

# Trade aspects of the Eastern partnership

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The European Parliament adopted a resolution on the trade aspects of the Eastern Partnership.

Parliament stresses 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. It recalls 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.

In this context, Parliament feels 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. Parliament takes the view that concluding DCFTAs is fundamental in fighting tendencies towards protectionism at global level. The creation of DCFTAs will impact on the entire functioning of the EU's trade partner countries that reaches far beyond purely trade issues, also influencing the state of democracy, the rule of law and other common standards.

Parliament also stresses the following:

- 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 in the countries in question;
- 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.

In an oral amendment adopted in plenary, Parliament acknowledges the fact that DCFTAs might be a **core component of a wider political agreement** (association agreement). It stresses, however, that in cases where it is not possible or advisable to conclude an association agreement with a particular country, **other strategies shall be considered in order to efficiently pursue the Union's economic and trade goals** with the country concerned.

Parliament calls 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:** Parliament welcomes the Commission's proposal on the Multiannual Financial Framework 2014-2020, which proposes a 40% rise in funding for the European Neighbourhood Policy. It calls on the Council to maintain the funding proposed by the Commission.

**Sectoral matters:** Parliament calls 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).

Parliament also stresses 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. It stresses that DCFTAs would not only bring economic benefits for the Eastern Partners but can also accelerate institutional reforms, modernisation and development.

Recalling that the Union is the main exporting partner of the majority of countries in the Eastern Partnership and noting the growing economic influence of China in the countries of the Eastern Partnership, Parliament also 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.

Parliament then makes a series of observations on each of the countries concerned in the Eastern Partnership:

- **Armenia:** Parliament 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. It is concerned about the indications of the ongoing close links between political and business circles and significant impediments for businesses, including the untransparent tax system and low investment protection. It also regrets 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. It calls 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:** Parliament emphasises 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. It notes 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. It urges the Azerbaijani

Government therefore to step up its efforts towards WTO membership, and calls on the EU to provide Azerbaijan with the necessary assistance. Whilst commending the remarkable economic growth experienced by Azerbaijan in past years, Parliament **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 and for the country to open its economy to foreign investment;

- **Belarus:** Parliament regrets 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. It stresses the importance of Belarus's strategic position as a country of transit for energy, particularly supplies of natural gas for the EU. It also stresses 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. Parliament notes, in this regard, the **current EU targeted restrictive economic measures against Belarus**. It takes 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, Parliament notes that Georgia still has the highest alleged prevalence of pirated software of any country. It calls on the Georgian Government to develop laws for the enforcement of **intellectual property rights**. Other measures are also awaited. Parliament encourages Georgia to perfect its legislation, improve the efficiency of its institutions and ensure high quality-control standards for its products. It calls on Georgia to ensure that, after the conclusion of the DCFTA negotiations, only products originating from regions formally recognising their adhesion to the Georgian state are eligible for trade preferences. 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, Parliament notes the country has in recent years undergone a remarkable reform process. It is of the opinion that the future DCFTA should apply to the whole territory of Moldova that formally acknowledges its adhesion to the Moldovan state. It notes 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. It 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:** Parliament welcomes **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. Parliament takes 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**. It calls 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. Parliament 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. Parliament notes 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. It calls for enhanced cooperation between the EU and Ukraine in the energy sector.

Lastly, Parliament calls 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.