

# Position Paper: Facilitation of Trade among EU and EaP states

**Prepared for:** Meeting of the EaP Panel on Trade

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## Executive Summary:

The position paper suggests enforcement of regional dimension of economic integration between EU and EaP partner countries as well as between EaP countries themselves. In particular, three types of possible arrangements are described:

- Regional DCFTA between AA/DCFTA countries and beyond – a regional common economic area – CEA;
- Establishment of the regional deep and comprehensive FTA between EU and three AA/DCFTA EaP countries a type of EEA+;
- Establishment of a Common Economic Space (CES) between EU and all EaP countries; The CES will be a multiple speed arrangement, that establishes cooperation and integration in different fields and with different levels depending on the ambition and preparation of the partner states.

All three arrangements are mutually compatible and support each other. All of them can be developed within the Eastern Partnership initiative, they do not go beyond the aims initially established by the it but rather reinforce and fulfil the possibilities already offered by the initiative.

It is recommended that EaP Civil Society Forum, in cooperation with its National Platforms and DG Trade produce a comprehensive study on feasibility and possible/estimated impact of the above mentioned regional arrangements.

## Introduction

The Eastern Partnership has been established in 2009 at the Prague Summit. It has fostered further economic integration and political association with the EU for the six Eastern European ENP countries. However, the ambivalent character of the EaP suggests development in not only EU-EaP country relations, but also further intra-regional integration between EaP countries. The multilateral dimension of the should create more space for regional cooperation between all EaP countries and the EU. Despite of not having set a clear goal for having any regional institutional arrangement, in the best case the logic of the deepened cooperation should have led towards the creation of a common economic space. Indeed, the existing gap in European aspirations and ambitions within the EaP countries, with some of them participating in other regional trade systems, and conflicts between some states makes at present not possible to reach an all-inclusive equal integration of all partners.

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In this regard, there could be identified three trends of economic integration here: Integration of the EaP states with the EU (bilateral), economic Integration among all EaP countries and EU, and regional integration of some EaP states with EU:

- Integration between EU and individual EaP countries is subject of the bilateral track and can be treated in the scope of existing bilateral agreements.
- Integration of EaP countries with each other and the EU seemed problematic and it is still at a very low level because of the above-mentioned problems. However, the work within EaP Platform 2 and in the EaP Civil Society Forum Working Group 2 explores all possible ways for advancing forward and, in some particular areas, achieves results in multilateral cooperation. Recent attempts to create an EaP Trade Help Desk may greatly support the process.
- AA/DCFTA EaP countries have any political obstacles for enhancing internal regional integration and establish a regional arrangement with EU.

### **Gradual creation of a regional Free Trade Area between Georgia, Moldova and Ukraine**

Three EaP countries (Georgia, Moldova and Ukraine) have signed DCFTAs with the EU. They also have bilateral free trade agreements among each other (in the framework of CIS, and later GUAM), which cover agricultural and industrial goods. At this stage, there is quite a liberal NTB regime between all of them, but if their approximation with EU takes different speeds their TBT regimes, sanitary and phytosanitary rules, horizontal legislation may start becoming obstacles for the trade between them. Therefore, it is important that AA/DCFTA countries create a mechanism for coordination of their approximation work and institutional building process.

DCFTA is not just a tool for facilitation of trade between EU and partner countries. This is also a transformational tool, and better the partner countries integrate among each other, fewer resources are needed for transformation, as the actions and projects take more and more regional and multilateral character. Thus, creation of a common economic area between three countries with regional FTA, respective common institutions and reform coordination mechanisms, could contribute to the higher predictability and stability of the market access between them for their goods and services, acceleration of reform and synchronised transposition of the EU acquis.

At this moment, trade growth statistics between EaP countries does not show any correlations to the belonging of partners to certain international trade system (block).<sup>1</sup> Indeed, the experience of European integration shows that the countries integrating closer to EU develop sooner or later closer economic ties between each other. The CEA will anticipate and stimulate this development between three AA/DCFTA EaP states. Practically all three states are littoral Black Sea states and creation of such an integration between them could be justifiable from the geographic point of view. It also fuels development of the transport links

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<sup>1</sup> We can unofficially conclude that the three AA/DCFTA EaP countries belong to the “EU trade system” even of there is no any regional arrangement yet linking them all together to the EU market.

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(mainly maritime and aviation), investments, exchange of labour, other respective developments usual to the closer integrated countries.

### **Developing a Common Economic Space (CES) between the EU and EaP countries that considers high and low level of economic integration**

It is timely to develop a concept of a **Common Economic Space (CES) between EU and EaP countries**. The concept should consider the high and low level of the economic integration. The AA/DCFTA EaP countries will enjoy High level of integration with regional (EEA+) FTA, harmonisation and elimination of TBT, mutual recognition agreements in industrial fields, etc.

Existence of the CEA between AA/DCFTA EaP countries is a necessary condition for creating the CES between them and EU. CES in fact can be also named as EEA+ (if it includes only three most advanced in European integration EaP countries).

EEA+ (CES 3+1) will be a type of common DCFTA between EU and all three states, It will provide for elimination of tariff and non-tariff barriers and full diagonal cumulation of rules of origin between them all. This will have the same effect on the CEA countries as it had on EFTA states when they signed EEA with EU. It will create more opportunities and increase both intra-regional trade and trade with EU.

### **The non-AA/DCFTA countries should participate in the CES on a sectoral basis**

CES can involve trade in goods, services, investments, cooperation in different policies, etc. As such, it may suggest a more complex and inclusive model than EEA+. It can also include all EaP countries, but at different stages and with different speeds of opening. Each country, depending on its ambition and on its freedom within other internationally bounding arrangements can join different circles of integration with EU and with other EaP partners.

At this stage, the non-AA EaP states cannot establish any FTA in trade in goods with EU; however they can still envisage Free Trade agreements with EaP countries and participation in regional arrangements.

### **More Information**

*The Eastern Partnership Civil Society Forum (EaP CSF) is a unique multi-layered regional civil society platform aimed at promoting European integration, facilitating reforms and democratic transformations in the six Eastern Partnership countries - Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Serving as the civil society and people-to-people dimension of the Eastern Partnership, the EaP CSF strives to strengthen civil society in the region, boost pluralism in public discourse and policy making by promoting participatory democracy and fundamental freedoms. For more information, please visit the EaP CSF website at [www.eap-csf.eu](http://www.eap-csf.eu)*