

Trade aspects of the Eastern partnership

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The Committee on International Trade adopted the own-initiative report by Miloslav RANSDORF (GUE/NGL, CZ) on the trade aspects of the Eastern Partnership.

Members stress that **the conclusion and implementation of Association Agreements including Deep and Comprehensive Free Trade Areas (DCFTAs) is a priority** aim and ambition of the reviewed European Neighbourhood Policy regarding the Eastern Partners. They recall that following the Arab Spring, the EU interest has been focused on the southern neighbours but the countries belonging to the Eastern Partnership and EU trade relations with them deserve the attention of the EU.

General considerations: Members feel that the prospect of creating DCFTAs with the EU is essential for achieving a stable, transparent and predictable economic environment which respects democracy, fundamental rights and the rule of law in Eastern Partnership countries. This will provide not only for greater economic integration but also for regulatory convergence in areas that have an impact on trade in goods and services, in particular by strengthening investment protection, streamlining customs and border procedures, reducing technical and other non-tariff barriers to trade. Members take the view that concluding DCFTAs is fundamental in **fighting tendencies towards protectionism at global level**.

They particularly stress the following:

- DCFTAs provide the EU with a vital trade instrument for building up long-term economic relationships with third countries;
- the impact of DCFTAs influencing the state of democracy, the rule of law and other common standards;
- the need for a wider political agreement (Association Agreement) with the countries in the region, and where that is not possible, the need for an adequate trade agreement so as to efficiently pursue the EU's economic and trade goals;
- the support and involvement of local civil society and international NGOs in promoting the long-term benefits is key for the success of reform processes;
- the need for strengthening cooperation between the EU and its Eastern Partners in a number of sectors, in particular industry, SMEs, research, development and innovation, ICT and tourism.

Members call for the observance of two major principles in the treatment of the countries concerned:

- **differentiation** accompanied by application of the 'more for more' principle as outlined in the [Joint Communication](#) on "A new response to a changing neighbourhood";
- **flexibility** in the approach to different partners.

Budget: Members welcome the Commission proposal on the Multiannual Financial Framework 2014-2020, which proposes a 40% rise in funding for the European Neighbourhood Policy. They call on the Council to maintain the funding proposed by the Commission.

Sectoral matters: Members call for: (i) strengthening the role of the national parliaments of the EU's Eastern Partners in approximation of trade legislation with the EU acquis; (ii) strengthening the Commission's flagship initiatives on SMEs, including the EaP SME facility, and on regional energy markets and energy efficiency; (iii) further developing the EU Black Sea Strategy, given its geostrategic role, which offers a significant potential for energy security and supply diversification; (iv) reinforcing links with the EURONEST Parliamentary Assembly (PA).

The committee also stress that **a DCFTA is not assistance given to the Eastern Partners**, but is a trade deal bringing about reciprocal advantages and obligations for both parties. It regrets that the ENP review still does not elaborate on how developing such a trade policy could present a boost for EU economic interests by bringing substantial benefits to EU consumers, companies and workers. Members stress that DCFTAs would not only bring economic benefits for the Eastern Partners but can also accelerate institutional reforms, modernisation and development.

The report makes the following points regarding the current negotiations:

- it notes that **Russia has concluded a customs union with Kazakhstan and Belarus**, and regrets that Russia may have undermined the trade negotiations between the EU and several Eastern Partners, in particular Ukraine, by offering them an alternative path, based on short-term solutions, such as lower gas prices;
- it points out that, despite making sufficient progress, **Georgia and Moldova** still need to ensure that their commitment to the reform process is of a long-term nature and that they engage in a durable reform process throughout the negotiations. It emphasises that both countries still need to make significant progress in regulatory reform concerning in particular technical barriers to trade, sanitary and phytosanitary measures, intellectual property rights and competition law;
- DCFTAs should be accompanied by effective measures on competition and against **corruption** as well as observance of fundamental labour rights approved by the International Labour Organisation and a binding sustainable development chapter.
- regional **frozen conflicts** have for many years harmed the effectiveness and development of cross-border trade and continue to cause enormous economic losses to some of the Eastern Partners and to lead to their economic isolation.

Members go on to make observations on each country:

Armenia: the report welcomes the launch of DCFTA negotiations between Armenia and the EU in 2012 and stresses that closer economic integration with the EU must contribute to the strengthening of political stability and security in the region. It considers it necessary to sustain reforms to create a stable and transparent economic environment which will attract foreign investments, boost growth and create jobs.

Members regret that the **Nagorno-Karabakh conflict** still resonates in the closed borders of Armenia with Azerbaijan and Turkey, keeping the country economically isolated and stress that opening of the borders is, inter alia, an important condition for attracting foreign investment. They call for the strengthening of the following: (i) protection investments; (ii) an institutional framework for public procurement and competition policy; (iii) effective anticorruption measures; (iv) implementation of competition law, thus enabling foreign investors and companies to participate, in particular, in Armenia's construction and energy industries; (v) compliance with EU sanitary and phytosanitary measures; (vi) measures to weaken Armenia's dependence on Russian commercial and governmental support.

Azerbaijan: Members emphasise that the accession of Azerbaijan to the WTO is the key prerequisite for opening the DCFTA negotiations and thus bringing EU-Azerbaijan trade relations to a higher level. They note that the structure of the Azerbaijani economy does not give its government a strong motivation to seek WTO membership and a DCFTA with the EU. They urge the Azerbaijani Government therefore to step up its efforts towards WTO membership, and call on the EU to provide Azerbaijan with the necessary assistance.

Whilst commending the remarkable economic growth experienced by Azerbaijan in past years, the report points out that the **Azerbaijani economy is very vulnerable to oil price volatility** and calls in this regard on the Azerbaijani Government to consider adopting effective and consistent measures to diversify the country's economy, through development of competitive agricultural production, subject to compliance with EU sanitary and phytosanitary requirements. It stresses the need to fight corruption and social inequalities.

Belarus: Members regret that Belarus, despite its unquestionable potential, is **drifting further and further from the EU** in terms of its overall political and economic standards, as well as its economic model. They stress the importance of Belarus's strategic position as a country of transit for energy, particularly supplies of natural gas for the EU. They stress the need for more EU assistance in order to: (i) fight corruption; (ii) reduce poverty (reportedly 20% of Belarusians live below the breadline); (iii) strengthen competition (80% of companies are publicly owned and the development of the private sector is hampered by discriminatory and arbitrary measures; (iv) open markets to foreign investment (currently 1% of GDP) ; v) strengthen civil society ; (vi) encourage reforms which are indispensable and of extreme importance for Belarusian citizens. Members note, in this regard, **the current EU targeted restrictive economic measures against Belarus**. They take the view that the EU should continue its targeted individual restrictive measures while continuing to support civil society and entrepreneurs with the aim not only of improving economic conditions but also of enhancing the rule of law, transparency and the fight against corruption;

Georgia: pointing out that Georgia is one of the world's fastest reforming economies and is ranked by the World Bank as the world's 16th best place to do business, Members note that Georgia still has the highest alleged prevalence of pirated software of any country. They call on the Georgian Government to develop laws for the enforcement of **intellectual property rights**.

The report encourages Georgia to perfect its legislation, improve the efficiency of its institutions and ensure high quality-control standards for its products. It welcomes Georgia's new procurement system, enabling e-auctions for all types of contracts, irrespective of their size or nature. It points out that Georgia should also serve as an example for the EU Member States in this area.

Moldova: despite the fragility of its economy, Members note the country has in recent years undergone a remarkable reform process. They are of the opinion that the future DCFTA should apply to the whole territory of Moldova that formally acknowledges its adherence to the Moldovan state. They note that, for the time being, most Moldovan exports originate from **agriculture** and thus face fierce competition and strict requirements in the EU market. A DCFTA should help diversify Moldovan exports and make the country more competitive and enable Moldova to attract foreign investments. The report points out that considerable progress is still needed in the area of services and investment protection. It also calls on the EU authorities to be more involved in finding a peaceful solution for the problems of territorial reintegration of Moldova.

Ukraine: Members **welcome the conclusion of the DCFTA between the EU and Ukraine**, as the first ever free trade agreement between the EU and an Eastern Partner. The DCFTA opens a new market of 46 million consumers for the EU. Members take note of the fact that the Commission excluded the possibility of provisional application of the DCFTA before the conclusion of the Association Agreement and its

consent by the European Parliament. They call for proper implementation of the DCFTA and the gains coming from it and for continuation of economic reforms in the areas of agriculture, energy and transport sectors.

The committee is concerned about the negative indications regarding Ukraine's business and investment climate resulting from various institutional and systemic deficiencies such as barriers to market entry, administrative permits, the excessive number of administrative inspections, poor administration, weak contract enforcement and insufficient property rights protection. It urges the Ukrainian Government to address the concerns of the business sector more effectively, in particular with regard to access to credit and land, mortgages, preferential credits and calls on Ukraine to adapt its internal legislation in order to **facilitate uninterrupted transit of gas to the EU Member States**. Members note that this process should include a restructuring of the gas sector and the establishment of fair regulation of energy infrastructure with a view to placing foreign suppliers, foreign customers and local energy demand on an equal footing. They call for enhanced cooperation between the EU and Ukraine in the energy sector.

Lastly, the report call on the Council, the Commission and the European External Action Service to take the above considerations and recommendations duly into account and to regularly and fully report to the European Parliament on the progress of the negotiations and, after its entry into force, on the progress in implementation of each DCFTA.