviewing and finalising the terms of reference; supporting the evaluation work and the evaluation project manager in steering the evaluation by monitoring the progress of the evaluation, by providing comments and by assuring the quality and objectivity of the evaluation reports; analysing the results of the evaluation in view of the subsequent follow-up; and contributing to the Staff Working Document.

The ISG included all other relevant services of the Commission: DG Agriculture and Rural Development; DG Budget; DG Climate Action; DG Competition; DG Communications Networks, Content and Technology; DG International Cooperation and Development; DG Employment, Social Affairs and Inclusion; DG Energy; DG Environment, DG Statistical Authority of the European Union; Foreign Policy Instruments; DG GROW for Internal Market, Industry, Entrepreneurship and SMEs; DG Maritime Affairs and Fisheries, DG MOVE for Mobility and Transport; DG Research and Innovation; DG SANDE for Health and Food Safety, Secretariat-General, Legal Service, DG Trade, DG Taxation and Customs Union and the European External Action Service (EEAS).

The ISG met 6 times: on 22 May 2019 [ToR], 14 May 2020[53] [Kick off], 02 July 2020[54] [Inception], 03 March 2021[55] [Draft Interim], 15 September 2021[56] [Draft Final] and 18 May 2022[57] [SWD].

Evidence, sources and quality

The evidence for the impact assessment report was gathered through various activities and from different sources:

- A quantitative econometric modelling simulation (Annex II. Methodology and Analytical models used)

52 Ares(2019)3255213 - 17/05/2019.
53 Ares(2020)2991724 - 09/06/2020.
54 Ares(2019)4401330 - 17/05/2020.
55 Ares(2021)1715245 - 09/03/2021.
56 Ares(2021)5782093 - 22/09/2021.
57 Ares(2022)4028329 - 31/05/2022.

- Input by stakeholders to the public consultation (Annex V. Stakeholders consultation - Synopsis report)
- January 2022. External Consultant's Final Report – Vol. I: Main Report of the *Ex post* evaluation of the implementation of the Trade Agreement between the EU and its Member States and Colombia, Peru and Ecuador.

3. CHANGES INTRODUCED IN RESPONSE TO THE OPINION OF THE RSB

The RSB opinion was overall positive and was accompanied by several recommendations that mostly concern the Agreement's assessment of efficiency, coherence with EU initiatives in the area of sustainability as well as the need for a clearer and more detailed explanation of the extent to which the Agreement's objectives have been attained.

Accordingly, a number of changes have been introduced that include, *inter alia*, a description of the specific objectives of the Agreement and the actions undertaken, including those relating to TSD; new sections on EU investments in the Andean partner countries, reflecting in a more comprehensive way the impact of the Agreement; and planned or already undertaken actions/initiatives aimed at increasing the coherence of the Agreement with the most recent developments on trade and sustainable development. A new Section in Annex V presents the results of the stakeholder consultation activities.

ANNEX II. METHODOLOGY AND ANALYTICAL MODELS USED

The evaluation followed the methodology as briefly laid out in the 2019 evaluation roadmap[58] and was further guided by the Better Regulation tools. The evaluation assesses the impact, effectiveness, efficiency, relevance and coherence of the Agreement:

- Regarding impact, it evaluates to what extent the Agreement has contributed to sustainable development in all its dimensions – economic, social (including human rights and labour rights) and environmental – and whether and to what extent the potential impacts as expected at the time of its negotiation have occurred.

- At the level of the operational objectives as set out in Article 4 of the Agreement, the evaluation assesses the effectiveness of the Agreement to reduce tariffs and facilitate and promote trade and investment through the different measures and areas of cooperation between the Parties as foreseen in the Agreement.

- It evaluates the Agreement's efficiency in relation to the resources used (including the existence of unnecessary costs and legal complexities in relation to achievement of the objectives).

- It assesses the Agreement's relevance with respect to the trade and economic needs and challenges facing the EU, Colombia, Peru, and Ecuador, both at the time of the Agreement's signing by the Parties and today.

- And it evaluated the Agreement's coherence with the objectives of EU trade and other external policies that were in place at the time of the negotiations and as they have evolved up to the present.

To address this set of complex issues, the evaluation is based on a diverse set of sources and inputs, and uses different methods and analytical tools.

The evaluation builds on four main **types of inputs and sources**:

- Previous studies of the Agreement – such as the 2009 Sustainability Impact Assessment (SIA) 'EU-Andean Trade Sustainability Impact Assessment', the Commission's studies assessing the economic impact of the Agreement with Colombia and Peru (2012) and with Ecuador (2016), as well as the Commission's annual reports on the implementation of the Agreement, as well as relevant research published by third parties – constituted both an important source of factual information and data and a point of reference to compare the evaluation findings against.

- An evaluation study commissioned to an external contractor[59] served as an important input into the evaluation. The external study employed a mix of quantitative and

[58] Ref. Ares(2019)1299958 - 26/02/2019.

qualitative methods, including case studies, as well as extensive consultations. The external contractor also used the results of the Commission's economic modelling (see description below) as a source for their own analysis. The external study's findings, conclusions and recommendations were discussed with and within the Commission services. The main part of this report indicates where Commission views differ from the external evaluation team's views.

- Statistical data from EU sources – notably Eurostat data, e.g. on bilateral trade and economic and social aspects in the EU – and other official sources – such as statistics published and provided by the partner countries, UN COMTRADE data for global trade – and complementary data published by academic sources, business and civil society organisations were used for quantitative analysis.

- Consultations (as explained in more detail in Annex V) were used to collect qualitative data and view from a wide range of stakeholders.

In terms of the **methodology** used, in a first, conceptual stage, the Agreement's intervention logic was clarified and made explicit (see Figure 2 below), and on this basis the evaluation framework and matrix was designed (see Annex III for more detail).

For each of the judgement criteria as defined in the evaluation matrix, a specific methodology was developed and applied – although all of these methodologies shared a common principal methodological approach: to determine the Agreement's effect by comparing the actual situation with the Agreement in place with a hypothetical counterfactual situation of the world where the Agreement would not be in place. However, the degree to which this methodological approach could be applied varied: for some economic effects (and non-economic effects directly derived therefrom, such as employment effects), the use of the economic model, as described below, guaranteed that the effect of the Agreement could be isolated from others factors that in reality also affect trade and economic development. For other impacts, the evaluation resorted to descriptive statistical analyses and qualitative assessments based on data and information obtained from a variety of sources, among them consultations of stakeholders being highly important. In each case, the evaluation aimed to show the causal link between the Agreement and any observed development (contribution analysis). It is an inherent limitation of the evaluation that this causal link in many instances cannot be proven (except for the economic modelling, which in turn has other limitations, as explained below)[60], although the methods used and the quality assurance applied (see below) ensure the robustness of the analysis and conclusions. Regarding the causal chains related to the Agreement's non-economic impact, the two main ones considered were:

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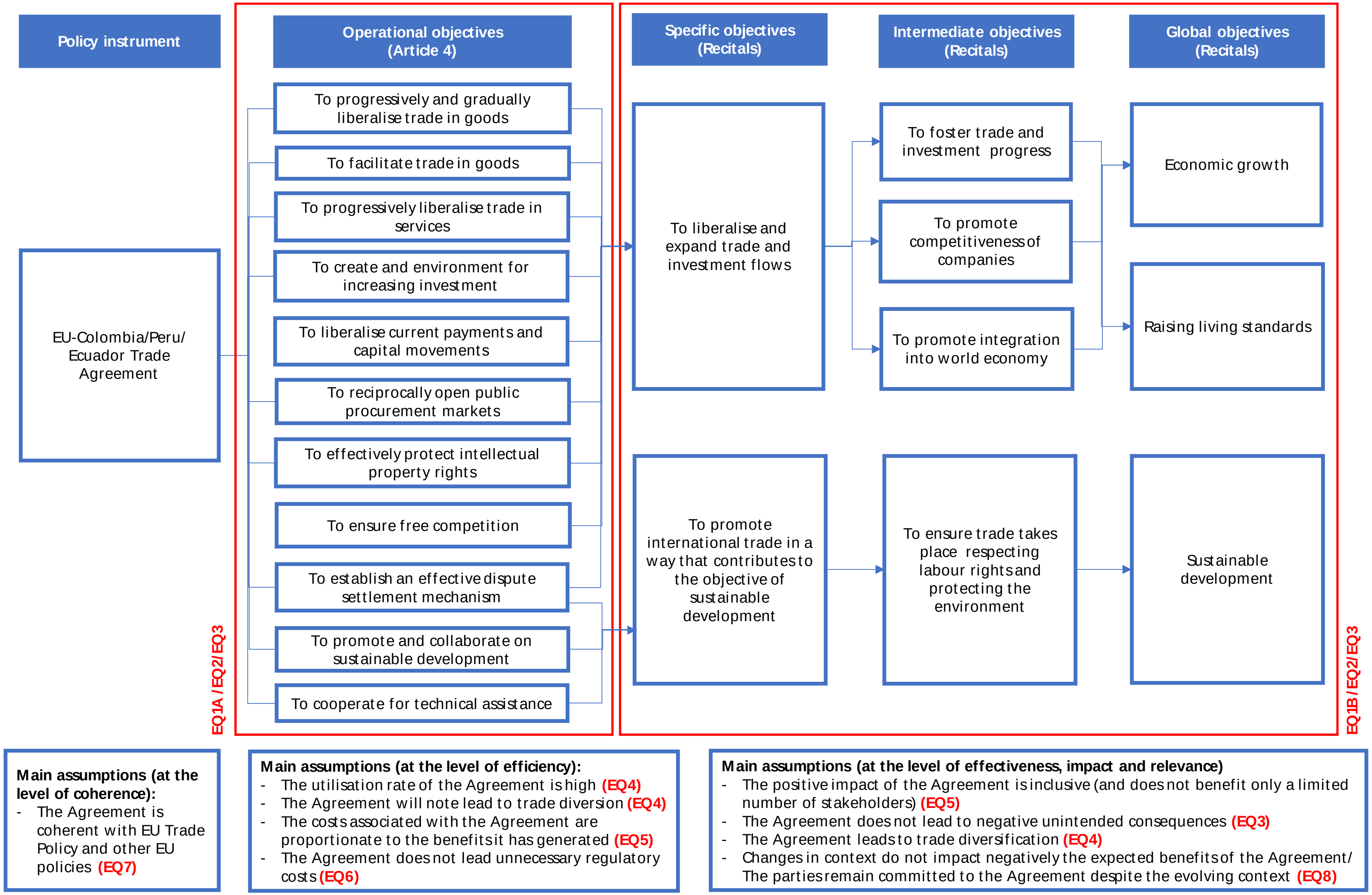
[59] Detailed information about the external contractor's approach, activities and outputs produced are available at the evaluation study website http://andean.fta-evaluation.eu.

[60] Methodologies to avoid this, such as randomised control trials, cannot be used in the context of FTA evaluations.

- Indirect (economic) channel: The Agreement leads to changes in bilateral trade between the Parties, which lead to broader changes in production and economic structures, and these in turn have non-economic impact (such as changes in employment and wages, working conditions, environmental effects.

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



- Direct effects: Provisions in the Agreement, notably in the TSD Title, have direct effects on social, labour and environmental issues by creating obligations on, or encouraging certain behaviour by, the Parties, as well as through providing a framework for mutual consultations and monitoring.

The **methodological approaches for the various evaluation dimensions** can be summarised as follows[61]:

The evaluation of the Agreement's economic effects was based, first and foremost, on the economic modelling (see below), complemented with descriptive-statistical analysis – notably in areas where modelling results are not robust or unavailable, such as trade in services, investment, government procurement, and when assessing the impact of non-tariff issues generally – as well as qualitative information. The breadth of methodologies used is large, in response to the diversity of topics considered (see tasks 9.1 to 9.15 in the evaluation matrix shown in Annex III and the indications of the 'required analysis' there).

The same approach was followed for the analysis of social effects (in a broad sense), although the use of modelling results was limited to few social indicators, such as employment effects. Therefore, most of the social impact evaluation was based on a comparison of quantitative descriptive-statistical and qualitative analysis. The main approach was to first 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. The sources of information varied depending on the specific issues addressed (see tasks 10.1 to 10.5 and 10.7 to 10.8 in the evaluation matrix shown in Annex III and the indications of the 'required analysis' and 'sources of evidence' listed there).

For the evaluation of the Agreement's environmental impact, the two main causal channels mentioned above were analysed. The methodology 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

[61] Key issues related to the evaluation methodology are described in detail in the external contractor's inception report, available at https://trade.ec.europa.eu/doclib/html/159036.htm

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 regulation). Where possible, a quantitative analysis was carried out, using the economic modelling results (changes on output) as the starting point. For environmental impact areas where a model-based approach was not possible, quantitative statistics and trends were analysed, complemented by qualitative research. Specifically, the following impact areas were analysed:

- Climate change, with a focus on the Agreement's impact on the major GHG emissions (carbon dioxide, methane and nitrous oxide).

- To assess the Agreement's potential impact on biodiversity, its effects on land use change, specifically deforestation that may have been caused by changes in agricultural production was analysed using a new methodology developed in cooperation with DG ENV. In addition, effects on marine biodiversity arising from changes in shrimp production in Ecuador were assessed, as well as impacts on the governance of natural resources through the TSD Title; the latter two areas qualitatively.

- Effects on other environmental impact areas (air quality, water, waste & circular economy) were analysed based on qualitative and, where possible, quantitative data, by establishing a baseline and exploring developments in environmental performance since the implementation of the Agreement, considering in particular relevant provisions in the Agreement's TSD Title.

The human rights analysis focused on how 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. The analysis relied on the methodology for human rights impact assessments (HRIA) as established by the United Nations Human Rights Council (2011) and the European Commission (2015): this provides for a first screening and scoping analysis of the groups of human rights potentially affected (positively or negatively) by the Agreement, and then a further in-depth analysis of the potentially most affected human rights (or groups of human rights). The normative background for the analysis was constituted by the international human rights normative framework, including the core UN human rights treaties and conventions, the Charter of Fundamental Rights of the European Union, relevant regional human rights treaties, core ILO conventions, as well as relevant, domestic legislation and customary international law.

Complementing the overall evaluation, ten **case studies** were prepared as part of the external evaluation study. 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. The selection of case studies was guided by the following criteria and considerations to ensure representativeness: First, geographically, case studies cover effects in, and interests across, all Parties. Likewise, some case studies are country-specific while others are cross-country. Second, thematically, care was taken that cases studies address economic, social, environmental and human rights issues in a balanced way. Box 2 provides a list of the case studies; the full case studies are available in Volume 3 of the final external evaluation study[62].

Box 2: List of case studies prepared as part of the evaluation

1. Review of specific services and investment issues: the impact of the Agreement on tourism
2. Implementation of the Agreement's public procurement provisions in Colombia
3. Effect of the Agreement on sustainable farming practices and production: the case of bananas
4. Changes in informal employment in selected sectors in Colombia, Peru and Ecuador involved in exports to the EU
5. Export diversification and spatial effects of the Agreement: the case of tropical fruit production in Nariño, Colombia
6. The Experience of MSMEs with the Agreement
7. Incidence of child labour and respect for children's rights in sectors in Colombia, Peru and Ecuador involved in exports to the EU
8. Freedom of association in sectors in Colombia, Peru and Ecuador involved in exports to the EU
9. The Impact of the Agreement on Biodiversity: The Case of Avocado Production in Peru
10. Climate Change – Impacts of the Agreement on LULUCF Emissions in the Andean countries

Despite the broad approach and solid methodological underpinnings of the evaluation, a number of **limitations** need to be noted. First, due to the COVID-19 pandemic, most consultation activities had to be implemented online. Some interviews could take place physically between local team members and stakeholders, but a visit of the core

[62] Available from http://andean.fta-evaluation.eu/en/resources-2/study-outputs.

evaluation team to the Andean partner countries was not possible. Although the outreach in partner countries to stakeholders in rural areas was possible, thanks to relatively good internet connectivity, physical visits would have been preferable to assess actual effects on the ground. Second, some limitations in data availability and reliability required the substitution of quantitative by qualitative analysis, and in some cases prevented a definitive assessment of causality between the Agreement and observed developments. Third, the Covid-19 pandemic has not only affected the consultation activities but also the findings, because, first, data related to 2020 are distorted by the effects of the pandemic, and second, the pandemic has also shaped perceptions of stakeholders and their views regarding recent economic and social performance in the Parties, and their underlying reasons. Despite these issues, however, we consider that the evaluation findings, conclusions and recommendations are valid and robust, as a result of the diversity of sources and tools used and the rigid quality assurance undertaken.

In this respect, the **quality** of factual information and evaluation findings presented in the evaluation report has been assured through an internal and external review process undertaken primarily at the level of the external study, which provided the main source for data and analysis. Each report produced by the external contractor was first presented in draft form and subjected to a review and comments by both the Commission services and external stakeholders, including the partner country authorities and non-state actors.

Analytical (computable general equilibrium, CGE) model description[63]

For the CGE simulations, the Commission used the (standard) dynamic Global Trade Analysis Project (GTAP)[64] CGE model (GTAP-dyn) and Version 10a of the GTAP database, using 2014 as the base year. GTAP-dyn is a recursively dynamic applied general equilibrium model of the world economy extending the comparative static framework of the standard GTAP model developed by Hertel (1997) to a dynamic framework by incorporating international capital mobility and capital accumulation, while preserving the features of the standard GTAP, such as constant returns to production technology, perfectly competitive markets and product differentiation by countries of origin (the so-called Armington assumption). The GTAP model is one of the few globally recognised economic multi-region models for the analysis of trade policies; as the standard model has been used, no specific peer review of the model was required. However, the specific assumptions and aggregations used for the evaluation were provided to and vetted by the contractor of the external evaluation study.

[63] A more detailed description of the model is provided in appendix D of the external contractor's inception report, available at https://trade.ec.europa.eu/doclib/html/159036.htm.

[64] Detailed information about GTAP, the model and the database, is available at https://www.gtap.agecon.purdue.edu/.

Two important model features concern the economic sectors and regions that are distinguished. The model used for the evaluation has the following set-up:

- **Sectors**: For the modelling, the 65 sectors distinguished in Version 10a of the GTAP database were kept at a very disaggregated level, keeping 59 sectors (primarily aggregating various services sectors with a high prevalence of government provided services). This allowed an analysis of the Agreement’s effects on sectors to the maximum extent made possible by the GTAP model.

- **Regions**: The model aggregates the 141 GTAP regions into 22 regions. This level of aggregation is higher than for sectors but inevitable given the low sector aggregation, to keep the model manageable.

Although the level of aggregation overall poses no problem for the evaluation of the Agreement’s effects in the Parties and that least developed countries are spread across different aggregate regions (Rest of Asia, Sub-Saharan Africa, Rest of the World) limited the possibility for the evaluation to analyse the Agreement’s effects on third regions, notably on LDCs. This has been remedied by taking Sub-Saharan Africa as a proxy for LDCs in the model-based analysis of impacts on the LDCs.

The model simulations cover the period 2011 to 2020 and compare the developments of two **scenarios** – a ‘baseline’ with the Agreement in place, and a counterfactual scenario in which the Agreement would not have been in place.

For the baseline, the following assumptions were made:

- It was assumed that the Agreement entered into force at the beginning of 2013 for Colombia and Peru, and at the beginning of 2015 for Ecuador. While the actual dates for the start of implementation of the Agreement differ from these dates, these 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 in the EU for the three partner countries were a result of the Trade Agreement, even though initially they still continued to be under GSP+ terms.

- The baseline also incorporates the EU trade agreements that have been applied up to 2020 (e.g. CETA with Canada and EPA with Japan), as well as significant global trade policy development such as the USA–China tariff war. Accordingly, the tariff changes brought about by these are included in the baseline tariffs considered for the simulations.

- The withdrawal of the UK from the EU is not considered in the model (as it came into effect only in 2021), nor is the impact of the Covid-19 pandemic. Accordingly, in terms of the regions, simulations for the EU represent those for the EU. In terms of the impact of Covid-19, projections of GDP (taken from the IMF) and labour force (taken from the ILO and the Centre d'Études Prospectives et d'Informations Internationales, CEPII) made before the pandemic's outbreak were used.

The exclusion of Covid-19 and the UK's withdrawal is justified from a methodological point of view because the aim of the analysis is to isolate the effects of the Agreement from other factors impacting on trade.

For the counterfactual scenario simulating the absence of the Agreement, it was assumed that:

- The three partner countries apply MFN tariffs on imports from the EU throughout the whole period;
- The EU applies MFN tariffs on imports from Colombia and Peru from the beginning of 2013, and on imports from Ecuador from the beginning of 2015.

An important limitation of the model-based analysis is that it only comprises changes in tariffs. Changes in non-tariff barriers – for both goods and services – resulting from the Agreement are not modelled. This means that the simulations only capture a part of the Agreement's effects, and in particular any simulated changes in services sectors are exclusively the result of indirect adjustment effects across the economies.

Annex III. Evaluation matrix and, where relevant, Details on answers to the evaluation questions (by criterion)

Evaluation questions (EQs) were provided in the ToR for the external evaluation study and were slightly amended by the contractor, by adding one evaluation question (EQ 1B) specifically focusing on the Agreement's impact in the various dimensions. The evaluation questions cover five of the six **evaluation criteria**. EU added value has not been included in the evaluation, because the Agreement falls under the EU's exclusive competence for the common commercial policy according to TFEU Article 3(1)(e). The evaluation question are linked to the remaining evaluation criteria as follows:

Effectiveness and Impact

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

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?

Responses to the evaluation questions are provided in the main body of the SWD.

The **evaluation matrix** in the table below provides the evaluation questions, the judgement criteria (JC) for each question, the analysis needed to substantiate findings and conclusions made in the evaluation report, and the sources through which data and information have been obtained. The matrix also links the evaluation questions and judgement criteria to the analytical tasks to be performed according to the ToR for the external evaluation study.

Evaluation questions	Judgement criteria	Required analysis (ToR)	Sources of evidence
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 **trade in goods**?	• Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador *(Bullet Points 1&2: descriptive statistical analysis of trends and developments in key areas, such as aggregated trade in goods, as well at different levels of disaggregation)* • Evolution of bilateral tariffs	• Time series analysis of COMEXT and UN COMTRADE statistics (for bilateral/total trade) and UNCTAD TRAINS (for tariffs)
	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 **customs and trade facilitation, standards, technical regulations and conformity assessment procedures and sanitary and phytosanitary measures?**	• Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador *(Bullet Points 8: Impact of the Agreement in relation to the creation, persistence, reduction or removal of NTMs)* • Task 9.4: Determine the impact on implementation of the Agreement of the various institutional structures (A*ssessment of progress made by the Sub-committees on: Customs, Trade Facilitation and Rules of Origin; TBT; SPS*) • 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 (*sectoral perspective to establish which sectors score low or are hit hard*)	• Desk research • FTA legal provisions • Reports from Trade Committee and Sub-committee meetings • Interviews • Workshops • Online consultation • Business survey • Case studies

Evaluation questions	Judgement criteria	Required analysis (ToR)	Sources of evidence
		• Task 9.6. Analyse the implementation of the Sanitary and Phytosanitary Measures chapter of the Agreement	
	JC 1A.3: To what extent has the Agreement led to the progressive liberalisation of **trade in services**?	• Task 9.3: Analyse the evolution of trade in services *(statistical analysis of trends and developments since the start of the Agreement in aggregate services trade)*	• Analysis of time series trade in services statistics (from Eurostat, OECD and UNCTAD)
	JC 1A.4: To what extent has the Agreement led to the development of an environment conducive to an increase in **investment flows** and, in particular, to the improvement of the conditions of establishment between the Parties, on the basis of the principle of non-discrimination?	• Task 9.3: Analyse the evolution foreign direct investment *(statistical analysis of trends and developments since the start of the Agreement in foreign direct investments)*	• Analysis of time series investment statistics at different levels of disaggregation • Stakeholder consultations • Case studies
	JC 1A.5: To what extent has the Agreement led the liberalisation of current **payments and capital movements** related to direct investment?	• Task 9.3: Analyse the evolution foreign direct investment *(analysis of liberalisation of current payments and capital movements related to direct investment)*	• Same as JC 1A.4
	JC 1A.6: To what extent has the Agreement led to the effective and reciprocal opening of **government procurement** markets of the Parties?	• Task 9.7: Analyse the implementation of the Government Procurement chapter of the Agreement (*inter alia the share total value of procurement by all levels of government in the partner countries*)	• Analysis of time series procurement statistics at different levels of government • Case study
	JC 1A.7: To what extent has the Agreement led to the adequate and effective protection of **intellectual property rights**, in accordance with	• Task 9.4: Determine the impact on implementation of the Agreement of the various institutional structures (*assessment of progress made by the Sub-committee on Intellectual Property Rights*)	• Analysis of time series statistics on GI products • FTA legal provisions • Meeting documents (Sub-

Evaluation questions	Judgement criteria	Required analysis (ToR)	Sources of evidence
	international rules in force between the Parties, while ensuring a balance between the rights of intellectual property right holders and the public interest?	• Task 9.8: Analyse the implementation of other areas of the Agreement *(statistics on GI products in particular agri-food products)*	committee) • Desk research • Interviews
	JC 1A.8: To what extent has the Agreement led to tackle anticompetitive practices in an effective and efficient manner?	• Task 9.8: Analyse the implementation of other areas of the Agreement (*competition policy*)	• Desk research • Interviews • Workshops • Online consultation • Business survey
	JC 1A.9: To what extent has the Agreement led to the establishment of an expeditious, effective and predictable **dispute settlement mechanism**?	• Task 9.4: Determine the impact on implementation of the Agreement of the various institutional structures *(assess effectiveness of dispute settlement mechanism)*	• Desk research • Interviews
	JC 1A.10: To what extent has the Agreement led to promoting international trade in a way that contributes to the objective of **sustainable development**, and to work undertaken in order to integrate and reflect this objective in the Parties' trade relations?	• Task 10.1: Analyse the effects of the implementation of the Trade and Sustainable Development (TSD) chapter of the Agreement. • 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	• Desk research • FTA legal provisions • Meeting documents • EESC Information Report • Interviews • Workshops • Online consultation
	JC 1A.11: To what extent has the Agreement ensured that the cooperation of the Parties for **technical assistance and the strengthening of the trade capacities** contributes to the	• Task 9.6. Analyse the implementation of the Sanitary and Phytosanitary Measures chapter of the Agreement (*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*	• Desk research • Interviews • Workshops • Online consultation • Surveys on the impact of

Evaluation questions	Judgement criteria	Required analysis (ToR)	Sources of evidence
	implementation of the Agreement, and to the optimal utilisation of the opportunities offered by it according to the existing legal and institutional framework?	*Agreement*)	the Agreement on SMEs
EQ 1B: What has been the impact of the Agreement?	**JC 1B.1:** What has been the economic impact of the Agreement?	• 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. • Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador (*Bullet Point 6: Diversification of exports and imports; Bullet Point 10: Investigation of whether new enterprises started to export or whether enterprises already exporting started to export new products)* • Task 9.10: Analyse the impact of the Agreement on diversification of bilateral trade (*concentration ratios or the Herfindahl-Hirschman Index (HHI)*) • Task 9.9: Analyse the impact of the tariff concession granted by the EU for imports of bananas • Task 9.11: Analyse the impact of the Agreement on SMEs • Task 9.13: Analyse the impact of the Agreement on the budgets of the EU and the partner countries • Task 9.14: Analyse the impact of the Agreement on EU Outermost Regions (ORs) • Task 9.15: Analyse the impact of the Agreement on developing countries and Least Developed Countries	• CGE Model • Analysis of merchandise trade, reviewing growth trends per product lines and measuring the evolution of the diversification of exports over time using indicators such as for example concentration ratios or the Herfindahl-Hirschman Index (HHI). • Stakeholder consultations: survey, interviews and workshops • SME Survey

Evaluation questions	Judgement criteria	Required analysis (ToR)	Sources of evidence
		(LDCs)	
	JC 1B.2: What has been the social impact of the Agreement?	• Task 9.12: Analyse the impact of the Agreement on consumers • Task 10.3: CGE modelling / effects of the Agreement on wages, sectoral employment and household income at the macro level • 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 • Task 10.5: Informal economy and informal employment in Colombia, Peru and Ecuador • Task 10.7: Corporate social responsibility; • Task 10.8: Gender equality	• Trade and social statistics • CGE modelling results • Desk research • Interviews • Workshops • Online consultation
	JC 1B.3: What has been the environmental impact of the Agreement?	• Task 10.6: Assessment of the environmental effects (*Ex post* changes in natural resource intensity, global transport, and GHG emissions due to the Agreement compared to the counterfactual scenario without the Agreement)	• CGE model results: CO_2 emissions, sectoral outputs • Additional quantitative analysis • Interviews • Workshops • Online consultation • Case studies
	JC 1B.4: What has been the human rights impact of the Agreement?	• Task 11: Analyse the effects of the implementation of the Agreement on human rights	• Desk research • CGE model results • Interviews • Workshops

Evaluation questions	Judgement criteria	Required analysis (ToR)	Sources of evidence
			• Online consultation • Case studies
	JC 1B.5: 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?	• Task 8: Assess the EU-Andean Trade Sustainability Impact Assessment ('SIA')	• Desk research: comparative review of effects anticipated in the SIA and effects identified in the evaluation
EQ 2: What are the factors influencing (positively or negatively) the achievement of the Agreement's objectives?	**JC 2.1:** What are the factors that have influenced positively the achievements of these objectives?	• Identification of factors influencing the achievements of those objectives as part of the analysis listed above	• All sources of evidence / methodological tools listed under EQ1
	JC 2.2: What are the factors that have influenced negatively the achievements of these objectives?		
EQ 3: Has the Agreement had unintended (positive or negative) consequences, and if so, which ones?	**JC 3.1:** What social, human rights, environmental and/or economic impacts have resulted from the Agreement which were not intended?	• Identification of stakeholder groups that have been affected by the Agreement in an unintended manner • Identification of the Agreement's effects on economic, environmental, labour or human rights aspects as listed above	• CGE model results • Desk research • Interviews • Workshops • Online consultation • Surveys on the impact of the Agreement on SMEs
	JC 3.2: Have there been any positive unintended effects?		
	JC 3.3: Have there been any negative unintended effects?		
EQ 4: To what extent has the Agreement been efficient with respect to achieving	**JC 4.1:** To what extent have the preferences of the Agreement been utilised?	• Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador (*Bullet Point 4: Preference utilisation rate and foregone duty saving of economic operators of all Parties; Bullet Point 5: Use of tariff rate quotas)*	• Analysis of the preference utilisation rate and tariff rate quotas based on data provided by the Commission

Evaluation questions	Judgement criteria	Required analysis (ToR)	Sources of evidence
its objectives?	**JC 4.2:** How does the Agreement compare to existing preference schemes of the EU?	• Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador (*Bullet Point 3: Development of trade in goods against previously applicable GSP+ tariffs (zero tariff vs. tariff greater than zero under GSP+; Bullet Point 9: Comparison of the development of trade in goods between the signatory countries with a suitable reference group of countries)*	• Regression analysis in order to investigate whether the GSP status of a product had a significant increase on trade development • Analysis of COMEXT and COMTRADE data with a suitable reference group of countries (and Bolivia)
	JC 4.3: To what extent has the Agreement led to trade diversion?	• Task 9.1: Analyse the evolution of trade in goods between the EU, Colombia, Peru and Ecuador (*Bullet Point 7: Trade diversion)*	• CGE model results • Analysis of COMEXT and COMTRADE data
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?	**JC 5.1:** 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)?	• Identification of input and cost types related to the implementation of the Agreement • Calculation of economic impact of the Agreement (*based on CGE results)* • Analysis of the foregone tariff revenues due to tariff reductions • 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)	• CGE model results • Interviews • Workshops
	JC 5.2: How do these costs compare to the benefits, e.g. in terms of GDP increases?		
	JC 5.3: Is the distribution of costs and benefits proportionate among different stakeholder groups and interests?		

Evaluation questions	Judgement criteria	Required analysis (ToR)	Sources of evidence
		• Identification of stakeholder groups that have been affected by the Agreement in disproportionate manner	
EQ 6: Are there unnecessary regulatory costs (including administrative burden)?	**JC 6.1:** What are the regulatory costs (including administrative burden) associated with the Agreement? **JC 6.2:** What scope, if any, has there been to achieve the objectives at a lower cost?	• Identification of input and regulatory costs (including administrative burden) related to the implementation of the Agreement • Identification of areas where costs reductions could be achieved	• Document review • Interviews
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 for attainment of the SDGs?	**JC 7.1:** How do the provisions of the Agreement compare with the principles of current EU trade policy? **JC 7.2:** 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?	• 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?	• Document review • Description of the Agreement (Task 4) • Interviews • Workshops
EQ 8: To what extent do the provisions of the Agreement	**JC 8.1:** What are the current trade issues faced by the EU, Colombia, Peru and Ecuador? **JC 8.2:** To what extent can the	• Identification of key trade issues currently faced by the EU, Colombia, Peru and Ecuador • Qualitative assessment of stakeholders concerning the possibility of the Agreement to address the issues, and	• Interviews and document review regarding working of the specialised committees and working

Evaluation questions	Judgement criteria	Required analysis (ToR)	Sources of evidence
continue to be relevant in order to address the current trade needs and issues of the EU, Colombia, Peru and Ecuador?	provisions of the Agreement be used to address these issues? **JC 8.3:** Which trade issues are unlikely to be addressed by the Agreement?	identification of issues which may not be resolved through the Agreement	groups established under the Agreement • Workshops • Online consultation • Surveys on the impact of the Agreement on SMEs and consumers • Case studies

ANNEX IV. OVERVIEW OF BENEFITS AND COSTS [AND, WHERE RELEVANT, TABLE ON SIMPLIFICATION AND BURDEN REDUCTION]

Assessing the costs and benefits of a trade agreement is not straightforward. Throughout the evaluation, different types of costs and benefits accruing to different societal groups across all the partner countries have been identified; a peculiarity of trade agreements is that impacts in the non-EU partner countries constitute an important element of the assessment. Costs and benefits in the EU are, as a result of the EU single market, identified for the EU as a whole. The following table summarises the identified effects, i.e. costs, benefits, and net costs/benefits following to the maximum degree possible the Better Regulation tools 56-58. A table on ***Simplification and burden reduction*** is not applicable to the Trade Agreement and is therefore not presented.

Overall, from a societal perspective, the Agreement provides a clear net benefit: the increase in welfare, as proxied by the GDP increase by far outweighs the identified incremental costs caused by the Agreement in terms of compliance costs (mostly accruing to administrations) and indirect costs.

Table 1. Overview of costs and benefits identified in the evaluation[65]

	Citizens/Consumers	Businesses	Administrations
	Quantitative / Comment	Quantitative / Comment	Quantitative / Comment
Costs			
Direct compliance costs			
Adjustment costs	None identified	Businesses facing stronger import competition from the respective other party: reduction in sales/output – identified by sector.	None identified

[65] All identified costs and benefits are recurrent. Where costs and benefits differ between societal groups in the EU and the Andean partner countries, this is specified in the respective cells. Where no costs or benefits have been identified in the evaluation regarding a specific costs or benefit component, that component has been omitted from the table.

	Citizens/Consumers	Businesses	Administrations
	Quantitative / Comment	Quantitative / Comment	Quantitative / Comment
		Sectors with largest output declines calculated in the CGE model (2020; for all sectors, see Table 6-7 in external study): • EU: other food products (-€422 m), vegetables, fruits, nuts (-€279 m) • Colombia: basic pharmaceuticals (-€40 m), machinery (-€30 m) • Ecuador: automotive (-€40 m) • Peru: metals (-€147 m) Also, increased competitive pressure on sugar producers in EU Outermost Regions.	
Administrative costs	None identified	Costs related to additional paperwork for trading under the Agreement (preferential origin certificates): these are **optional**, as traders can choose to trade under MFN. Thus: • 0 if trading under MFN • Lower than benefits from using tariff preferences (if they were higher, traders would trade under MFN to minimise net costs)	None identified: Agreement uses already existing forms and procedures also used in other FTAs.
Regulatory charges	None identified	Charges for issuing preferential certificates of origin these are **optional**, as traders can choose to trade under MFN. See administrative costs	Reduction in tariff revenues: • EU: -€424 m • Colombia: -€771 m • Ecuador: -€28 m • Peru: -€44 m Charges for issuing certificates of origin should reflect cost of service, hence zero net cost.
Enforcement costs			
Information and monitoring	Costs related to preparation and participation in domestic mechanisms and monitoring under TSD Title: • Not quantified	None identified	Costs related to preparation and participation in annual meetings: • Not quantified

	Citizens/Consumers	Businesses	Administrations
	Quantitative / Comment	Quantitative / Comment	Quantitative / Comment
			Costs related to ongoing dialogue: • Not quantified Preparation of annual reports: • Not quantified Costs related to monitoring under TSD Title: • Not quantified
Indirect costs			
Environmental costs	Not quantified but estimated to be limited. Potential regionally limited/localised costs in terms of contribution to deforestation in Colombia, and pressure on biodiversity and water quality in areas where crops/products benefiting from tariff preferences under the Agreement (e.g. shrimps, avocados, bananas) are grown/produced.		
Social costs	Employment reallocation away from sectors facing increased competition. Sectors with largest declines calculated in the CGE model under the model assumption that total employment has not changed (2020 compared to a situation where the Agreement would not be in place; for all sectors, see Table 7-1 in external study): • EU: vegetables, fruits, nuts (-0.2%) • Colombia: basic pharmaceuticals (-1.3%), wool (-1.1%), machinery (-0.7%) • Ecuador: wool (-5.1%), automotive (-4.3%), metals (-2.4%) • Peru: basic pharmaceuticals (-1.0%), metals (-0.8%)	None identified	None identified
Costs related to human and labour rights, and working conditions	An expansion of practices such as forced labour or child labour as a result of the Agreement is not generally found (and indeed actions have been taken to reduce such practices – see under benefits below). However, it	None identified	As a result of closer monitoring as well as consumer expectations in EU markets, administrations in Andean partner countries have

	Citizens/Consumers	Businesses	Administrations
	Quantitative / Comment	Quantitative / Comment	Quantitative / Comment
	cannot be excluded that products involving forced labour might have been integrated into value chains and placed on the EU market.		incurred additional costs for enforcement of labour standards, e.g. by expanding labour inspection services. However, the level of attribution to the Agreement remains unclear, and no quantification has therefore been made.
Benefits			
Direct benefits			
Economic & social benefits	**Employment gains in sectors** benefiting from the Agreement. Sectors with largest gains calculated in the CGE model under the model assumption that total employment has not changed (2020 compared to a situation where the Agreement would not be in place; for all sectors, see Table 7-1 in external study): • EU: automotive (+0.1%), machinery (+0.06%) • Colombia: metals (+1.6%), transport equipment (+1.2%), vegetables, fruits, nuts (+1.2%) • Ecuador: other food (+3.8%), cereals (+2.7%), fishing (+2.0%) • Peru: other food (+1.8%), chemicals (+1.5%), vegetables, fruits, nuts (+1.3%) **Total effects** on employment/wages: not quantifiable due to CGE model specifications but expected to be proportional to output increase (see below 'wider economic benefits for societal groups', for businesses)	**For individual traders**: the use of tariff preferences constitutes a cost reduction/profit increase – this is optional (see administrative costs above). Thus: • 0 if trading under MFN • >0; and higher than compliance costs if using preferences. Preference utilisation of the Agreement is very high (close to 100% for Andean exporters) respectively increasing (for EU exporters, latest values ranging from 56% for exports to Peru to 72% for exports to Colombia); this shows that a large majority of traders considers the Agreement to provide a net benefit. **Exporting businesses overall:** increase in exports as calculated by CGE model – identified by sector (mirror to adjustment costs above). Sectors with largest benefits (2020; for all sectors, see Table 6-2 in external study): • EU: Automotive (€1.0B); machinery (€661 m) • Colombia: Chemicals (€128 m); vegetables, fruits, nuts (€62 m); other food (€57 m) • Ecuador: other food (€220 m); vegetables, fruits, nuts (€30 m) • Peru: other food (€202 m); chemicals (€196 m); garments	Not quantified. Increase in **government revenues** – higher tax collection due to net positive impact on businesses and economic growth. **Net effect** of tariff revenue losses and increase in other tax collection likely to be negative for Colombia, and insignificant for EU, Ecuador and Peru.

	Citizens/Consumers	Businesses	Administrations
	Quantitative / Comment	Quantitative / Comment	Quantitative / Comment
		(€57 m) **Combined <u>net</u> benefit for all businesses** (i.e. deducting adjustment costs for import-competing sectors as listed above) – total increase in **exports** across all sectors as calculated by CGE model: • EU: €2.7B • Colombia: €587 m • Ecuador: €52 m • Peru: €308 m	
Benefits from consultations and dialogue	Civil society groups have benefited from the consultation mechanisms established by the Agreement under the TSD Title both through the possibility to raise issues covered by the Title with the own authorities, and at the level of all Parties. Groups in Andean partner countries have also used the possibility to complain with the EU about alleged non-compliance of their authorities with the provisions of the Agreement, respectively ILO conventions. While there is disagreement across stakeholders regarding the level to which such complaints have been successful in remedying the situations, the Agreement provides an additional avenue for non-state actors to raise issues, which would not exist in the absence of the Agreement. Quantification of this benefit is not possible.	Indirect benefits for businesses from the mechanisms for consultations and dialogue arise from the fact that it is easier to report on (and correct) administrative decisions by which businesses are aggrieved: these can be raised to the own authorities who can then raise them with the partner country concerned through the consultation mechanisms. While the number of actual cases where this has happened is limited (and not always a solution has been found through bilateral consultations), the possibility of this type of mechanism alone may have had a disciplining effect on the Parties' authorities. Quantification of this benefit is not possible.	Although impossible to quantify, the Agreement has established a framework for dialogue between the Parties' administrations covering all areas of the Agreement (including trade related issues such as competition, government procurement, intellectual property rights, and trade and sustainable development issues), which has allowed to address and solve irritants, inform about and create understanding for upcoming policy changes. Stakeholders representing the authorities of all Parties confirmed that the creation and maintenance of open bilateral communication channels was one of the key benefits of the Agreement.
Indirect benefits			

<table>
<tr><td rowspan="2"></td><td>Citizens/Consumers</td><td>Businesses</td><td>Administrations</td></tr>
<tr><td>Quantitative / Comment</td><td>Quantitative / Comment</td><td>Quantitative / Comment</td></tr>
<tr><td>Wider economic benefits for societal groups</td><td>Not quantified due to CGE model constraints, but estimated as larger than costs:
• increase in availability, accessibility and diversity of goods and services thanks to reduction of tariffs
• positive (but limited) impact on welfare and poverty</td><td>Combined <u>net</u> benefit for all businesses (i.e. deducting adjustment costs for import-competing sectors as listed above) – total increase in output across all sectors as calculated by the CGE model (2020; for all sectors, see Table 6-7 in external study):
• EU: €5.7B (+0.01%)
• Colombia: €422 m (+0.06%)
• Ecuador: €236 m (+0.17%)
• Peru: €672 m (+0.16%)</td><td>None identified</td></tr>
<tr><td>Wider economic benefits – total society</td><td colspan="3">Increase in GDP, as measured through the CGE modelling (2020):
• EU: €1.3B (0.01% of GDP)
• Colombia: €42 m (0.01% of GDP)
• Ecuador: €128 m (0.16% of GDP)
• Peru: €49 m (0.03% of GDP)</td></tr>
<tr><td>Environmental benefits</td><td colspan="3">Reduction in global gross greenhouse gas emissions (-0.7Mt CO_2eq) – as calculated based on the CGE model, i.e. only considering tariff change effects and not considering LULUCF emissions. (Shift of production from (more emission-intensive) third countries to (less emission-intensive) EU)</td></tr>
<tr><td>Benefits related to human and labour rights, and working conditions</td><td>Labour standards in sectors exporting (more) to the EU have benefited from the Agreement: for example, as noted by stakeholders, given that flower exports to the EU accounted in 2019 for 10% of the Colombian total exports in this sector, expectations of European customers possibly played a role in exercising pressure on Colombian producers to respect labour standards. Similar examples were mentioned for other sectors.
Regarding child labour, the Agreement may have contributed to reduced incidence through creating formal job opportunities for adults, mainly in agriculture respectively in rural areas.
Through dialogue under the TSD Title the Agreement</td><td>The Agreement and technical assistance provided by the EU have contributed to the promotion of CSR practices in the Andean countries and among companies involved in trade with the EU, and respect for human rights and labour and environmental standards through certification schemes.
Enhanced certification has strengthened the competitiveness of businesses and allowed them to export at premium prices to the EU.</td><td>None identified</td></tr>
</table>

	Citizens/Consumers	Businesses	Administrations
	Quantitative / Comment	Quantitative / Comment	Quantitative / Comment
	has led to benefits for the human and labour rights situation in areas where assistance projects have been implemented or where the EU side was able to take own actions. In other areas where improvements are noted – such as eradication of child labour, formalisation of work, or strengthening trade unions, actions were already taken prior to the Agreement's start of application. Although dialogue with the EU under the Agreement is likely to have encouraged their continuation but it is difficult to attribute the positive developments to the Agreement. Quantification of these benefits is not possible.		

ANNEX V. STAKEHOLDERS CONSULTATION - SYNOPSIS REPORT

1. Introduction

Stakeholder consultations have been an essential element of this evaluation of the impact of the trade agreement between the European Union and its Member States, of the one part, and Colombia, Ecuador and Peru, of the other part. The consultations did not apply to one single area of analysis but fed into all parts of the evaluation (economic, social, environmental, human rights, and sectoral analyses, as well as horizontal issues). The consultation process served to engage with all interested parties, contribute to the transparency of the evaluation, and identify priority areas and key issues.

In order to have a balanced view from across society, stakeholders that participated in the consultations were selected taking into account:

1. Different roles and functions they perform, including government representatives and related government agencies, businesses and business associations (exporters, trade-related services, etc.), trade unions, NGOs, academia, civil society, and think tanks;
2. Different thematic areas in which they have expertise: labour and social issues, human rights, environmental issues, sectoral (agriculture, textiles, machinery, chemicals, etc.).

2. Overview of overall stakeholder involvement

This section describes the different consultation tools applied in the evaluation, as well as the number of stakeholders/participants per consultations tool and per country and potential challenges experienced during implementation of the consultation strategy.

Open public consultation

An online Open Public Consultation for the Evaluation of the FTA between the EU and its Member States and Colombia, Ecuador and Peru was open for an initial period of 12 weeks, but extended to align with other elements of the consultation process. It was launched on 13 January 2021 and open until 06 May 2021. The questionnaire was available in English, French, German and Spanish. It not only included a general survey on the implementation and impact of the trade agreement, as well as specific questions regarding each of the impact dimensions (economic, social, human rights, environment). All citizens, organisations and public authorities, regardless of where they are located, are welcome to participate in this survey. (Further, a separate survey for businesses with topic-specific questions was carried out, which allowed business stakeholders to answer tailor-made questions more relevant to them; the business survey was additional to the OPC and not part of it).

A total of 70 respondents participated in the online public consultation. About 60% of the respondents were from the three partner countries, and EU respondents came from Belgium, Spain Portugal, Germany, the Netherlands, the Czech Republic, France, Hungary, Italy, and Romania.

By type of respondent, 30 responses (43%) represented business interests (comprised of companies and business associations), 13 (18%) civil society (NGOs, environmental and consumer organisations, and academia), seven (10%) respondents provided their views as individuals (EU and non-EU citizens), another seven (10%) were from public sector entities, and 13 (19%) were from other stakeholders (including trade unions).

Workshops

The consortium organised stakeholder workshops in Colombia, Peru, and Ecuador in March 2021 (consultations in the EU were held as part of DG TRADE's civil society dialogue meetings and individual interviews). These workshops had a dual purpose of presenting and discussing the work conducted. They served to share preliminary results and to receive feedback on these, as well as to gather additional input for the evaluation. The workshops, due to the COVID-19 pandemic prevented the consortium from organising physical meetings. Instead, online Webex meetings were organised; each workshop was held for two half-days.

In each of the workshops, a balanced number and type of participants was targeted to ensure a good representation of the different types of stakeholders. Furthermore, locally recognised speakers provided more information of the local context (economy, competitiveness, environment, human rights, and other issues) to both attract attendees and to start the discussion during the workshop itself. Sufficient time was made available for an interactive discussion with participants, and a discussion leader ensured that the discussion was balanced, and different views were heard. The table below provides an overview of the workshops and the number of workshop participants in each country.

Table 1 Overview of stakeholder workshops

Country	Workshop data	Number of workshop participants
Colombia	02 & 05 March 2021	85 organisations (297 participants)
Ecuador	11 & 12 March 2021	64 organisations (97 participants)
Peru	17 & 18 March 2021	52 organisations (103 participants)

In each case, organisations covered government and public sector entities; the respective EU Delegation, business associations as well as individual businesses, representatives of the EU business community in the country, trade unions, academia, civil society organisations working on a diverse range of issues including human rights, labour and social issues, and environmental protection, and individual citizens. More details about the workshops, including the lists of participating organisations are available in separate workshop reports[66].

Interviews

For more detailed discussions with stakeholders, the consortium also conducted personal interviews with about 150 stakeholders (mostly organisations, and some individual interviewees). These interviews helped to obtain more detailed information on the impact of the trade chapters of the Agreement. Due to the Covid-19 pandemic, most interviews were held virtually, although evaluation team members based int eh partner countries could hold some physical meetings. While the majority of interviews were conducted one-to-one, on some occasions, these took place in the form of group interviews. The interviews complemented the economic, sectoral and sustainability analyses. The interviews were conducted with a balanced representation of the different types of stakeholders, including representatives of trade and industry associations, companies including SMEs, civil society and environmental organisations, government academics and other (sector and/or local) experts. The table below provides an overview of the number of interviews conducted in each country.

Table 2 Overview of interviews in each country

Country	Number of organisations interviewed[67]
EU	26[68]
Colombia	40
Ecuador	49
Peru	36

The interviews were spread over the following categories of organisations: public sector (29/19%), business associations (44/29%), businesses (28/19%), trade unions (7/5%)NGOs (30/20%), and researchers / academia (13/9%).

[66] Available from http://andean.fta-evaluation.eu/es/consultations-es/talleres.
[67] Often, several individuals from individual organisations participated in the interviews.
[68] Interviews with EU interests in the Partner countries (such as trade counsellors in EU Member State embassies or bilateral chambers) are partly counted among the Partner countries.

Several challenges were experienced when organising the stakeholder interviews. In general, in all countries there was a lack of knowledge and awareness of the Agreement, including among EU stakeholders. This made the targeted stakeholders hesitant to participate. While actively reaching out to stakeholders with anticipated knowledge on social, human rights and environmental impacts of the trade agreement, the awareness and interest of these stakeholders turned out to be particularly limited. Furthermore, the COVID-19 pandemic in 2020 did hamper a smooth interview process.

Civil Society Dialogue

The civil society dialogue meetings regularly held by DG TRADE provided an additional opportunity to receive further inputs from EU civil society on the preliminary findings. Three meetings were organised with the civil society dialogue, on 3 July 2020, 20 April 2021 and 15 November 2021. During these meetings, the representatives of the civil society monitored the progress of the evaluation and provided comments to ensure the quality and objectivity of the reports.

Unfortunately, a physical meeting in Brussels was not feasible due to COVID-19 restrictions, so it was organised virtually through Webex.

Website, email and social media

Different consultation tools were used for the dissemination of information and for maximising our outreach. These include an email account, newsletters, a dedicated website as well as a Twitter account. Through these multiple channels, we reached out to the more than 1100 stakeholders in the evaluation team's database (500 in the EU and more than 200 in each of the three partner countries), kept them up to date and invited them to participate in the consultation activities.

3. Summary of Stakeholder Contributions

Across the various consultation channels and pillars, the contributions received from the different groups of stakeholders were fairly coherent. Overall, respondents in the Andean partner countries were more positive about the effects of the Agreement than EU respondents, and public sector and business representatives were more positive than NGOs and trade unions. Whereas the former tended to focus on the economic effects, as well as the Agreement's role (and remaining issues) for facilitating trade, the latter focused on the non-economic aspects related to the Agreement – in particular issues covered by the TSD Title, and the role (and associated issues) of civil society participation in the implementation and monitoring of the Agreement.

3.1 Views on the Agreement's effectiveness and efficiency

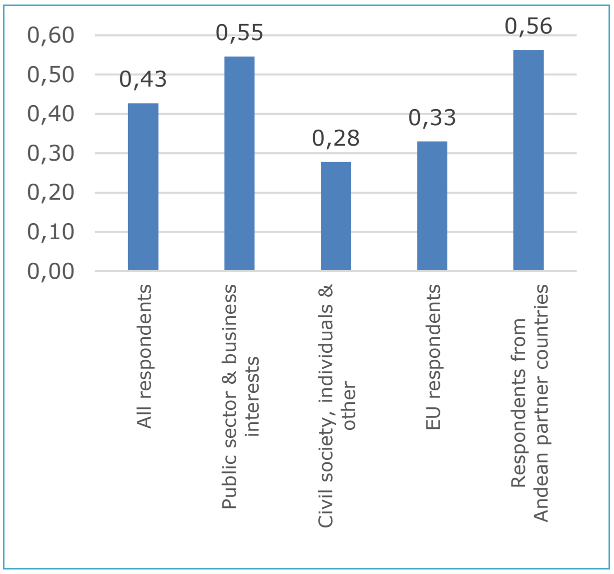
Achievement of the Agreement's operational objectives

In the OPC, stakeholders assessed the achievement of the Agreement's operational trade objectives – liberalisation of tariffs, NTBs, trade in services, public procurement markets, investment barriers, and strengthening of IPR and GIs, and technical assistance – clearly positively. Dispute settlement under the Agreement was also viewed slightly positively, on average. There is little difference in perceptions between EU and partner country stakeholders with respect to the trade and economic objectives (in the OPC, EU respondents were slightly more positive about these, on average, than partner country respondents), with one exception: EU stakeholders are more critical than their peers in the Andean countries regarding the protection of IPRs/GIs. EU business representatives also mentioned occasional problems in relation to tax treatment in the Andean partner countries, registration requirements and the high burden of administrative paperwork, both in relation to trade in food products, and public procurement. Andean business stakeholders, in contrast, were mostly concerned about strict SPS requirements in the EU and about the threat that these will become even stricter in the future.

However, the views expressed regarding the achievement of the Agreement's objectives related to ensuring inclusive and equitable trade between the Parties (incl. uptake of CSR/RBC and promotion of fair trade), fostering environmentally sustainable trade, promoting labour standards and decent work, avoidance of negative impacts on the enjoyment of human rights, and contributing to the achievement of the SDGs were on average negative. Views on these topics differ substantially across stakeholder groups, with EU stakeholders markedly more critical than Andean stakeholders. Similarly, business and public sector respondents see a neutral or a modestly positive role of the Agreement with respect to the achievement of non-economic objectives – whereas civil society and individual respondents are clearly more dissatisfied with the Agreement.

To measure the **overall level of stakeholder satisfaction with the achievement of operational objectives**, in the OPC an index was constructed, ranging from +2 (most positive assessment) to -2 (most negative assessment)[69]. This indicates that, on average, all of the main stakeholder groups assess the Agreement positively: index scores are all positive (zero would indicate a neutral view), with an average score of 0.43 (Figure 3). Business and public sector respondents are more positive (0.55) than civil society and individuals (0.28), and respondents from Andean countries are more positive (0.56) than EU respondents (0.33).

Figure 1: Achievement of operational objectives as seen by stakeholders (overall score)



Source: Authors' calculations based on responses to the OPC.

Involvement on non-state actors in the implementation and monitoring of the Agreement

On average, the Agreement's role in establishing a framework for civil society participation in implementation and monitoring is, on average, seen rather critically. At the same time, the differences in views between civil society and trade union representatives on the one hand, and public sector and business representatives on the other, are even greater than the differences in their views regarding the substantive performance of the Agreement.

While all stakeholders appreciate the existence of the TSD Title and the institutions which it has established, and compare these favourably with other trade agreements, in particular the civil society and trade union representatives consulted during the course of the study (including those represented in the DAGs/domestic consultative bodies) consider that the extent to which views and contributions by non-state actors are taken up by the Parties is insufficient.

[69] For details, see the summary report for the OPC, http://andean.fta-evaluation.eu/images/reports/H_OPC_report.pdf.

In their explanations, most stakeholders mentioned weaknesses in the current composition of the DAGs as well as the reluctance of governments/the Parties to take on board or consider views of civil society actors. Most of the critical comments referred to the situation in the partner countries rather than the EU.

3.2 Views on the Agreement's impact

Economic impact

Among all stakeholders consulted, a clear majority considered the economic impact of the Agreement to be positive for all four Parties. In the OPC, the overall positive assessment was held across all respondent groups (by type and by region), but views differed considerably across sub-groups of respondents. Thus, EU respondents tended to view the largest economic benefits as arising in the Andean partner countries and vice versa. Business and public sector respondents saw the strongest positive impacts arising in the Andean partner countries, but took the view that there are also considerable positive effects on the EU economy. On the other hand, civil society, trade union and individual respondents found the largest benefits arising for the EU economy and only smaller benefits for the Andean partner countries – but positive impacts nevertheless.

Stakeholders generally considered the main positive impact to stem from increased trade between the Parties as the basis for wider economic benefits. However, a number of stakeholders also noted that exports from the Andean countries have not diversified (as much as expected), that certain sectors have not benefited, and that benefits have not been distributed equitably.

With respect to the economic effects of the Agreement **in the EU**, the overall view across stakeholders is positive. Increased exports of goods to the Andean partners were mentioned as the most positive effect. Also, exports of new products, and exports by new exporters were mentioned as positive effects. In the OPC, EU services export increases were also mentioned as a benefit by many respondents, although this positive view was not confirmed in the interviews held, where EU business stakeholders unanimously stated that the Agreement had had no effect on services trade (nor on EU investment in the partner countries). In the OPC, the only negative effect noted by respondents overall was that SMEs have benefited less from the Agreement than larger firms; this perception was also present in the business survey.

In the OPC, although broad agreement across different groups of respondents (by region and stakeholder type) was evident on most effects, regarding some effects views differed substantially. In particular:

- EU respondents were sceptical about the Agreement's effects on EU firms' production costs and EU public revenues, and also to a lesser extent about the

Agreement's effect on enabling access to new technologies and the facilitation of bilateral value chains. Andean respondents saw much more positive effects in these areas.

- Business and public sector respondents were relatively more positive than other stakeholders about the access to technology which the Agreement has generated for EU firms, as well as about Andean investment in the EU facilitated by the Agreement. Conversely, civil society and other respondents considered cheap access to inputs and associated reduction in production costs as the main effect of the Agreement in the EU.

Stakeholders also view positively the Agreement's economic effects **in the Andean partner countries**, although slightly less so than effects in the EU. Among the strongest perceived positive effects are increases in Andean partner countries' goods exports to the EU and a higher involvement of partner country firms in bilateral value chains. Increased EU investment in the partner countries was also noted as one of the most important benefits in the OPC, although, as mentioned above, in interviews EU business representatives denied that there was such an effect. In fact, all of the interviewed EU investors stated that the Agreement had played no role in their investment decisions. Other, but slightly less important positive effects mentioned by stakeholders include an overall strengthening of the partner country economies, increased partner country services exports to the EU, and a reduction in partner country firms' production costs.

As in the case of the EU, respondents to the OPC (and the business survey) considered that Andean country SMEs had benefited less from the Agreement than larger firms. However, in interviews, Andean country stakeholders, including MSMEs, considered that the MSMEs had benefited much from the Agreement, primarily because of the tariff liberalisation and technical assistance made available. Other negative economic effects mentioned by some stakeholders were increased import competition in certain sectors and for certain groups (the dairy sector and smallholder farmers were mentioned), slower export growth and a worsening of trade balances since the start of application of the Agreement, as well as a return to increased exports of primary products by the Andean countries. In the EU, negative impacts on the sugar and banana sectors of the EU's outermost regions were mentioned, resulting from increased exports from the Andean partner countries to the EU.

Compared with the views on effects in the EU, different groups of stakeholders hold more diverse views on the Agreement's economic and business effects in the partner countries. In particular:

- EU respondents were more positive than partner country stakeholders about the Agreement's effects on partner country firms' access to better technology, partner country investments in the EU, and the effect on the Andean economies overall.

Conversely, Andean respondents were more positive about the Agreement's impact on production costs for Andean firms and on a stronger involvement of partner country firms in bilateral value chains.

- As already mentioned above, business and public sector respondents were more positive than other stakeholders regarding most economic effects of the Agreement. The largest differences in views between these and other stakeholders (civil society, trade unions and individual respondents) were observed with respect to government revenues, partner country services exports, and the impact on the economy overall.

In terms of sectoral effects, the sector mentioned most often by stakeholders is agriculture and agroindustry in the Andean countries. A large majority of stakeholders finds positive economic impacts for this sector (but mixed social and environmental impacts; see below), driven by the increase in exports. In turn, a majority of OPC respondents that listed this sector as being affected in the EU noted a negative effect, mostly due to 'unfair competition generated by imports from Andean countries.' Especially the effects for banana and sugar producers in the EU's outermost regions were mentioned, and this was true also of the views expressed by stakeholders in interviews. Two agricultural sub-sectors, dairy and processed potatoes, were also seen as negatively affected in the Andean countries (but not mentioned for the EU). In both cases this was attributed to subsidies provided by the EU, creating unfair competition with small scale producers in the Andean partner countries.

Other sectors mentioned several times as having benefited from the Agreement for the Andean countries are fishery/shrimps and aquaculture, tourism, and the automotive sector. This latter sector is also the only one, where net positive effects were mentioned in the OPC both for the EU and the Andean partner countries.

In terms of the relative magnitude of the impact across the Parties, stakeholders agreed that these were greater in the Andean partner countries than in the EU. For example, in the OPC, respondents mentioned 17 sectors as affected (positively or negatively) by the Agreement, but only five in the EU.

Social impact

In the OPC, a majority of respondents also considered that the Agreement had exerted a positive influence on social development in each of the Parties. However, the majority is less clear than for the economic impact, with a relatively high share of respondents finding no effect, especially in the EU.

As in the case of economic effects, EU and especially civil society respondents are more critical regarding the effects in the Andean partner countries, whereas public sector and business respondents consider that the Agreement's influence in the EU is small. All stakeholder groups consider that the influence on social development issues in Ecuador was most positive. In the OPC, few respondents – mostly civil society representatives – provided responses to more detailed questions on social development effects of the Agreement, and most of those who did considered that the Agreement had had no impact on most of the social indicators.

In interviews, business representatives provided little information on the Agreement's overall social impacts. However, frequent references were made to the support triggered by the Agreement for enhancing and expanding CSR practices and more sustainable production. The main channels mentioned through which the Agreement contributed to these were: first, EU consumer expectations and the corresponding strict requirements for and monitoring of production conditions in the Andean countries (notably for the major exporting agricultural sectors benefiting from the Agreement); second, the work undertaken under the Agreement's TSD Title; and third, technical and financial support and projects funded or implemented by the EU and EU Member States in relation to working conditions and labour rights.

Conversely, trade union representatives and civil society organisations were more critical in the interviews, highlighting continued precarious employment conditions, especially in agricultural sectors under special labour regimes, violations of labour rights, and negative effects of EU import competition on smallholder farmers and small businesses in the Andean partner countries. On the positive side, they acknowledged the good intentions of the TSD Title, as well as appreciating the opportunity provided for public-private dialogue on matters related to the Agreement both domestically (as part of the domestic consultation mechanisms) and at the level of the Parties (at the annual meetings). However, most were also disappointed about what they perceived to have been a lack of follow-up to recommendations and complaints made by non-state actors.

Environmental impact

A majority of respondents to the OPC considered that the Agreement has exerted a positive influence on environmental issues in each of the Parties. However, for the Andean countries the majority was small, and respondents were clearly divided in their assessment, with relatively large numbers of responses finding either 'strong' positive or 'strong' negative effects. For the EU, many stakeholders found no environmental impact.

As for the other impact areas, EU and civil society respondents were more critical regarding the Agreement's environmental effects, especially those arising in the Andean partner countries, where on average they find that the Agreement has had negative environmental effects. Conversely, Andean respondents were clearly positive about the effects in the Andean countries.

Some stakeholders were concerned about the negative environmental implications of increases in output (especially in agriculture and mining)[70] and transport caused by the Agreement. Specific concerns were raised regarding the impact of increased shrimp production on mangroves, as well as the impact of increased agricultural production on deforestation. Attempts by the Andean governments to lower environmental standards in order to expand production and exports were also mentioned.

On the positive side, the effects of the Agreement's TSD Title on strengthening environmental norms and commitments were pointed out by a number of stakeholders. Possibilities for the Andean partner countries to benefit from EU know-how in green technologies and renewable energy, and the facilitation of imports of environmental goods from the EU were also mentioned as environmental benefits of the Agreement.

Human rights impact

In the OPC, as in the case of environmental effects, respondents were divided over the influence which the Agreement has had on human rights, especially in Colombia and Peru, where almost the same number of respondents find a negative influence as those who find a positive influence; for Ecuador and the EU, majorities saw positive effects. In interviews, stakeholders for the most part considered that the human rights impacts in the EU were negligible.

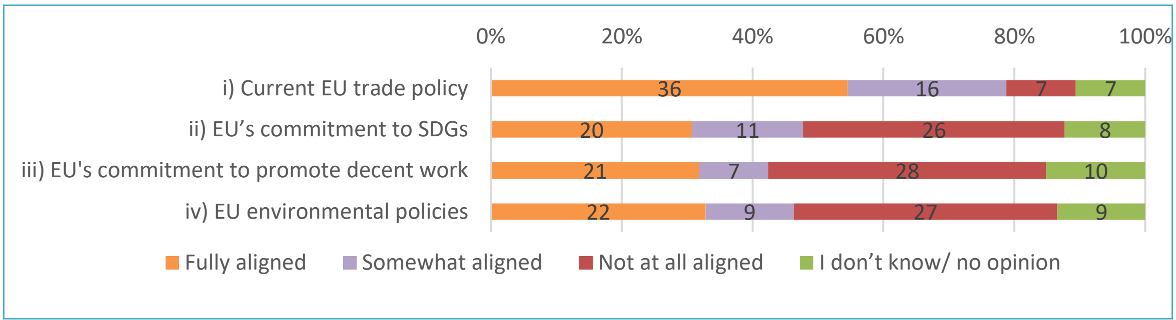
Labour-related rights were seen as being the rights most impacted by the Agreement. Broader social rights, such as the right to an adequate standard of living and the rights of indigenous peoples and rural communities were also mentioned by some stakeholders, as were the limited powers which the Agreement provides to address human rights matters under the TSD Title.

3.3 Views on the Agreement's coherence with other EU policies

OPC respondents' views on the Agreement's coherence with wider EU policy objectives were divided. A large majority considers that the Agreement is fully or at least somewhat aligned with the EU's trade policy, but simple majorities of respondents considered that it is 'not at all aligned' with the EU's commitment to attainment of the SDGs and to the promotion of decent work, nor with EU environmental policy objectives (Figure 2). EU respondents as well as civil society/trade unions/individuals were particularly critical of the Agreement's alignment with wider EU policy objectives (Figure 3).

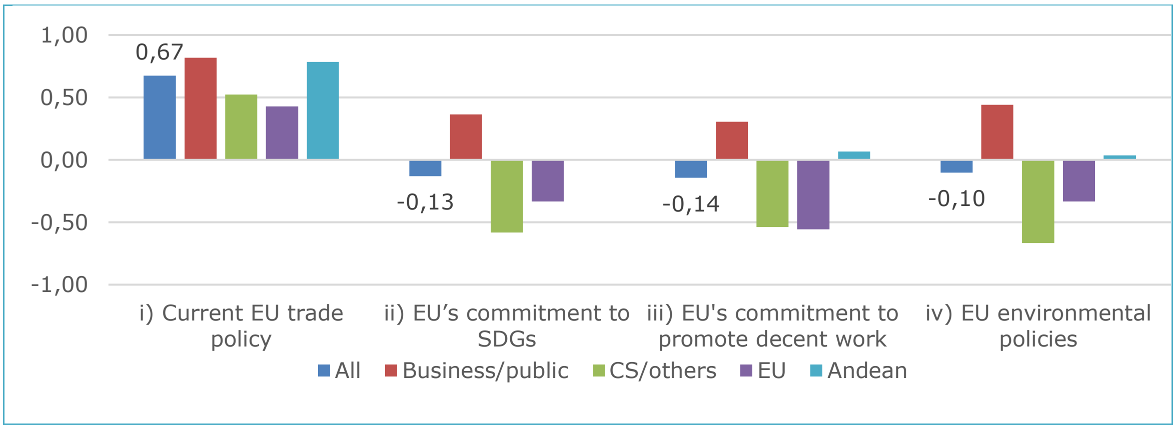
[70] It should be noted that the Agreement provides no tariff or other preferences for mining exports from the Andean partner countries.

Figure 2: Distribution of views on the Agreement's alignment with EU policy objectives (nr and % of responses)



Source: Authors' calculations based on responses to the OPC.

Figure 3: Views on Agreement's alignment with EU policy objectives, by respondent type and region (index scores)



NB: Index values range from -1 (all respondents noting no alignment at all) to +1 (all respondents noting full alignment). 56 to 59 respondents expressed their views on the different policy areas.

Source: Authors' calculations based on responses to the OPC.

Stakeholders (especially NGOs) noted, both in the OPC and in interviews, the divide between the intentions in the Agreement to contribute to sustainable development and the implementation practice of the Agreement. Many called for a strengthening of the institutions and procedures established under the TSD Title and/or the setting of clearer sustainable development targets in the context of the Agreement.

3.4 Overall views on the Agreement and its need for improvement

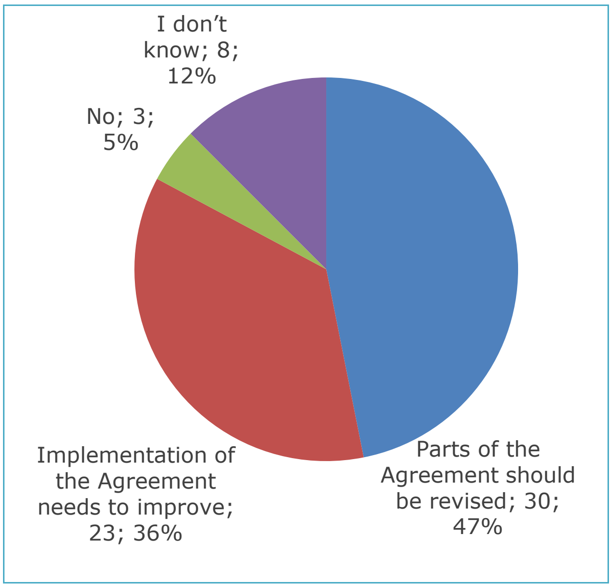
The more critical comments made by EU stakeholders are reflected in their overall findings of relatively fewer positive aspects of the Agreement. The liberalisation of trade and deepened commercial relations, enhanced transparency of the business environment, as well as the TSD Title are mentioned as positive aspects of the Agreement. Andean respondents are overall more positive about the Agreement, mentioning in particular increased export opportunities to the EU.

The weaknesses of the Agreement identified by stakeholders, including OPC respondents, refer to a range of issues. A number refer to a deepening of inequalities caused by the Agreement between the EU and the Andean countries and between (large) companies and smallholder farmers/workers, as well as a lack of diversification and sustainable development effects in the Andean partner countries. The lack of effective implementation of the TSD Title and a general negligence of socially inclusive and environmentally sustainable development issues are also mentioned. Some stakeholders also mentioned the trade barriers that remain between the Parties, and negative effects in certain sectors (bananas), as negative aspects of the Agreement.

Of the 64 OPC participants that responded to a question on the need for improvement of the Agreement, almost half considered that parts of the Agreement should be revised, and another third stated that the implementation would need to improve (Figure 6). Only 5% saw no need for changes in either the implementation or the text of the Agreement.

Andean-based respondents as well as civil society respondents in particular saw the need for a revision of the Agreement. In each case, more than half of these respondents called for a revision of the Agreement, but even among EU-based and business/public sector respondents about a third considered such a revision to be needed.

Figure 4: Perceived need for changes in implementation and text of the Agreement (%; n=64)



Source: Authors' calculations based on responses to the OPC.

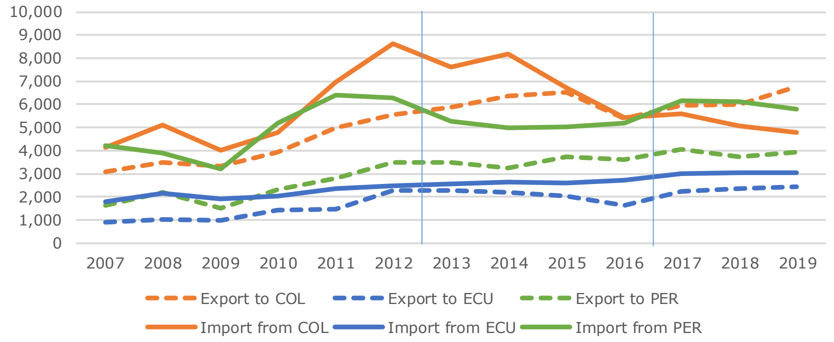
With respect to the type of changes suggested for an improved Agreement or improved implementation, most EU stakeholders referred to a strengthening of TSD issues. Others called for further efforts to remove remaining (esp. technical) barriers to trade between the Parties (mostly business representatives), and a strengthening of institutional provisions including the involvement of civil society. These issues were also mentioned by Andean stakeholders, but a higher share of them referred to improvements in the economic and operational aspects for traders, such as removal of TBTs, efforts to enhance SME participation in trade, or investment.

ANNEX VI. TRADE IN GOODS

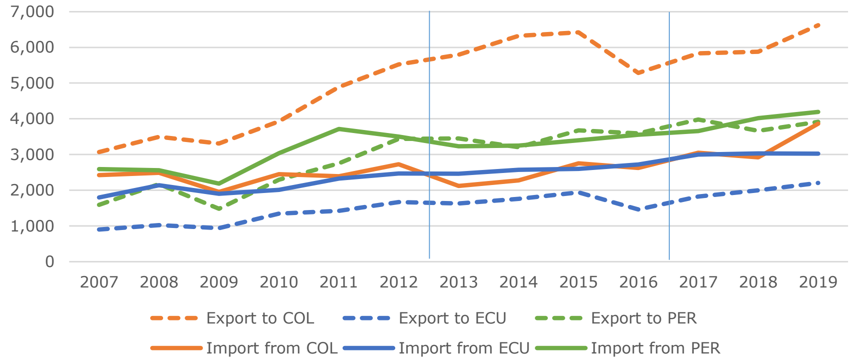
Figure 1 shows the development of bilateral merchandise trade between the EU and the three partner countries over the evaluation period (2007 to 2019). For the interpretation of the trade data, it is important to keep in mind that the Andean partners were EU GSP+ beneficiaries prior to the Agreement's application, and that, therefore, a considerable share of their exports already benefited from duty-free access to the EU market.

Figure 1: EU28 bilateral trade with partner countries, 2007-2019 (€ million)

a) Total bilateral trade

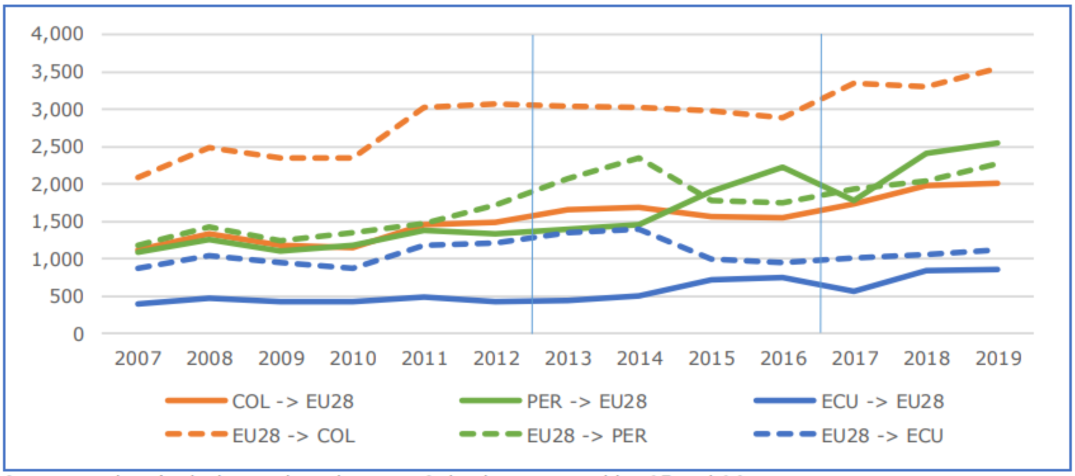


b) Bilateral non-mineral fuels, non-ore trade (total less HS27 and HS26)



Source: Calculations based on COMEXT database.

c) EU28 bilateral services trade with partner countries, 2007-2019 (USD million)



Source: Authors' calculations based on BaTIS database, see Tables 25 and 26 in Annex B.

ANNEX VII. EFFECTS ANTICIPATED IN THE SIA V EFFECTS IDENTIFIED IN THE *EX POST* EVALUATION

2009 SIA findings	*Ex post* evaluation findings	Evaluation findings compared to SIA findings
Impacts in the EU		
Overall: no significant impacts	**Overall: no significant impacts**	**Same finding**
'No change in EU **GDP** and the impact on EU **trade** flows is negligible'	In relative terms, marginal (positive) changes in EU GDP and EU trade flows	Same finding
EU **investment** in partner countries: 'European firms may also benefit from improved opportunities in some parts of the services sector but these positive impacts are not expected to be significant'	Negligible impact on EU investment in partner countries, including in services sector	No impact found compared to (marginal) positive impact in SIA
Economic impacts in the Andean partner countries		
Agriculture and agricultural processed goods sector: only **horticulture** (edible fruits, nuts and vegetables) is expected to increase production across all Andean countries	Increase in output in all 3 partner countries for horticulture (vegetables, fruits, nuts) and other food products (incl. processed food)	More positive impact found: benefits for Andean countries in more agricultural sub-sectors.
Forestry and **fisheries**: mixed results with both increases and decreases in output according to individual countries	Forestry: marginal impacts in all 3 partner countries; fishery: (small) positive impacts in Ecuador and Peru, no impact in Colombia	More positive impact found: no decrease in forestry and fishery production in any partner country
Primary **mining** is estimated to increase production	Marginal changes in mining activity – positive and negative	No impact on mining found - no preferences under Agreement
Output of **light industrial goods** (textiles, clothing, and leather goods) will generally increase	Mixed effects across sub-sectors and countries: mostly small gains in Colombia; decreases in Ecuador; mixed effects in Peru	More nuanced impacts, ranging from decreases in output for certain sub-sectors and countries to increases in other sectors and countries
Output of **heavy-industrial goods** will increase *on average*	Mostly small decreases	Less positive impact than expected in SIA

2009 SIA findings	***Ex post* evaluation findings**	**Evaluation findings compared to SIA findings**
Decreases in the output of the **financial, insurance, business and recreation services**	Small but mixed effects	More nuanced impacts, ranging from decreases in output for certain sub-sectors and countries to increases in other sectors and countries
Output in the **utilities, construction, distribution and communication** sub-sectors are predicted to increase	Small but mixed effects	More nuanced impacts, ranging from decreases in output for certain sub-sectors and countries to increases in other sectors and countries
Investment agreement is expected to have a positive impact on inbound capital flow and employment	Investment provisions in the Agreement have not impacted investment levels	No notable positive impact found
Potential benefits of **government procurement** are positive	Hardly and changes in government procurement	No notable positive impact found
Social and environmental impacts in the Andean partner countries		
Overall: significant environmental and social challenges	**Overall very limited impact, with some positive and some negative effects**	**Rather than significant negative impact, small and mixed impacts are found**
Potential for positive impacts of **banana** sector expansion (Colombia, Ecuador) and other agricultural commodities in Peru and Bolivia on household incomes and poverty reduction depends on local re-investment of large foreign companies	Increased employment in the banana and other agricultural sub-sectors has not always gone hand-in hand with improved working conditions. The Agreement's influence on working conditions and incomes of workers and small producers (through the TSD Title) is likely to have been rather limited. Re-investments do not seem to have been relevant.	SIA expectation confirmed, but different explanation.
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. The	No impact, because the Agreement has not impacted output of mining	Absence of the expected significant negative social and environmental impact.

2009 SIA findings	***Ex post* evaluation findings**	**Evaluation findings compared to SIA findings**
mining sector is a key source of water pollution (acid water with high metal content) which gives rise to health problems for local communities.		
Key sources of **pollution** are discharges from mining activities, industrial and agricultural processing and agricultural runoffs.	Overall small effects. Small negative impact in Colombia on water and air quality; marginal effects in Ecuador and Peru. Localised/regional negative effects e.g. from avocado output increase.	Lower negative impacts than anticipated.
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.	No impact, because the Agreement has not impacted output of forestry sector.	Absence of the expected significant negative environmental impact.
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	Small impact on permanent deforestation in Colombia resulting from the expansion of commercial agriculture. It is unlikely that this deforestation occurred in the most (biodiverse) intact areas in Colombia. For Ecuador and Peru, there is no evidence that deforestation driven by agriculture is linked to the Agreement.	Lower negative impacts than anticipated
Loss of biodiversity and environmental deterioration will potentially cause **adverse impacts for vulnerable groups** whose livelihoods and food security depend on traditional agricultural production, especially indigenous people	Problems are mostly related to mining; no impact of the Agreement found	Lower negative impacts than anticipated
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	Sectoral employment shifts in Colombia and Peru are limited; employment contraction in Ecuador up to 4.3% in the automotive sector, with gains of	More limited trade adjustment effects than anticipated in Colombia and Peru; effect as expected in Ecuador

2009 SIA findings	***Ex post* evaluation findings**	**Evaluation findings compared to SIA findings**
decline in household incomes.	up to 3.9% in food processing.	
Improvements in **pollution control** due to improved access to environmental goods and services	No impact from liberalisation found; limited positive impact from TSD Title implementation.	Lower positive impact than anticipated
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	No impact in Ecuador and Peru, and decrease in government revenue in Colombia of about 1.2%. This may have limited the availability of funds for social expenditure, depending on the prioritisation made by the government	No negative impact as anticipated in Ecuador and Peru. Impact in Colombia largely as anticipated.
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.	No impact as no liberalisation of infrastructural services has taken place.	No actual impact compared to the anticipated mixed impact.

Source: Development Solutions, CEPR, and University of Manchester (2009); consultant team reports.

Annex VIII. Utilisation TRQs

Utilisation of EU TRQs by partner countries, 2013-2020 (% of quota)

	2013	2014	2015	2016	2017	2018	2019	2020
CO								
AV0-MM Mushrooms of the genus Agaricus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AV0-SC Sweetcorn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AV0-SP Other sugar confectionary & food pr	0.0	1.3	1.2	1.5	1.5	1.2	1.7	1.1
BF Boneless bovine meat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CM Concentrated milk, sweetened	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RM Rum	0.0	0.0	0.0	0.0	0.0	58.8	0.0	0.0
SR Cane sugar	67.8	79.4	89.6	96.2	91.8	61.4	89.8	100.0
YT Yoghurt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PE								
BF Bovine meat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BK Buttermilk etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BR Butter, dairy spreads etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CE Cheese and curd	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GC Garlic	0.0	0.0	0.0	53.8	54.2	0.0	3.8	9.0
IE Ice cream	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ME Maize	0.7	2.9	1.1	6.1	11.1	14.9	8.6	10.0
MM Mushrooms of the genus Agaricus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MP1 Milk powder	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MP2 Milk concentrate-not powder	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PK Pork meat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PY Poultry meat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RE Rice	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RM Rum	0.0	0.0	0.0	7.0	0.0	5.7	0.0	0.0
SC Sweetcorn	18.0	69.1	79.9	87.3	90.0	92.6	87.0	100.0
SP Other sugar confectionary & food prepara	0.0	0.0	0.0	0.1	0.3	0.0	0.4	0.7
SR Sugar	100.0	100.0	3.1	99.8	100.0	8.9	16.6	17.8
YT Yoghurt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EC								
GC Garlic					0.0	0.0	0.0	1.5
MC Manioc starch					0.0	0.0	0.0	0.3
MM Mushrooms of the genus Agaricus					0.0	0.0	0.0	0.0
MZ Maize					0.0	0.0	0.0	0.0
RI Rice					0.0	0.3	0.1	0.1
RM Rum					0.0	0.0	0.0	0.0
SC1 Sweetcorn preserved					0.0	0.7	1.0	0.0
SC2 Sweetcorn frozen					3.3	9.5	6.7	21.0
SP Sugar and sugar products					1.3	0.6	0.1	0.1
SR Cane sugar					3.8	7.8	9.0	8.7

Source: Authors' calculations based on EU CIRCABC database.

Utilisation rates by EU exporters of TRQs granted by partner countries, 2013-2019

Category	2013	2014	2015	2016	2017	2018	2019
Exports to Colombia							
Raw sugar (AZ)						0%	0%
Bovine meat (DB)						0%	0%
Ice cream (HE)	5%	13%	7%	26%	46%	87%	99%
Mushrooms (HO)	2%	5%	100%	100%	100%	100%	100%
Condensed milk (LC)							0%
Infant formula (LM)	40%	68%	99%	100%	100%	99%	100%
Milk and cream in powder (LP1)	0%	35%	100%	100%	83%	100%	100%
Milk and cream in powder (LP2)							
Whey (LS)	58%	50%	93%				
Sweetcorn (MA)	0%	54%	100%	100%	100%	100%	100%
Sugar confectionery (PA)	2%	3%	3%	4%	4%	5%	3%
Cheese (Q)	9%	8%	8%	8%	3%	13%	17%
Textured protein substances (TX)						0%	1%
Yoghurt (YG)	0%	1%	1%	100%	99%	17%	0%
Exports to Peru							
Bovine meat (BF)							
Butter and dairy spread (BR)	0%	0%	96%	100%	82%	100%	0%
Cheese (CE)	0%	0%	0%	4%	5%	5%	0%
Infant formula (FP)	0%	0%	0%	30%	0%	0%	0%
Garlic (GC)							
Ice cream (IE)	59%	90%	99%	96%	94%	100%	86%
Maize (ME)							
Mushrooms Agaricus (MM)							
Milk and cream in powder (MP)	0%	4%	100%	100%	100%	100%	52%
Pig meat (PK)							
Poultry meat (PY)							
Rice (RE)							
Rum (RM)	4%	0%	4%	6%	4%	27%	100%
Sweetcorn (SC)							
Products with high sugar content (SP)	0%	0%	0%	2%	3%	2%	0%
Bananas and plantains (SP1)							
Sugar (SR)	0%	0%	0%	0%	0%	0%	0%
Exports to Ecuador							
Preparations for animal feeding (B)					6%	8%	18%
Preparations for animal feeding (B1)					0%	3%	93%
Bovine guts (D)					0%	0%	0%
Dairy products: Powder milk, butter milk serum, whe					13%	36%	49%
Dairy products: Evaporated milk, condensed milk (L					1%	3%	3%
Dairy products: Yoghurt, cheeses: grated or powdere					3%	19%	15%
Dairy products: Blue-veined cheese, mature cheese					4%	7%	13%
Fresh sweet corn: Sweet corn, fresh, refrigerated (M)					0%	0%	0%
Processed sweet corn: Sweet corn: frozen, canned (					22%	33%	63%
Pork products: cured ham, bellies (streaky) sausages					6%	19%	19%
Frozen potatoes (PA)					0%	2%	0%
Confectionary product (high sugar content): Juices, c					1%	0%	1%

Source: European Commission annual FTA implementation reports (2019, 46ff; 2020, 90, 93, 95).

ANNEX IX. ENVIRONMENTAL IMPACT

Table 1: Estimated changes in GHG emissions caused by tariff cuts under the Agreement, 2020 (in Mtonne CO_2-eq.)

Country/region	Gross GHG emissions	Agricultural LULUCF emissions	Other LULUCF emissions
Colombia	0.03	0.41	Unknown
Ecuador	-0.00	-0.04	Unknown
Peru	0.05	-0.05	Unknown
EU28	0.35	Unknown	Unknown
RoW	-1.17	Unknown	Unknown
World	**-0.74**	**Unknown**	**Unknown**

Source: Trinomics, based on EDGAR, GTAP, PRIMAP and IVM

These findings can be explained are as follows.

- First, the Agreement's tariff reduction-induced output changes are estimated to have resulted in higher gross GHG emissions in Colombia (+0.03 Mtonne CO_2-eq. in 2020) and Peru (+0.05) as well as in the EU (+0.35), but in lower gross GHG emissions in the rest of the world (-1.17), with a net result of an estimated overall marginal decrease in gross GHG emissions globally (-0.74). The increase in the Andean countries and in the EU is predominately driven by the impact of tariff reduction on production in the petroleum and chemical, utilities, and transport sectors. The decrease in the Rest of the World (RoW) is driven by decreases in output in the petroleum and chemical and utilities sectors. The increase in GHG emissions in the Parties to the agreement is lower than the reduction in GHG emissions in the RoW because of differences in emission intensities (GHG emissions per unit of product) in the EU and the RoW. For example, an item produced in the EU may be produced with lower GHG emissions than the same item in a different country. If production shifts to the EU from that country, net GHG emissions reduce.

- Roughly a third of GHG emissions in the Andean countries are LULUCF emissions, which are excluded from statistics on gross GHG emissions. With respect to LULUCF emissions, it is estimated that the changes in agricultural sector outputs caused by the Agreement's tariff reductions increased LULUCF emissions in Colombia (+0.41 Mtonne CO_2-eq. in 2020), and reduced LULUCF emissions in Ecuador (-0.04) and Peru (-0.05). The impact of the Agreement's tariff reductions in other countries and the impact of tariff reductions on LULUCF emissions in other sectors have not been evaluated; the CGE modelling results suggest, however, that these impacts are marginal.

- With respect to governance and standards related to climate change, all Parties made significant progress since the start of application of the Agreement by signing and ratifying the Paris Agreement. National policies have also been designed to transpose the Paris Agreement commitments into concrete policies. It is not yet clear whether the EU-Andean trade agreement influenced these developments (although the TSD Title did create a platform through which the importance of ratification was voiced by stakeholders).

ANNEX X. CHANGES IN GDP (AT INITIAL MARKET PRICES) IN EU AND PARTNER COUNTRIES CAUSED BY THE AGREEMENT (YEAR 2020)

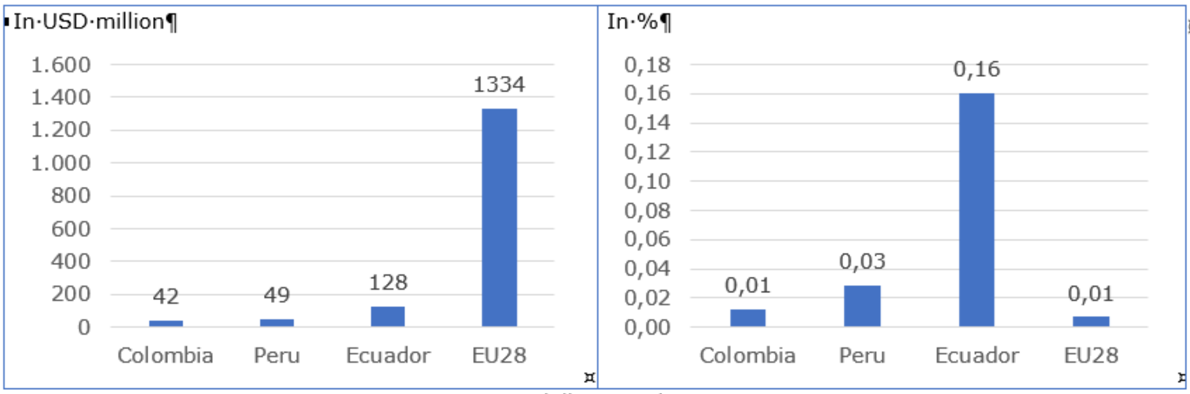
The global economic effect of the Agreement is positive, estimated at USD 728 million (comparing world GDP in 2020 with the Agreement with world GDP in 2020 without the Agreement).

Changes in global exports and GDP (at initial market prices) caused by the Agreement, by region (year 2020; comparing situation with and without Agreement)

Region	GDP in 2014	GDP volume		Total value of exports	
	USD M	USD M	%	USD M	%
1 Australia	1,390,042	-3.5	0.00	2.8	0.00
2 NewZeeland	166,140	-0.8	0.00	-0.2	0.00
3 China	7,740,887	-115.4	0.00	-66.6	0.00
4 Japan	5,905,638	-33.6	0.00	-6.6	0.00
5 Asean	2,234,372	-12.6	0.00	-22.8	0.00
6 RestAsia	4,094,481	-50.7	0.00	-39.1	0.00
7 USA	15,500,006	-78.7	0.00	-140.4	-0.01
8 Canada	1,788,800	-5.0	0.00	-23.2	-0.01
9 RestLatinAme	1,715,823	-72.4	0.00	-57.6	-0.01
10 Mexico	1,169,359	-276.5	-0.02	-140.8	-0.04
11 Brasil	2,614,566	-97.9	0.00	-39.2	-0.01
12 Colombia	**335,415**	**41.9**	**0.01**	**744.3**	**1.35**
13 Peru	**170,564**	**49.4**	**0.03**	**267.5**	**0.53**
14 Ecuador	**79,276**	**127.6**	**0.16**	**111.1**	**0.50**
15 EU 28	**18,368,270**	**1334.4**	**0.01**	**1729.5**	**0.03**
16 Swiss	696,315	-28.6	0.00	-41.2	-0.01
17 RestEFTA	518,569	-5.1	0.00	0.8	0.00
18 Turkey	774,753	-8.5	0.00	5.9	0.00
19 Russian	1,904,790	-23.8	0.00	12.9	0.00
20 MENA	3,262,911	-1.2	0.00	17.0	0.00
21 SSA	1,514,712	-4.0	0.00	-0.7	0.00
22 RestofWorld	769,465	-7.6	0.00	0.0	0.00
World	**72,715,154**	**727.6**	**0.00**	**2313.5**	**0.01**

Source: European Commission DG TRADE CGE modelling results.

All of the four parties to the agreement benefit from an increase in their GDP (Figure below). In absolute terms, EU GDP (measured at initial market prices) is higher by USD 1.3 billion than it would have been without the Agreement. Gains for Colombia and Peru are USD 42 million and USD 49 million respectively; and Ecuador's GDP is higher by USD 128 million. In percentage terms, the impact is strongest for Ecuador, with GDP being 0.16% in 2020 as a result of the Agreement, whereas Colombia, Peru and the EU register marginal GDP gains (at 0.01% and 0.03%).



Source: European Commission DG TRADE CGE modelling results.

ANNEX XI. COMPARISON OF THE RESULTS OF THE *EX ANTE* MODELLING (2009) AND THOSE OF THE *EX POST* EVALUATION (202X)

The economic modelling for the SIA was built on two different scenarios. The first scenario involved 'modest' liberalisation[71], and the second scenario was labelled 'ambitious'[72]. The baseline scenario for each of these modelled liberalisation scenarios assumed both: a successful outcome of the Doha Round (i.e. multilateral negotiations at the WTO); and continued enjoyment by the Andean countries of the benefits they derived from the EU's General System of Preferences (in particular, the special incentive arrangement for sustainable development and good governance, known as GSP+) in the case that no free trade agreement with the EU could be concluded.

A) Economic impact

In the SIA, the overall impact on GDP of an EU-Andean trade agreement **was estimated to be positive**.

Trade flows were expected to expand, the effect would be marginal in the EU but more significant for the Andean countries[73]. It was also thought that some small trade diversion effects might be felt vis-à-vis the US and Mercosur.

A sector specific analysis also showed that the impact in terms of output for the agricultural sector would be minimal in the EU, potentially limited in Ecuador, and generally positive in Colombia, and Peru. The biggest impacts for Andean sectoral output would be felt in the fruits sector, with banana production being the most important element explaining the expected increase in output.

In industrial sectors, the effects for the EU were not expected to be significant. In Andean countries, the industrial sectors most likely to benefit from a trade agreement included mining, textile, wearing apparels, leather products, wood products, machinery and equipment and metal production. Output of both heavy and light industrial goods was expected to increase in all Andean countries as a result of liberalisation.

In the services sector, although modelling techniques faced considerable challenges, the SIA concluded that European firms should benefit from improved opportunities in some parts of the services sector. On the other hand, further liberalisation via an EU-Andean trade agreement was expected to bring economic benefits in all Andean countries for many services sectors, especially to utilities, distribution, communication, public services and construction; while sectors which might face a decrease in output included insurance, financial services, and business and recreational services.

[71] The 'modest' liberalisation modelling scenario assumed a 90% reduction of tariffs, 50% reduction in the estimated cost of barriers to trade in services, and cost reductions equal to 1% of the value of trade achieved via trade facilitation measure.

[72] The 'ambitious' liberalisation modelling scenario assumed a 97% reduction of tariffs, 75% reduction in the estimated cost of barriers to trade in services, and cost reductions of 3% of the value of trade arising from trade facilitation measures.

[73] By 9.9% (Colombia), 7.9% (Ecuador) and 7.2% (Peru).

In addition, over the long term, services liberalisation was also expected to deliver significant efficiency and welfare gains by reducing costs of key services (e.g. financial, energy, telecommunications) for local businesses, increasing their availability, and generating sustainable development and poverty reduction effects given the overall impact of cost reductions for consumers.

B) Social impact

The SIA concluded that effects on average national wages were expected to be minor. In the EU, the effect on average wages of an EU-Andean trade agreement would be negligible.

The effect of a trade agreement on the level of employment was expected to be positive in all scenarios but in the case of the EU, the impact on the level of employment was expected to be negligible.

The SIA also mentioned the possibility that, in the large-scale mining sector, restrictions on workers' rights could limit increases in real wages and hamper substantial improvements in working conditions. The SIA report also mentioned that trade liberalisation is often associated with a decline in government revenues derived from import duties, and that an overall fall in government revenues in Andean countries might occur in the short run if additional revenues were not obtained from other sources. This could translate into a fall in social expenditure.

C) Impact on the environment

The SIA report reached four main conclusions with respect to the possible environmental impacts of an EU-Andean trade agreement:

First as regard **climate change**, any increase in greenhouse gas emissions resulting from the trade agreement was not expected to be significant against the background of global emissions. Secondly, at a sectoral level, the SIA pointed out that the predicted growth in the agriculture sector in Andean countries could add **pressure on both land and water resources**. A third point mentioned by the study was the risk of increased environmental **pollution** as a consequence of an increase of mining activities, large-scale agricultural production, or unregulated expansion of some sectors such as textiles, chemicals, rubber and plastics. Finally, the study suggested that the trade agreement might have impacts in terms of **deforestation and reduced biodiversity**, as a result of the predicted expansion of agriculture and timber industries.

D) Implementation and monitoring

Finally the SIA mentioned the institutional framework created by the agreement in order to monitor the effective implementation of the commitments made by the Parties, and to provide for regular consultation with civil society. The study held that monitoring should rely on the ground work of the EU Delegations in the region, on the basis of their contacts with business, social and environmental stakeholders. Regular meetings of the institutions created by the agreement should include opportunities for direct engagement with civil society organisations.

To assess the effects and impacts of the agreement, three comparators have been used in the evaluation. First, a time series analysis **compares the situation in the years before the agreement started to be applied (2008-2013 for Colombia and Peru, and 2012-2016 for Ecuador) with the period in which the Agreement has been applied provisionally** (2014 onwards for Colombia and Peru, and 2017 onwards for Ecuador). This trend analysis might not fully capture the Agreement's effects, for at least two reasons:

- It might not fully capture developments (other than the agreement) which have impacted on the trade and development of the Parties, such as other trade agreements that entered into force, or the Peace Agreement in Colombia.
- It has not estimated the fact that the situation before the agreement (when Colombia, Peru and Ecuador exported to the EU under GSP+) would **not** have continued. Colombia, Peru and Ecuador would have become ineligible for GSP+ due to reaching upper middle-income status. They would therefore have lost their preferential access to the EU market, and accordingly the pattern of their bilateral trade with the EU would have also changed substantially in the absence of a trade agreement.

Because of these shortcomings, the before-after comparison is used only as a contextual analysis.

Second, the main point of comparison for the evaluation is the situation that would prevail (in and up to 2019) in the absence of the Agreement, i.e. where bilateral trade in both directions would take place under MFN. The evaluation also compares the performance of the institutional mechanism of the Agreement with a situation where the Agreement would not be in place and

Third, the evaluation compares the findings of the analysis through this comparison with the effects of the Agreement that had been anticipated in an *ex ante* sustainability impact assessment (SIA) undertaken in 2009, i.e. at an early stage of the negotiations[74]. This third point of comparison also has some limitations as the basis for the SIA was an Agreement between the EU with all Members of the Andean Community and was therefore mostly used to identify any unintended or unforeseen effects of the Agreement.

[74] Development Solutions, CEPR, and University of Manchester. 2009. 'EU-Andean Trade Sustainability Impact Assessment. Final Report', https://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_146014.pdf; and the Commission's corresponding position paper of November 2010, https://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146987.pdf.