

Eastern Partnership and its trade dimension:

What place for trade in the EaP framework?

- ★ Trade and economic development as priorities
- ★ Bilateral and multilateral trade cooperation
- ★ Existing legal and institutional arrangements
- ★ Trade related assistance

About the author

Sariyya Bunyatova

International Trade Law and Policy Expert

About the Topchubashov Center

The Topchubashov Center is an independent non-profit think tank based in Baku, Azerbaijan. It covers the spheres of international affairs, geopolitics, security and energy with the focus on Central and Eastern Europe, Caucasus, Central Asia and Middle East. The Center aims to establish the standards of high-quality impartial research and create an international network of authors sharing similar values and worldview.

© Topchubashov Center 2021

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without full attribution.

Eastern Partnership and its trade dimension: What place for trade in the EaP framework?¹

Summary

This briefing paper attempts to provide an overview of the role of international trade in the Eastern Partnership initiative. It lays out existing bilateral and multilateral trade cooperation elements within the Eastern Partnership framework as well as trade-related assistance provided by the European Union to the partner countries. The briefing paper finds that trade is one of the key priority areas of the Eastern Partnership and comprehensive institutional and treaty arrangements as well as instruments of assistance are available to foster further trade integration, albeit at different degrees with regard to different countries of the Partnership.

Introduction

The Eastern Partnership (hereinafter “the EaP”) is a regional policy initiative bringing together the EU, its Member States and six partner countries from the Eastern Europe and the South Caucasus: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The EaP has a broad framework covering different areas of cooperation starting from good governance and political institutions to migration and border management issues.

This briefing paper explores the way the EaP initiative relates to trade between the EU and partner countries and the role trade maintains within the EaP framework.

The paper starts with providing a brief overview of the European Neighborhood Policy as the main policy framework governing the EU’s relations with its neighbors since 2004. It then discusses the evolution of the EaP, its structure and functioning via bilateral and multilateral tracks and prioritization of trade as an element of economic development in the EaP region..

The bilateral trade cooperation section offers a quick peek at the trends in trade flows between the EU and the EaP partners since the launch of the initiative in 2009. The section continues with the discussion of the existing regimes applied to trade flows between the parties, including bilateral trade agreements and unilateral preferences afforded by the EU to certain EaP countries. The activities of the EaP’s Platform on Economic Development, and mainly its Trade Panel, are briefly discussed in the multilateral trade cooperation section. The last section touches upon the major mechanisms through which the EU provides trade-related technical assistance to the governments and the private sector of the EaP countries. The paper concludes with the observations made in analyzing the above trade-related elements of the EaP.

¹ The briefing paper dates to August 2020.

European Neighborhood Policy

Following its 2004 enlargement with the accession of 10 countries,² the EU found itself surrounded by several new neighbors with different political and economic structures. To create a comprehensive framework for governing its relations with the new Eastern and Southern neighbours, the EU launched a novel policy instrument - European Neighbourhood Policy (hereinafter "the ENP"). The ENP covered 16 countries³ and aimed at promoting *stability, security and well-being* of the parties involved.⁴ The new framework was designed to build on common interests and work jointly in priority areas to achieve stable political and socio-economic conditions in the neighbourhood.⁵

The ENP was revised in 2011 and later in 2015 to better address evolving circumstances and improve certain elements of the instrument taking into account the experience gained through implementation.⁶ The emphasis on differentiation and tailor-made approach, flexibility, joint ownership of the initiatives and provision of additional support to partners commensurate with their reform efforts (the so called "more for more" principle) have become the key characteristics of the ENP over time.⁷ Echoing the tailor-made approach, bilateral Action Plans or Association Agendas between the EU and ENP partners have been prepared and adopted on par with each partner's needs, capacities and interests.⁸

² Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined the EU on 1 May 2004 following the entry into force of the Treaty between them and the EU member-states laying down the conditions of accession to the EU. For more information, please refer to the text of the Treaty at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12003T/TXT>.

³ The 16 countries include 10 countries in the South — Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria* (The EU suspended all bilateral cooperation with the Government of Syria and its participation in regional programmes in 2011), Tunisia and 6 countries in the East — Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. For more information, please refer to https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp_en.

⁴ COM(2004) 373 final, "European Neighborhood Policy – Strategy Paper", 12 May 2004, available at https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/2004_communication_from_the_commission_-_european_neighbourhood_policy_-_strategy_paper.pdf.

⁵ COM(2003) 104 final, "Wider Europe — Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours", 11 March 2003, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52003DC0104&from=GA>.

⁶ COM(2011) 303, "A new response to a changing Neighbourhood", 25 May 2011, available at <https://library.euneighbours.eu/content/new-response-changing-neighbourhood-review-european-neighbourhood-policy>; JOIN(2015) 50 final, "Review of the European Neighbourhood Policy", 18 November 2015, available at <https://library.euneighbours.eu/content/review-european-neighbourhood-policy>.

⁷ JOIN(2017) 18 final, "Report on the Implementation of the European Neighbourhood Policy Review", 18 May 2017, available at https://eeas.europa.eu/sites/eeas/files/2_en_act_part1_v9_3.pdf.

⁸ These Action Plans or Association Agendas set forth an agenda of political and economic reforms with short and medium-term priorities of 3 to 5 years. To access the individual plans, please refer to the EU Neighbours portal at <https://library.euneighbours.eu/>.

Eastern Partnership

The EaP is one of the regional cooperation initiatives that was put forward to complement the mostly bilateral nature of the ENP. It was launched in May 2009 with the aim of solidifying the eastern dimension of the ENP and creating necessary conditions to accelerate the partners' approximation towards the EU through political association and economic integration.⁹

Multilateral cooperation and bilateral engagement were to become two pillars of the EaP. On the multilateral front, the partners would share their experience regarding reform and modernization efforts and the steps taken to achieve legislative and regulatory approximation with the EU's *acquis communautaire*.¹⁰ Four thematic platforms were established to serve as fora for discussion in main areas of multilateral cooperation, namely (i) democracy, good governance and stability; (ii) economic integration and convergence with the EU sectoral policies; (iii) energy security; and (iv) contacts between people.¹¹

Talks on potential future Association Agreements, individual capacity building programmes, mobility of citizens and visa liberalisation as well as cooperation on energy security were envisaged as the

Four thematic platforms were established to serve as fora for discussion in main areas of multilateral cooperation, namely democracy, good governance and stability; economic integration and convergence with the EU sectoral policies; energy security; and contacts between people.

main elements of the bilateral track of cooperation.¹² The determination of Partnership Priorities or Association Agendas and the provision of financial support and technical assistance¹³ through Single Support Frameworks (hereinafter "the SSFs") have played

an important role in this regard. The two following instruments have been particularly essential in upgrading the EU's relations with its EaP partners:

(i) **Association Agreements.** The Association Agreements (hereinafter "the AAs") have been employed to provide a new legal framework for relations with the EaP countries and replace the older Partnership and Cooperation Agreements (hereinafter "the PCAs") signed in the 1990s between the EU and the EaP countries.¹⁴ The AAs cover a wide range of issues, including political association,

⁹ 8435/09 (Presse 78), Joint Declaration of the Prague Eastern Partnership Summit, 7 May 2009, available at https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107589.pdf.

¹⁰ The EU's *acquis communautaire* ("the EU *acquis*") is the body of common rights and obligations that are binding on all EU member States.

¹¹ *Ibid.*, paras 9-12.

¹² *Ibid.*, paras 4-8.

¹³ The EU's financial support is provided to the EaP partners on an incentive-based approach ('more for more' and 'less for less') meaning those partner countries that are most engaged in reforms and make better progress will be obtaining more support through the EaP.

¹⁴ The PCA between the EU and Belarus concluded in 1995 has never entered into force as the EU has not ratified the Agreement.

cooperation in foreign and security policy, rule of law and human rights, fight against terrorism, migration and border management¹⁵ and trade and economic cooperation, among others.

(ii) **Agreements on Deep and Comprehensive Free Trade Area.** The Deep and Comprehensive Free Trade Areas (hereinafter “the DCFTAs”) are economic elements of the AAs. The DCFTAs provide for removal of tariff and non-tariff barriers to trade in goods and liberalization of trade in services. They contain provisions on payments and movement of capital, public procurement, competition, intellectual property and transparency proving these agreements sufficiently ‘comprehensive’ while the ‘deep’ commitments in the DCFTAs seek to promote closer regulatory integration between the parties and approximation of the partners’ trade-related legislation with the EU *acquis*.

The scope and depth of cooperation is dictated by the EU’s and partners’ needs, interests and ambitions as well as the pace and quality of reforms in the partner countries.¹⁶ For instance, since the launch of the EaP, three partner countries, Georgia, Moldova and Ukraine have concluded AAs/DCFTAs with the EU. Armenia signed Comprehensive and Enhanced Partnership Agreement (hereinafter “the CEPA”)

“Stronger economy and market opportunities” is one of the four priority areas of the EaP alongside stronger governance, connectivity and society as agreed at the 2015 Riga Summit.

in 2017 while Azerbaijan has been negotiating a comprehensive cooperation agreement with the EU since 2017. No such agreement is in sight between the EU and Belarus although the bilateral engagement with Belarus has continued through dialogues on human rights and trade.

Economic development and increased trade opportunities as a priority area within the framework of the EaP

“Stronger economy and market opportunities” is one of the four priority areas of the EaP alongside stronger governance, connectivity and society as agreed at the 2015 Riga Summit.¹⁷ To achieve tangible results in all four areas, the EaP’s Brussels Summit adopted “20 Deliverables for 2020” in

¹⁵ With regard to migration and border management, separate agreements on Mobility Partnership, Visa Facilitation and Readmission are the main legal instruments. These agreements are in force between the EU and all EaP partners, except for the Visa Facilitation and Readmission Agreements with Belarus which were in January 2020 but are yet to enter into force. For more information on the Agreements, please refer to the dedicated webpage on the official website of the European Commission at https://ec.europa.eu/home-affairs/what-we-do/policies/international-affairs/eastern-partnership/mobility-partnerships-visa-facilitation-and-readmission-agreements_en.

¹⁶ 14821/17 COEST 324, “Joint Declaration of the Eastern Partnership Summit”, Brussels, 24 November 2017, paras 8-11, available at <https://www.consilium.europa.eu/media/31758/final-statement-st14821en17.pdf>.

¹⁷ “Joint Declaration of the Eastern Partnership Summit”, Riga, 22-25 May 2015, pp. 7-13, available at <https://www.consilium.europa.eu/media/21526/riga-declaration-220515-final.pdf>.

2017 identifying priorities to be delivered in each area.¹⁸ Five deliverables were confirmed under the stronger economy component:

- (i) Unlocking the growth potential of Small and Medium-sized Enterprises (hereinafter “the SMEs”);
- (ii) Addressing gaps in access to finance and ensuring better functioning capital markets;
- (iii) Creating new job opportunities at the local and regional level;
- (iv) Harmonizing digital markets to eliminate barriers to online services;
- (v) Supporting intra-regional trade and trade between partner countries and the EU.¹⁹

Thus, supporting trade was recognized, among others, as a priority deliverable of the EaP. The specific objective was to enhance the capacity of the EaP partners to take advantage of the trade opportunities while ensuring their compliance with international trade rules and trade-related standards.

The prioritization of trade within the EaP framework should not come as a surprise since trade is generally acknowledged as a major element in economic growth, diversification and resilience of the EaP partners and has always been an important element in their relations with the EU. As of 2019, the six EAP countries taken together was the EU's 10th largest trading partner.²⁰ The EU is currently the largest trading partner of Azerbaijan, Georgia, Moldova and Ukraine while being the second largest trading partner of Armenia and Belarus.²¹

Bilateral trade cooperation within the EaP framework

Overview of trade flows²²

Bilateral trade flows between the EU and individual EaP partners have been on the rise since the start of the initiative. As demonstrated below in Figure 1, total trade turnover of the EaP partners with the EU has seen a boost over the last decade while remaining at significantly different levels depending on the differences in the size of economies and historic trade patterns of the EaP countries. All EaP countries, except for Azerbaijan,²³ have encountered negative trade balance *vis-à-vis* the EU during the reference period.

¹⁸ 14821/17 COEST 324, “Joint Declaration of the Eastern Partnership Summit”, Brussels, 24 November 2017, para. 14 and Annex I, available at <https://www.consilium.europa.eu/media/31758/final-statement-st14821en17.pdf>.

¹⁹ Ibid, Annex I.

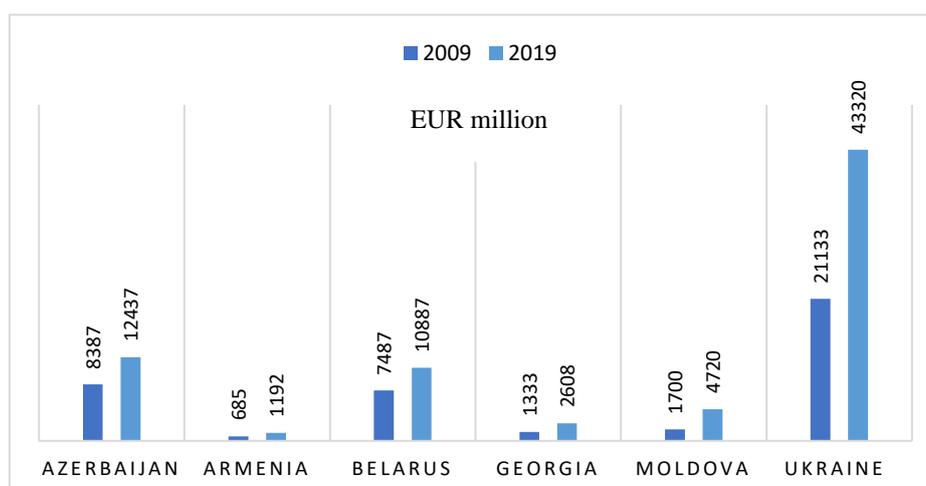
²⁰ Factsheet, “Top 10 achievements of the Eastern Partnership in the last 10 years”, available at https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/eastern_partnerships_top_10_achievements.pdf.

²¹ Information retrieved from the official website of the European Commission at <https://ec.europa.eu/trade/policy/countries-and-regions/> in August 2020.

²² Trade flow analysis provided herein is limited to trade in goods as similarly detailed data on trade in services was not available as of August 2020.

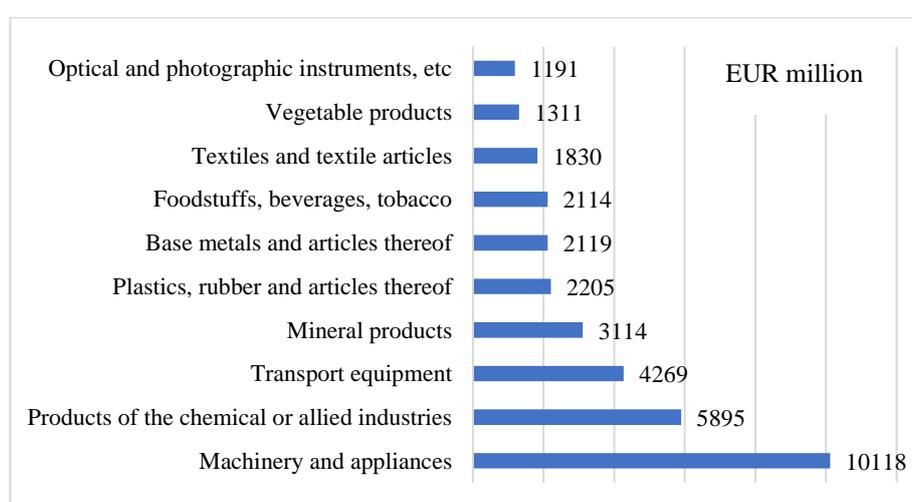
²³ Azerbaijan maintains a trade surplus with the EU mainly thanks to its exports of crude and non-crude oil and gas to the Union countries.

Figure 1: Total goods trade turnover of the EaP countries with the EU, 2009 and 2019



Source: European Commission statistics²⁴

Overall, the EU goods exports to the EaP countries equaled 38.5 billion Euros while imports from the EaP region amounted to 36.7 billion Euros in 2019. The main destinations for the EU exports among the EaP countries were Ukraine (24.2 billion Euros) and Belarus (6.7 billion Euros) while the main import sources were Ukraine (19.1 billion Euros) and Azerbaijan (10.6 billion Euros).²⁵

Figure 2: Top 10 goods exports of the EU to the EaP countries, 2019²⁶

Source: Calculations based on the European Commission statistics

The EU exports to the EaP countries have mainly been composed of high value-added manufactured products such as machinery and appliances, chemical industry products, transport equipment,

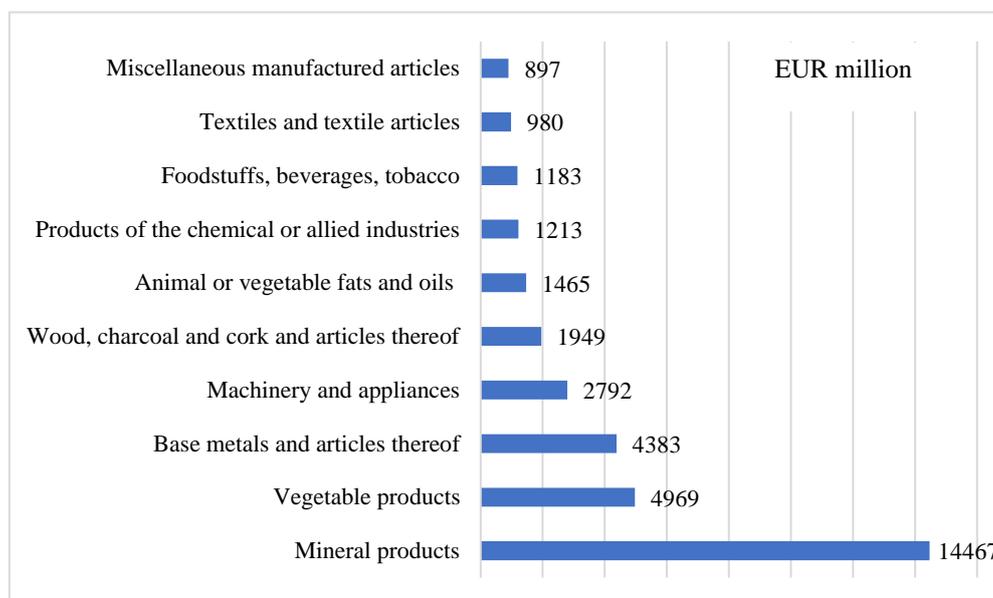
²⁴ The Figures 1, 2, 3 and 4 below are based on data retrieved from country statistics provided by the European Commission at <https://ec.europa.eu/trade/policy/countries-and-regions/statistics/> in June 2020.

²⁵ The calculations are based on data retrieved from country statistics provided by the European Commission at <https://ec.europa.eu/trade/policy/countries-and-regions/statistics/> in June 2020.

²⁶ The information in Figures 2 and 3 below is provided by sections of the Harmonized System Nomenclature of the World Customs Organization.

optical and photographic instruments, among others. However, the EU also exports unprocessed or semi-processed mineral products, plastics and rubber and base metals and metal articles as well as agricultural products, including foodstuffs, beverages, tobacco and vegetable products in large quantities to the EaP countries. The textile industry is also represented among the top exports to the EaP region as in Figure 2 above.

Figure 3: Top 10 goods imports of the EU from the EaP countries, 2019



Source: Calculations based on the European Commission statistics

While the product groups in Figure 3 above present the imports of largest value from the EaP region, the allocation of these imports among the individual EaP countries significantly varies as imports concentrate on the selected countries of the region reflecting the differences in the export patterns of the EaP countries.

For instance, although both mineral products and base metals are imported to the EU from all EaP countries, Azerbaijan alone provides 71% of the imports of mineral products while Ukraine is the source of 76% of imports of base metals and metal articles from the EaP region. With regard to agricultural products, Ukraine and Moldova together provide for 88% of all foodstuff imports and 96% of vegetable imports while Ukraine alone is responsible for 93% of the imports of animal or vegetable oils from the EaP region. Ukraine and Belarus also supply 91% of all imports of chemical products and 99% of all imports of wood, charcoal, cork and their articles to the EU from the EaP countries.²⁷

Unilateral preferential arrangements by the EU

All 6 EaP countries maintained a preferential access to the EU market through the EU's Generalized System of Preferences (hereinafter "the GSP scheme")²⁸ at a particular period of time. Azerbaijan

²⁷ The calculations are based on data retrieved from country statistics provided by the European Commission at <https://ec.europa.eu/trade/policy/countries-and-regions/statistics/> in June 2020.

²⁸ The GSP scheme provides tariff reductions to designated goods imported from developing countries.

and Belarus were taken off the list of the GSP beneficiaries once they reached an upper-middle income country status in accordance with the World Bank classification, while Georgia and Ukraine were removed from the list once they received another preferential market access arrangement through the DCFTAs. Moldova was removed from the GSP list of beneficiaries upon obtaining an autonomous and more extensive preferential treatment from the EU in 2008.

As of 2020, only Armenia remains as a beneficiary of the EU's special GSP arrangement – “GSP+” scheme which is an incentive-based scheme that grants duty-free treatment to imports of around 7200 products from vulnerable and lower-middle-income countries contingent upon their ratification and positive record of compliance with certain international conventions on human rights, labor rights, good governance and sustainable development.²⁹

Bilateral trade agreements

The EU has been trying to explore means of achieving a positive trend in bilateral trade taking into account each EaP country's trade patterns, capacities and scope of ambition in taking trade-related commitments. The biggest achievement within the EaP framework in this regard has been the conclusion of the DCFTAs with Georgia, Moldova and Ukraine in 2014. The DCFTAs fully entered into force in 2016 for Georgia and Moldova and in 2017 for Ukraine.³⁰ Since then, the focus has been on ensuring effective and timely implementation of the DCFTA provisions.

The impact of the DCFTAs in trade flows can already be observed as in the Figure 4 below. The value of goods exports to the EU have increased by around 22% from Georgia, 41% from Moldova and 49% from Ukraine throughout 2016-2019 period. The EU exports have also increased by approximately 9% to Georgia, 47% to Moldova and 50% to Ukraine over the same period.³¹

The DCFTAs provide for substantial liberalization of trade barriers and aim to enable the signatories to gradually achieve free movement of goods, services and capital with the EU.

The DCFTA provisions on goods cover national treatment and market access for goods, tariff and non-tariff measures, trade remedies, Technical Barriers to (hereinafter “the TBT measures”, including standardization, metrology, accreditation and conformity assessment measures), Sanitary and Phytosanitary measures (hereinafter “the SPS measures”) as well as customs procedures and trade facilitation. Tariff liberalization commitments under the DCFTAs cover almost all goods except for certain specific goods in sensitive areas, such as agriculture. On the services front, the DCFTAs include provisions on the establishment of companies, cross-border supply of services, and temporary presence of natural persons, among others. The commitments in specific service sectors are more extensive compared to the parties' commitments in the WTO. DCFTAs also contain rules

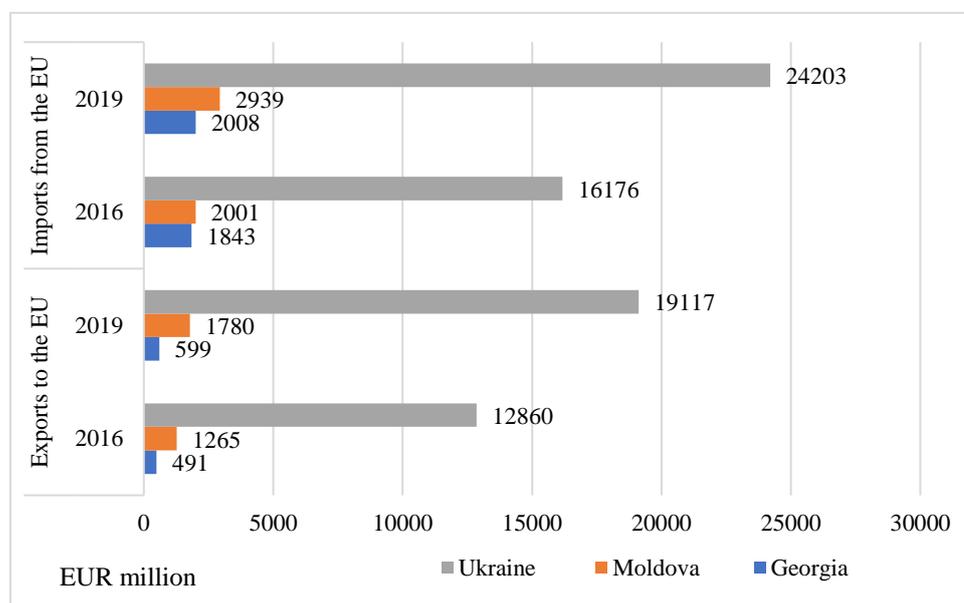
²⁹ For more information, please refer to the official website of the European Commission at <https://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>.

³⁰ Information retrieved from the official website of the European Commission at <https://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/> in June 2020.

³¹ The calculations are based on data retrieved from country statistics provided by the European Commission at <https://ec.europa.eu/trade/policy/countries-and-regions/statistics/> in June 2020.

in areas of Intellectual Property rights (hereinafter “the IP rights”), public procurement, competition, trade-related energy, trade and sustainable development and settlement of related disputes.

Figure 4: The value of DCFTA countries' goods exports to and imports from the EU, 2016 and 2019



Source: European Commission statistics

Commitments on extensive gradual approximation of legislation and regulatory practices with the EU *acquis* is an important aspect of the DCFTAs. Such approximation is envisaged to take place in customs legislation, SPS, animal welfare legislation and TBT measures, domestic regulation of certain service sectors, public procurement, competition and trade-related environmental regulation, among others.

The CEPA between the EU and Armenia also aims at enhancing the trade relations between the parties. The Agreement contains a separate title on “Trade and Trade-Related matters” with chapters on trade in goods, a detailed chapter on trade in services and provisions on intellectual property rights, among others. It takes full account of Armenia’s membership in the Eurasian Economic Union (hereinafter “the EAEU”) which in turn explains the exclusion of tariff liberalization commitments from the scope of the CEPA. On the contrary, the CEPA contains elaborate schedules of commitments on services documenting the parties’ reciprocal commitments on liberalization of service sectors and sub-sectors. Gradual regulatory approximation commitments are included in the CEPA, too.³²

³² “Comprehensive and enhanced Partnership Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Armenia, of the other part”, *OJL 23*, 26.1.2018, pp. 4–466, available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22018A0126\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22018A0126(01)).

The potential future Cooperation Agreement between the EU and Azerbaijan, for which the negotiations are under way, is also expected to contain trade-related provisions.³³ As of now, the partnership priorities for Azerbaijan on the trade front include support for the country's WTO membership and improved business and investment environment.³⁴ The EU also supports Belarus on its accession process to the WTO through the existing Dialogue on Trade.³⁵

The bilateral DCFTAs and cooperation agreements containing trade commitments between the EU and the EaP partners could evolve into a network of trade agreements in the long term as these agreements can bring the partner countries to a similar standard of trade legislation and possibly a similar level of trade openness. This would serve the goal of enhanced intra-regional trade and attainment of benefits that would follow.

Multilateral trade cooperation within the EaP framework

Trade has also been a matter of multilateral cooperation through the EaP's Platform 2 on Economic Development and Market Opportunities.³⁶ The Platform's Panel on Trade and Trade-Related Regulatory Cooperation (hereinafter "the Trade Panel") is a dedicated forum that focuses on achieving enhanced and diversified intra-regional trade and trade between the EU and the EaP partners.

The Trade Panel regularly holds technical discussions on different topics such as non-tariff barriers and technical requirements; identification of priority sectors for regulatory approximation to facilitate reforms; possible EU technical assistance for accessing European and international markets; implementation of the DCFTAs, among others. Although the EU plays a leading role in the process, the Panel provides an opportunity for dialogue and experience-sharing among the EaP partners themselves, too.³⁷

The multilateral track of the trade cooperation remains limited to discussions and experience-sharing activities and falls short of including commitment-based arrangements such as those observed in the bilateral track.

³³ Information retrieved from the official website of the European Commission at <https://ec.europa.eu/trade/policy/countries-and-regions/countries/azerbaijan/> in June 2020.

³⁴ Press release, "Partnership Priorities between the EU and Azerbaijan reinforce the bilateral agenda", 11.07.2018, available at https://ec.europa.eu/neighbourhood-enlargement/news_corner/news/partnership-priorities-between-eu-and-azerbaijan-reinforce-bilateral-agenda_en.

³⁵ Information retrieved from the official website of the European Commission at <https://ec.europa.eu/trade/policy/countries-and-regions/countries/belarus/> in June 2020.

³⁶ 14821/17 COEST 324, "Joint Declaration of the Eastern Partnership Summit", Brussels, 24 November 2017, Annex II, available at <https://www.consilium.europa.eu/media/31758/final-statement-st14821en17.pdf>.

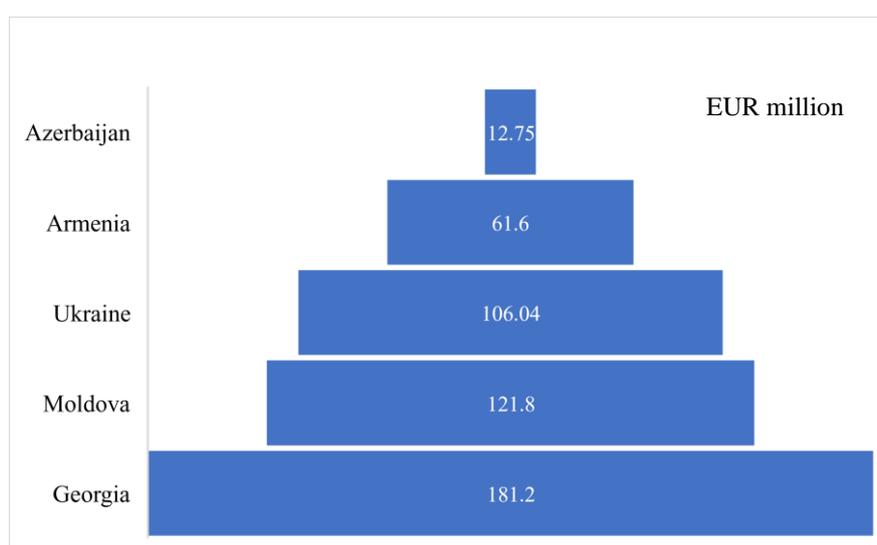
³⁷ Eastern Partnership: Work Programme of Platform 2 (Economic Development and Market Opportunities) for 2018-2019, available at <https://eufordigital.eu/library/eastern-partnership-work-programme-platform-2-economic-development-and-market-opportunities-2018-2019/>.

Trade-related Technical Assistance to the EaP countries

Trade capacity-building activities is an instrumental part of the EU support to trade in the EaP countries. These activities consist of (i) support to governments and public institutions in trade policymaking and regulation of cross-border trade and (ii) support to private sector to enhance its compliance with market requirements.

Between 1991 and 2006, Technical Assistance to the Commonwealth of Independent States (hereinafter “the TACIS Programme”) was the main instrument for provision of technical assistance to the Eastern partners. With total funding of 7.3 billion Euros over 15 years, the TACIS Programme included economic development assistance and private sector support among its trade-related activities.³⁸ The TACIS Programme was replaced with the European Neighbourhood and Partnership Instrument in 2007 which was terminated later in 2014 when European Neighbourhood Instrument (hereinafter “the ENI”) was launched.

Figure 5: Indicative allocation of financial assistance to the economic development of the EaP partners



Source: Individual Single Support Frameworks for EU support to the EaP partners^{39,40}

*Note: The amounts included in the Figure 5 are maximum amounts from the range of indicative amounts contained in the SSFs.

³⁸ Frenz Alexander, “The European Commission’s TACIS Programme 1991 – 2006: A Success Story”, [Date not known], available at <https://www.osce.org/eea/34459?download=true>.

³⁹ The latest Single Support Frameworks cover 2017-2020 period for Armenia, Georgia and Moldova and 2018-2020 period for Azerbaijan and Ukraine.

⁴⁰ Single Support Framework for Belarus was not adopted for the corresponding period. Instead, special measures were set forth by the Commission in favor of Belarus for years 2018 and 2019 separately. 30 million and 31 million Euros were allocated for implementation of the special measures, respectively. For more information, please refer to Commission Implementing Decisions — C(2018) 8596 final of 19 December 2018 and C(2019) 8885 final of 16 December 2019.

With a total budget of 15.4 billion Euros, the ENI has been the main financial mechanism available for technical assistance to all ENP countries plus the Russian Federation for the period of 2014-2020. Economic development, sustainable and inclusive growth, progressive integration to the EU internal market and cross-border cooperation are among the trade-related priority areas of the ENI support.⁴¹

Planning of assistance within the framework of the ENI is conducted through the SSFs adopted between the EU and individual EaP partners. Priority sectors and amount of financial assistance contained in the SSFs follow the individual Partnership Priorities.

Trade-related technical assistance (hereinafter “the TRTA”) is mainly covered by the economic development and market opportunities section of the SSFs with emphasis on achievement of enhanced trade potential, trade facilitation and compliance with international requirements. Figure 5 below demonstrates the varying level of EU assistance to EaP partners in this regard.

The amount of support granted to the DCFTA partners, namely Georgia, Moldova and Ukraine is significantly higher than the support allocated to the other EaP partners. This is understandably so as the implementation of DCFTAs and legislative and regulatory harmonization of DCFTA partners' legislation and practices with the EU requires considerable assistance from the EU side. A similar argument, among others, could be used to explain the sizeable difference between the economic development assistance provided to Azerbaijan and Armenia, as the latter is currently implementing the CEPA.

A vital instrument of the EU's TRTA to the private sector within the EaP framework is the EU4Business initiative which supports SMEs in the EaP countries. As of 2020, EU4Business covers 43 projects in the EaP region with total funds of 320 million Euros. The initiative assists companies with difficulties accessing new markets by offering export advice and training, organizing trade missions to potential export markets and supporting the SMEs' compliance with the EU market requirements.⁴²

One of the outstanding multilateral projects of the EU4Business is the planned establishment of a new trade helpdesk for businesses from the EaP partners. The EaP Trade Helpdesk is projected to provide trade and market access information and guidance on export procedures for businesses while acting as a helpdesk for solving trade barriers the businesses might face in their trade operations with the EU and other EaP countries.⁴³

Following the entry into force of the DCFTAs, provision of support to the private sector of Georgia, Moldova and Ukraine to reap the benefits offered by the DCFTAs has become a necessity for the EU's

⁴¹ For more information on the ENI, please refer to the EU Neighbours portal at <https://www.euneighbours.eu/en/policy/european-neighbourhood-instrument-eni>.

⁴² For more information on the EU4Business initiative, please visit the official webpage at <https://eu4business.eu/>.

⁴³ For more information on the EaP Trade Helpdesk project, please see <https://www.euneighbours.eu/en/east/stay-informed/projects/eu4business-eastern-partnership-trade-helpdesk>.

TRTA. The DCFTA Facility for SMEs⁴⁴ was created with this exigency in mind together with the European Investment Bank (hereinafter “the EIB”) and the European Bank for Reconstruction and Development (hereinafter “the EBRD”). The facility provides financing, risk sharing and investment incentives to the SMEs of Georgia, Moldova and Ukraine. Besides funding, the facility also offers specifically designed technical assistance (i) to improve regulatory and policy environment of the DCFTA partners and (ii) to support SMEs and business support institutions.⁴⁵

Conclusion

The conclusions of the briefing paper can be grouped into the four following items:

(i) Trade is a priority for the EaP initiative. The briefing paper concludes that as an important element of economic growth of the partner countries and their potential economic integration with the EU, trade is viewed as a priority area of the EaP initiative. The EaP provides a helpful framework for advancing trade relations between the EU and the partner countries in acting as an umbrella for bilateral and multilateral trade cooperation and assistance initiatives.

(ii) Differences exist in the level of bilateral trade cooperation between the EU and EaP partners. The comprehensive bilateral agreements in the form of DCFTAs are the most advanced tools of trade integration within the EaP framework. Although they are in principle available to all the EaP countries, the paper observes that the level of ambition in concluding these agreements has differed among the partner countries due to political and/or economic concerns. This has resulted in remaining differences in the regimes applied to imports from individual EaP countries to the EU. For instance, the briefing paper shows that products of Georgia, Moldova and Ukraine have preferential access to the EU market under the DCFTAs; significant share of Armenian products enter the EU market under the preferential GSP+ scheme, while imports from Azerbaijan and Belarus remain subject to higher most-favored nation tariffs in the absence of a preferential arrangement. Thus, although bilateral trade flows between the EU and Azerbaijan and Belarus have been increasing over the last decade as in Figure 1 above, a trade agreement would likely tap the trade potential even further.

(iii) Multilateral track of trade cooperation within the EaP is limited. The paper observes that as of now the multilateral trade cooperation element of the EaP is relatively weak, compared to the bilateral track, and mostly serves as a forum for experience-sharing and dialogue among the parties involved.

⁴⁴ The Facility is part of the larger SME Flagship Initiative which aims at addressing the barriers facing SMEs in the EaP countries. For more information on the SME Flagship initiative, please refer to http://ec.europa.eu/enlargement/neighbourhood/pdf/riga/20150518_flagship_sme.pdf.

⁴⁵ European Commission Fact Sheet: The DCFTA Facilities for SMEs, 21 May 2015, available at https://ec.europa.eu/commission/presscorner/api/files/document/print/en/memo_15_5013/MEMO_15_5013_EN.pdf.

(iv) TRTA is essential in achieving EaP's trade-related objectives. Trade-related technical assistance plays a complementary role in supporting the governments and private sector in the EaP countries to improve trade conditions and take advantage of the trade opportunities. The briefing paper also finds that the amount of support afforded by the EU to the EaP partners on trade and economic front differs vastly due to individual needs and capacities of the partners.

Based on the above initial conclusions, the briefing paper considers that possible means for levelling out the differences in bilateral trade regimes between the EU and individual EaP partners, (ii) ways of strengthening the multilateral track of trade cooperation within the EaP framework and (iii) evaluation of effectiveness of the TRTA activities in the EaP region and their impact on the trade levels among the parties would be interesting subjects for future research.

Topchubashov Center
Globus Center, Floor 7,
609 Jafar Jabbarli Str.
Baku AZ1065, Azerbaijan

info@top-center.com
www.top-center.com



@Topcenterorg



@topchubashovcenter



Topchubashov Center