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on the trade aspects of the Eastern Partnership
(2011/2306(INI))

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The European Parliament,

- having regard to the ongoing negotiations on the EU-Ukraine, EU-Moldova, EU-Georgia, EU-Armenia and EU-Azerbaijan Association Agreements, which will include substantial trade elements,
- having regard to the Council Conclusions of 22 January 2007 which adopted the negotiating directives for the EU-Ukraine Association Agreement comprising a Deep and Comprehensive Free Trade Area,
- having regard to the Council Conclusions of 10 May 2010 which adopted the negotiating directives for the EU-Armenia and EU-Georgia Association Agreements, each comprising a Deep and Comprehensive Free Trade Area,
- having regard to the Council Conclusions of 15 June 2009 which adopted the negotiating directives for the EU-Moldova Association Agreement and to the additional detailed negotiating directives on the Deep and Comprehensive Free Trade Area, adopted by the Council on 20 June 2011,
- having regard to the Council conclusions of 10 May 2010 which adopted the negotiating directives for the EU-Azerbaijan Association Agreement,
- having regard to the Trade and Cooperation Agreement concluded by the European Community with the then Soviet Union in 1989 and subsequently endorsed by Belarus,
- having regard to the Joint Communication from the Commission and the High Representative of the Union for Foreign Affairs and Security Policy of 25 May 2011 on A new response to a changing Neighbourhood (COM(2011)0303),
- having regard to the development of the European Neighbourhood Policy (ENP) since 2004, and in particular to the Commission's progress reports on its implementation,
- having regard to the Action Plans adopted jointly with Armenia, Azerbaijan, Georgia and Moldova and to the Association Agenda with Ukraine,
- having regard to the Joint Declarations of the Prague Eastern Partnership Summit of 7 May 2009 and of the Warsaw Eastern Partnership Summit of 29-30 September 2011,
- having regard to the creation of the EURONEST Parliamentary Assembly by its Constituent Act of 3 May 2011,
- having regard to Article 8 of the Treaty on European Union and Article 207 of the Treaty on the Functioning of the European Union,

- having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade (A7-0000/2012),
- A. whereas 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;
- B. whereas following the revolutionary movements which took place in 2011 in the EU Southern neighbourhood, now known as the Arab Spring, EU interest has been very much focused on the southern neighbours; whereas the countries belonging to the Eastern Partnership and EU trade relations with them deserve just as much attention as the EU's southern neighbours;
- C. whereas the DCFTA negotiations with Ukraine were completed in October 2011; whereas the DCFTA will only enter into force after the conclusion of the EU-Ukraine Association Agreement, which is currently blocked due to the EU's discontent with Ukraine's internal political developments;
- D. whereas the DCFTA negotiations with Georgia and Moldova were endorsed by the Council in December 2011 and the first rounds of negotiations should take place in the spring of 2012;
- E. whereas in 2011 Armenia made significant progress towards fulfilling the key recommendations, and DCFTA negotiations could therefore start in the foreseeable future;
- F. whereas the WTO accession of Azerbaijan has been under way since 1997 but progress has been limited and is currently in a stalemate, which is the key obstacle to launching DCFTA negotiations with the EU;
- G. whereas Belarus has so far participated only in a limited way in the different platforms of the Eastern Partnership; whereas deepening relations between Belarus and the EU would greatly contribute to the fulfilment of the ultimate goal of the Eastern Partnership, which is progress, stability and prosperity in the EU's Eastern neighbourhood;
- H. whereas all EU Eastern Partners, being the ex-USSR states, share the same historical and institutional background and have faced similar challenges in their political and economic transition over the past two decades;

General considerations

1. Considers the creation of DCFTAs to be one of the most ambitious tools of EU bilateral trade policy, providing not only for greater economic integration by a gradual dismantling of trade barriers but also for regulatory convergence in areas that have an impact on trade, in particular sanitary and phytosanitary rules, investment protection, animal welfare, customs and border procedures, competition and public procurement; takes the view that

concluding DCFTAs is fundamental in fighting tendencies towards protectionism at global level;

2. Emphasises the importance of the Comprehensive Institution Building Programme, Technical Assistance and Information Exchange instrument (TAIEX) and twinning programmes in helping the Eastern Partners to fulfil the key recommendations as well as in enhancing their implementation capacity;
3. Recognises the short-term sacrifices that need to be made by the Eastern Partners in order to enhance their trade relations with the EU; emphasises that the support and involvement of civil society in promoting the long-term benefits is key for the success of the reform process;
4. Considers that differentiation accompanied by application of the ‘more for more’ principle as outlined in the above-mentioned Joint Communication on A new response to a changing neighbourhood is also a step in the right direction in trade relations with the Eastern Partners, making it possible to reward those who make the most progress and motivating others to step up their efforts;
5. Is convinced that the economic integration of the Eastern Partners with the EU cannot be efficiently carried out without economic integration among the Eastern Partners themselves; regrets in this regard that regional frozen conflicts have for many years caused and continue to cause enormous economic losses to some of the Eastern Partners;
6. Welcomes the Commission proposal on the Multiannual Financial Framework 2014-2020, which proposes a 40% rise in funding of the European Neighbourhood Policy; emphasises its view that the Eastern Partners cannot themselves carry the burden of costs of legal approximation and the necessary institutional and structural reforms and that EU financial support is instrumental for the success of their reform efforts; calls in this regard on the Council to maintain the funding proposed by the Commission;
7. Stresses the role of the national parliaments of the EU’s Eastern Partners in approximation of trade legislation with the EU *acquis*, which is a prerequisite for conclusion and proper implementation of the future DCFTAs; calls in this regard on the EU and its Member States to provide them with greater technical assistance;
8. Welcomes the accession of Ukraine and Moldova to the Treaty establishing the Energy Community, in view of its potentially vital role in terms of ensuring the achievement of the EU’s energy security objectives and contributing to security for those countries;
9. Welcomes all efforts towards strengthening of the Eastern Partnership, especially the Commission’s flagship initiatives on SMEs and on regional energy markets and energy efficiency;
10. Calls on the Commission to further develop the EU Black Sea Strategy, as it represents an important component of the EU’s external energy strategy, given its geostrategic role, which offers a significant potential for energy security and supply diversification;
11. Considers the EURONEST Parliament Assembly (PA), particularly its Committee on

Economic Integration, Legal Approximation and Convergence with EU policies as well as its Committee on Energy Security, to be an ideal platform for discussions on trade issues between the Members of the European Parliament and national parliamentarians of the EU's Eastern Partners; expresses its hope that the conditions for the members of the Belarusian Parliament to join the EURONEST PA will be met in the foreseeable future;

12. Underlines that a DCFTA is not assistance given to the Eastern Partners, it is a trade deal bringing about reciprocal advantages for both parties; stresses that DCFTAs would not only bring economic benefits for the Eastern Partners but can also accelerate institutional reforms, modernisation and development;
13. Takes note of the creation on 18 October 2011 of a free-trade zone among the majority of members of the Commonwealth of Independent States, which include the EU Eastern Partners with the exception of Georgia and, for the time being, Azerbaijan; recognises that a potential free-trade agreement with the EU does not prohibit the EU's partners from concluding free trade agreements with other countries, and emphasises in this regard that it is important for the EU to provide the Eastern Partners with an attractive and viable alternative;
14. Insists that the success of DCFTAs will to a great extent depend on their proper implementation, which can only be assured in an open, transparent and corruption-free business environment;
15. Notes that, even if most of the Eastern Partners represent only a very small market for the EU, prosperity and stability in the EU's Eastern neighbourhood are in the EU's utmost interest and moreover that stable and predictable relations between the EU and its Eastern Partners will undoubtedly raise trade volumes in both directions;
16. Points out that, despite making sufficient progress in fulfilling the key recommendations, as conditions for allowing the launch of the DCFTA negotiations, 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; 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;
17. Expresses concern over the institutional capacity of the Eastern Partners concerned with regard to the actual implementation of a DCFTA; stresses that the conclusion of a DCFTA does not in itself guarantee success unless it is accompanied by effective measures on competition and against corruption;

Armenia

18. Applauds the Armenian Government for stepping up its efforts to fulfil the key recommendations in 2011, which led to the closing of 20 negotiating chapters;
19. Encourages Armenia to continue its work with the same enthusiasm in order to be able to meet all the conditions for starting the DCFTA negotiations in the coming months;

20. Regrets that the Nagorno-Karabakh conflict still resonates in the closed borders of Armenia with Azerbaijan and Turkey, keeping the country economically isolated due to the lack of access routes; stresses that opening of the borders is, inter alia, an important condition for attracting foreign investment;
21. 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;
22. Commends Armenia for acceding to the WTO Plurilateral Agreements on Public Procurement in September 2011; is convinced that this step will be beneficial for Armenia's image as a reliable trading partner;
23. Underlines that the DCFTA should include a deep commitment on the part of Armenia to reform its domestic policies in the direction of EU standards, accompanied by effective anticorruption measures;
24. Recommends also that the DCFTA should include measures aimed at strengthening the implementation of competition law, thus enabling foreign investors and companies to participate, in particular, in Armenia's construction and energy industries;
25. Urges Armenia to accelerate the process of complying with EU sanitary and phytosanitary measures, which would enable diversification of Armenia's exports to include agricultural products;
26. Believes that the weakening of Armenia's dependence on Russian commercial and governmental support as a result of Armenia opening its borders and strengthening international cooperation promotes its economic growth; believes that the conclusion of a DCFTA with the EU would be particularly beneficial in this regard;

Azerbaijan

27. Acknowledges the efforts and achievements of Azerbaijan towards approximation with the EU *acquis*; welcomes in this regard the recent adoption of the new Customs Code and Construction Code;
28. 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; notes that the nature of the Azerbaijani economy does not give the country strong motivation to seek WTO membership and a DCFTA with the EU; stresses however that the benefits of a DCFTA are not purely economic but that it could also bring about sustainable progress and prosperity in many other areas; urges the Azerbaijani Government therefore to step up its efforts towards WTO membership; in this regard calls on the EU to provide Azerbaijan with the necessary assistance;
29. Commends the remarkable economic growth experienced by Azerbaijan in past years; points out however that the oil sector provides 50% of Azerbaijan's GDP, 95% of its exports and 60% of its budget revenues, which makes the Azerbaijani economy vulnerable

to oil price volatility; calls in this regard on the Azerbaijani Government to consider adopting effective and consistent measures to diversify the country's economy;

30. Recalls Azerbaijan's great potential for development of agricultural production, and recommends that the Azerbaijani Government take into account this area as a potentially important step towards the diversification of its economy and its exports to the EU, subject to compliance with EU sanitary and phytosanitary requirements;
31. Calls on the Azerbaijani Government to genuinely engage in fighting corruption and improve access to financing for businesses, thereby making the country's economy more competitive and attractive for foreign investment;
32. Strongly supports the upgrading of the trade component of the future EU-Azerbaijan Association Agreement to a DCFTA once all the conditions are met;

Belarus

33. Recalls that during the Soviet period, Belarus displayed the most durable and regular economic growth of all the USSR states, a privileged situation which has unfortunately been swept away, but the 1986 Chernobyl nuclear power plant disaster left 25% of the national territory extremely contaminated and caused tremendous health and social damage that will still take many years to overcome;
34. Welcomes the positive results achieved by the Belarusian authorities in the struggle against the consequences of the Chernobyl disaster;
35. Welcomes the maintenance of relative macroeconomic stability in Belarus, especially continuing production by big industrial units as well as the good performance of the food industry;
36. Stresses the importance of Belarus's strategic position as a country of transit for energy, particularly supplies of natural gas for the EU; emphasises in this regard the importance of providing aid for the energy sector under the regional ENPI instrument (via energy infrastructure, for instance);
37. Stresses the need for more EU assistance in order to improve the performance of administrative structures;
38. Points out that there is a need for deeper involvement of EU banks within the territory of Belarus in order to avoid a diminution of EU influence;
39. Points out the difficulties in assessing the real economic situation in Belarus, due to the official statistics which, according to independent observers, conceal the reality in which reportedly 20% of Belarusians live below the breadline;
40. Notes that 80% of companies are publicly owned and the development of the private sector is hampered by discriminatory and arbitrary measures, changes to legislation and heavy taxation, which forces the private sector to operate partly in the unofficial economy;

41. Recalls that, due to the negative political and economic climate in Belarus, the International Monetary Fund and the World Bank froze their credits to Belarus in 1996 and the EU did the same in 1997; points out that all this dissuaded and continues to dissuade foreign investors, with foreign direct investment which now accounts for only 1% of the country's GDP;
42. Is convinced that deep institutional and structural reforms need to be carried out in order to start building a functioning, transparent and open market economy;
43. Points out that the country's WTO accession is a condition for starting negotiations on any kind of free trade agreement with the EU; in this regard calls on Belarus to genuinely engage in the WTO accession process;
44. Is convinced that the EU should use all its soft power in order to engage Belarus in real political and economic dialogue and provide incentives for reforms which are indispensable and of extreme importance for the Belarusian population;

Georgia

45. Points out that, according to the evaluation of the World Bank, Georgia is one of the world's fastest reforming economies and that it is ranked by the World Bank as the world's 16th best place to do business;
46. Congratulates Georgia on having remarkably well tackled the dramatic economic impact of the 2008 military conflict with Russia and on having successfully reoriented its exports towards other markets;
47. Recognises that the Georgian Government is trying to enhance the protection of intellectual property rights, points out however that Georgia still has the highest prevalence of pirated software (95%) of any country; calls in this regard on the Georgian Government to pursue with the utmost insistence its fight against piracy;
48. Regrets however that Georgia still remains one of the poorest Eastern Partners, and emphasises that the DCFTA would help to unleash Georgia's potential and enable the country to become an attractive location for investment;
49. Welcomes Georgia's new procurement system, enabling e-auctions for all types of contracts, irrespective of their size or nature; points out that Georgia should also serve as an example for the EU Member States in this area;
50. Calls on Georgia to ensure that, after the conclusion of the DCFTA negotiations, only eligible products originating from the breakaway regions of Abkhazia and South Ossetia benefit from trade preferences;

Moldova

51. Recognises with satisfaction that Moldova, while remaining one of the poorest countries

in the region, has in recent years undergone a remarkable reform process and greatly improved its economic performance; highlights in this regard the vital importance of the financial assistance provided by the International Monetary Fund and the macrofinancial assistance provided by the EU;

52. Reiterates its previously expressed wish that the future DCFTA should apply to the whole territory of Moldova, including the breakaway region of Transnistria, which could serve as a soft-power tool towards the resolution of the Transnistrian frozen conflict;
53. Notes that, for the time being, most Moldovan exports originate from agriculture and thus face fierce competition and strict requirements in the EU market; takes the view that a DCFTA should help diversify Moldovan exports and make the country more competitive;
54. Stresses the importance of continuing Moldova's alignment to the EU of its infrastructure and systems for technical regulation, standardisation, conformity assessment, testing, market surveillance and metrology;
55. Points out that considerable progress is still needed in the area of services and investment protection;
56. Calls on the EU authorities to be more involved in finding a peaceful solution for the problems of territorial reintegration of Moldova;

Ukraine

57. 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; considers that this groundbreaking agreement and the experience gained during its negotiation will undoubtedly serve as a useful example in future DCFTA negotiations;
58. Points out that Ukraine is the EU's largest Eastern Partner and that the DCFTA opens a new market of 50 million consumers for the EU; considers that for the EU the biggest benefits from implementing the DCFTA will come from a more stable and predictable trade and investment regime in Ukraine;
59. Welcomes the Ukrainian authorities' efforts to focus on overcoming the economic backwardness of eastern parts of Ukraine, which is a real contribution to the national integrity of Ukraine;
60. Regrets the delays in signing the Association Agreement, which is the condition for entry into force of the DCTFA; expresses the hope that the obstacles to the signature will soon be overcome;
61. Points out however that the application of the DCFTA will also bring about structural and political reforms; questions in this regard the current EU position, which makes the political reforms a precondition for the conclusion of the Association Agreement and consequently the DCFTA; calls on the Commission to examine the possibilities of initialling and implementing the DCFTA regardless of the conclusion of the Association

Agreement, i.e. as an *ad interim* agreement;

62. Recognises that, regarding integration into European structures, Ukraine is the most advanced Eastern Partner, which is gradually adapting its legal system to the EU and to international standards and has also made great progress in the adoption of OECD standards and norms;
63. Emphasises that successful implementation of the DCFTA will very much depend on the political will and administrative capacity to implement all its provisions in a timely and accurate manner; considers that this is a serious challenge for Ukraine, which has a mixed record on reforming its economy and state and which is still struggling to fulfil all its commitment under the WTO accession process, as well as commitments vis-à-vis the World Bank and the International Monetary Fund;
64. Reiterates that fundamental economic, political and institutional reforms must be accelerated and conducted in a more comprehensive and consistent way, in order to ensure proper implementation of the DCFTA and the gains coming from it;
65. 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, untransparent tax and customs systems and poor administration, the unstable and untransparent legal system and its poor functioning, weak and corrupt public administration and judiciary, weak contract enforcement and insufficient property rights protection, underdevelopment and monopolisation of infrastructure; urges the Ukrainian Government to accelerate the reform process in order to eliminate the above obstacles to free and fair business and trade;
66. Points out that Ukraine still continues to underperform in attracting foreign direct investment as compared to the EU's newest Member States and compared to most current and potential candidates for accession to the EU in the Western Balkans;
67. Calls on Ukraine to adapt its internal legislation in order to facilitate free and uninterrupted transit of gas to the EU Member States;
68. Expresses its hope that Ukraine will find enough political will and courage to create conditions for full and timely implementation of the DCFTA, which would be of great benefit to its population;
69. Calls on the EU authorities to give more support to improving the performance of Ukrainian administrative structures and to promoting EU standards in the field of governance;

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70. Calls on the Council, the Commission and the European External Action Service to take

the above considerations and recommendations duly into account in negotiation and implementation of the trade parts of Association Agreements with Armenia, Azerbaijan, Georgia, Moldova and Ukraine as well as in developing the EU's trade relations with Belarus;

71. Calls on the Commission 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;
72. Instructs its President to forward this resolution to the Council, the Commission, the Vice-President of the Commission/High Representative of the Union for Foreign Affairs and Security Policy, the EEAS and the governments and parliaments of the Member States and of the countries belonging to the Eastern Partnership.