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EU Trade Agreements with Central America, Colombia and Peru: Roadblocks for sustainable development

CONTENT

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Briefing for MEPs – July 2011

SUMMARY

During the second half of 2011 the free trade agreement (FTA) between the European Union (EU) and Colombia and Peru and the Association Agreement (AA) between the EU and Central America (CA) are expected to be presented by the European Commission to the Council and the European Parliament (EP). This will be the first time during the entire 4-year negotiation process that the EP can actually see and analyse the text, yet it cannot change or modify the agreements; it gives its consent by simple majority on a "take it or leave it" basis.

The EU-CA AA contains three pillars – political dialogue, cooperation and trade. However, as the two regions signed an agreement on political dialogue and cooperation already in 2003, the trade pillar (free trade agreement) constitutes the principal change in the bi-regional relations. The EU agreement with Colombia and Peru is a Multi-Party Trade Agreement that also includes political clauses.

Trade is important, necessary and could be a means to promote sustainable development. However, we strongly believe that the trade agreements negotiated do not meet their overall objectives to contribute to sustainable development and poverty reduction, but instead, risk doing the opposite. The agreements disregard the asymmetries in development levels between the EU on the one hand and CA, Peru and Colombia on the other. These concerns are shared by many civil society networks, organisations, academics, trade unions and social movements around the world, especially in Latin America and Europe. A profound and inclusive discussion in the EP on the implications of these agreements is needed in order to ensure an effective democratic control. This paper offers elements for consideration during this democratic debate.

MAIN FINDINGS

The Agreements hamper the development of national policies aimed towards the fulfilment of human rights and sustainable development.

> Central American countries, Peru and Colombia all suffer from widespread and worsening human rights situations. The EU General System of Preferences (GSP+) conditions trade preferences on the ratification and effective implementation of 27 core Conventions on human and labour rights, environmental standards and governance principles. However, **the AA/FTA, include less multilateral standards than the GSP+ and no binding mechanisms to guarantee the effective implementation of these standards**. Thus under the agreements it will be impossible for the EU to suspend tariff preferences or apply sanctions, on the basis of non-fulfilment of human rights standards, environmental or labour laws by the Parties.

> Governments in Central America, Colombia and Peru can no longer favour local producers over foreign ones, since the EU has gained far reaching market access and national treatment. This reduces **the possibility for governments in Central America, Colombia and Peru to use government procurement as an economic policy tool in order to stimulate and promote the local economy and national industries**. On the other hand, it is very difficult, if not impossible, for Central American, Colombian and Peruvian companies to access the EU procurement market, due to competitive and capacity asymmetries and other internal EU non-trade barriers.

> EU services suppliers, which have a large competitive advantage, will have access to Central American, Colombian and Peruvian markets on the same terms as local services suppliers, **blocking the policy options of these countries to support local services suppliers and promote their participation in domestic and intra-regional trade**. Trade Sustainability Impact Assessments (TSIA) show that the AA/FTA will bring about negative effects for Central America, Colombia and Peru in terms of output and employment in the services sector, under pressure from EU firms and imports[1].

> In trade talks with third countries the **EU continues to push for further liberalisation of the financial sector in terms that are contradictory with the EU's key financial reform proposals after the financial crisis**. The EU has also disregarded the TSIA commissioned by the EC for both agreements, which conclude that, "financial services liberalisation would have a negative impact on the output of financial services industries [in Central America, Colombia and Peru]" and that "these sectors are expected to shed jobs under pressure from imports from Europe".[2]

> The Standstill Clause in the agreements prohibits new customs duties being applied or existing ones being raised and, once eliminated, tariffs may not be re-imposed. This means that **the tariff flexibility allowed in the WTO would be lost and Central American countries, Colombia and Peru could not use tariffs as a crucial component of their agricultural and industrialization policies (as European countries have done in the past)**. Tariffs are relatively easy to implement and manage and are a very important policy tool for countries with restricted budgets to subsidise and support local production.

> The **agreements have not included an effective mechanism to prevent the improper appropriation of genetic resources or traditional knowledge through Intellectual Property Rights**. In particular, there is no obligation to reveal the origin as a condition to grant patents. On the cru-

cial issue of technology transfer, the EU agreed to make “its best efforts” to encourage its institutions and companies to transfer technology. But this commitment is vague, not binding and not concrete and therefore will not ensure that the much needed technology transfer will effectively take place.

The agreements foster increasing dependency on exports of raw materials, intensifying the pressure on land and water.

> In Central America the TSIA predicts a **concentration of production** in sectors such as fruits, vegetables and nuts, while there will be a reduction in value added economic sectors such as transport, manufacturing and insurance due to competitive pressure from EU firms. The same goes for Colombia and Peru where the sectors likely to benefit the most are those of sugar, fruits (particularly bananas), mining and hydrocarbons. Therefore, these **economies will further rely on primary product exports, a strategy that has proven not conducive to sustainable development**. Countries cannot rely on exports to boost growth and employment and more attention has to be placed on strengthening domestic demand. Ample economic literature also highlights the fact that poverty is highest in countries that depend on primary commodity exports, one of the key aspects of the so-called “poverty trap”. In fact the trade agreements will actively discourage economic diversification and moving up into higher value added sectors – the opposite of a sensible economic development strategy for developing countries.

> The predicted growth in the agricultural sector - particularly in the fruits, vegetables and nuts sector and agro fuels production – as well as in the mining sector, could **bring about important changes in land use patterns and increase pressure on land and water resources in the Andean and Central American countries**. For the Andean countries, the predicted expansion of agriculture and timber industries could lead to faster deforestation and reduction of biodiversity. Ethanol and palm oil exports from Colombia to the EU could increase, as the Agreement provides a more secure legal market access framework than the GSP+. In Guatemala, 87% of the exports of ethanol were destined to the European Union in 2009, which is likely to increase with the EU-CA AA.[3]

> The AA/FTAs include a provision that impedes maintaining or adopting any duties and export taxes, thereby facilitating EU access to raw materials in Central America, Peru and Colombia, while **limiting the possibility of governments to encourage processing and diversification, and to promote food security**. The use of export taxes is a key and valuable policy tool for governments in order to encourage value added processing in the mining and agricultural sectors, to promote industrialization, diversification, job creation and skills development. It is also a crucial component of policies for the sustainable management of natural resources, and it is an important source of fiscal revenue.

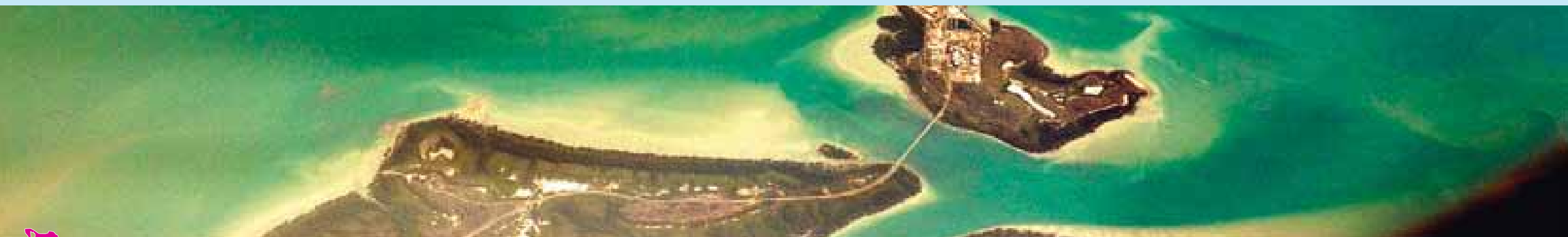
People living in poverty will be negatively affected yet will not be able to participate in decision making processes related to their right to development.

> The increased competition for land and water – largely used for the expansion of agro fuel plantations, monocultivations and extractive industry projects - has already proven to lead to a decline in food production, deterioration of natural resources, deforestation, loss of biodiversity and increasing social conflict. There is a concrete **risk of displacement of the most vulnerable sectors of society: indigenous peoples, afro-descendants and subsistence farmers**. The result is greater food insecurity and social instability at the national and regional level and violations of the rights of the most vulnerable people.

> According to the TSIA, a reduction in real wages is expected in all Central American countries as land and food prices are expected to increase more than the nominal wages. In Panama, nominal wages remain the same while prices of vegetables and fruits are expected to increase by 50% and land prices almost double. The TSIA for the Andean countries also mentions that **fiscal revenues are likely to decrease when import duties are removed, which when added to the negative impact on wages and prices will put further constraints on national budgets and social spending**. Imports are expected to rise more than exports, which will negatively affect the balance of trade, leading to a decrease of reserves and probably an increase of the external debt.

> The AA/FTA contributes to the shift in the priorities of EC development cooperation with Central America and Andean countries from democracy, human rights and social development towards export oriented economic growth and regional economic integration. The Mid-Term Review of the 2007-2013 EC cooperation strategies with Central America[4], Peru and Colombia already shows in practise how the implementation of the AA/FTA is becoming a priority. In order to ensure policy coherence for development in line with the Lisbon Treaty and the European Consensus for Development, it is the trade policies and the AA/FTA that need to take into consideration the development objectives, not the other way around. With the AA/FTA, **development cooperation will increasingly serve to create a foreign and export friendly business climate, which will mean reduced support for public investments on health and education, good governance and human rights**.

> Considering the **problematic experiences and critiques towards the functioning of the mechanisms for civil society participation** in other EU trade agreements such as that of Mexico and Chile, an assessment of the previous models is needed in order to guarantee the effective participation and monitoring of civil society organisations in the agreements.



We therefore encourage MEPs to take the following actions:

> **Promote and participate in discussions on the Agreements in the European Parliament**. A good basis for these discussions are the EP recommendations to the council on the negotiation mandate for these agreements (15 March 2007)[5] and the Trade Sustainability Impact Assessments for both agreements;

> **Organise hearings** in the European Parliament including the participation of civil society from Central America, Peru, Colombia and Europe, and **meet with different sectors of civil society to discuss their views on the agreements**;

> **Raise questions with the European Commission** regarding the development concerns related to the Agreements – including social, labour and environmental impacts - and ensure that these are addressed;

> **Withhold consent for the AA/FTA** until it can be guaranteed that the agreements are coherent with the respect for human rights and the achievement of the Millennium Development Goals and other development objectives that the EU has adhered to;

> Within this process of democratic revision of the AA/FTA, **call for the comprehensive re-negotiation of the terms of the agreements**, ensuring a real and effective civil society participation in the decision-making process. Insist on the role of the EP, with adequate means and power, in monitoring the implementation of the agreements to ensure that they will contribute to sustainable development and the effective and comprehensive fulfilment of human rights in both continents.

ENDNOTES

1 See Trade Sustainability Impact Assessment of the Association Agreement between the EU and Central America (July 2009) and EU-Andean Trade Sustainability Impact Assessment (August 2009).

2 ECORYS (2009). Trade Sustainability Impact Assessment of the Association Agreement to be negotiated between the EU and Central America.

3 “Where does the production of sugar cane and African palm oil from Guatemala go?”, Summary of the study on “The market of agrofuels: destiny of the production of sugar cane and African palm oil from Guatemala, Laura Hurtado, Action Aid, January 2011.

4 See report The future on EU development cooperation in Central America: in support of people or business? ALOP, APRODEV, CIDSE and CIFCA, March 2011.

5 The EP recommendation on the negotiating mandate for a EU-Central America association agreement: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2007-0079+0+DOC+XML+V0//EN

Background and state of play

In 2007, negotiations for Association Agreements - including the establishment of a Free Trade Agreement (FTA) - were launched between the EU and five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), as well as between the EU and the Andean Community (Bolivia, Colombia, Ecuador and Peru).

By the end of 2008 the negotiations with the Andean Community collapsed due to the lack of flexibility shown by the European Commission (EC) to address the different positions and conditions of the Andean countries. Despite regional integration being one of the alleged main objectives of the EU within the agreement, in February 2009 negotiations continued without Bolivia. The pillars on political dialogue and cooperation were also left aside, and the parties continued free trade negotiations on a Multi-Party Trade Agreement. Ecuador left the negotiations in July 2009 due to the divergence between Ecuador's constitutional provisions and the ambitious level of commitments requested by the EC on sensitive issues such as public procurement, intellectual property and services. Currently, Ecuador and the EC are discussing the possibility to resume negotiations but this will depend on the flexibility shown by the EC to address these sensitive issues in a way that is coherent with Ecuador's Constitution.

In March 2010, negotiations were concluded with Colombia and Peru. Consequently, in contrary to its objectives of promoting regional integration, the EU negotiations contributed to dividing further the Andean Community, a regional integration process that dates back to 1969.

In the negotiations with Central America, the 7th round of negotiations collapsed in March 2009, and before being taken up again they were put on hold following the coup d'état in Honduras in June 2009. Negotiations were resumed in February 2010 and in March 2010 Panama - who had previously participated as an observer - was accepted as a full party in the negotiations, despite not being part of the Central American Economic Integration System (SIECA). This approval was also given at the time when Panama had just announced its withdrawal from the Central American Parliament (PARLACEN), questioning yet again the EU's real interest in promoting regional integration. Negotiations were concluded during the EU-Latin America Caribbean Summit of May 2010 in Madrid.

The legal revision of both agreements was finalised in March 2011 and the agreements were initialled at the end of that month. Following the initialling, the agreements will be translated to all official EU languages. The EC expects to present the agreements to the Council – and send them informally to the EP - in August/September 2011. The Council's decision is expected before the end of 2011, after which the agreements will be formally transmitted to the EP for its consent. As the agreements include issues that do not fall under exclusive EU competence, they will also need the ratification of all EU member states.[1]

Despite economic growth – widespread poverty and human rights violations

The asymmetries between the parties to these agreements are enormous. Many Latin American countries have experienced a transition to democracy and considerable economic growth in the last decades. However, especially the Central American countries but also Peru and Colombia are countries characterized by multiple dimensions of vulnerability and high levels of poverty.[2] The levels of inequality are among the highest in the world and haven't improved for the past four decades. Rural poverty is particularly widespread and land distribution is highly unequal. The global financial crisis has affected the region through a decrease in export revenues, remittances, tourism and development cooperation flows. Women, indigenous people and afro-descendants are especially vulnerable to poverty as well as to the multiple global crises (financial, food, energy and climate). They also work in the informal sector to a larger extent, lacking the social security and benefits conferred by formal employment. Central America and especially the Andean region are amongst the most biodiverse and ecologically rich regions in the world, but they are exposed to a deteriorating environment, climate change and natural disasters, further aggravated by a renewed "boom" of extractive industries, an activity that is proving to have serious environmental and social impacts in the region.

After the dark era of military dictatorships and civil wars, especially in the 1970s and 1980s, a positive democratic development has been seen in the region. However, in many countries the state is weak and the democracies fragile. Organised crime, widespread corruption, extreme levels of violence and weak judicial systems are among the critical problems faced by many of the countries in the region. In Guatemala, 98% of the more than 6000 homicides per year are never brought to trial and remain in impunity. The coup d'état in Honduras in June 2009 is one of the recent examples of the fragility of democracy in the region.

The human rights situation in many countries is alarming and also deteriorating. In Honduras human rights violations were widespread during the coup and continue to be severe. In 2010 ten journalists were killed, making it one of the most dangerous countries in the world for journalists. Between January 2010 and June 2011, 30 peasants were killed in the context of an agrarian conflict in Bajo Aguan.[3]

The International Labour Organisation (ILO) considers Central America the most dangerous region in the world for trade unionists, due to the increase in threats, torture, forced disappearances and murders. Anti-union discrimination (dismissals and restrictions on union organising and collective bargaining) and attempts against workers' lives are among the most serious violations.[4]

In Colombia human rights abuses and violations of international humanitarian law (IHL) are widespread and systematic. Hundreds of thousands of people – mostly civilians - continue to be affected by the ongoing armed conflict, with peasants and indigenous communities most at risk. The number of internally displaced continue to grow and in 2010 was the largest in the world (estimated up to 5.2 million people[5]) together with Sudan. Threats against human rights defenders and killings of trade unionists have increased as well.[6] In 2009, 48 trade unionists were killed and they faced more than 500 attacks on their lives, freedom and physical integrity.

Key development concerns

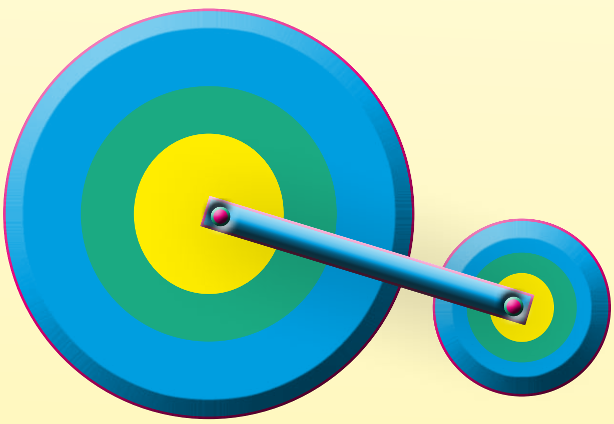
Below we present a brief analysis of some of the key development concerns and contentious provisions included in the free trade component of the agreements.

Reducing policy space and threatening sustainability

The global political and economic landscape is changing. The multiple crises (financial, food, environmental, energy and others) have placed critical issues high on the global agenda, where the debate on sustainability is vital. The mainstream economic and development model is increasingly challenged and from many sectors of society there is an urgent call for structural changes in global governance and economic relations.

Economic growth and free markets have been the dominant development paradigm for the last decades. Despite the spectacular economic growth experienced, this model has failed to address and guarantee the basic human needs and rights of the majority of the world's population.

While there is a growing awareness and demand for deep reforms, improved and stricter regulation of markets and regaining the role and responsibility of the state in guaranteeing economic and social justice, the model of Free Trade Agreements (FTAs) remains intact.



The AA and FTA are presented by the EC as important development tools for Central America, Colombia and Peru. In its first paragraphs, the agreements state that respect for democratic principles and fundamental human rights and the promotion of sustainable development constitute "essential elements" and "guiding principles" of the agreements.

However, extensive research shows that there are no automatic or clear links between free trade agreements, development and poverty eradication. In its *2010 Trade and Development report*, UNCTAD questions the strong focus on export led development through liberalisation and suggests that more focus should be placed on enhancing domestic demand as well as concrete measures to ensure that investment benefit the poor and the most vulnerable.[7]

One of the main concerns regarding the agreements of the EU with Central America, Colombia and Peru, as well as other FTAs negotiated by the EC with developing countries, is that they will lock in policies and drastically reduce the policy space available for governments to define and implement policies for the promotion of sustainable development and poverty eradication according to their country's specific needs and capacities.

The EU claims to have none or very small trade interests neither in Central America nor Colombia and Peru. It is thus surprising that the EC has aggressively pushed for agreements containing a number of issues that developing countries have continually refused to negotiate within the WTO, such as public procurement, investment and competition policies.

In the negotiations with Central America, the EC demanded at least parity with DR-CAFTA (Dominican Republic and Central America - US FTA) and in some areas - such as intellectual property, public procurement and services - the agreements with the EU go even further.

3. Weakening of human rights standards

The EU General System of Preferences special incentives arrangement for sustainable development and good governance (known as GSP+), which the Central American countries as well as Colombia and Peru currently benefit from, makes trade preferences conditional on the ratification and effective implementation of 27 core Conventions on human and labour rights, environmental standards and governance principles. The AA/FTA, however, include less multilateral standards than the GSP+ and no binding mechanisms to guarantee the effective implementation of the human rights, environmental and labour standards agreed to. Thus it will be impossible for the European Union, once the agreement has entered into force, to suspend tariff preferences or apply sanctions, on the basis of non-fulfilment of environmental or labour laws by the Parties.

The clauses regarding labour rights and environmental standards are dealt with in the trade and sustainable development chapter of the trade pillar of the AA/FTA. Although the chapter includes a monitoring mechanism, it is not binding for the trade pillar, nor is it related to the political dialogue or development cooperation pillars. The chapter on trade and sustainable development has a "cooperative approach", which means that the dispute settlement mechanism and the mediation mechanism established in the Agreements do not apply in matters regarding to labour rights and environmental standards. In the case of the AA with Central America, human rights and environmental standards are also dealt with in the chapter on Political cooperation and Cooperation.

4. Trade in services and investment

Market access in the services sector was one of the key interests for the EU in the negotiations. According to the EC the commitments obtained from Central American countries as well as from Colombia and Peru in that field also "match key EU interests".[8] These include a range of service sectors, such as electricity, postal services, telecommunications, as well as financial, environmental and international maritime services. In investment the AA/FTA cover both service and non-service activities. Colombia and Central American countries have made liberalisation commitments in the forestry and mining sectors.

An overall development concern in terms of services and investment is that countries would commit to regulatory frameworks that are more oriented to facilitate and benefit foreign (EU) service providers and operators, than to protect the right of citizens and the responsibility of the State to provide universal access to essential services and foster national capacity in the services sector.

These concerns are explicit in the texts of the AA/FTA and appear as restrictions to some positive measures of GATS and to the policy space of governments to develop national policies on services with the aim of universally supplying the domestic market, developing local private sector capacity and sector-specific regulation.

The EC requested, and largely achieved, full national treatment in the AA/FTA. This means that EU services suppliers, which have a large competitive advantage, will have access to Central American, Colombian and Peruvian market on the same terms as local services suppliers, blocking the policy options of these countries to support local services suppliers and promote their participation in domestic and intra-regional trade.

The growing domestic service market in Central America, Colombia and Peru is made up mostly of SMEs and micro enterprises and thus is very important to employment. These companies, however, will not have the capacity to compete with their EU counterparts in the local market, and would have even less success in trying to access the EU market. There is no credible research that shows that with a trade agreement this dynamic will change. To the contrary, the Sustainability Impact Assessments show that the AA/FTA will bring about negative effects for Central America, Colombia and Peru in terms of output and employment in the services sector, under pressure from EU firms and imports[9].

5. Liberalisation of financial services and capital movements

In the aftermath of the financial crisis, the G20 has agreed to introduce new regulations in the financial sector and the EU is promoting financial reforms aiming at controlling capital movements. However, in trade talks the EU continues "business as usual" approach and pushes for further liberalisation of the financial sector. Thus the EU not only continues to follow but also reinforces the pre-crisis deregulatory model.[10]

This is evident in the AA/FTA of the EU with Central America, Colombia and Peru. A key component of these obligations are the so-called "market access rules" or standstill obligations that prohibit maintaining or adopting measures and domestic regulations in the financial sector. Examples of these are: no limitations on the number of financial service providers; no limitations on the total value of financial transactions or assets; no limitations on the total number of financial services operations; no limitations on the participation of foreign investment in financial services and no new requirements for the legal structure of the companies. Most of these limitations contradict the EU's key financial reform proposals after the financial crisis such as limiting the use of loans by hedge funds and private equity to finance their investments or limiting trading in over the counter derivatives.

The AA/FTA also include rules to ensure the free movement of capital and liberalisation of current payments, where no restrictions are allowed to capital transfers related to direct foreign investments, including repatriation of the investments itself. These contrast with the growing international consensus in favour of using capital and currency controls, especially during financial crises and speculative attacks, as legitimate tools to promote financial stability.[11]

The Trade Sustainability Impact Assessments (SIA) commissioned by the EC for both agreements conclude that "the impact in the financial services sector is negative in all countries".[12]

More precisely, "financial services liberalisation would have a negative impact on the output of financial services industries [in Central America, Colombia and Peru]" and that "these sectors are expected to shed jobs under pressure from imports from Europe".[13] The insurance sector in particular is expected to suffer with the AA/FTA, reaching a loss of output of near 20% in Colombia.

6. Government procurement

Government spending on procurement - including goods, services and works- account for a significant part of most countries´ economies. In El Salvador it represents 9% of the country's GDP, in Colombia 11%, in Honduras 12% and in Costa Rica 20%.[14] Government policy on procurement can therefore be an important development tool. As put by Joseph Stiglitz:

> "Government procurement policies have important economic and social roles in developing countries

which could be curtailed if governments were mandated to observe national treatment principles. The level of expenditure and the attempt to direct the expenditure at local producers is a major macro economic instrument, especially during recessionary periods, to counter economic downturns. Additionally, procurement policy might be used to boost domestic industries or encourage development in specific sectors of national interest. Social objectives could also be advanced by preferences for specific groups or communities, especially those that are underrepresented in economic standing”.[15]

With Central America, Colombia and Peru the EU ensured far reaching market access and national treatment, meaning that governments are no longer allowed to favour local producers over foreign ones. The EU – Colombia / Peru agreement goes significantly further in access to procurement markets than any FTA in place by either of the parties. As an example, the agreement will give the EU access to local municipalities’ procurement. In the agreement with CA, Costa Rica makes the most far-reaching commitments, including national government institutions, municipalities and autonomous institutions. Nicaragua has the most restrictive coverage. The EU has offered the same market access to each CA country as they have offered to the EU.

Transparent procurement systems are important, not least to fight corruption. But to open up procurement markets for foreign actors means reducing the possibility of governments in Central America, Colombia and Peru to use government procurement as a critical economic tool to stimulate and promote the local economy and national industries. Considering the huge asymmetries in capacities, these have little chance of competing with European companies. An important policy instrument for industrialization, employment and macroeconomic stability would be lost.

On the other hand, also due to competitive and capacity asymmetries and other internal EU non-trade barriers, it is very difficult – if not impossible- for Central American, Colombian and Peruvian companies to access the EU procurement market.

7. Standstill Clause

This clause prohibits new customs duties being applied, or existing ones being raised and, once eliminated, tariffs may not be re-imposed, even for sensitive products. This means that the tariff flexibility allowed in the WTO would be lost and Central American countries, Colombia and Peru could not use tariffs as a crucial component of their agricultural and industrialization policies (as European countries have done in the past). Tariffs are relatively easy to implement and manage and are a very important policy tool for countries with restricted budgets to subsidise and support local production. Additionally, the AA/FTA does not include an “infant industry clause” to protect and promote infant industries. This provision has been agreed in the EU-CARIFORUM and other EU-ACP Economic Partnership Agreements (EPAs).

8. Safeguards

The bilateral safeguard clause included in the agreements is insufficient as it gives countries little possibility to protect their producers from import surges. The bilateral safeguards, which will be allowed under the AA/FTA agreements with the EU, can be applied for a maximum of four years (on a yearly basis), only when it can be proven that import surges cause or threaten to cause damage to similar or directly competing production in the importing country. The safeguard is non-automatic and has to go through a special decision making process. This is cumbersome and could delay an urgently needed measure. Also, the products with established quotas are excluded from the mechanism.

The bilateral safeguard under the AA/FTA is much more restrictive than the Special Safeguard Provision (SSG) of the WTO that the EU enjoys and often uses to protect its agricultural sector. These safeguards are allowed for price decline as well as volume increase, have no time limit and are automatically activated when price or volume triggers are met without having to prove a link between import surges and market disturbance. In practice, the bilateral safeguards available to Peru, Colombia and the Central American countries offer no remedy in the case of import surges over a long period of time. On the other side, the EU does not only benefit from the SSG, but is also protected by subsidies, its “natural” safeguard, which reduce domestic prices within the common market.

9. Restriction on export taxes

The AA/FTA go beyond the scope of WTO GATT's Article XXIV on regional and free trade agreements and include a provision that impedes maintaining or adopting any duties and export taxes, a practice that is allowed in the WTO. This provision is aimed at facilitating EU access to raw materials in Central America, Peru and Colombia, while limiting the possibility of governments to encourage processing and diversification, and to promote food security. The use of export taxes is a key and valuable policy tool for governments with limited resources in order to encourage value added processing in the mining and agricultural sectors, to promote industrialization, job creation and skills development. It is also a crucial component of policies for a sustainable management of natural resources, and it is an important source of fiscal revenue.

10. Intellectual property

During the negotiations the EU focused on the effective implementation (protection) and enforcement of intellectual property rights (IPR). IPR is a very important aspect of innovation and has many implications for development, and at the same time is linked to strong economic interests of the EU.

The agreement with Colombia / Peru includes rules on border measures that go beyond the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), including trademarks, copyrights and Geographical Indications (GI). Regarding the EU-CA AA, it is noteworthy that the text of the agreement does not mention that the protection and enforcement of IPR should contribute to "the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations", as clearly stated in article 7 of TRIPs as an objective. This important provision omitted in the AA with Central America has, on the other hand, been included in the FTA with Colombia and Peru.

The most controversial issue in the negotiation of IPR was Geographical Indications (GI), an important offensive interest of the EU. A crucial concern regarding the agreements in this regard is that the development of a normative framework for GI in Central America, even if it could favour an institutional strengthening, comes at the request of the EU and in terms more favourable to EU industry. It will be a normative framework determined by the EU and not by national policies that respond to a sustainable development strategy, tailored to the reality and needs of the region.

Even though the AA/FTA do not contain a direct obligation to grant patents over plants, the agreements have not included an effective mechanism to prevent the improper appropriation of genetic resources or traditional knowledge through IPR. In particular, there is no obligation to reveal the origin as a condition to grant patents.

Finally, on the crucial issue of technology transfer, the commitments made by the EU in this regard are vague, not binding and not concrete. The EU agreed to make "its best efforts" to encourage its institutions and companies to transfer technology to Central America.

11. Market access in goods[16]

Practically all bi-regional trade between the EU and Central America and the EU and Colombia and Peru will be liberalised through these agreements. The enormous asymmetries between the regions are only reflected in the periods for tariff phase-out (maximum 15 years), two articles on special and differential treatment in technical barriers to trade and sanitary measures, and expressions of common interest to promote cooperation and technical assistance.

Under the Generalised System of Preferences (GSP+) products from CA, Peru and Colombia have already benefited for years from preferential access to the European market. However, this has not lead to a diversification nor to an improvement in the terms of trade with the EU. With the AA/FTA the current preferences are consolidated and access is improved for some products that are not included in the GSP+.[17.] In exchange for this meagre improvement the EU will get almost full reciprocity from CA, Colombia and Peru.

With the implementation of the EU – CA agreement, the EU will immediately remove 91% of tariff lines (counting the products included in the GSP+), equivalent to 87% of CA exports to the EU. There will be a gradual reduction of the remaining tariffs. CA industrial products and fisheries will have immediate duty free access for 99% of tariff lines, equivalent to 100% of trade. For agricultural products there will be an immediate removal of tariffs for 60% of the EU tariff lines, equivalent to 98% of total trade. The EU will grant duty free access also for Peruvian and Colombian industrial products and fisheries.

For these minor improvements in market access compared to the GSP+, CA, Colombia and Peru have had to offer substantial access for EU products to their markets. CA will be remove immediately 48% of tariff lines for EU products,

equivalent to 67% of total trade. Within 10 years 92% of tariff lines will be removed, equal to 95% of trade. The agreements provide the EU full duty free access for industrial products and fisheries, in the case of Central America over a period of 15 years and 10 years with Peru and Colombia. These products currently account for more than 90% of EU exports to CA, Colombia and Peru. There will be immediate liberalisation of 80% of EU exports in these categories to Peru and 65% of exports to Colombia. For agricultural EU exports, CA managed to exclude 27% of tariff lines. However, this only corresponds to 5% of the agricultural exports from the EU.

Among the CA products that will enter the EU without tariffs, which do not do so under the GSP+, are non-toasted coffee, prawns, pineapple and melons. Some key agricultural products of Central America, Colombia and Peru remain without duty free access; instead quotas have been raised or established. Products include sugar, rice, rum and beef.

Banana tariffs will be gradually reduced from 140 to 75 Euros/tonne for exports to the EU, with a 10 year period for tariff reduction (until 2020) although the agreements have a stabilization clause which gives the EU right to suspend this preferential duty if the export volume exceeds a certain limit. The deal means an improvement compared to an agreement reached within the WTO through which tariffs will be lowered to 114 Euros. However, in the longer term these gains must be seen in the context of the significant problems linked to banana production - the negative environmental impacts, the poor working conditions and the fact that the banana trade is dominated by US multinational companies. Furthermore, banana exports from, for example, Ecuador risk being displaced by exports from Colombia and Costa Rica. Also the Caribbean countries have expressed their concern on the impact of these concessions to their economies.

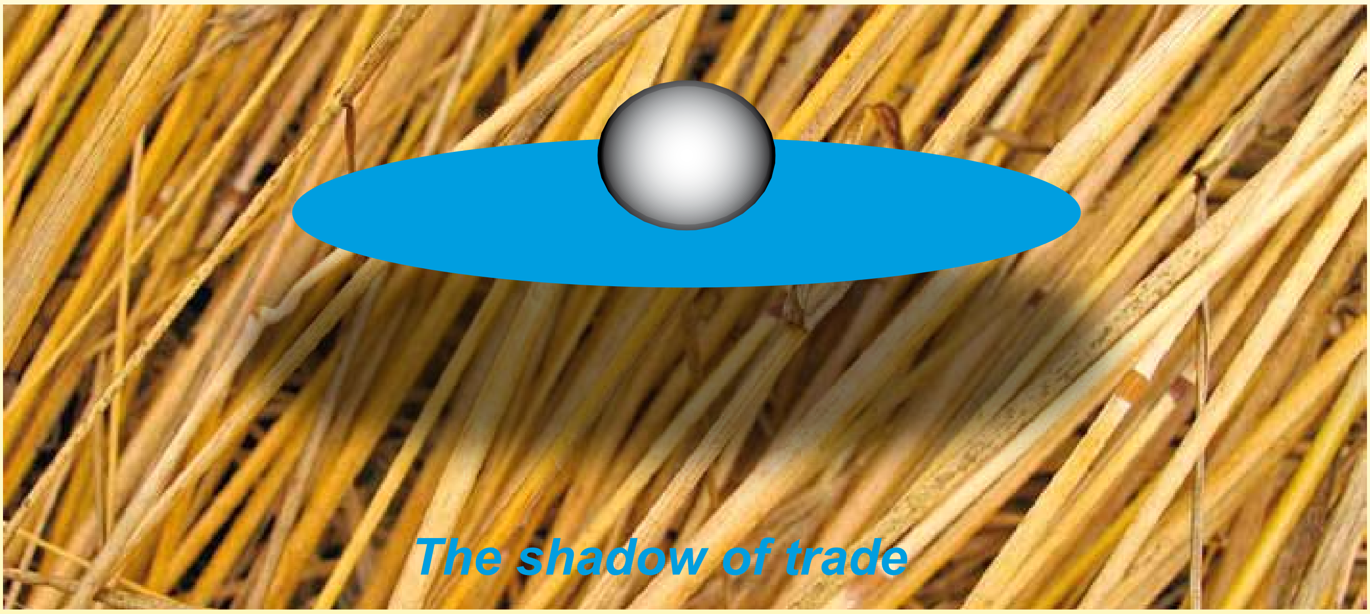
The dairy sector is a clear example of how the EU did not take into account the asymmetries between the regions in terms of subsidies, production capacity and competitiveness in the international market. The EU defined the agenda, terms and modalities of the negotiations to conclude agreements tailored to its interests and needs. The diary sector, where the EU had paramount offensive interests, was put on the negotiation table by the EU at the very last minute in order to close negotiations that grant dairy products import quotas from the EU, which will enter to Colombia, Peru and Central America without tariffs: *milk powder* (Colombia: 4.500 metric tonnes (MT); Peru: 3.000 MT; Central America: 1.900 MT); *cheese* (Colombia: 2.300 MT; Peru: 2.500 MT; Central America: 3.000 MT); *buttermilk* (Colombia: 2.500 MT; Peru: immediate liberalization; Central America: total liberalization in 3 years). These numbers will increase gradually and steadily at an annual rate of 10%.[18]

These terms agreed on the diary sector were contested with wide social mobilizations of milk producers in Colombia and in some Central American countries, since the agreements will:

- Massively favor the European milk sector, which is highly subsidized, giving it new exporting possibilities, whereas the Central American, Colombian and Peruvian opportunities to partake in the European market are nearly nonexistent.

- Compromise the possibilities of production, sustainability and growing rate of the Central American, Colombian and Peruvian milk sector, being a threat to food security and sovereignty for these countries and to an important number of producers, especially family farms.

- Reduce considerably the policy instruments for the governments of Colombia, Peru and Central America to develop sovereign agrarian policies. Even though tariffs do not *per se* guarantee the development of the sector, they nevertheless are an important tool for protecting the internal market from unfair competition on part of the wealthier producers like the EU.



12. Negative balance of trade and decreased tax revenues

Latin America is a region with an appallingly poor tax record, very low levels of tax collection and regressive tax systems. Central America has a particularly poor record (average tax level 13.3% of GDP in 2009), with Guatemala, El Salvador and Panama recognized as having extremely low tax collections. Also, with the financial crisis tax revenue has taken a further blow, falling on average 7.1% in the period 2007-2009.[19]

The AA/FTA with the EU will mean lower import tariffs in Central America, Colombia and Peru, leading to a decrease in fiscal revenues which will put further constraints on national budgets and social spending. Imports are expected to rise more than exports, which will negatively affect the balance of trade, leading to a decrease of reserves and probably an increase of the external debt. All together, a poor tax record, less fiscal revenue from tariffs (aggravated by the restriction on export taxes and freedom of capital movements) and a trade deficit, could lead to further deterioration of the current account deficit in CA, Colombia and Peru.

Sustainability Impact Assessments predict ambiguous results

The final reports for the Trade Sustainability Impact Assessments (TSIA) for the trade pillars of the two agreements were presented in September/October 2009. This was almost two years after the launch and not long before the conclusion of the negotiations. Therefore, their results had little chance of influencing the negotiations and the content of the agreements.

The TSIAs for both agreements include some expected results that would have been worth taking into consideration when still negotiating the agreement.[20]

13. Negative or uneven trade impacts

Negative effects on the terms of trade are predicted for Peru and for Central American countries (which already have an increasing trade deficit with the EU), except Costa Rica and Panama. The EU agreements with both Mexico and Chile have had the same effects. The EU is expected to be the greatest absolute winner, with real income expected to increase by € 2 billion from the EU-CA AA and € 4 billion from the EU-CAN FTA. Also, benefits of the agreements are expected to differ greatly between countries. Costa Rica - which has substantially lower poverty levels than other countries in Central America - is predicted to be the main winner in the region, while Colombia is expected to benefit more than Peru.

14. Concentration in primary commodities

In Central America TSIA predicts a **concentration of production** in sectors which already account for the greatest share of the Central American economies such as fruits, vegetables and nuts, while there will be a reduction in value added economic sectors such as transport, manufacturing and insurance due to competitive pressure from EU firms. The same goes for Colombia and Peru where the sectors likely to benefit the most are those of sugar, fruits (particularly bananas), mining and hydrocarbons. Therefore, these economies will further rely on primary product exports, a strategy that has proven not conducive to sustainable development. Countries cannot rely on exports to boost growth and employment and more attention has to be placed on strengthening domestic demand. Ample economic literature also highlights the fact that poverty is highest in countries that depend on primary commodity exports, one of the key aspects of the so-called "poverty trap". In fact the trade agreements will actively discourage economic diversification and moving up into higher value added sectors – the opposite of a sensible economic development strategy for developing countries.

15. Questionable or negative impacts on poverty

A reduction in real wages is expected in all Central American countries as land and food prices are expected to increase more than the nominal wages. In Panama, nominal wages remain the same while prices of vegetables and fruit are expected to increase by 50% and land prices almost double. The TSIA for the Andean countries also mentions that tax revenues are likely to decrease when import duties are removed, which could lead to a fall in social expenditure. Instead, the TSIAs mention that possible positive impacts on poverty reduction with the AA/FTA could be due to "potential trickle-down effects" of economic growth and investment. The "trickle-down" theory of economic growth is, of course, highly contested by research and particularly by the experience of the last decades, especially in Latin America.

16. Loss of jobs or jobs with poor working conditions

Employment in the mining sector in the Andean countries is likely to increase. However, no significant increase in real wages or improvement in working conditions is expected due to restrictions on worker's rights. In Peru, workers from agricultural cooperatives have been displaced as a consequence of the expansion of sugar cane plantations, which could expect some further expansion. The TSIA report states that "In general, the number of jobs created by the plantations is far smaller than the number lost. It has been estimated that of the 30 main crops grown in the region, sugarcane provides the lowest number of jobs per hectare and palm oil the second lowest".

In relation to the significant increase expected in banana production, the TSIA for the agreement with the Andean countries states that "long term growth in poor household incomes and poverty reduction will be dependent upon significant local reinvestment on the part of the large foreign companies that dominate the agro-export industries".[21]

The TSIA indicates that "Focusing on employment, there are some negative impacts for Central America that matter in all scenario specifications." The report also assesses labour displacement, where the impact of an FTA on Central American countries is consistently significant, especially for Panama where "combined with the negative long-run wage effects, this implies that labour market impacts in Panama are likely to be substantial and negative".

17. Increased pressure on land and water

The predicted growth in the agricultural sector - particularly in the fruits, vegetables and nuts sector and agro fuels production – as well as in the mining sector, could bring about important changes in land use patterns and increase pressure on land and water resources in the Andean and Central American countries. In Colombia horticultural land use is estimated to increase by 11.2% as consequence of the Agreement with the EU. Ethanol and palm oil exports from Colombia to the EU could increase, as the Agreement provides a more secure legal market access framework than the GSP+. In Guatemala, 87% of the exports of ethanol were destined to the European Union in 2009, which is likely to increase with the EU-CA AA.[22]

The increased competition for land and water – largely used for the expansion of agro fuel plantations, monocultivations and extractive industry projects - has already proven to lead to a decline in food production, deterioration of natural resources, loss of biodiversity and increasing social disintegration due to the concrete risk of displacement of smallholders, not least among indigenous peoples.

The result is greater food insecurity at the national and regional level and violations of the right to food of the most vulnerable sectors of society.

Photo: Diego Sandoval

18. Enhanced social conflicts

The TSIA for the Andean countries points out that, as a result of an increase in production of ethanol and palm oil, social conflicts could be exacerbated. The report especially mentions violent attacks by paramilitaries on peasants and trade unionists, in order to free up land for palm oil plantations and the risk of displacement. The predicted expansion of mining and hydrocarbons might also lead to further local and national conflicts. In Central America a growing forestry business could benefit a small group of large producers if land use and property rights of indigenous communities and small-holders are not properly protected.

19. Negative environmental impacts and biodiversity threatened

For the Andean countries, it is pointed out that the predicted expansion of agriculture – not least for agrofuel production - and timber industries could lead to faster deforestation and reduction of biodiversity. The report states that "while the proposed agreement could lead to greater utilisation of agrofuel in the EU and in the Andean region, it is expected that a significant amount of forested areas will be cleared in order to achieve this end". Increased contamination of soil and water, which is already a serious problem, is also mentioned as a potential consequence of the increase in large-scale agricultural production as well as mining.

The TSIA effectively demonstrates that in practice the links between trade liberalization and poverty reduction are at best ambiguous and at worst there can be negative impacts.

While the negative impacts have been highlighted the EC has failed to address these. The response of the EC to many of these predicted risks highlighted by the TSIAs, it that these should be tackled through "the formulation of appropriate policy responses" in Central America and the Andean countries. The conclusion drawn by the EC, is that the agreements will have an overall very positive contribution to development.[23] This conclusion is at odds with much of the evidence in the TSIA report as laid out here. In practice, the EU is disregarding the important commitments it has made to policy coherence for development.

20. Development cooperation serving EU trade interests

The AA/FTA contributes to the shift in the priorities of EC development cooperation with Central America and Andean countries from democracy, human rights and social development towards export oriented economic growth and regional economic integration. The Mid-Term Review of the 2007-2013 Country and Regional Strategy Papers for EC cooperation with Central America[24], Peru and Colombia already shows in practise how the implementation of the AA/FTA is becoming a priority for EU development cooperation.

The TSIA report for the EU-CA AA suggests economic policy measures, both in the trade pillar and in the other pillars of the AA. These measures focus on economic integration, business and investment climate (e.g. reducing foreign ownership restrictions, improving competition policy and deregulation) and infrastructure. There seems to be a bias towards promoting action and reforms with regard to business that benefit foreign investors rather than putting the focus on promoting the development of a strong, dynamic national private sector in the region.

The EU-CA AA includes the cooperation pillar which outlines the future of development cooperation and technical assistance programmes. Reviewing the priorities listed in this pillar, it becomes apparent that the recommendations of the EU-CA TSIA to mainstream trade into the overall development cooperation strategies and programs have been

adopted.[25] However, in order to ensure policy coherence for development in line with the Lisbon Treaty and the European Consensus for Development, it is the trade policies and the AA that need to take into consideration the development objectives, not the other way around.

The section on democracy, human rights and good governance is limited, including general suggestions on what the co-operation "may" include and references to the objectives of good governance and modernization of the state and public administration. The section on social cohesion refers to the protection and promotion of the rights and fundamental freedoms of indigenous peoples, as recognized by the United Nations Declaration on the Rights of Indigenous peoples. Nevertheless, the reference to the ILO Convention 169 - the only existing legally binding international instrument on indigenous peoples' rights and which has been ratified by all of the countries in the region apart from El Salvador but only by three countries in the European Union[26]- is constrained to a document that will *guide* the development of cooperation activities when *ratified,* thus contradicting its importance and omitting any legal obligation for the countries that have not ratified the convention.

The tendency is clear. With the EU-CA AA, development cooperation will increasingly serve to create a foreign and export friendly business climate. As the EU-CA AA does not involve any new development cooperation funds, these new areas will mean reduced support for public investments on health and education, good governance and human rights.

The EU agreement with Colombia and Peru does not include the political dialogue and development cooperation pillars but there are a couple of references to future cooperation focus areas. These clauses also provide evidence of a move from traditional cooperation towards trade facilitation, in particular towards focusing on technical barriers to trade and intellectual property rights. These two areas are of key interest to EU exporters to these countries. An additional Memorandum of Understanding has been signed by the EU with Colombia and Peru (separately) to set up a mechanism for bilateral political dialogue.

21. Political clauses confirm the existing commitments

The EU-CA AA contains a chapter on political dialogue which establishes the future areas of "mutual interest" between the two regions. The chapter lists a number of standard clauses such as disarmament, weapons of mass destruction, fight against terrorism, serious crimes of international concern, finance for development, migration, environment, tax issues and citizen security. It also mentions the international conventions on human rights, good governance, core labour standards and the environment. Nevertheless, there are few changes to the already existing political dialogue and cooperation agreement from 2003.

Moreover, the references to human rights are limited to a few paragraphs and expressed in compromising language. For example, the article on the international criminal court (article 17) which was a ongoing demand by many national and international civil society organizations, includes a clause stating that "it remains the sovereign decision of every State to decide the most appropriate moment to adhere to the Statute of Rome".

During the EU-CA negotiations, Nicaragua, as part of the political dialogue, demanded the establishment of a regional investment credit mechanism in order to address the huge asymmetries between the EU and Central America and between Central American countries. The initiative was later on adopted as a joint proposal from the Central American party. An ad-hoc working group including representatives from both regions has been set up to define the objectives, modalities and amounts of such credit mechanism. However, it is already clear that this Central American initiative will not receive new or additional funding from the EU. Instead, it will just reinforce the focus towards private sector big-scale investments through already existing mechanisms, especially the Latin American Investment Facility and the European Investment Bank (EIB).

The FTA with Colombia and Peru includes a political clause on democracy and human rights as part of the essential elements of the agreement. This clause does hardly anything more than confirms and institutionalizes the principle included in the Joint Rome Declaration on Political Dialogue in 1996. The agreement also has a chapter on trade and sustainable development which includes loose mentions on labour rights and environmental protection (as explained above).

The two agreements include references to the participation of civil society, both at the institutional and non-institutional level. In the case of the EU-CA AA, the institutional involvement will take the form of a Joint Consultative Committee and be restricted to the EESC (European Economic and Social Committee) from the EU side and the CC SICA (Consultative Committee of the Central American Integration System) and CCIE (Economic Integration Consultative Committee) from the Central American side. The non-institutional involvement, which will be the only space of participation for other civil society organizations, will in both agreements be reduced to informative forums.

As part of the trade and sustainable development chapter of the EU-CA AA, the parties agreed to organise a bi-regional Civil Society Dialogue Forum that meets once a year. However, the dialogue is limited to the aspects addressed by the trade and sustainable development chapter and an informative forum.

The agreement with Peru and Colombia also foresees, within the trade and sustainable development chapter, the organisation of an annual dialogue session with civil society and the public at large but it is also restricted only to matters related to this chapter.

Considering the problematic experiences and critiques towards the functioning of the mechanisms for civil society participation in other trade agreements such as that of Mexico and Chile (after eight years of entry into force of the agreement the mechanism for civil society participation has still not been established), an assessment of the previous models is needed in order to guarantee the effective participation and monitoring of civil society organisations in the agreements.

With regard to the participation of the parliamentary bodies, the European Parliament does not have any role in the implementation and monitoring of the FTA with Colombia and Peru. The CA-EU AA will establish an association parliamentary committee but this body does not have any powers to intervene - even in the situation when clear evidence would be shown that the objectives for the agreements are not met. The lack of parliamentary control is unfortunate taken that it is impossible to guarantee that the implementation of these agreements will in the future be coherent with the respect of human rights or sustainable development.

Key conclusions

A number of issues included in the Agreements can have a far-reaching negative impact on the population in Peru, Colombia and the Central America region. The undersigned networks express our particular concern that the Agreements:

- disregard the asymmetries in development levels between the EU on the one hand and Central America, Peru and Colombia on the other. The Agreements do not provide the necessary special and differential treatment in order for governments of Central America, Peru and Colombia to have sufficient policy space to develop national policies in favour of sustainable development.
- include far-reaching commitments on the Singapore issues (investment, competition, government procurement and trade facilitation), which developing countries have refused to negotiate within the WTO. With the commitments and obligations on government procurement, Latin American governments loose a key policy instrument for industrialization, employment creation and macroeconomic stability.
- enhance the Latin American countries dependence on export of raw materials and primary products with little value added, rather than promoting a diversification of production and trade;
- will have a negative impact on wages and prices in some countries and lead to a decline in tax revenues.
- do not ensure the same level of human rights protection as the current GSP+ mechanism and the references to important clauses such as that of the International Criminal Court and the ILO convention 169 are weak and compromising,
- do not take into account the current situation of the multiple food, climate, financial and economic crisis. To the contrary, the agreements promote the liberalisation model that has been the root cause of these crises.
- further contribute to a shift of priorities in EU development cooperation, away from key issues like democracy, human rights and poverty reduction, towards an increased focus on growth, trade and investment, without ensuring that this will make a genuine contribution to poverty eradication.

Due to these concerns, we strongly believe that the agreements do not meet their overall objectives – to contribute to sustainable development and poverty reduction – but instead, risk doing the opposite. In this respect the EC has clearly failed to respect the important recommendations made by the EP in 2007. These concerns are shared by many civil society networks, organisations, trade unions and social movements around the world, especially in Latin America and Europe.

We therefore argue for a broad debate in the European Parliament and national Parliaments of the Member States that lead to the non ratification of the agreements.

For more information

Official documents:

Agreement texts
EU – Colombia – Peru (March 2011): http://trade.ec.europa.eu/doclib/press/index.cfm?id=691
EU - Central America (March 2011): http://trade.ec.europa.eu/doclib/press/index.cfm?id=689

Draft negotiation directive – Recommendations from the EC to the Council (2007)
Central America: http://www.bilaterals.org/spip.php?article8336
Andean Community: http://www.bilaterals.org/spip.php?article8334

Trade Sustainability Impact Assessments (TSIA), including ToR, draft and final reports and the EC Position Paper can be found on: http://ec.europa.eu/trade/analysis/sustainability-impact-assessments/assessments/

Civil society reports and positions

La negociación del Acuerdo de Asociación entre Centroamérica y la Unión Europea: Balance y Alternativas. ALOP and CID (2010): http://www.observatorioca-ue.com/html/centrodocumentacion/archivos2010/alopcid.pdf

The European Union is the Big Cheese. Briefing on the trade agreements between the EU and Central America and Colombia/Peru and the dairy sector. ALOP, APRODEV and Grupo SUR. July 2010.
http://www.aprodev.eu/files/Central_America/201007_dairy_and_aa_eu_la.pdf

Say no to the ratification of the Agreements negotiated by the European Union with Central America, Colombia and Peru. Manifesto (November 2010): http://www.gruposur.eu.org/IMG/pdf/manifeste._ang.pdf

CA and European CSO networks (March 2008). Tegucigalpa declaration (Spanish).
http://www.observatorioueal-alop.eu/wcm/dmdocuments/DeclaracionTegucigalpaCA_UE7.JPG

Recommendations on the negotiation directives for the EU negotiations of an Association Agreement with Central America - ALOP, APRODEV, CIFCA, FoE, Grupo Sur and 11.11.11 (January 2007).
http://www.aprodev.eu/files/Central_America/200701_cso_letter_eu-ca_negotiation_directives.pdf

For fair agreements – CSO manifest (April 2006).
http://www.aprodev.eu/files/Central_America/2006_CSO_manifesto_for_fair_agreements.pdf

For more reports, positions and letters, see:
http://www.observatorioueal-alop.eu/wcm/
www.aprodev.net
www.cifca.org
www.gruposur.eu.org
http://www.observatorioca-ue.com/

More on Free Trade Agreements:
The *Trade for Development Programme* of the South Centre:
www.southcentre.org

Action Aid, Christian Aid, Oxfam. Free Trade Agreement Manual (2008):
http://www.aprodev.eu/index.php?option=com_content&view=article&id=62&Itemid=25&lang=en

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NOTES

1. In July 2011 the EC position on whether the EU-Colombia/Peru agreement should be considered mixed (requiring the ratification by all EU member states) or non-mixed (exclusive EU competence – no member state ratification needed) had not yet been defined officially. However, as the agreement includes essential political clauses on non-proliferation of weapons of mass destruction and a democratic clause, which are not exclusive EU competence, it should be considered a mixed agreement.

2. Levels of poverty / extreme poverty: Honduras (2007) 68.9% / 45.6%; Nicaragua (2005) 61.9% / 31.9%; Guatemala (2006) 54.8% / 29.1%; El Salvador (2009) 47.9% / 17.3%; Colombia (2009) 45.7% / 16.5%; Peru)2009) 34.8% / 11.5%; Panama (2009) 26.4% / 11.1%; Costa Rica (2009) 18.9% / 6.9% (ECLAC. Social Panorama of Latin America 2010.)

3. Honduras: Human Rights violations in Bajo Aguan, Final report of the fact finding mission to Honduras, APRODEV, CIFCA, FIAN international, FIDH, Rel-UITA ,Via Campesina, June 2011.

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7. UNCTAD (2010). 2010 Trade and Development report.

8. European Commission (2010). EU-Central America Association Agreement negotiations – Summary of the results of the negotiations of the Association Agreement.

9. See Trade Sustainability Impact Assessment of the Association Agreement between the EU and Central America (July 2009) and EU-Andean Trade Sustainability Impact Assessment (August 2009).

10. The lack of coherence between the EU financial regulation reform agenda and FTA negotiations is discussed in: SOMO (2010). Business as Usual? How Free Trade Agreements Jeopardise Financial Sector Reform.

11. For example, the Letter sent in January 2011 by more than 250 renowned economists to the US administration expressing their concern to the extent which capital controls are restricted in Trade and Investment treaties. See the Letter: http://www.ase.tufts.edu/gdae/policy_research/CapCtrlsLetter.html

12. Manchester University, Development Solutions and CEPR (2009). EU-Andean Trade Sustainability Impact Assessment.

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14. Data from 2003-2005. See the Inter-American Development Bank & World Bank Country Procurement Assessment Reports (CPAR).

15. Joseph Stiglitz & Andrew Charlton (2005). Fair Trade for All – How trade can promote development.

16. The data used in this section has been taken from the reports of the European Commission and governments of Colombia, Perú and Central America on the results of the negotiations.

17. Some CA products for which duty free quotas have been established: rice, sugar, rum, beef and some textiles.

18. For a detailed brief on these issue, see “The EU is the Big Cheese. EU Trade Agreements with Latin América”: http://www.gruposur.eu.org/IMG/pdf/ENG-_la_mala_leche_def_.pdf

19. Instituto Centroamericano de Estudios Fiscales (Juin, 2011). Guatemala: condicionantes financieros para la transición política 2011 – 2012. Diagnóstico de la situación de las finanzas públicas a junio de 2011. Guatemala. http://www.icefi.org/data/content/0000/0070/Diagn_stico_de_las_finanzas_p_blicas_a_junio_de_2011_final_23-junio.pdf

20. TSIAs available at: http://ec.europa.eu/trade/analysis/sustainability-impact-assessments/assessments/

21. The report specifically mentions the example of Ecuador, where the banana sector has generated approximately 383,000 jobs in the period 2000-2008, benefiting nearly 12 percent of the country’s population. However, in most of the provinces where the banana sector is concentrated, it has not resulted in improvements in income, poverty reduction and inequality in the last 15 years.

22. “Where does the production of sugar cane and African palm oil from Guatemala go?, “ summary of the study on “The market of agrofuels: destiny of the production of sugar cane and African palm oil from Guatemala, Laura Hurtado, Action Aid, January 2011.

23. European Commission – Commission services position paper on the TSIA of the EU-CA AA.

24. The future on EU development cooperation in Central America: in support of people or business, ALOP, APRODEV, CIDSE and CIFCA, March 2011.

25. Out of the 39 pages of the cooperation chapter, 14 are dedicated to economic and trade development and regional integration, whereas only a bit more than two pages are dedicated to democracy, human rights and good governance and 5 1/2 pages on social development and social cohesion, including a wide range of issues such as fight against poverty, inequalities and exclusion, employment and social protection, education and training, public health, indigenous peoples rights, gender and youth.

26. Denmark, Netherlands and Spain

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