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**Looking for Eastern Partners' Potential to Enhance Trade and Economic Integration
with the EU and within the Eastern Partnership Region**

Factual Analysis

Table of Contents

I. The concept of an <i>economic area</i> and a <i>neighbourhood economic community</i> in EU ENP policy documents.....	4
II. Eastern Partnership - a specific dimension of the European Neighbourhood Policy	6
A. Eastern Partnership as political initiative for EU and Eastern Partners.....	6
B. Model of political association and economic integration with the EU for Georgia, Republic of Moldova and Ukraine	8
C. Non-preferential agreements/arrangements between the EU and Armenia, Azerbaijan and Belarus.....	8
III. Engagement of EaP countries in contractual trade relations	11
A. Regional trade agreements with participation of EaP countries.....	11
1. Free Trade Area of the Commonwealth of Independent States (CIS FTA)	11
2. Regional FTA between Georgia, Ukraine, Azerbaijan, Moldova (GUAM)	16
3. Armenia and Belarus as members of the Eurasian Economic Union	18
B. Bilateral FTAs of EaP countries.....	25
1. FTAs among Eastern Partnership countries	25
2. Bilateral contractual trade relations of EaP countries with former Soviet Union Republics	26
3. Free trade agreements of EaP countries with other main partners	27
IV. Trade in goods and services by Eastern Partnership countries.....	29
A. Trade in goods of DCFTA countries (Georgia, Moldova and Ukraine).....	30
B. Trade in goods of Armenia, Azerbaijan and Belarus	34
C. Trade in services by Eastern Partnership countries	39
1. Trade in services by the DCFTA partners	39
2. Trade in services by Armenia, Azerbaijan and Belarus	41
D. Foreign investment flows in DCFTA countries	42
V. The bilateral DCFTAs with the EU – are they a potential incentive for Georgia, Moldova and Ukraine to a regional economic integration?.....	45
A. Market access liberalization between the EU and Georgia, Moldova and Ukraine	45
1. Trade in goods	46
2. Trade in services.....	51
3. Opening of public procurement markets	57
B. On a reform path towards regulatory convergence based on the DCFTA commitments.....	60
C. Complementarity versus competition between the EaP economies	65
1. General overview of EaP countries' economies	65
1.1. Economy of Georgia	69
1.2. Economy of Moldova.....	70

1.3. Economy of Ukraine	71
1.4. Economy of Armenia	71
1.5. Economy of Azerbaijan.....	72
1.6. Economy of Belarus	72
2. The intra-regional trade of Eastern Partnership countries	73
VI. Conclusions based on the preliminary fact-finding	75
VII. ANNEXES	79
ANNEX 1: Content of the current bilateral free trade agreements of the Eastern Partnership states	79
ANNEX 2: General overview of the timeline for implementation of the DCFTA regulatory commitments in TBT by Georgia, Moldova and Ukraine.....	92
ANNEX 3: General overview of the timeline for implementation of the DCFTA commitments in SPS by Georgia, Moldova and Ukraine	94
ANNEX 4: General overview of the timeline for implementation of the DCFTA regulatory approximation commitments in customs and trade facilitation by Georgia, Moldova and Ukraine	96
ANNEX 5: General overview of the DCFTA commitments in competition by Georgia, Moldova and Ukraine	97

Introduction

When launching the **Eastern Partnership (EaP)** as **part of its neighbourhood policy in 2009**, the European Union offered to all six Eastern partners: **Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova** (thereafter 'Moldova') and **Ukraine** a political association and economic integration on the basis of Association Agreements (AA) with Deep and Comprehensive Free Trade Areas (DCFTAs). The **EU also encouraged EaP countries to establish, in longer-term, a network of DCFTAs among themselves or a regional free trade agreement based on the bilateral commitments in DCFTA with the EU**. Such approach, apart from contributing to creation of an *economic area* with the EU, has been aimed at **enhancing intra-regional trade** and economic integration.

After some time had passed, it has appeared that **not all EaP countries chose to pursue the foreseen AA/DCFTA model which has been chosen by Georgia, Moldova and Ukraine**. Therefore, since EaP Vilnius Summit (November 2013), the differentiated bilateral relations between the EU and each of its Eastern partners are being developed. In the joint Declaration from the Summit in Riga (May 2015), the EU and the EaP countries emphasized the role of the DCFTAs implementation in gradual integration of partners in the EU internal market, and hence creation of an *economic area*. *This ambitious long-term vision for economic integration between partners concerned and the EU has been considered as desirable – contributing also to the longer-term goal of wider area of economic prosperity based on WTO rules and sovereign choices through Europe and beyond.*

Having said this, it is useful to look at the **Eastern partners'** potential to enhance trade and economic integration with the EU and within the Eastern Partnership region, having in mind their **different aspirations, interests and abilities**. To this end, in the current factual qualitative and quantitative analysis, the Directorate General for TRADE of the European Commission has identified the existing free trade agreements between the EU and EaP countries and between themselves, described the general content of those agreements as well as presented the evolution of trade flows. It was done with the intention to create a base for the discussion how to intensify trade and cooperation in the region, without prejudice to the different level, degree and an optimal scheme of economic integration in a long-term. This analysis is also meant to be the first overview to find areas of common interest for launching a broader discussion on different trade aspects within the **EaP Expert Panel on Trade and Trade-Related Regulatory Cooperation** ('Trade Panel') that **resumed** (after several years of break) **in June 2017** as part of the Platform 2: *Economic Development and Market Opportunities*, under the EaP multilateral architecture. The content of this analysis was consulted with Eastern Partnership countries' as well as with EU Member States representatives participating in the Trade Panel and their comments have been appreciated and taken into account by DG TRADE.

I. The concept of an *economic area* and a *neighbourhood economic community* in EU ENP policy documents

In 2003 the European Commission presented a framework for the European Neighbourhood Policy (ENP) towards countries of Eastern Europe and Southern Mediterranean in order to avoid dividing lines between the enlarged EU and its neighbours.¹ In that ambitious strategy (developed further in 2004²) it was stated that *"all the neighbouring countries should be offered the prospect of a stake in the EU's Internal Market and further integration and liberalisation to promote the free movement of – persons, goods, services and capital (four freedoms)"* based on legislative and regulatory approximation. Moreover, the European Commission introduced to the Council and the European Parliament the idea of moving towards *"an arrangement whereby the Union's relations with the neighbouring countries ultimately resemble the close political and economic links currently enjoyed with the European Economic Area (EEA)"*.³ It was also mentioned that *"creating a more integrated market requires that our partners also conclude agreements of a similar depth among themselves"*.

In the ENP review in 2006, while the references to the internal market and the EEA had been dropped (though made again in 2008 in the Communication on Eastern Partnership – see the point 2), it was indicated that all 16 ENP partners should have *"a clear perspective of deep trade and economic integration with the EU"*. To this end *the conclusion of a new generation of deep and comprehensive free trade agreements (FTAs) with all ENP partners* (having a *"beyond-the-border"* impact) was mentioned as a bilateral approach in the first instance, taking into account the great differences between partner countries' economic situations. The bilateral concept was fully consistent with a simultaneously presented longer-term vision of an *"economic community emerging between the EU and its ENP partners"*. In the longer-term, working towards a *broadener neighbourhood economic community* (NEC) - as a *finalité économique* for the ENP – was supposed to include the application of shared regulatory frameworks and improved market access for goods and services among ENP partners.⁴

¹ *Wider Europe – Neighbourhood: A New Framework For Relations with our Eastern and Southern Neighbours*, Communication from the Commission to the Council and the European Parliament, COM (2003) 104 final, 11 March 2003 https://eeas.europa.eu/enp/pdf/pdf/com03_104_en.pdf.

² It is worth to recall that as concerns Eastern Europe Commission referred in its 2003 ENP Communication to Belarus, Moldova, Ukraine and also Russia. Finally, however, the EU and Russia have decided to form part of each other's neighbourhood and to this end develop their strategic partnership through the creation of four common spaces as agreed at the St Petersburg Summit in May 2003. In the same year the Commission recommended to the Council to include South Caucasus countries - Armenia, Azerbaijan and Georgia in the ENP (see: *European Neighbourhood Policy Strategy Paper*, Communication from the Commission, COM(2004) 373, 12.05.2004) [http://www.europarl.europa.eu/meetdocs/2004_2009/documents/com/com_com\(2004\)0373/_com_com\(2004\)0373_en.pdf](http://www.europarl.europa.eu/meetdocs/2004_2009/documents/com/com_com(2004)0373/_com_com(2004)0373_en.pdf)

³ Romano Prodi, the President of the European Commission, was the first to suggest in December 2002 that the European Economic Area experience could be used as *"a model for integrated relations with our neighbours"* in order to create a "ring of friends" *"sharing everything but institutions"* http://europa.eu/rapid/press-release_SPEECH-02-619_en.htm In this context it's worth to recall an idea of a free trade area from *"Lisbon to Vladivostok"* that was raised by President of Russia Vladimir Putin during his official visit to Berlin in September 2001 and then repeated in November 2010 considering it as a tool to abolish trade barriers between the Eurasian Economic Union and the EU. No tangible steps were taken in this direction though (also after Russia's accession to the WTO in 2012) notably due to a conflict provoked by Russia with Ukraine.

⁴ *Strengthening the European Neighbourhood Policy*, European Commission Communication to the Council and the European Parliament, COM(2006) 726 final, 4.12.2006.

In the 2011 ENP review following the "Arab Spring", while considering the DCFTAs as the most effective vehicle for developing closer links with ENP countries, the long-term vision of *"an economic community emerging between the EU and its ENP partners"* was maintained. Moreover, regional economic integration was considered as *"important to boost trade between partners and develop wider economic networks. In the longer term, such community would be based on a common regulatory framework and improved market access for goods and services among ENP partners and the EU"*.⁵

It is worth to mention that the granting access to its market has always been one of the EU's main instruments in developing economic resilience and promoting prosperity and stability in the neighbourhood. Therefore, also in the trade context, in the most recent *Review of the European Neighbourhood Policy* from November 2015 the EU emphasizes the principles of differentiation and response to individual aspirations, interests and abilities of neighbouring partners. Simultaneously, these principles are being considered as determining the need for more flexibility in trade arrangements, i.e. aim at creation of an *economic area* with those who enter deep and comprehensive free trade areas (DCFTAs) and lighter, more flexible trade agreements for those who do not.⁶

https://eeas.europa.eu/enp/pdf/pdf/com06_726_en.pdf

⁵ *A new Response to the Changing Neighbourhood*, Joint Communication to the European Parliament, the Council, the European Social and Economic Committee and the Committee of Regions, COM(2011) 303, 25.05.2011. https://eeas.europa.eu/enp/pdf/pdf/com_11_303_en.pdf

⁶ *Review of the European Neighbourhood Policy*, Joint Communication of the European Commission and High Representative of the European Union for Foreign and Security Policy, JOIN(2015) 50 final, 18.11.2015. http://eeas.europa.eu/enp/documents/2015/151118_joint-communication_review-of-the-enp_en.pdf

II. Eastern Partnership - a specific dimension of the European Neighbourhood Policy

A. *Eastern Partnership as political initiative for EU and Eastern Partners*

The Eastern Partnership (EaP) - as a specific Eastern dimension of the 2004 European Neighbourhood Policy - was launched at the first EaP Summit in Prague in May 2009. The main goal of this political initiative is to deepen and intensify bilateral relations between the EU and the six Eastern neighbours (**Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine**), and hence to provide additional impetus to their and the region's political stability and confidence-building, economic development and better governance, including all necessary technical and financial assistance with the political and market economy reforms.⁷

In the time of launching the EaP all six Eastern partners have been offered "*political association and economic integration*" with the EU through the conclusion (when they are ready) of Association Agreements (AA) with the Deep and Comprehensive Free Trade Areas (DCFTAs) as their integral parts. As a long-term goal, the Commission suggested in EaP Communication to encourage Eastern partners to establish "*a network of DCFTAs among themselves or regional free trade agreements based on the bilateral commitments undertaken in the DCFTAs with the EU. This would strongly enhance intra-regional trade and economic integration and complement the countries' efforts to better integrate with the EU economy.*"

As a further step, Commission suggested that "*the EU and its partners may reflect on a broader regional trade approach establishing a Neighbourhood Economic Community, taking inspiration from the European Economic Area where appropriate*". Such a Community would in the longer term:

- "*offer full access to the single market*";
- "*require the partners to develop the capacity of their economies to be able to fully withstand the competitive pressures of the single market and to demonstrate not only a willingness to adopt all relevant elements of the EU acquis, but also a capacity to implement them, with comparable standards and practices.*"

At the beginning in 2009, five of the six EaP countries embarked on the AA/DCFTAs preparatory/negotiation process.

⁷ *Eastern Partnership*, Communication from the Commission to the European Parliament and the Council, COM (2008) 823 final, 3.12.2008.
[http://www.euronest.europarl.europa.eu/euronest/webdav/shared/general_documents/COM\(2008\)823.pdf](http://www.euronest.europarl.europa.eu/euronest/webdav/shared/general_documents/COM(2008)823.pdf)

Table 1: Eastern Partnership countries in trade agreements/arrangements with the EU

EaP country	Accession to WTO	DCFTA as part of AA with the EU	Non-preferential trade arrangements with the EU	Accession to the Eurasian Economic Union
ARMENIA	February 2003	-	PCA in force since 1999; GSP+ since 2009; In 2013 Armenia did not sign AA/DCFTA because of its decision to join the EAEU. Negotiations on trade-related provisions in the <i>Comprehensive and Enhanced Partnership Agreement</i> (CEPA) completed in February 2017. The Agreement to be signed at Eastern Partnership Summit on 24.11.2017	2 January 2015
AZERBAIJAN	pending since July 1997	-	PCA in force since 1999; In October 2014 Azerbaijan withdrew from negotiations on AA/enhanced trade; neg. on trade-related provisions in <i>comprehensive agreement</i> have been launched in February 2017	No
BELARUS	pending since October 1993	-	<i>EC-Soviet Union Trade and Cooperation Agreement</i> - concluded in 1989; neg. on PCA completed in 1995 but not ratified by the EU; Trade Dialog since October 2016	1 January 2015 (<i>founding member of the Eurasian Customs Union in January 2010</i>)
GEORGIA	June 2000	09.2014 ¹	-	No
MOLDOVA	July 2001	09.2014 ¹	-	No
UKRAINE	May 2008	01.2016 ²	-	No

¹Provisionally applied; fully in force as from 1 July 2016.

²Following ratification by NL, AA/DCFTA fully in force as of 1st September 2017.

Source: WTO Secretariat, European Commission.

In 2010 **Belarus** became a founding member (with Russia and Kazakhstan) of the Eurasian Customs Union (ECU) and in January 2015, when the ECU became an integral part of the then launched Eurasian Economic Union (EAEU), the EAEU/ECU was also joined by **Armenia**. As a result, Belarus and Armenia do not have full sovereignty in conducting their trade policy as it is done by supranational executive body - the Eurasian Economic Commission (EEC).

Azerbaijan – while continuing a process of its WTO accession - is seeking for its own path of relations with the EU. As a result, for those three partners the EU tries to jointly determine attractive and realistic alternatives to strengthen trade and investment relations on non-preferential basis that reflect mutual interests and international trade rules. The time showed

that finally only Georgia Moldova and Ukraine have chosen a path of close economic integration and political association with the EU (see table 1 showing the status of existing trade agreements/arrangements).

B. Model of political association and economic integration with the EU for Georgia, Republic of Moldova and Ukraine

Full and effective implementation of the Association Agreements with their DCFTA parts is a key priority for Georgia⁸, Moldova⁹ and Ukraine¹⁰ as well as the EU. As set out at the Eastern Partnership Summits in Vilnius (2013) and in Riga (2015), the implementation of AA/DCFTAs, accompanied by reforms, will result in the partners' comprehensive approximation with international standards and EU legislation and standards. This may lead to the gradual economic integration of partners with the EU and therefore to the creation of an *economic area*. Such an ambitious long-term vision may also contribute to the **long-term goal of a wider area of economic prosperity based on World Trade Organisation (WTO) rules** and sovereign choices throughout Europe and beyond. Detailed analysis of commitments on reciprocal market opening as well as on regulatory approximation in trade-related area is covered in point 5.

C. Non-preferential agreements/arrangements between the EU and Armenia, Azerbaijan and Belarus

As mentioned earlier, **three other EaP countries do not currently wish to pursue the DCFTA model**. Their relations with the EU are based on partnership and Cooperation Agreements (PCAs) negotiated in the 90s. Two of those non-preferential agreements are in force since 1999 (with Armenia¹¹ and Azerbaijan¹²). For political reasons the PCA with Belarus has not been ratified by the EU.

Comprehensive and Enhanced Partnership Agreement (CEPA) between EU and Armenia

EU-Armenia trade relations are based on PCA since 1999. In the meantime, Armenia decided not to sign the Association Agreement/DCFTA negotiated with the EU and in January 2015 joined the Eurasian Economic Union (EAEU) instead.

Armenia requested and obtained the **GSP+ status** from the EU in 2009. This status has been then renewed in 2014 and gives the country unilateral free access to the EU market for around 66% of tariff lines covering products imported to the EU.

In 2015 Armenia expressed its renewed interest in cooperation with the EU in all areas of mutual interest within the Eastern Partnership framework. To this end, in December 2015 both partners launched the negotiations to conclude a new framework agreement (aiming also

⁸ The EU-Georgia Association Agreement was published in OJ L 261, 30.08.2014. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:261:FULL&from=EN>

⁹ The EU-Republic Moldova Association Agreement was published in OJ L 260, 30.08.2014. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:260:FULL&from=EN>

¹⁰ The EU-Ukraine Association Agreement has been published in OJ L 161, 29.05.2014 http://trade.ec.europa.eu/doclib/docs/2016/november/tradoc_155103.pdf

¹¹ The text of the EU-Armenia PCA was published in OJ L 239, 9.09.1999 https://eeas.europa.eu/sites/eeas/files/eu-armenia_partnership_and_cooperation_agreement_en.pdf

¹² The text of the EU-Azerbaijan PCA: https://eeas.europa.eu/sites/eeas/files/eu-az_pca_full_text.pdf

at enhancing contractual basis for trade) taking into account Armenia's obligations in the EAEU and the objectives of the reviewed European Neighbourhood Policy. The negotiations on the new **EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA)** were concluded on 27 February 2017 and Agreement awaits its signature after being initialled on 21 March 2017. Its signature is expected during Eastern Partnership Summit in Brussels on 24 November 2017.

Despite constraints resulting from Armenia's membership in the EAEU, a good outcome of trade negotiations has been achieved. The disciplines contained in the Agreement bind a set of practices which follow the EU and international standards, while in many cases providing for **WTO+ commitments** coupled with a strong dispute settlement mechanism. Closer economic cooperation is envisaged by ensuring better regulatory environment for the economic operators in areas such as trade in services, establishment and operation of companies, capital movements, government procurement and intellectual property rights. There are also major WTO+ elements in areas like competition, subsidies, state owned enterprises (SOEs) and sustainable development. This will give traders, investors and services suppliers greater certainty and might prevent a further deterioration of the trading environment with Armenia.

Preparations for negotiations on a Comprehensive Agreement between EU and Azerbaijan

Negotiations of an **EU-Azerbaijan** Association Agreement, including enhanced trade provisions, started in 2010 but came to a halt after few rounds. In October 2014 Azerbaijan withdrew from the AA. At the Eastern Partnership Summit in Riga (May 2015) Azerbaijan confirmed its interest in a new EU-Azerbaijan agreement that would replace current PCA. This initiative was welcomed by the EU in line with the reviewed European Neighbourhood Policy envisaging a new EU differentiated approach towards Eastern Partnership countries addressing their particular needs and priorities.

The EEAS/Commission's directives for a negotiation of a **Comprehensive Agreement** were adopted by the Council in November 2016. The negotiating directives envisage that, as regards trade, the new agreement shall review the existing Partnership and Cooperation Agreement to further support and expand the EU-Azerbaijan trade relations. In view of pending Azerbaijan's accession to WTO, the new agreement will aim at complementing and enhancing PCA provisions to provide for further trade facilitation and convergence with international trade rules. By establishing a reviewed and updated legal framework for trade the new agreement would support sustainable growth and the diversification of Azerbaijan's economy through investment and cooperation. Pending Azerbaijan's accession to WTO the trade objective for the Comprehensive Agreement will be to promote a transparent trade environment and trade facilitation. The negotiations of a Comprehensive Agreement with Azerbaijan have been officially launched on 6 February 2017.

It goes without saying that Azerbaijan's **accession to the WTO**, by setting the basis for a clear market oriented framework, would open up prospects for further economic development and further enhancement of bilateral trade, as well as bring additional benefits through further modernisation of its economy.

Trade Dialogue between EU and Belarus

EU-Belarus relations – in more general terms, over the past several years have gone through difficult stages. Negotiations on Partnership and Cooperation Agreement have been concluded in 1995 but due to political reasons the Agreement was never ratified by the EU. As a result the only contractual framework for bilateral relations is the EC-Soviet Union Trade and Cooperation Agreement concluded in 1989. Moreover, as from December 2010 due to the post-election crackdown and the imprisonment of opposition leaders, the EU applied

restrictions and conducted the policy of critical engagement with that country. To the extent that the cooperation with Belarus – except for programmes with civil society - was put on hold and the European Commission had only some contacts on trade-related issues on technical level.

After Belarus undertook in the recent years several positive steps, the EU lifted as of 1 March 2016 most of the sanctions against this country. It allowed launching in October 2016 a **Dialogue on Trade** between the Ministry of Foreign Affairs of the Republic of Belarus and the Directorate General for Trade of the European Commission focusing on enhancing bilateral cooperation on trade and trade-related issues and notably on accession of Belarus to WTO.

III. Engagement of EaP countries in contractual trade relations

A. Regional trade agreements with participation of EaP countries

1. Free Trade Area of the Commonwealth of Independent States (CIS FTA)

Notwithstanding the fact that EU is the main trading partner of EaP countries (with exception of Belarus for which Russia is the first partner), the Organization - Commonwealth of Independent States (CIS)¹³ also remains their important exports destination (between 10% for Azerbaijan up to 61% for Belarus) and the origin of imports (between 20% for Georgia and 59% for Belarus). It reflects the high level of economic interdependence between the former Soviet Union Republics; despite the trade re-orientation that has taken place (see Tables 2 and 3).

Table 2: Trade of EaP countries with the world, EU28 and CIS FTA countries, 2016 (million EUR)

mio euro		World		EU28		CIS FTA	
		Exports	Imports	Exports	Imports	Exports	Imports
Armenia	2016	1,604	2,919	432	642	492	1,104
Azerbaijan	2016	8,260	7,708	3,570	2,008	796	1,964
Belarus	2016	21,156	24,815	5,057	4,896	12,802	14,593
Georgia	2016	1,910	6,538	516	1,984	514	1,275
Moldova	2016	1,848	3,633	1,204	1,784	384	929
Ukraine	2016	32,784	35,445	12,200	15,483	5,456	7,728
Total	2016	67,562	81,057	22,979	26,796	20,443	27,594

Source: International Trade Centre (ITC)

Table 3: Shares of EU28 and CIS in overall trade of EaP countries, 2016 (%)

% total		World		EU28		CIS FTA	
		Exports	Imports	Exports	Imports	Exports	Imports
Armenia	2016	100%	100%	27%	22%	31%	38%
Azerbaijan	2016	100%	100%	43%	26%	10%	25%
Belarus	2016	100%	100%	24%	20%	61%	59%
Georgia	2016	100%	100%	27%	30%	27%	20%
Moldova	2016	100%	100%	65%	49%	21%	26%
Ukraine	2016	100%	100%	37%	44%	17%	22%

¹³ Commonwealth of Independent States (CIS) - regional organization created on 8 December 1991, after the dissolution of Soviet Union. Nine former Soviet Union Republics are members of CIS (Armenia, Azerbaijan, Belarus, Kazakhstan, Kirgizstan, Moldova, Russia, Tajikistan, and Uzbekistan (Georgia became a member of CIS in 1993 but withdrew from this organization for political reasons on 18 August 2009 as a result of war with Russia. It maintained in force, however, its participation in the multilateral 1994 CIS FTA and bilateral agreements with most of the CIS countries; in case it has no bilateral FTA with the given country, the 1994 CIS FTA applies). Turkmenistan and Ukraine (since 1993) have an associated status. The CIS organization lacks supranational bodies empowered to take binding decisions and has weak enforcement structures.

Total	2016	100%	100%	34%	33%	30%	34%
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Source: International Trade Centre (ITC)

Free Trade Area of the Commonwealth of Independent States (CIS FTA) as a core economic project was signed on 18 October 2011 by 8 CIS members: first by **Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine** and later - in December 2013 - by **Uzbekistan**. In overall it covers the territory of around 250 million of consumers.¹⁴ It replaced the previous Agreement on Free Trade Zone from 1994 and related Protocols signed in 1999-2005 between the CIS countries. **For most of those countries the CIS FTA has entered into force in 2012** (with Kyrgyzstan and Uzbekistan in January 2014). In case of Tajikistan the ratification of CIS FTA is pending.

In the preamble of the CIS FTA the signatories indicated their understanding to integrate into the global economy and international trading system and recognized the generally accepted norms of international law and as well as guidance by the rules of the WTO agreements in particular the GATT 1994, including its Article XXIV.¹⁵

Four out of six Eastern Partnership countries (Armenia, Belarus, Moldova and Ukraine) are signatories of the CIS FTA and two of them (Armenia and Belarus) are also members of the customs union within the Eurasian Economic Union¹⁶ (together with Russia, Kazakhstan and Kirgizstan) - see Table 4. The latter fact determines the **different procedures for EAEU members** as concerns e.g. an application of protective measures in mutual trade (special safeguards), anti-dumping and countervailing measures, and participation in international trade agreements (including measures if participation in these agreements have a negative effect on trade).

CIS FTA applies only to trade in goods (including agricultural, fishery and forestry goods). The liberalization of **import tariffs and equivalent charges** took place at the date of entry into force of the Agreement, with exception of tariffs on imports of sugar and its products applied bilaterally (by Belarus, Kazakhstan, Moldova, Russia, and Tajikistan), cigarettes (by Armenia) and alcohol (by Kazakhstan, Moldova). The customs duties on these goods were gradually eliminated (with exception of sugar and related products).

The **process of elimination of export duties has been more complicated** as the list of exceptions was much longer than in case of import duties. All CIS FTA countries reserved the

¹⁴ For comparison the EU single market has around 500 million; GUAM FTA – 60 million and CEFTA about 30 million of potential consumers.

¹⁵ Working translation of the CIS FTA made by USDA Foreign Agricultural Service https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Commonwealth%20of%20Independent%20States%20FTA%20Moscow%20Russian%20Federation_4-5-2012.pdf

¹⁶ The Treaty on the **Eurasian Economic Union (EAEU)** was signed on 29 May 2014 by Belarus, Kazakhstan and Russia and on 1 January 2015 launched by these countries (on 2.01.2015 EAEU was joined by Armenia and on 12.08.2015 by Kirgizstan). The organization was preceded by: the **Eurasian Economic Community (EAEC)** regional organization set-up in 2000 (by Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan – the latter withdrew in 2008); the **Eurasian Customs Union (EACU)** launched by Belarus, Russia and Kazakhstan on 1 January 2010 on the basis of the treaty signed in January 2007, **Eurasian Economic Space (EAES)** established by the same countries on 1 January 2012 (with the purpose of effective functioning of single market for goods, services, capital and labour as well as establishing coherent industrial, transport, energy and agricultural policies). On the basis of agreement on EAES the **Eurasian Economic Commission** (resembling the European Commission) was created as the supranational regulatory agency for the Eurasian Customs Union, the Single Economic Space and the Eurasian Economic Union. The Commission became operational in February 2012 and in January 2015 became the main executive organ of the EAEU. The original Treaty establishing the Customs Union was terminated by the Treaty establishing the Eurasian Economic Union, which incorporated the Customs Union into the EAEU's legal framework. In trade terms it means that members of the EAEU are part of the customs union.

right to apply export duties on wool, aluminium and copper and its products, metal scrap, iron and steel products, pipes and tubes, parts of railway locomotives or tramway rolling stock. In terms of export duties applied on bilateral basis the exemptions related to Russia, Ukraine (the longest lists), Tajikistan, Moldova and Kyrgyzstan and covered dairy products, fish, rapeseeds, sunflower seeds, chemical and petroleum products, cement, fertilizers, metals and their scrap, asbestos, wood products, live animals, fruits and nuts, raw hides and skins). In 2016 the export duties were still applied in case of exported petroleum and energy products, metal scrap, raw materials, fertilizers and agricultural products (seeds and live animals).¹⁷ The phasing-out of remaining export duties was to be addressed within six months from the date of the FTA entry into force. In fact the work on the draft Protocol on gradual elimination of the remaining export duties has started but is not making a lot of progress.

As concerns bans and quantitative restrictions (other than those permitted under Article XI of GATT 1994) the Parties committed to abolish them on the day of entry of CIS FTA into force with exception of import quotas on alcoholic beverages applied by Kyrgyzstan (still in force).

The CIS FTA covers also other trade-related issues and the signatories decided that provisions of GATT 1994 and WTO Agreements will apply to them as specified below:

- **Rules of origin** in trade among the CIS FTA countries (governed by the Agreement on the Rules of origin of goods in the Commonwealth of Independent States of 20 November 2009);
- **National treatment** (Article III of GATT 1994);
- **Government procurement** (paragraph 8(a) of Article III of GATT 1994; moreover, interested parties shall start negotiating a draft protocol regulating cooperation in this field within 3 months from the date of CIS FTA entry into force with an objective to conclude negotiations in 3 years. In June 2016 five CIS FTA members (Armenia, Belarus, Kirgizstan, Russia and Tajikistan) signed a Protocol on principles and procedures related to government procurement;
- **Freedom of transit**, with exception of transit by pipelines (Article V of GATT 1994); the work on expert's level on draft Agreement on freedom of transit by pipelines has started but not much progress was recorded;¹⁸
- **Special safeguard measures** (Article XIX of GATT 1994 and WTO Agreement on Safeguards);
- **Antidumping and countervailing measures** (Articles VI, XVI of GATT 1994 and WTO Agreement on Subsidies and Countervailing Measures); to be applied unilaterally or jointly in case of EAEU members;
- **Rules on subsidies** (Articles VI, XVI of GATT 1994 and WTO Agreement on Subsidies and Countervailing Measures);
- **Technical barriers to trade** (TBT), including technical regulations, standards and conformity assessment procedures (partners should be "*guided by the rules and principles*" of the WTO Agreement on Technical Barriers to Trade); in June 2014 an experts group on elimination of technical barriers to trade started working on a draft

¹⁷ See "*The results of implementation in 2015-2016 of the Free Trade Agreement from 18 October 2011*", the note (in Russian) of the CIS Executive Committee <http://www.e-cis.info/index.php?id=323>

¹⁸ As indicated in the CIS Executive Committee note the process of preparation of this agreement and agreement on elimination of remaining export duties have slowed down due to the lack of engagement of Ukraine.

Agreement which was approved the CIS Council of Heads of States in June 2016 and in July 2016 sent to CIS governments for endorsement;¹⁹

- **Sanitary and phytosanitary measures** - SPS (signatories to be "*guided by the rules and principles*" of the WTO Agreement on Sanitary and Phytosanitary Measures);
- **Abolishment of restrictions on international transfer and payments** for the delivery of goods;
- **Restrictions to protect balance of payments** (they should not be contrary to the provisions of Article XII of GATT 1994 and the Understanding of provisions on the Balance of Payments of GATT 1994),
- **General and security exceptions** (based respectively on Article XX and XXI of the GATT 1994);
- **Dispute settlement** (to be conducted by the Economic Court of the CIS; at the discretion of signatories (notably WTO Members), a dispute arising out of the WTO rules can be settled in accordance with the dispute settlement of that organization).

In spite of the fact that CIS FTA covers only trade in goods, in accordance with the political decision of the head of states and governments signing the CIS FTA, **in 2012 the group of experts started working on the draft Agreement on trade in services** (14 meetings were held before the end of 2016).

An interesting provision in CIS FTA relates to the agreements which may be concluded by the Parties, on customs unions, free trade and cross-border trade. In Article 18.1 it is indicated that in such cases WTO rules apply and notably Article XXI of the GATT 1994. However, provisions of CIS FTA "*shall apply to the relations between the participants of the Customs Union and Common Economic Space in the part where they do not conflict.*" Simultaneously, the participation of the Parties to the international agreements mentioned above "*does not limit their rights and does not exempt them from their obligations under CIS FTA to other parties who are not parties of such agreements.*"

¹⁹ It should be recalled in this context that EAEU members formally conduct single policy in TBT area in accordance with Chapter X (Articles 5-55) of the EAEU Treaty signed on 29 May 2014. Moreover, a separate draft agreement on rules and conditions of elimination of technical barriers to trade of EAEU members with third countries was sent for the inter-governmental consultations.

Table 4: CIS FTA and Eurasian Economic Union memberships

CIS FTA partners ¹	CIS FTA in force	Accession to Eurasian Customs/Economic Union	Main new elements in ECU/EAEU in comparison to CIS FTA
1. ARMENIA*	2012	January 2015	<ul style="list-style-type: none"> - Common Customs Code entered into force on 6 July 2010 - Customs controls on internal borders lifted and moved to external borders on 1 July 2011 - Common External Customs Tariff - Single system of market protection (anti-dumping and countervailing measures) since 29 May 2014 - Common technical regulations (TBT) and labeling requirements - Single SPS regulations - Eurasian Economic Commission as supranational regulatory body
2. BELARUS	2012	January 2010	
3. KAZAKHSTAN*	2012	January 2010	
4. KYRGIZSTAN*	2014	August 2015	
5. RUSSIA*	2012	January 2010	
6. MOLDOVA*	2012	-	
7. TAJIKISTAN*	Pending	-	
8. UKRAINE*	2012	-	
9. UZBEKISTAN	2014	-	

¹ EaP countries are highlighted in blue. Georgia – in spite of withdrawal from the CIS organization on 18 August 2009 -maintains its participation in the multilateral CIS FTA and bilateral agreements with most of the CIS countries; in case it has no bilateral FTA with the given country, the 1994 CIS FTA applies.

*WTO member

Source: Eurasian Economic Integration: Facts and Figures, Eurasian Economic Commission, 2015.

In Appendix 6 to the CIS FTA it is further stipulated that if participation by one of the Parties in agreement on customs union or free trade leads to an increase in imports from such Party, *"in such quantities as to cause damage or threaten to cause injury to an industry"* of the Customs Union, the member states of the Customs Union, without prejudice to the application of Articles of CIS FTA on special safeguard measures (Article 8), antidumping and countervailing measures (Article 9), *"after appropriate consultations by the Parties, shall reserve the right to impose duties on imports of the respective goods from such first Party in the amount of MFN rates."*²⁰ It is a **specific safeguard clause asymmetrically privileging**

²⁰ Russia used this opportunity for suspending CIS FTA with Ukraine as from 1 January 2016 due to alleged damage (or threat of it) as a result of EU-Ukraine DCFTA entry into force on the same day. Ukraine reciprocated with those measures on 10 January 2016. As a result, currently (until end of 2017) imports of goods from Ukraine to Russia is subject to the following trade restrictive measures: (i) trade embargo on food and agricultural products originating from Ukraine; and (ii) reintroduction of MFN import duties for all products, previously covered by the free trade regime. On 30 December 2015, Ukraine adopted countermeasures against Russian imports i.e. introduced the MFN import regime for all Russian products and imposed import ban on certain products (such as meat, dairy products, tobacco products, baby food products, alcoholic beverages, confectionaries, some chemicals and railway equipment) originating from Russia. The measures came into force

five members of the Eurasian Economic Area (formerly Eurasian Customs Union) through giving them the right to return to the MFN tariffs in case of injury or its threat caused by increased imports from other CIS FTA partners. Moreover, apart from consultation, it is not clear what procedure will be applied in such case.

In case of other Parties, the non-members of the Eurasian Customs Union, Article 18.4 of the CIS FTA foresees consultations *"in order to develop and implement measures aimed at restoring mutual trade"* in case when adherence to the free trade zone or customs union "in substantial way has negative effect on trade between the Parties to CIS FTA.

Box 1: General assessment of the content of the CIS FTA

- The new generation CIS FTA entered into force in 8 countries: **Armenia, Belarus, Kazakhstan, Kirgizstan, Moldova, Russia, Ukraine Uzbekistan** between **2012-2014**, while ratification by Tajikistan is pending.
- The parties endorsed the **guidance by the rules of WTO agreements**, notably the GATT 1994, including its Article XXIV.
- In terms of market access CIS FTA covers **only liberalization of imports of goods** (with several exempted products - currently only sugar); elimination of export tariffs and quotas on MFN basis (with many exceptions).
- Main trade-related issues: rules of origin, freedom of transit (with exception by pipelines), commitments on TBT, SPS, and subsidies based on WTO rules, commitment to negotiate on public procurements, rules on subsidies.
- It foresees different and single policy in trade related areas and procedures for 5 countries belonging to EAEU (**Armenia, Belarus, Kazakhstan, Kirgizstan and Russia**).
- Dispute settlement by Economic Court of the CIS (different approach to EAEU members)
- It includes neither specific institutional provisions nor commitments on legal approximation and trade-related reforms.

2. Regional FTA between Georgia, Ukraine, Azerbaijan, Moldova (GUAM)

The **Organization for Democracy and Economic Development (GUAM)** started to function as a consultative body in 1997 and was launched as fully fledged regional organization on 23 May 2006.²¹ It covers four EaP countries i.e. **Georgia, Ukraine, Azerbaijan and Moldova**.²² The objective of the organization is – apart from security aspects and conflicts resolution - to foster favourable conditions conducive to economic growth, mutually beneficial trade relations, and implementing multilateral programs and projects in the fields of production, commerce, transport, energy, international credit and financial cooperation, border, customs and fiscal services, communications, science, technology education and culture. **The most important areas of cooperation include** the development of transport corridors and **the implementation of the GUAM free trade regime**. Notwithstanding these important priorities, the organization is less comprehensive in terms of integration profile. GUAM members are also discussing a draft protocol on the

on 10 January 2016. Similar measures were introduced by Russia against Moldova. Following Moldova's signature of the Association Agreement with the EU in July 2014, Russia unilaterally suspended preferential duties for key Moldovan export products, notably agricultural (apples, table grapes, plums, wine, canned fruits and vegetables) but also furniture and alcoholic beverages. Russia since applies a policy of pick and choose, listing companies authorized to export on an individual basis. Russia sanctions against Ukraine and Moldova have not been joined by other EAEU member states.

²¹ See also the Charter of 2001 establishing GUAM <http://guam-organization.org/en/node/450>

²² Uzbekistan joined GUAM in 1999 and withdrew in 2005. Turkey and Latvia have observer status.

implementation of the Trade and Transport Facilitation project which aims, inter alia, to reduce border control time and increase customs efficiency.²³

In terms of institutional structure, the GUAM comprises: Council and Secretariat. The **Council is the supreme body** of the Organization and works at the level of heads of State (Summit), foreign ministers, national coordinators, and permanent representatives. Permanent or provisional working and subsidiary bodies may be set up, as well as meetings of representatives of ministries and/or departments concerned may be held upon Council's decision. The **Secretariat ensures organizational and technical support** for GUAM operation and works under the authority of the Secretary-General. The GUAM Secretariat is located in the city of Kiev.

The Agreement on establishment of **Free Trade Area between the GUAM Participating States** was signed on 20 July 2002 and **entered into force on 10 December 2003**.²⁴ Its signatories – while reaffirming their commitments under GATT/WTO – aimed, among others - at **forming the conditions for free movement of goods and services**. To this end, at the entry of the FTA into force (or within the subsequent 12 months) they abolished customs duties and equivalent charges as well eliminated quantitative restrictions (in imports and exports) in trade in goods. **In terms of tariffs GUAM FTA is more ambitious than CIS FTA as it does not include exceptions from free trade**. Other obstacles to free movement of goods and services should also be abolished. Interestingly, the contracting parties declared to ensure "*harmonization of the legislation (...) to the extent necessary for proper and effective functioning of free trade*." In practice the **GUAM FTA parties agreed that EU legislation should be used as a template in harmonization process**.

As concerns other trade-related matters **GUAM FTA covers**:

- **Technical barriers to trade** – TBT (non-discrimination and cooperation in the fields of standardisation, metrology and certification with the purpose of removal of technical barriers to trade);
- **Harmonization of customs procedures** (maximum simplification of formalities);
- Reference to the **HS Commodity Classification**;
- **Internal taxes and other fees of fiscal character** (non-discrimination);
- **Subsidies** (respect for fair competition; transparency in granting subsidies);
- **Freedom of transit**;
- **Development of industrial and scientific cooperation**;
- **General exceptions and exceptions on security grounds** in case protective measures in trade are necessary;
- **Antidumping and countervailing measures and subsidies** (Articles VI, XVI of GATT 1994 and WTO Agreement on Subsidies and Countervailing Measures);
- **Elaboration of the Protocol on rules of origin** (six months after signature);
- **Services** (create conditions for liberalization of national markets of services on reciprocal basis and striving for gradual removal of existing barriers in provision of services within the free trade area; define the priorities in this area; bilateral and international cooperation);

²³ WTO Trade Policy Review, Georgia, 10 November 2015.

https://www.wto.org/english/tratop_e/tpr_e/tp428_e.htm

²⁴ The working translation of the GUAM FTA text can be found at GUAMs website: <http://guam-organization.org/node/909>

- **Competition** (distortive agreements by enterprises; abuse of dominant position);
- **Public procurement** (creating conditions for liberalization of national public procurement markets on the basis of non-discrimination);
- **Intellectual property rights** (IPR) – (non-discriminatory protection of IPRs, cooperation (also within international organizations – WTO, World Intellectual property Organization - WIPO) and consultations at expert level in case of emerging problems);
- **Dispute settlement**;
- The GUAM FTA is open for other partners and includes **provisions on correlation of GUAM FTA with other obligations of the parties** stemming from other international agreements.²⁵

Box 2: General assessment of the content of the GUAM FTA

- FTA GUAM entered into force in December **2003**.
- The parties (**Georgia, Ukraine, Azerbaijan, and the Republic of Moldova**) reaffirmed their commitments under GATT/WTO with the aim to creating conditions for free movement of goods and services.
- In terms of market access, import tariffs and equivalent charges as well as quantitative restrictions in trade in goods were abolished on the day of entry into force of GUAM FTA or within one year (without exceptions).
- **Main trade-related commitments**: elaboration of the protocol on rules of origin, harmonization of customs procedures, freedom of transit, creating conditions for reciprocal liberalization of services and public procurement (on non-discrimination basis), cooperation on TBT, IPR, fair competition and transparency in granting subsidies. SPS has not been explicitly mentioned in the FTA but one can assume that parties are guided by the principles of the WTO Agreement on Sanitary and Phytosanitary measures.
- FTA refers to a correlation with other obligations of the parties stemming from international agreements.
- Includes **dispute settlement**.
- It does not foresee a specific institutional structure but the parties declared to ensure "**harmonization of the legislation** (...) *to the extent necessary for proper and effective functioning of free trade*".

On 27 March 2017, two documents were signed by Government officials of GUAM countries: 1) the Approval of Establishment of the Working Body for Coordinating the Actions of the Signatory Parties to the July 20, 2002 Agreement on the Establishment of the Free Trade Area and on the Development of the Terms of Reference for the Coordinating Body; and 2) the Agreement between the Customs Administrations of the GUAM Member States on the Mutual Recognition of Individual Results of Customs Control over the Movement of Goods and Transport across the Borders of the GUAM Member States.

²⁵ To the extent that: *Nothing in this Agreement shall be construed to prejudice fulfilment of obligations undertaken by any Contracting Party under any other international agreement to which such Contracting Party is or will become a party. This provision shall by no means prejudice the rights of the Contracting Party to independently determine the regime of foreign economic relations with states that are not parties to this Agreement.* (Article 22 of the GUAM FTA).

3. Armenia and Belarus as members of the Eurasian Economic Union

a) Customs union within EAEU – how much of common trade policy?

Out of six Eastern Partnership countries two – Armenia and Belarus are members of the Eurasian Economic Union (EAEU). Belarus belongs – together with Russia and Kazakhstan - to the founding members of the Eurasian Customs Union (ECU) established in 2010. The EAEU which has been launched on 1 January 2015 incorporated the ECU into its legal framework. In trade terms it means that **members of the Eurasian Economic Union are simultaneously part of the customs union**. Armenia joined the EAEU on 2 January and was followed by Kirgizstan in August 2015. The political driver of integration processes in the post-Soviet area has always been Russia closely followed by Belarus and Kazakhstan.

Formally, the **executive body of the EAEU** (including in trade-related areas) is the **Eurasian Economic Commission (EEC)** functioning since 2 February 2012.²⁶ The EEC is composed of **the Council** (its highest body consisting of five deputy prime ministers) and of **the Board** (at the level of 10 ministers). It is subordinated to the **EAEU Intergovernmental Council** (heads of national governments). The **Supreme Eurasian Economic Council** is the highest institutional body where the presidents of EAEU member states meet. Both latter bodies, working by consensus, have the right to veto decisions of the EEC.

The work of EEC is conducted by 23 departments and 18 consultative committees. The Commission has been authorized to change the rates of the import customs duties (including the tariff preferences), keep the Commodity Nomenclature of Foreign Economic Activity, set the tariff quotas, and introduce non-tariff regulatory measures and - as from 1 July 2010 - to conduct investigations as concerns trade defence instruments. In the context of a plan to create *a common market* with unified requirements in terms of product safety (including common set of technical regulations and standards as well as phytosanitary and veterinary measures), EEC was granted powers necessary in these areas.

In accordance with the principles of a customs union its members should abolish customs tariffs and non-tariff barriers in trade among them, introduce common external custom tariff as well as a single set of rules of origin, customs/administrative procedures and regulations in trade with non-member countries. To this end the **Common Customs Code entered into force on 6 July 2010** and the **customs controls** on internal borders between Belarus, Kazakhstan and Russia were **formally lifted and moved to external borders on 1 July 2011**. No harmonization has taken place yet as concerns preferential rules of origin within the EAEU. **The new Customs Code is supposed to enter into force as of 1 July 2017**. In order to increase the efficiency of customs procedures, a **list of crossing points on the customs union external borders** was approved and the **mandatory advance notification on the good imported to its territory by road and rail established**. A **single system of market protection** (anti-dumping and countervailing measures) is in force **since 29 May 2014**. It has been also decided on a common system of trade statistics based on 10-digit IT CN (International Trade Commodity Nomenclature).²⁷

²⁶ Due to political situation (illegal annexation of Crimea and military conflict provoked by Russia in Eastern Ukraine) and related sanctions against Russia, the EU's contacts with the Eurasian Economic Commission are conducted only at technical level with the aim to deal with current trade issues e.g. trade defence instruments (TDI) cases, SPS certificates, technical cooperation programs.

²⁷ On 6 July 2012 – in follow up to Russia's accession to WTO, the Council of the EEC approved the new edition of the Commodity Nomenclature of the External Economic Activity and the Common Customs Tariff of the Customs Union.

As a result **all EAEU partners formally and gradually transferred sovereignty on certain trade-related matters to the Eurasian Economic Commission**. It concerns common customs tariffs, non-tariff barriers, technical regulations and standards, trade defence instruments, and to some extent SPS rules. In practice, in spite of common customs tariff, there are cases that some EAEU members apply different external customs duties²⁸.

Officially a tariff-free and border-free common economic space/single market was launched as of 1 January 2015 for movement of goods, services labour and capital. Nevertheless, in reality **a big number of exceptions and transition periods exist**. For example 22 services sectors were liberalised across the EAEU as of 2015 (including leasing, tax consultancy, architecture, construction services) and another 6 sectors as of 2016. In 15 further sectors only Russia, Armenia and Belarus agreed on single market. At the same time, Kazakhstan refused to join the single market in transport services, some SPS related services and, until 2025, in construction services. Banking or insurance services have not been liberalised so far.

Common electricity market has been planned to be completed by 2019, gas market by 2024, and oil market by 2025.

As regards **movement of labour**, the citizens from any EAEU Member State have a right to work in any other EAEU country without a work permit, i.e. they are not considered as foreign workers. They only have to register their residence on the territory of the corresponding EAEU member country. For Armenia the issue of labour movement is especially important due to the fact that remittances from Russia create ca. 6% of the Armenian GDP (before the economic crisis in Russia it had been ca. 12-13%).

Technical regulations and standards

Apart from trade defence instruments, technical regulations seem to be the most advanced – in terms of harmonization - out of competence in trade-related areas transferred to the level of EEC. This is because the main objective in this field is to ensure free circulation of industrial products within the EAEU through elimination of technical barriers to trade (TBTs).

To this end, formally the **Eurasian Economic Commission has exclusive competence in adoption of technical regulations** which establish common mandatory requirements for products included in the **Common List of Products** and subject to the **single conformity certificates**.²⁹

Producers and importers of those products have the right to apply for a certificate valid in one EAEU country or for a single conformity certificate valid throughout EAEU territory. Products which are not included in the *Common List* are subject to conformity assessment procedures **in accordance with national legislation**.

Box 3: List of common technical regulations establishing the mandatory requirements in terms of industrial and agricultural products safety in the Eurasian Economic Union

Industrial products

1) Fireworks, 2) Personal protective equipment, 3) Packaging, 4) Products intended for children and adolescents, 5) Toys, 6) Perfumery and cosmetic products, 7) Light industry

²⁸ Which could sometimes be in breach with WTO commitments.

²⁹ The *Agreement on turnover of products subject to mandatory conformity assessment in the Customs Union* establishes a Single Registry of products subject to mandatory conformity assessment and issuance of single certificates.

goods, 8) Motor car and aircraft motor gasoline, diesel and marine fuel, jet fuel and heating oil, 9) Machinery and equipment, 10) Appliances operating on gaseous fuels, 11) Equipment used in potentially explosive atmosphere, 12) Low voltage equipment, 13) Elevators, 14) Electromagnetic compliance, 15) Nutritional supplements, flavourings and technological processing aids, 16) Small crafts, 17) Equipment operating under excessive pressure, 18) Lubricants, oils and special liquids, 19) Furniture, 20) Explosives and explosives-based products, 21) Railway rolling stocks, 22) High-speed railway transport, 23) Railway transport infrastructure, 24) Wheeled vehicles, 25) Auto-roads, 26) Agricultural and forestry tractors and trailers for these types of tractors.

Agricultural and food products

1) Food products, 2) Food products - with regard to labelling, 3) Juice products from fruits and vegetables 4) Fat & oil products, 5) Certain types of specialized food products, including products for medical and dietary preventive nutrition, 6) Grain, 7) Milk and dairy products, 8) Meat and meat products, 9) Tobacco products (adopted but not in force yet).

Source: Eurasian Economic Commission

<http://www.eurasiancommission.org/ru/act/tehnreg/deptexreg/tr/Pages/TRVsily.aspx>

The functions of accreditation, conformity assessment and market surveillance (clearly separated) remain in the EAEU member countries' powers. The national conformity assessment bodies,³⁰ accredited for checking the compliance of producers and importers with the mandatory requirements of the EAEU technical regulations are included in the *Single Registry*. The EEC is responsible for monitoring the development of new EAEU technical regulations in member countries as well as for amending the existing ones. **When a new technical regulation is to be developed, always one of the EAEU member countries is in charge of this work.**³¹ The decision on who will be in charge of preparation of a new technical regulation is adopted by consensus within the EEC and the EAEU Intergovernmental Council (prime ministers). The government of the member country responsible for the development of a draft technical regulation designates a national authority in charge. Subsequently, **the EEC coordinates the corresponding works** e.g. exchange of information, working groups, publication of the draft, communication with other member countries, public consultations, etc. The final adoption of technical regulation is done by the Council of the EEC acting at deputy prime ministers' level. Once adopted technical regulations have direct application on the whole territory of the EAEU.

Technical standards which are to ensure the compliance of products produced or imported with the requirements of technical regulations have a voluntary character and the EAEU Treaty provides for their harmonization with international and regional standards. Currently there exist several types of standards in the EAEU: inter-state standards i.e. **regional standards** adopted by the *CIS Interstate Council on Standardization, Metrology and Certification*, the **international standards** as adopted by an international standard-setting organizations and **national** (state) standards i.e. standards adopted by the national standardization bodies of EAEU member states. The Eurasian Economic Commission

³⁰ The EAEU Treaty in its Section 10 establishes the principle of non-competition of accreditation and conformity assessment bodies as well as the acceptance of conformity assessment results in all EAEU member states.

³¹ In 2014-2017 Russia has been in charge of 15 out of 24 technical regulations; Kazakhstan was responsible for 3, Belarus for 2, and the EEC for 4. Armenia and Kirgizstan have not been designated for drafting any new technical regulation yet. For 2017 3 new technical regulations are planned, and Russia is responsible for drafting all of them.

determines the procedure for the development and approval of new standards with the aim to fulfil requirements of EAEU technical regulations.

The authority in charge drafts a list of standards for individual technical regulations as soon as the corresponding draft technical regulation is finalized. A number of stakeholders are involved in that process such as public authorities of member countries, Eurasian Economic Commission, business representatives, etc. At the end of the process the EEC approves the list of updated standards for individual technical regulations.

In practice technical standards are developed either by the authorities of member countries or by the EEC itself, taking into account contribution of competent bodies of EAEU members. **More than 8000 inter-governmental standards** were approved for voluntary application so far. The **EEC approved the lists of standards to 33 technical regulations** that include national documents along with the interstate ones (interstate GOST standards).

Worth to mention that on **21 June 2017** the Eurasian Economic Commission signed a **Memorandum of Understanding with CEN and CENELEC** which provides a common framework to facilitate the sharing of information, the transfer of technical knowledge, the exchange of best practices and their mutual support in the work of the international standardization organizations, International Standard Organization (ISO) and the International Electrotechnical Commission (IEC).³²

Sanitary and phytosanitary measures

The EAEU has competence in establishing common SPS requirements and control procedures as well as in defining the products which are subject to such measures. The common requirements apply on the goods moved between EAEU member states and on imported goods.

The EAEU has powers particularly as concerns:

- Rules and methods of laboratory testing when carrying out veterinary controls,³³
- Coordinated approaches to identification, registration and traceability of animals and products of animal origin,
- Procedures of cooperation between the EAEU members when implementing temporary SPS measures (sanitary-epidemiological, veterinary and sanitary and phytosanitary quarantine measures) due to epizootic situation in the territories of third countries or EAEU member states,
- Laboratory support of quarantine phytosanitary measures.

However, **EAEU member states are responsible for veterinary controls, issuance of import/export and transit permits** of goods subject to veterinary control and for issuance of veterinary certificates. Each EAEU country has the right to develop and implement unilaterally temporary SPS measures against third countries and against each other.

There exists **no power of the EAEU/EEC to fully harmonise the SPS restrictions on imports** as is the case in the EU. The EAEU Treaty foresees the development of a procedure of interaction of the competent authorities of EAEU countries. For such cases, however, there seems to be no competence of the EAEU.

³² For Press release see: <ftp://ftp.cencenelec.eu/EN/News/PR/PR-2017-03.pdf>

³³ In accordance with Annex 12 of the EAEU Treaty-Protocol on the Application of Sanitary, Veterinary and Sanitary and Phytosanitary Quarantine Measures.

Audits of the SPS control systems in exporting third countries are in competence of EAEU states and maybe conducted jointly with other EAEU partners, following the mutual agreement. **The list of establishments authorised to export of animal products to the EAEU are drawn by individual member countries** which are obliged to share this list with other EAEU partners.

The EAEU Treaty also foresees the **adoption of uniform veterinary-sanitary certificates** for import of animals and products thereof from third countries. Nevertheless, it has been made clear that individual **EAEU members may negotiate their own bilateral certificates with exporting third countries.**

Public procurement

In line with the EAEU Treaty the **decisive powers in public procurement are held by member countries** which nevertheless (in spite of very different policies in opening their markets to bidders from third countries) are required to grant national treatment to all other EAEU members as for procurement of goods, works and services. In case any member country would want to award any third country the more favourable treatment, it is obliged to guarantee the same treatment to all EAEU Members. Any Member State is entitled, in exceptional cases, to unilaterally establish exemptions from the national treatment for a period of maximum 2 years. On the other hand the Eurasian Commission has a right to cancel such exemption within one year from its adoption. In general, the commitments on public procurement for EAEU members do not seem to contradict the WTO Government Procurement Agreement Standards (GPA). The EAEU plans to have a single market in public procurement, however, for the time being the inter-state participation of bidders from different EAEU member states is negligible.

Services

EAEU Treaty covers services (Section XV and the Protocol in Annex 16) with the objective to ensure freedom of trade in services, establishment (in services and non-services sectors) and protection of investment. To this end, it forbids introducing new discriminatory measures and includes a **best endeavour provision on gradual liberalization leading to the single market in services** (in sectors approved by the Supreme Council). The **national treatment (NT)** and **most favoured nation (MFN)** requirements, provisions on quantitative and investment measures (including **market access – MA**) as well as on **movement of natural persons (MNP)**³⁴ are subject to horizontal limitations (related to all sectors) listed for each EAEU country and individual national lists of reservations (the latter have not been formulated yet). EAEU members have freedom in concluding agreements and determining their own policy as concerns trade in services/establishment/investment, provided that MFN is granted to the other EAEU countries). Interestingly in the sector of **financial services**, the EAEU Treaty provides for regulatory cooperation with the aim to harmonize relevant legislation in the long-term (which would imply ceasing the application of national reservations). In **electronic communication** the commitments are not ambitious as the GATS minus rules are applied. Coordination of transport policy (Section XXI and Annex 24) foresees liberalization in road transport, rail and inland waterways.

Competition rules

³⁴ EAEU Treaty provisions on labour migration foresee removal of tests on economic needs and work permits and provide for an automatic recognition of diplomas. Period of stay is determined by expiration of work contract. Labour mobility is one of the major incentives to join the EAEU and benefit from work contracts in Russia. The remittances from that work constitute an important part of GDP in several countries, notably in Central Asia. For Armenia over 70% of remittances from labour migrants originate from Russia.

Competition policy is primarily **in hands of EAEU members**. Formally they are supposed to inform the Eurasian Commission on any restrictions they plan to introduce through national legislation and the Commission consequently launches monitoring to verify the compliance of such measures with the EAEU Treaty. In case a member country or a business entity breach competition rules, as defined by the Treaty (in terms of cartels, monopolies, dominant position, discrimination), **the Commission launches an investigation**. EAEU member are obliged to provide the Commission with all requested information. In case the Commission establishes a violation of competition it can impose a fine and/or to oblige the violator to conduct specific actions to remove the violation. Such decision is enforceable by members' competent bodies, including domestic courts (i.e. enforcement of competition rules does not belong to ECU).

Intellectual property rights (IPRs)

The **EAEU Treaty covers the following IP rights**: copyright and related rights, trademarks and service marks, geographical indications, appellations of origin of goods, (covering right to invention, utility model and industrial design), selection achievements, topographies of integrated circuits, trade secrets (know-how) and enforcement.

However, **it is up to EAEU countries to bear full responsibility for protection and enforcement of IPRs**. The Role of the Commission is limited to monitoring and coordination. Member states are supposed to cooperate in protection and enforcement of IPRs and to provide protection and enforcement of those rights in their territories in line with international law, legal acts of the EAEU and their own legislation. Each EAEU member is obliged to provide national treatment to persons/legal entities from other EAEU countries with regard to the protection of intellectual property.

b) Compliance of Belarus with EAEU trade-related rules

As indicated earlier, Belarus is one of the Customs Union/EAEU founding members **since 2010**. It experiences a special situation, given its geographic location, sharing borders with both the EU and Russia. Belarus is an exception regarding intra-EAEU trade: all other members are trading more with the EU than with other EAEU partners, but **Belarus' trade within the EAEU represented 52% of its total trade in 2016**. Both for imports (55%) and exports (48%), Belarus is heavily dependent on the EAEU, particularly on Russia. From January to August 2016, Belarus' trade with other EAEU members represented EUR 23.7 billion (EUR 10.1 billion as concerns exports and EUR 13.6 in case of imports from EAEU).

Number of tensions exists between Belarus and Russia, with regards to Russian SPS related import bans, export duties on oil products as well as regarding the conditions for the supply of gas and oil.

c) Compliance of Armenia with EAEU trade-related rules

Armenia **joined the EAEU in January 2015** (being already a WTO member). In 2016 **Armenia's trade with the EAEU accounted for about 27%** (EUR 1.2 billion) of its total foreign trade (22% as concerns exports (EUR 354 million) and 32% in terms of imports – EUR 921 million). Russia is its second biggest trading partner after the EU.

Armenia as a new member of EAEU has not implemented all tariffs adjustments related to its adhesion yet. Before joining the EAEU Armenia had in general lower tariffs than those in force in the EAEU/Customs Union. Due to its EAEU accession Armenia has to gradually increase its customs duties to the level of the common external tariff (**transitional periods** (between 1-7 years) **will expire in 2022, when tariffs shall be fully aligned with the**

EAEU). Armenia's average tariff in 2013 was 3.5% (trade un-weighted), and EAEU average common external tariff in 2020 is supposed to be 7.9% (trade un-weighted), taking the implementation of Russia's WTO commitments into account.

The Treaty on accession to EAEU envisages that Armenia can keep all its CIS FTA agreements (including with Georgia).

Armenia's geographic location (the country doesn't share its borders with any EAEU member) constitutes a natural obstacle to the increase of its trade with EAEU countries. The natural trade route goes through Georgia, however, there is a limited number of border crossing points in Georgia towards Russia, all are located in the Caucasus Mountains, thus difficult or impossible to access during winter. The other route would be through Azerbaijan but given the general political context and frozen conflict in Nagorno-Karabakh it is currently impossible for Armenian products to cross Azerbaijan to reach Russia.

According to its EAEU accessions treaty Armenia is obliged to gradually put into effect the **technical regulations** of the EAEU. The envisaged **transitional periods last up to 5 years from the date of entry into force of the treaty**. The application of the technical legislation of Armenia is permitted during a transitional period of up to the end of 2020. The assessment of conformity is performed by conformity assessment bodies accredited in accordance with the EAEU procedure. The registration is done by the bodies authorized to perform such activities under the legislation of Armenia.

As of the date of accession, EAEU **sanitary and phytosanitary legislation started to apply in Armenia without transitional periods**. The state registration of products for conformity with the EAEU common sanitary-epidemiological and hygiene requirements is performed by Armenia's authorized bodies in accordance with Armenia's legislation.

With regard to public procurement Armenia joined WTO GPA in September 2011 and opened its market to other GPA members. In accordance with its accession Treaty to the EAEU Armenia's public procurement market is open to EAEU countries and it will – in accordance with EAEU Treaty - have to grant GPA access to them while they would not necessarily reciprocate this level of openness.

As concerns services Armenia already offered a very high level of market opening in the GATS and included several key services sector such as: business services, professional services, distribution, telecommunication, tourism, environment and financial services. In terms of all transport services Armenia has very limited commitments, with exception of road transport where the country is very competitive.

B. Bilateral FTAs of EaP countries

1. FTAs among Eastern Partnership countries

Apart from regional GUAM FTA (entered into force in 2003) and CIS FTA (functioning since 2012-2014), the Eastern Partnership countries concluded several bilateral free trade agreements.

Table 5: Matrix of bilateral FTAs concluded by EaP countries with other EaP partners
(date of signing/date of entry into force)

EaP country ¹	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine
ARMENIA	-	N/A	2000/2003	1995/1998	1993/1995	1994/1996
AZERBAIJAN	N/A	-	2004/2004	1996/1996	1995/1996	1995/1995
BELARUS	2000/2003	2004/2004	-	N/A	1993/1994	1992/2006
GEORGIA	1995/1998 ³⁵	1996/1996	N/A	-	1997/2007 ³⁶	1995/1996
MOLDOVA	1993/1995	1995/1996	1993/1994	1997/2007	-	2003/2005
UKRAINE	1994/1996	1995/1996	1992/2006	1995/1996	2003/2005	-

¹ The highlighted countries concluded also the regional FTA within GUAM Organization.

Source: EU Delegations and the WTO Trade Policy Reviews.

Table 5 presents the matrix of currently functioning bilateral FTAs within the EaP region. The content of these agreements is detailed in Annex 1 and Box 4 presents their main characteristics.

Box 4: Main elements of the bilateral FTAs between EaP countries

- The **reference made to the GATT WTO rules and principles**, even if Azerbaijan and Belarus are not WTO members yet (the latter made such reference only in FTA with Armenia).
- The FTAs **cover only trade in industrial and agricultural goods** but **do not cover services** (with exception of MD-AZ FTA), **investment and public procurement** (with exception of MD-UA). They foresee that - apart from tariffs liberalization - the quantitative restrictions are eliminated (with exception of UA/MD, BLR). Export duties are covered in FTAs concluded by GE and UA-BLR FTA).
- **Main trade-related commitments**: rules of origin, customs procedures, freedom of transit, cooperation on TBT (only in case of FTAs concluded by UA, with exception of that with BLR), SPS & IPR (only in case of GE's FTAs and UA-MD FTA), some provisions on competition rules (AR, GE, UA and BLR), trade defence instruments (all FTAs of GE, UA/MD, BLR) and safeguard measures based on Art. XIX GATT (GE/AR, UA, AZ; UA/MD, BLR; BLR/AR, AZ, MD, UA).
- **Dispute settlement** included.
- Most of the FTAs foresee **specific cooperation bodies** on implementation of agreements. **No provisions on cooperation in trade-related regulatory approximation or reforms**

2. Bilateral contractual trade relations of EaP countries with former Soviet Union Republics

After the dissolution of the Soviet Union in December 1991, the countries currently covered by EU's Eastern Partnership initiative, concluded bilateral free trade agreements with other former Soviet Union Republics which became sovereign states. The matrix of those

³⁵ Armenia-Georgia Free Trade Area, Asia Regional Integration Centre, <https://aric.adb.org/fta/armenia-georgia-free-trade-area>

³⁶ WTO Trade Policy Review, Georgia, 10 November 2015. https://www.wto.org/english/tratop_e/tpr_e/tp428_e.htm ; WTO Trade Policy Review, Ukraine, 21 April. 2016 https://www.wto.org/english/tratop_e/tpr_e/tp434_e.htm

agreements is presented in Table 6, the detailed content in Annex 1 and main characteristics in Box 5.

Table 6: Matrix of bilateral FTAs concluded by EaP countries with Russia and countries of the Central Asia (former Soviet Union Republics) (date of signing/date of entry into force)

EaP/partner country	Kazakhstan	Kyrgyzstan	Russia	Tajikistan	Turkmenistan	Uzbekistan
ARMENIA	1999/2002	1994/1995	1992/1993	1994/1994	1995/1996	N/A
AZERBAIJAN	1997/1997	2004/2004	1992/1993	2007/2007	1996/1996	1992/1996
BELARUS	1997/1999	1999/2000	1992/1993	1998/1999	1993/1994	1993/1994
GEORGIA	1997/1999	N/A	1994/1994	N/A	1996/2000	N/A*
MOLDOVA ³⁷	1995/1996	1995/1996	1993/1993	NC	1996/1996	1995/1995
UKRAINE	1994/1998	1995/1998	1993/1994	2001/2002	1994/1995	1994/1996

N/A: Non-applicable, NC: Not communicated

*There is a Cooperation Agreement between Georgia and Uzbekistan (1994/1995).

Source: Information from the EU Delegations and the WTO Trade Policy Reviews.

Box 5: Main elements of the bilateral FTAs between EaP countries with Russia and countries of the Central Asia

- Reference to the WTO principles is **mentioned in some of these agreements** (AZ, BLR with KAZ and TAJ, GEO only with KAZ, UA for all agreements except with RU).
- The FTAs **cover trade in goods** but **do not cover services**. Export duties are generally not covered (except for GEO).
- **The main trade-related commitments are generally not covered** (except IPR for AZ with TAJ, competition rules in UA agreements and in FTA AZ/RU, SPS for GEO with KAZ, RU and TM).
- **Dispute settlement** included.
- Most of the FTAs foresee **specific cooperation bodies** on implementation of agreements.

3. Free trade agreements of EaP countries with other main partners

Apart from FTAs indicated in Tables 5 and 6, the EaP countries concluded several free trade agreements with other partners (see Annex 1):

- **Belarus:** with **Serbia** (2009/2009);
- **Georgia:** with **Turkey** (2007/2008)³⁸, **EFTA** (June 2016/1 September 2017) it covers trade in goods, services, sanitary and phytosanitary measures, technical barriers to trade, rules of origin, customs and trade facilitation, intellectual property rights, public

³⁷ WTO Trade Policy Review, Moldova, 14 September 2015, https://www.wto.org/english/tratop_e/tpr_e/tp423_e.htm

³⁸ The bilateral agreement provides for duty-free trade in industrial and agricultural goods but both countries maintain tariffs on some agricultural products. Also, Turkey applies tariff quotas to several agricultural products. No provisions on trade in services, investment or government procurement.

procurement, competition, trade remedies and sustainable development; **China** (signed on 13 May 2017)³⁹ and covers trade in goods, services, intellectual property rights and also e-commerce, market competition and the environment;⁴⁰

- **Moldova:**⁴¹ with **CEFTA** (2006/2007) – the Central European Free Trade Agreement (together with Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia and the UNMIK on behalf of Kosovo) – applies to goods only and covers customs-related procedures; investment; dispute settlement; intellectual property rights; with **Turkey** (2014/2016);
- **Ukraine:** with **EFTA** - the European Free Trade Association (2010/2012)⁴²; **Montenegro** (2011/2013) - covers trade in goods and services; dispute settlement included; **FYROM** (2001/2001) – only trade in goods covered, **Canada** (2016/1 August 2017)⁴³ - covers trade in goods, public procurement and other trade-related matters such as TBT, SPS, IPR, rules of origin, trade facilitation, e-commerce, competition policy, monopolies and state enterprises, environment, employment, transparency, anti-corruption, institutional provision and dispute settlement as well as trade-related cooperation. Ukraine is also engaged (state of play in September 2017) in negotiations on free trade agreements with Serbia, Israel and Turkey.

³⁹ Georgia-China FTA (to enter into force at the end of 2017 or beginning 2018) is considered as a positive consequence of the EU-Georgia DCFTA because the Chinese interest in Georgia as a trade and investment hub increased after the conclusion of the DCFTA with the EU –see: T.Kovziridze, *Georgia-China FTA: A side effect of the EU-Georgia DCFTA?*, by consortium led by the Center for European Policy Studies (CEPS) and SIDA, 3.07.2017. <http://www.3dcftas.eu/publications/other/georgia-china-fta-side-effect-eu-georgia-dcfta>

⁴⁰ It is also worth to mention the Georgia-United States Trade and Investment Framework Agreement -TIFA (2007/2007) that addresses trade issues and builds trade and investment relations. The TIFA sets up a joint U.S.-Georgia Council on Trade and Investment that deals with wide range of trade and investment issues including trade capacity building, intellectual property, labour, and environment. The Council also helps to increase commercial and investment opportunities by identifying and working to remove impediments to trade and investment flows between the US and Georgia.

⁴¹ WTO, Trade Policy Review, Moldova, 14 September 2015
https://www.wto.org/english/tratop_e/tptr_e/tp423_e.htm

⁴² The FTA with EFTA is the first comprehensive and modern WTO+ FTA concluded by Ukraine. It covers trade in goods, services and includes provisions on investment, government procurement, competition, IPR and on dispute settlement. A Protocol on rules of origin has been based on the Pan-Euro-Mediterranean model. Given the difference in economic development of Ukraine, EFTA states agreed to asymmetric commitments in order to give Ukraine longer time for adjustments to growing competition stemming from market access opening.

⁴³ Government of Canada, text of the Canada-Ukraine FTA <http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ukraine/text-texte/toc-tdm.aspx?lang=eng> On the basis of this agreement Canada will eliminate 98% of tariffs on imports from Ukraine and Ukraine will abolish 72% of tariffs for goods imported from Canada (over the next seven years the percentage of tariff elimination by Ukraine will increase to 98%).

IV. Trade in goods and services by Eastern Partnership countries

In 2016 the EU was the main trading partner for five out of six Eastern partners (with exception of Belarus for which it was ranked on second place, because Russia accounted for around 50% of its total trade).⁴⁴ The EU trade with EaP region amounted to over EUR 51 billion (1.6% of its total external trade). The share of EU in the total trade of individual EaP countries constituted respectively (in 2016): 55% for Moldova 35% for Azerbaijan, 41% for Ukraine, 30% for Georgia, 24% for Armenia, and 22% for Belarus (see Table 7).

However, Russia remains an important trading partner for most countries. For Belarus, Russia is the first export destination (46% of its total exports) and the second export destination for Armenia (21%), Ukraine (10%) and Moldova (11%). As concerns imports, Russia remains the first source of origin for goods imported to Belarus (55%) and Armenia (31%) and the second source of imports for Ukraine (13%), Azerbaijan (19%) and Moldova (13%).

Table 7: Trade of EaP countries with the EU, CIS FTA, EAEU and GUAM, 2016 (million EUR and % shares)

mio euro		World		EU28		CIS FTA		EAEU		GUAM FTA	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Armenia	2016	1,604	2,919	432	642	492	1,104	354	921	138	183
Azerbaijan	2016	8,260	7,708	3,570	2,008	796	1,964	442	1,642	351	312
Belarus	2016	21,156	24,815	5,057	4,896	12,802	14,593	10,070	13,587	2,799	992
Georgia	2016	1,910	6,538	516	1,984	514	1,275	382	880	207	834
Moldova	2016	1,848	3,633	1,204	1,784	384	929	319	578	64	349
Ukraine	2016	32,784	35,445	12,200	15,483	5,456	7,728	4,539	7,561	1,012	138
Total	2016	67,562	81,057	22,979	26,796	20,443	27,594	16,106	25,170	4,571	2,808
% total		World		EU28		CIS FTA		EAEU		GUAM FTA	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Armenia	2016	100%	100%	27%	22%	31%	38%	22%	32%	9%	6%
Azerbaijan	2016	100%	100%	43%	26%	10%	25%	5%	21%	4%	4%
Belarus	2016	100%	100%	24%	20%	61%	59%	48%	55%	13%	4%
Georgia	2016	100%	100%	27%	30%	27%	20%	20%	13%	11%	13%
Moldova	2016	100%	100%	65%	49%	21%	26%	17%	16%	3%	10%
Ukraine	2016	100%	100%	37%	44%	17%	22%	14%	21%	3%	0%
Total	2016	100%	100%	34%	33%	30%	34%	24%	31%	7%	3%

CIS FTA: Armenia, Belarus, Georgia (on the basis of 1994 CIS FTA), Kazakhstan, Kirgizstan, Russia, Moldova, Ukraine and Uzbekistan (in May 2017 the CIS FTA with Tajikistan was not in force yet).

EAEU (Eurasian Economic Union): 5 countries: Armenia, Belarus, Kazakhstan, Kirgizstan and Russia.

GUAM FTA: Georgia, Ukraine, Azerbaijan and Moldova.

Source: International Trade Centre.

For Georgia, Russia occupies equally the 4th place as an export partner (10%; after the EU and with quite the same levels as Azerbaijan and Turkey) as well as import partner (9%; after EU, Turkey and China). Interestingly for Azerbaijan Russia is only the 6th partner in its exports (around 4%).

⁴⁴ Source: DG TRADE, <http://ec.europa.eu/trade/policy/countries-and-regions/countries>

As Russia occupies a prominent position as trade partner among CIS and EAEU countries, the importance of trade with these two groupings remains similar as in case of the EaP trade with Russia. In Table 7 one can see **the highest shares of CIS for Belarus** (61% and 59% in total exports and imports respectively) **and Armenia** (31% and 38%), **the lowest for Azerbaijan** (10% and 25% respectively). As concerns trade with **Eurasian Economic Union** it has again **the biggest importance for Belarus** (48% in exports and 55% in imports), then for **Armenia** (22% and 32%). The lowest shares are noted for Azerbaijan (5% as concerns exports and 21% in imports). For Georgia and Moldova the share of the EAEU in total trade is the same and the EAEU is more important for exports than imports of those both countries.

If one looks at the statistics showing the 10 top trading partners of the EaP countries, interestingly the weight of **CIS FTA countries** (i.e. 9 former Soviet Union Republics – except Georgia) is relatively smaller in that group. On export side there are 5 CIS partners in case of Georgia (Azerbaijan, Russia, Armenia, Uzbekistan and Ukraine), 4 partners in case of Moldova (Russia, Belarus, Kazakhstan and Ukraine) and Belarus (Russia, Ukraine, Kazakhstan and Azerbaijan), and 3 partners in case of Ukraine (Russia, Belarus and Kazakhstan). In case of Armenia and Azerbaijan, Russia is the only CIS FTA partner among the top 10 export destinations. In terms of imports this weight is even smaller and features 4 CIS FTA partners in case of Georgia (Russia, Ukraine, Azerbaijan, Armenia), 3 as concerns Moldova (Russia, Ukraine and Belarus), 2 in case of Ukraine (Russia, Belarus), Georgia (Russia, Ukraine), Azerbaijan (Russia, Ukraine), and Belarus (Russia, Ukraine).

Other **key trading partners** of the Eastern Partnership countries are:

Ranking in total trade of AZ: TR:2, US:7, CN: 4 !!

Ranking in total trade of UA: TR:5, US:8, CN: 3 !!

- **Turkey** (2nd trading partner for Georgia, 3rd partner for Azerbaijan, 4th for Moldova 5th for Armenia, 6th for Ukraine and Belarus),
- **USA** (5th for Azerbaijan, 6th for Armenia, 7th for Georgia and Ukraine, 8th for Moldova and Belarus)
- **China** (3rd for Armenia, 4th for Belarus, 5th for Georgia, 6th for Moldova and 7th for Azerbaijan).

A. Trade in goods of DCFTA countries (Georgia, Moldova and Ukraine)

Ukraine's involvement in international trade has decreased greatly due to the military conflict provoked by Russia in Eastern Ukraine and illegal annexation of Crimea in 2013-2014. Hence, figures presented for Ukraine's foreign trade are lower than in 2013 and do not reflect the true economic potential of the country.

The following Tables 8-13 show the Eurostat data on trade in goods by **3 DCFTA countries** with their top export and import countries between 2012 and 2015/2006. For all of them, **the EU is the most important partner on the import as well as on the export side**. CIS countries continue to be important trading partners, which can in part be explained by geographic proximity.

Only **Ukraine** plays a **noteworthy role** as concerns imports and exports of the other two DCFTA partner countries. It figures in the top ten of the two countries trading partners and seems to be somewhat **more important to Moldova than to Georgia**.

The more prominent role of Ukraine for the other two countries than vice versa should not come as a surprise given the asymmetry in size and economic potential. Neither should the closer link of Moldova to Ukraine given that the two countries are direct neighbours unlike Ukraine and Georgia.

Table 8: Export of goods by Ukraine to top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
Exports of goods from Ukraine to top 10 partners										
World	53,459	47,668	40,580	34,371	32,784	100%	100%	100%	100%	100%
EU 28	13,278	12,623	12,803	11,736	12,200	25%	26%	32%	34%	37%
Russia	13,723	11,343	7,376	4,353	3,245	26%	24%	18%	13%	10%
Egypt	2,256	2,048	2,154	1,875	2,047	4%	4%	5%	5%	6%
Turkey	2,868	2,865	2,681	2,498	1,851	5%	6%	7%	7%	6%
India	1,783	1,487	1,368	1,302	1,719	3%	3%	3%	4%	5%
China	1,383	2,053	2,013	2,162	1,656	3%	4%	5%	6%	5%
Belarus	1,713	1,494	1,217	785	816	3%	3%	3%	2%	2%
Iran	907	598	529	481	637	2%	1%	1%	1%	2%
Saudi Arabia	721	589	776	686	536	1%	1%	2%	2%	2%
Israel	620	528	446	538	441	1%	1%	1%	2%	1%

EU28 is the top trading partner for Ukraine, both in terms of exports and imports. Between 2012 and 2016 the total exports by that country to the world have decreased by 39% and imports by 46%. The biggest drop concerns trade with Russia (-78% for imports and -76% for exports). **Belarus is Ukraine's 7th partner** in terms of exports, and 4th partner in imports.

The **main destination of Georgia's exports switched from Azerbaijan to EU28** between 2012 and 2016. Regarding imports, **Georgia's 1st and 2nd biggest partners are EU28 and Turkey**. In 2012-2016 the share of the Russian Federation in exports of goods from Georgia increased from 2% to 10%. Azerbaijan, Armenia and Ukraine are among Georgia's top 10 trading partners, both in exports and imports.

Table 9: Imports of goods by Ukraine from top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
	Imports of goods by Ukraine from top 10 partners									
World	65,892	57,950	40,935	33,801	35,445	100%	100%	100%	100%	100%
EU 28	20,415	20,359	15,853	13,830	15,483	31%	35%	39%	41%	44%
Russia	21,341	17,494	9,544	6,746	4,651	32%	30%	23%	20%	13%
China	6,149	5,949	4,071	3,398	4,236	9%	10%	10%	10%	12%
Belarus	3,945	2,715	2,989	2,207	2,509	6%	5%	7%	7%	7%
USA	2,269	2,086	1,454	1,337	1,528	3%	4%	4%	4%	4%
Turkey	1,519	1,395	977	767	994	2%	2%	2%	2%	3%
Switzerland	597	683	394	405	889	1%	1%	1%	1%	3%
Japan	932	742	461	345	499	1%	1%	1%	1%	1%
India	794	631	494	399	439	1%	1%	1%	1%	1%
Kazakhstan	1,164	514	283	336	392	2%	1%	1%	1%	1%

Table 10: Export of goods from Georgia to top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
	Exports of goods from Georgia to top 10 partners									
World	1,848	2,191	2,152	1,986	1,910	100%	100%	100%	100%	100%
EU28	274	457	470	581	516	15%	21%	22%	29%	27%
Russian Federation	28	135	203	144	186	2%	6%	9%	7%	10%
Turkey	105	139	167	152	157	6%	6%	8%	8%	8%
China	20	26	68	113	153	1%	1%	3%	6%	8%
Azerbaijan	487	534	409	217	139	26%	24%	19%	11%	7%
Armenia	199	235	211	141	136	11%	11%	10%	7%	7%
Switzerland	10	2	10	28	74	1%	0%	0%	1%	4%
Ukraine	130	145	105	54	66	7%	7%	5%	3%	3%
Uzbekistan	13	17	41	88	64	1%	1%	2%	4%	3%
United States of America	176	104	156	94	62	10%	5%	7%	5%	3%

Table 11: Imports of goods by Georgia from top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
	Imports of goods by Georgia from top 10 partners									
World	6,262	6,040	6,471	6,964	6,538	100%	100%	100%	100%	100%
EU28	1,889	1,706	1,785	2,269	1,984	30%	28%	28%	33%	30%
Turkey	1,143	1,062	1,301	1,196	1,222	18%	18%	20%	17%	19%
Russian Federation	300	379	348	465	610	5%	6%	5%	7%	9%
China	478	461	552	529	495	8%	8%	9%	8%	8%
Azerbaijan	358	304	263	204	448	6%	5%	4%	3%	7%
Ukraine	457	453	413	410	377	7%	7%	6%	6%	6%
Armenia	53	136	154	129	196	1%	2%	2%	2%	3%
United States of America	166	191	216	228	193	3%	3%	3%	3%	3%
Japan	243	241	277	190	170	4%	4%	4%	3%	3%
United Arab Emirates	143	160	150	189	125	2%	3%	2%	3%	2%

Table 12: Export of goods from Moldova to 10 top partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
Exports of goods from Moldova to top 10 partners										
World	1,681	1,828	1,760	1,772	1,848	100%	100%	100%	100%	100%
EU28	791	857	937	1,097	1,204	47%	47%	53%	62%	65%
Russian Federation	509	476	319	217	211	30%	26%	18%	12%	11%
Belarus	63	68	101	119	94	4%	4%	6%	7%	5%
Turkey	44	96	79	58	56	3%	5%	4%	3%	3%
Ukraine	95	106	82	41	45	6%	6%	5%	2%	2%
Switzerland	4	36	37	32	40	0%	2%	2%	2%	2%
Area Nes	0	26	23	24	30	0%	1%	1%	1%	2%
Iraq	18	10	8	15	24	1%	1%	0%	1%	1%
United States of America	23	19	24	20	15	1%	1%	1%	1%	1%
Georgia	14	21	18	16	15	1%	1%	1%	1%	1%

Table 13: Imports of goods by Moldova from top 10 trading partners, 2013-2015

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
Imports of goods by Moldova from top 10 partners										
World	4,053	4,135	4,000	3,592	3,633	100%	100%	100%	100%	100%
EU28	1,805	1,861	1,933	1,761	1,784	45%	45%	48%	49%	49%
Russian Federation	635	593	540	483	484	16%	14%	13%	13%	13%
China	323	361	362	330	356	8%	9%	9%	9%	10%
Ukraine	462	496	411	334	347	11%	12%	10%	9%	10%
Turkey	302	287	226	257	246	7%	7%	6%	7%	7%
Belarus	134	134	107	76	92	3%	3%	3%	2%	3%
United States of America	62	55	57	46	48	2%	1%	1%	1%	1%
Switzerland	28	32	32	29	28	1%	1%	1%	1%	1%
Japan	24	28	34	38	25	1%	1%	1%	1%	1%
India	24	26	28	24	20	1%	1%	1%	1%	1%

European Union is the main destination for Moldova's exports (65%) and origin of imports (49%) in 2016. Simultaneously, between 2012 and 2016, the share of the Russian Federation in Moldova's exports decreased from 30% to 11%, less in imports though (from 16% to 13%). Overall, **exports from Moldova to the world increased by 5%** in that period and imports decreased by 11%. **Ukraine and Belarus are among Moldova's top 6 trading partners** in terms of exports and imports.

The following Tables 14-16 show the composition of trade in goods of the DCFTA countries in 2015 or in 2016 (for Georgia).

Table 14: Structure of exports and imports of goods by Ukraine with the world, 2015

	Imports		Exports	
	mio euro	% total	mio euro	% total
0 food and live animals	2,157	6%	8,308	24%
1 beverages and tobacco	575	2%	480	1%
2 crude materials, inedible, except fuels	1,256	4%	5,020	15%
3 mineral fuels, lubricants and related materials	9,808	29%	440	1%
4 animal and vegetable oils, fats and waxes	151	0%	2,947	9%
5 chemicals and related products, n.e.s.	6,012	18%	1,711	5%
6 manufactured goods classified chiefly by material	4,566	14%	9,756	28%
7 machinery and transport equipment	7,200	21%	4,128	12%
8 miscellaneous manufactured articles	1,840	5%	1,419	4%
9 commodities and transactions not classified elsewhere in the sitc	247	1%	154	0%
total	33,814	100%	34,364	100%

Source: Eurostat COMEXT/UN Comtrade

Table 15: Structure of exports and imports of goods by Moldova with the world, 2015

	Imports		Exports	
	mio euro	% total	mio euro	% total
0 food and live animals	388	11%	441	25%
1 beverages and tobacco	90	2%	151	9%
2 crude materials, inedible, except fuels	90	3%	198	11%
3 mineral fuels, lubricants and related materials	413	11%	9	1%
4 animal and vegetable oils, fats and waxes	8	0%	65	4%
5 chemicals and related products, n.e.s.	564	16%	118	7%
6 manufactured goods classified chiefly by material	728	20%	124	7%
7 machinery and transport equipment	740	21%	283	16%
8 miscellaneous manufactured articles	332	9%	384	22%
9 commodities and transactions not classified elsew here in the sitc	240	7%	1	0%
total	3,593	100%	1,773	100%

Source: Eurostat COMEXT/UN Comtrade

Table 16: Structure of exports and imports of goods by Georgia with the world, 2016

	Imports		Exports	
	mio euro	% total	mio euro	% total
0 food and live animals	731	11%	328	17%
1 beverages and tobacco	143	2%	282	15%
2 crude materials, inedible, except fuels	326	5%	349	18%
3 mineral fuels, lubricants and related materials	936	14%	56	3%
4 animal and vegetable oils, fats and waxes	44	1%	9	0%
5 chemicals and related products, n.e.s.	731	11%	208	11%
6 manufactured goods classified chiefly by material	1,035	16%	264	14%
7 machinery and transport equipment	1,879	29%	216	11%
8 miscellaneous manufactured articles	684	10%	103	5%
9 commodities and transactions not classified elsew here in the sitc	27	0%	93	5%
total	6,537	100%	1,910	100%

Source: Eurostat COMEXT/UN Comtrade

Food and live animals represent a big share of Ukraine's, Moldova's and Georgia's exports (24%; 25%; 17% respectively). Regarding imports, chemicals and related products, manufactured goods classified chiefly by material and machinery and transport equipment are a common denominator of the three countries: each of these sectors represent more than 10% of the imports in Ukraine, Moldova and Georgia.

B. Trade in goods of Armenia, Azerbaijan and Belarus

Armenia, Azerbaijan and Belarus (the latter two countries are not WTO members yet) have no preferential trade agreements with the EU and have chosen a different path of regulating their trade relations. For these countries the list of the most important trading partners in goods on both the export and import side usually includes Russia and the EU, with exception of Azerbaijan, likely due to the domination of oil and gas in its exports for which Russia has little import demand. See Tables 17-25.

The sectoral concentration of the countries' exports is even more pronounced than that of the DCFTA partners. **Armenia, Azerbaijan and Belarus are exporters mainly of commodities.** Notably **Azerbaijan's exports are strongly concentrated in the mineral products**, which also constitute a significant share of the exports of the two other countries. Other important sectors are **base metals**, and, in case of Belarus, **chemicals**. Armenia also shows significant exports of precious metals and stones. Notable is the much less important role of the agricultural sector in comparison to the DCFTA partners. For all three countries, **machinery**

belongs to the important import sector and - with the exception of Azerbaijan - mineral products, likely fossil fuels, are even more important. Base metals, chemical products and processed food also figure prominently.

Table 17: Exports of goods from Armenia to top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
Exports of goods from Armenia to top 10 partners										
World	1,110	1,105	1,121	1,336	1,604	100%	100%	100%	100%	100%
EU28	436	383	329	397	432	39%	35%	29%	30%	27%
Russian Federation	216	250	229	203	335	19%	23%	20%	15%	21%
Georgia	61	57	50	103	129	5%	5%	4%	8%	8%
Canada	66	66	70	101	126	6%	6%	6%	8%	8%
Iraq	12	36	61	118	125	1%	3%	5%	9%	8%
China	24	52	129	149	87	2%	5%	11%	11%	5%
Iran, Islamic Republic of	73	65	63	70	67	7%	6%	6%	5%	4%
Switzerland	56	19	11	37	67	5%	2%	1%	3%	4%
United Arab Emirates	7	7	9	10	57	1%	1%	1%	1%	4%
Hong Kong, China	1	1	1	5	52	0%	0%	0%	0%	3%

Table 18: Imports of goods by Armenia from top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
Imports of goods by Armenia from top 10 partners										
World	3,318	3,204	3,129	2,934	2,919	100%	100%	100%	100%	100%
Russian Federation	818	832	804	893	899	25%	26%	26%	30%	31%
EU28	790	782	758	683	642	24%	24%	24%	23%	22%
China	309	289	312	284	322	9%	9%	10%	10%	11%
Iran, Islamic Republic of	171	141	155	179	148	5%	4%	5%	6%	5%
Turkey	166	158	174	123	147	5%	5%	6%	4%	5%
Ukraine	168	170	152	112	92	5%	5%	5%	4%	3%
Georgia	38	49	54	60	88	1%	2%	2%	2%	3%
United States of America	101	89	85	95	76	3%	3%	3%	3%	3%
India	54	51	48	47	65	2%	2%	2%	2%	2%
United Arab Emirates	37	51	51	39	50	1%	2%	2%	1%	2%

Table 19: Exports of goods from Azerbaijan to top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
	Exports of goods from Azerbaijan to top 10 partners									
World	18,608	18,052	16,431	9,917	8,260	100%	100%	100%	100%	100%
EU 28	8,974	8,669	8,707	5,744	3,570	48%	48%	53%	58%	43%
Turkey	467	396	378	274	1,023	3%	2%	2%	3%	12%
Taiwan	506	352	325	101	720	3%	2%	2%	1%	9%
Israel	1,297	949	1,330	722	600	7%	5%	8%	7%	7%
India	1,472	827	586	244	395	8%	5%	4%	2%	5%
Russia	747	812	482	376	370	4%	4%	3%	4%	4%
Georgia	444	391	399	330	310	2%	2%	2%	3%	4%
China	143	67	48	48	245	1%	0%	0%	0%	3%
Tunisia	192	141	317	263	176	1%	1%	2%	3%	2%
Turkmenistan	46	30	29	0	103	0%	0%	0%	0%	1%

Table 20: Imports of goods by Azerbaijan from top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
million euro						share in world				
Imports of goods by Azerbaijan from top 10 partners										
World	7,513	8,065	6,917	8,288	7,708	100%	100%	100%	100%	100%
EU 28	2,082	2,833	2,336	2,653	2,008	28%	35%	34%	32%	26%
Russia	1,073	1,133	989	1,296	1,483	14%	14%	14%	16%	19%
Turkey	1,183	1,102	968	1,056	1,067	16%	14%	14%	13%	14%
China	492	426	525	461	636	7%	5%	8%	6%	8%
USA	557	284	424	764	426	7%	4%	6%	9%	6%
Ukraine	420	444	316	279	262	6%	5%	5%	3%	3%
Japan	189	217	181	503	255	3%	3%	3%	6%	3%
Norway	17	29	24	130	249	0%	0%	0%	2%	3%
Singapore	15	35	31	93	182	0%	0%	0%	1%	2%
Brazil	143	280	167	108	146	2%	3%	2%	1%	2%

Table 21: Export of goods from Belarus to top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
	Exports of goods from Belarus to top 10 partners									
World	35,814	28,009	27,144	24,018	21,156	100%	100%	100%	100%	100%
Russian Federation	12,566	12,598	11,338	9,280	9,681	35%	45%	42%	39%	46%
EU28	13,615	7,827	7,979	7,601	5,057	38%	28%	29%	32%	24%
Ukraine	4,319	3,157	3,052	2,263	2,549	12%	11%	11%	9%	12%
Area Nes	834	692	702	815	642	2%	2%	3%	3%	3%
Brazil	623	390	534	470	401	2%	1%	2%	2%	2%
China	336	347	481	703	361	1%	1%	2%	3%	2%
Kazakhstan	625	649	659	471	327	2%	2%	2%	2%	2%
India	205	130	158	285	231	1%	0%	1%	1%	1%
Indonesia	71	68	143	152	153	0%	0%	1%	1%	1%
Bangladesh	44	87	45	103	122	0%	0%	0%	0%	1%

Table 22: Imports of goods by Belarus from top 10 trading partners, 2012-2016

Partner	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	million euro					share in world				
Imports of goods by Belarus from top 10 partners										
World	36,082	32,390	30,470	27,290	24,815	100%	100%	100%	100%	100%
Russian Federation	21,203	16,995	16,452	15,220	13,527	59%	52%	54%	56%	55%
EU28	7,210	7,885	9,641	5,208	4,896	20%	24%	32%	19%	20%
China	1,823	2,128	713	2,091	1,895	5%	7%	2%	8%	8%
Ukraine	1,792	1,543	1,338	855	869	5%	5%	4%	3%	4%
Turkey	267	299	255	439	652	1%	1%	1%	2%	3%
Area Nes	860	898	951	500	539	2%	3%	3%	2%	2%
United States of America	413	433	59	355	343	1%	1%	0%	1%	1%
Norway	90	134	103	151	146	0%	0%	0%	1%	1%
Switzerland	260	198	172	186	133	1%	1%	1%	1%	1%
India	180	136	53	116	117	0%	0%	0%	0%	0%

European Union is Armenia's top partner for exports, while the top partner of Armenia in imports is the Russian Federation. The share of EU28 in Armenia's exports and imports has been decreasing since 2012. Georgia is Armenia's 3rd partner in exports of goods.

More than 50% of Azerbaijan exports went to EU28 countries in 2015, while 32% of Azerbaijan imports came from EU28. The Russian Federation is the 8th exports partner for Azerbaijan; it is the 2nd partner in imports.

Russian Federation is Belarus' main destination for exports: in 2016, 55% of Belarus' imports came from the Russian Federation; it was the destination of 46% of Belarus' exports. The share of EU28 in Belarus trade has been decreasing on both sides of the flows – exports and imports.

Overall, Ukraine is the most recurrent partner among the EaP top 10 trading partners; to a lesser extent, Georgia and Belarus are also often mentioned in the EaP top 10 trade rankings.

Table 23: Structure of exports and imports of goods by Armenia with the world, 2016

	Imports		Exports	
	mio euro	% total	mio euro	% total
0 food and live animals	378	13%	114	7%
1 beverages and tobacco	146	5%	347	22%
2 crude materials, inedible, except fuels	74	3%	378	24%
3 mineral fuels, lubricants and related materials	521	18%	59	4%
4 animal and vegetable oils, fats and waxes	27	1%	1	0%
5 chemicals and related products, n.e.s.	358	12%	22	1%
6 manufactured goods classified chiefly by material	579	20%	311	19%
7 machinery and transport equipment	521	18%	33	2%
8 miscellaneous manufactured articles	296	10%	211	13%
9 commodities and transactions not classified elsewhere in the sitc	20	1%	128	8%
total	2,918	100%	1,604	100%

Source: Eurostat COMEXT/UN Comtrade

Table 24: Structure of exports and imports of goods by Azerbaijan with the world, 2015

	Imports		Exports	
	mio euro	% total	mio euro	% total
0 food and live animals	821	10%	563	6%
1 beverages and tobacco	312	4%	27	0%
2 crude materials, inedible, except fuels	191	2%	23	0%
3 mineral fuels, lubricants and related materials	135	2%	8,904	87%
4 animal and vegetable oils, fats and waxes	65	1%	95	1%
5 chemicals and related products, n.e.s.	753	9%	171	2%
6 manufactured goods classified chiefly by material	2,156	26%	162	2%
7 machinery and transport equipment	2,863	34%	47	0%
8 miscellaneous manufactured articles	520	6%	24	0%
9 commodities and transactions not classified elsewhere in the sitc	487	6%	192	2%
total	8,302	100%	10,209	100%

Source: Eurostat COMEXT/UN Comtrade

Table 25: Structure of exports and imports of goods by Belarus with the world, 2016

	Imports		Exports	
	mio euro	% total	mio euro	% total
0 food and live animals	3,165	13%	3,420	16%
1 beverages and tobacco	184	1%	136	1%
2 crude materials, inedible, except fuels	788	3%	635	3%
3 mineral fuels, lubricants and related materials	6,659	27%	4,396	21%
4 animal and vegetable oils, fats and waxes	106	0%	45	0%
5 chemicals and related products, n.e.s.	2,934	12%	3,438	16%
6 manufactured goods classified chiefly by material	3,704	15%	3,299	16%
7 machinery and transport equipment	4,942	20%	3,487	16%
8 miscellaneous manufactured articles	1,472	6%	1,470	7%
9 commodities and transactions not classified elsewhere in the sitc	856	3%	826	4%
total	24,811	100%	21,153	100%

Source: Eurostat COMEXT/UN Comtrade

The structure of exports and imports of goods by Armenia, Azerbaijan and Belarus is very diverse: Azerbaijan benefits from its natural resources, while Armenia focuses on beverages & tobacco as well as crude materials (except fuels). Belarus counts on its natural resources and on the agricultural sector (food and live animal) – the structure of Belarus' exports and imports is more balanced than the one from Armenia and Azerbaijan.

C. Trade in services by Eastern Partnership countries

1. Trade in services by the DCFTA partners

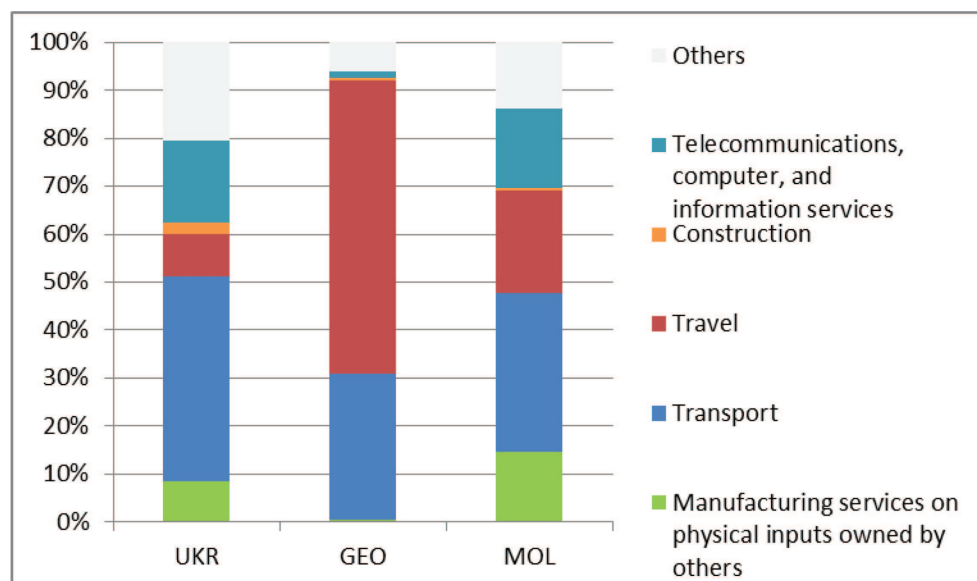
Tables 26-27 and Graphs 1 and 2 illustrate exports and imports of services by 3 DCFTA partners by sub-sectors. All of them, but in particular Georgia show a significant trade surplus in services.

Table 26: Exports of services by DCFTA countries by sub-sectors, 2015 (million EUR)

Sub-sector of services	UKR	GEO	MOL
Total	11,148	2,843	879
Manufacturing services on physical inputs owned by others	951	17	128
Maintenance and repair services n.i.e.	171	2	2
Transport	4,768	858	291
Travel	975	1,745	189
Construction	260	8	4
Insurance and pension services	13	16	0
Financial services	160	10	5
Charges for the use of intellectual property n.i.e.	77	1	4
Telecommunications, computer, and information services	1,897	41	146
Other business services	1,625	53	77
Personal, cultural, and recreational services	35	13	2
Government goods and services n.i.e.	216	80	29

Source: WTO.

Graph 1: Structure of services exports by DCFTA countries, 2015, by sectors



Source: WTO.

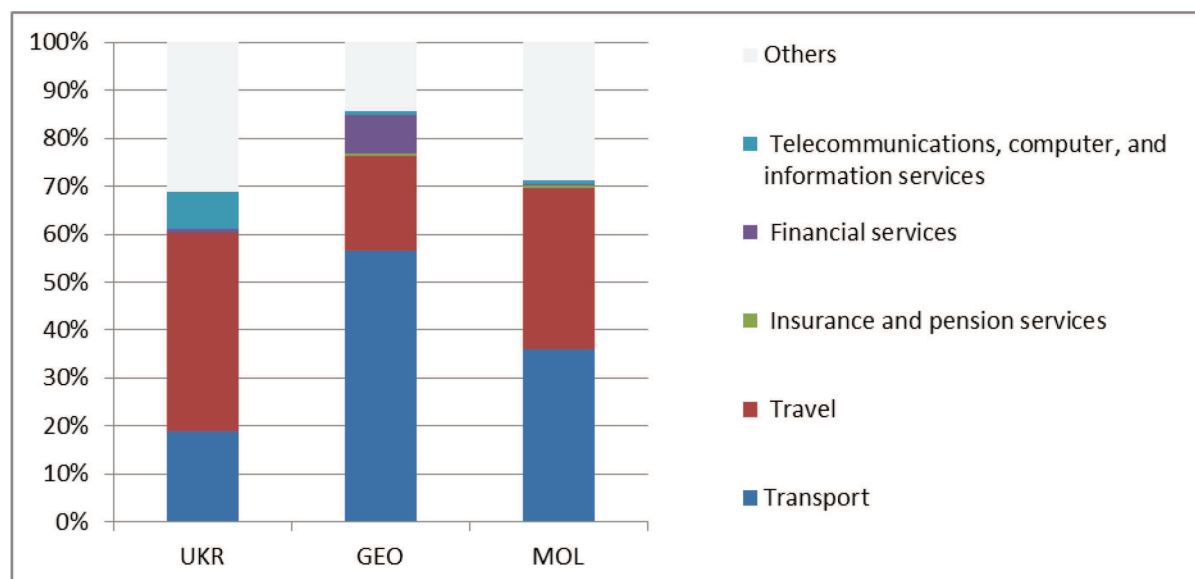
The trade surplus is, however, by no means sufficient to compensate the significant trade deficit in goods that Georgia and Moldova are running according to the figures discussed above (in 2015 Ukraine noted a small surplus in trade in goods). The sectors of transport and travel are again dominant in imports, even more so than they have been for exports. The exception here is again Georgia, which shows significant imports of financial services.

Table 27: Import of services by DCFTA countries by sub-sectors, 2015 (million EUR)

Sub-sector of services	UKR	GEO	MOL
Total	9,690	1,519	749
Manufacturing services on physical inputs owned by others	57	0	3
Maintenance and repair services n.i.e.	77	7	15
Transport	1,831	860	270
Travel	4,005	297	252
Construction	15	9	4
Insurance and pension services	60	123	2
Financial services	767	10	6
Charges for the use of intellectual property n.i.e.	323	6	16
Telecommunications, computer, and information services	564	36	76
Other business services	1,020	96	71
Personal, cultural, and recreational services	102	10	4
Government goods and services n.i.e.	869	65	30

Source: WTO.

Graph 2: Structure of services imports by DCFTA countries by sectors, 2015



Source: WTO.

2. Trade in services by Armenia, Azerbaijan and Belarus

The Tables 28 and 29 show trade in services of Armenia, Azerbaijan and Belarus by sub-sectors. The travel and transport sectors are the most important ones for this group of countries, although Belarus has also some stakes in the construction and ITC sectors. On the import side the travel and transport sectors feature prominently for all three countries. On top of that, imports of construction services are important for Azerbaijan and Belarus.

Table 28: Exports of services by Armenia, Azerbaijan and Belarus by sub-sectors, 2015 (million EUR)

Sub-sectors of services	ARM	AZE	BLR
Total	1,364	4,005	5,992
Manufacturing services on physical inputs owned by others	3	1	136
Maintenance and repair services n.i.e.	2	62	146
Transport	148	1,368	2,639
Travel	843	2,082	661
Construction	147	21	891
Insurance and pension services	16	16	17
Financial services	5	2	33
Charges for the use of intellectual property n.i.e.	0	0	21
Telecommunications, computer, and information services	118	78	909
Other business services	38	350	505
Personal, cultural, and recreational services	17	7	10
Government goods and services n.i.e.	26	19	25

Source: WTO.

Table 29: Imports of services by Armenia, Azerbaijan and Belarus by sub-sectors, 2015
(million EUR)

Sub-sector of services	ARM	AZE	BLR
Services	1,421	7,817	3,908
Manufacturing services on physical inputs owned by others	0	0	6
Maintenance and repair services n.i.e.	3	68	103
Transport	330	910	1,133
Travel	898	2,346	822
Construction	2	3,172	894
Insurance and pension services	39	128	11
Financial services	12	15	245
Charges for the use of intellectual property n.i.e.	0	0	118
Telecommunications, computer, and information services	31	125	188
Other business services	74	926	358
Personal, cultural, and recreational services	8	18	25
Government goods and services n.i.e.	25	108	4

Source: WTO.

D. Foreign investment flows in DCFTA countries

In 2015 foreign direct investments (FDI) stocks in Georgia originating from the EU (see Table 30) accounted for EUR 3.6 billion (a slight decrease compared to 2014). Inward FDI in that year amounted to EUR 101 million and were at lower level than in 2014 when they reached EUR 197 million. Top EU Member States investing in Georgia are: the Netherlands, United Kingdom, Luxembourg and France.

Table 30: EU foreign direct investment with Georgia, 2014-2015 (billion EUR)

Foreign direct investment stocks	2013	2014	2015
Georgia in EU28 (inward)	0.1	0.1	0.1
EU28 in Georgia (outward)	2.9	3.8	3.6
Stocks: balance	2.8	3.7	3.5
Foreign direct investment flows	2013	2014	2015
Georgia into EU28 (inward)	-0.0	0.0	-0.0
EU28 into Georgia (outward)	0.1	0.2	0.1
Flows: balance	0.1	0.2	0.2

Source: European Commission, DG Trade.

According to data provided both by the EU and the Georgia, the main sectors chosen by EU investors are: telecommunications, transport, infrastructure and manufacturing.

The above statistics show that positive impact of the DCFTA on attracting more investments from the EU is still ahead of Georgia.⁴⁵

The **EU is the biggest foreign investor in Ukraine** accounting for more than 75% of the total inward stocks (though this share may be overstated given the share of Cyprus in inward foreign direct investment (FDI) stocks). According to Eurostat, in **2015 EU FDI stocks** in Ukraine amounted to approximately EUR 16.1 billion, down from 17.3 billion in 2014 and 21.6 billion in 2013. The investment flow from EU into Ukraine amounted to EUR 116 million in 2015 and was far from returning to 2013-2014 levels. A certain increases in 2015 are to a large extent explained by recapitalization of Ukrainian banks with foreign capital, whereas green-field investments remain at low level.

According to OECD data (October 2015), Cyprus⁴⁶ has traditionally been the biggest source (27.7%) - in terms of inward FDI stocks in Ukraine - followed by the Netherlands (13.0%), Germany (12.4%), Russian Federation (6.7%), Austria (6.0%) and UK (4.4%). In terms of sectorial structure in mid-2015 the total inward stocks were dominated by financial services (26.5%), manufacturing (26.2%), and trade and repair (13%).⁴⁷

After the military conflict provoked by Russia in Eastern Ukraine has started, the FDI, including from the EU, fell sharply and - due to continuing high political risk of investing - are far from recovering, despite the macroeconomic stabilization and some improvement in business climate in Ukraine.

Table 31: EU foreign direct investment with Ukraine, 2013-2015 (billion EUR)

Foreign direct investment stocks	2013	2014	2015
Ukraine in EU28 (inward)	1.3	3.0	0.4
EU28 in Ukraine (outward)	21.6	17.3	16.1
Stocks: balance	20.3	14.3	15.8
Foreign direct investment flows	2013	2014	2015
Ukraine into EU28 (inward)	0.6	0.4	-2.7
EU28 into Ukraine (outward)	0.0	-1.9	0.1
Flows: balance	-0.6	-2.3	2.7

Source: European Commission, DG Trade.

Notwithstanding the uncertainty around that conflict, Ukrainian authorities have to address the long-standing barriers that impact negatively the process of attracting foreign investors who are preoccupied with widespread corruption, lack of trust in judiciary, unpredictable currency and regulatory changes.

Foreign direct investments (FDI) in Moldova have been traditionally dominated by the EU Member States (53% of FDI stock in 2014), followed by the Russian Federation (9.2%),

⁴⁵ Georgia performs very well in international rankings in terms of business climate. According to the 2018 World Bank Doing Business Index (report published in fall 2017) Georgia is on 9th position amongst 190 countries. In the 2016 Transparency International – Corruption Perception Index Georgia appeared on 44th position among 176 countries.

⁴⁶ Investments from Cyprus and other tax havens are usually of Ukrainian (round-tripping) or Russian (transshipping of FDI transactions) origin.

⁴⁷ OECD Investment Policy Reviews, Ukraine 2016. <http://www.oecd.org/countries/ukraine/oecd-investment-policy-reviews-ukraine-2016-9789264257368-en.htm>

the US, Switzerland, Turkey and Ukraine. Almost 30% of FDI stock was allocated to financial intermediation, followed by the manufacturing sector (22.4%), wholesale and retail trade (14.2%); real estate (11%); transport, storage and communication (10.3%); electricity, gas and water supply (7.1%).⁴⁸

In 2015 the FDI stocks originating from EU (see Table 3) amounted to approximately EUR 1 billion, a similar level as in 2014.

Table 32: EU foreign direct investments with Moldova, 2014-2015 (million EUR)

Foreign Direct Investment stocks	2014	2015
Moldova in EU28 (inward)	62	84
EU28 in Moldova (outward)	1,002	1,007
Net investment stocks	940	923
Foreign Direct Investment flows	2014	2015
Moldova into EU28 (inward)	9	15
EU28 into Moldova (outward)	51	116
Net investment flows	42	111

Source: Eurostat.

Direct investment flows from EU have increased to EUR 116 million in 2015, following a sharp decrease in the context of the banking fraud scandal in 2014 (to EUR 51 million in 2014 from EUR 264 million in 2013).

There is untapped potential related to the level of foreign direct investments in Moldova which badly needs them for modernization and diversification of the economy. The effective fight against corruption, policy stability and improved access to finance would certainly attract more investors. To this end *The Investment Attraction Strategy for the Promotion of Exports for 2016-2020* has been adopted by the Government of Moldova on 25 April 2016.⁴⁹ It has been designed to contribute to the enhancement and structural diversification of Moldovan exports which have traditionally heavily relied on several commodities only. More productive and diversified exports will be the key in stabilizing the trade balance, creating new jobs and ensuring sustainable economic development of the country.

⁴⁸ WTO, Trade Policy Review, Report by the Secretariat, Republic of Moldova, WT/TPR/S/323, 14 September, 2015 https://www.wto.org/english/tratop_e/tpr_e/s323_e.pdf

⁴⁹ *The Investment Attraction Strategy for the Promotion of Exports for 2016-2020*, adopted by the Decision 511 of the Government of the Republic of Moldova of 25 April 2016 http://www.mec.gov.md/sites/default/files/snaipe_2016-2020_eng.pdf

V. The bilateral DCFTAs with the EU – are they a potential incentive for Georgia, Moldova and Ukraine to a regional economic integration?

The bilateral deep and comprehensive free trade areas between the EU and Georgia, Moldova and Ukraine have started to be created on 1 September 2014 in case of the two first countries and on 1 January 2016 on provisional basis in case of Ukraine. At the stage of preparation of this analysis the period of the DCFTAs implementation has been still relatively short; nevertheless it is worthwhile to look at the timetables of the bilateral market access liberalization as well as the stages of approximation to the EU laws in trade-related areas, as foreseen in the individual DCFTAs. A comparison of those may help in reflection if at some point of time the similarity and coherence of the regulatory frameworks could be helpful in incentivising the creation of an *economic area* among the DCFTA partners, without prejudice to the fulfilment of their aspirations and DCFTA commitments in terms of economic integration with the EU.

It should be recalled that the DCFTAs differ from the traditional free trade areas concluded by the EU so far, due to their depth and comprehensive coverage not only in terms of reciprocal market opening for goods, services and public procurement but also as concerns commitments on rules, notably by regulatory approximation to the EU acquis. The **DCFTAs** - while being the integral parts of the Association Agreements (AAs) - **constitute the main tools of gradual economic integration with the EU**, whereas the AAs ensure a political association and by the provisions on cooperation in economy-related fields strengthen the process economic integration. The commitments in DCFTAs foresee that Partners of the EU will approximate their domestic laws to EU legislative framework and standards for industrial, food and agricultural products⁵⁰ and create respective institutional capacity for their enforcement, but also approximate in such areas as customs, competition, protection of intellectual property, public procurement and services.

A. Market access liberalization between the EU and Georgia, Moldova and Ukraine

Taking into account that substantially all trade in goods between the three DCFTA countries has been liberalized on the basis of:

- **Bilateral free trade agreements** concluded in the period 1995-2003 between them (end of implementation period by 2007 (Moldova-Georgia) or 2008 Moldova-Ukraine, Ukraine-Georgia - tbc),
- **CIS FTA** which entered into force in 2012 for Moldova and Ukraine⁵¹ (end of implementation period not specified),
- **GUAM FTA** (Georgia, Ukraine, Moldova and Azerbaijan) that entered into force in 2003 (end of implementation period – 2005),

⁵⁰ As concerns the energy sector the EU internal energy market legislation is to be adopted in accordance with the Energy Community Treaty (in force since July 2006) and bringing together the European Union, on one hand, and countries from the South-East Europe and Black Sea region. Georgia, Moldova and Ukraine are members of that organization.

⁵¹ WTO Trade Policy Review, Ukraine, 21 April. 2016 https://www.wto.org/english/tratop_e/tpr_e/tp434_e.htm

one can assume that goods flow freely between the three partners. However, it would be interesting to look at the bilateral timetables of trade in goods liberalization between Georgia, Moldova and Ukraine and the EU on the basis of the respective DCFTAs (see the general overview in Table 32). As the latter agreements also cover bilateral liberalization of market access in services and public procurement the scope of market access opening in these three areas will be described in the points which follow.

1. Trade in goods

Georgia has been the most ambitious among the 3 DCFTA Partners in terms of market opening for trade in goods. As a result, at the provisional start of DCFTA application (1.09.2014) EU and Georgia removed all customs duties in imports of industrial and agricultural products, with a **few exceptions on the EU side**, i.e. EU applies one annual duty-free tariff rate quota (TRQ) for fresh or chilled garlic; 28 products at 8-digit level (including fresh and chilled fruits and vegetables) are subject to entry prices in the EU and the *ad valorem* component of the import duty is exempted for them; 15 product categories (agricultural and processed agricultural goods) are covered by the EU's anti-circumvention mechanism (meat products, dairy, sugar, some vegetables and cigarettes). It was agreed that neither Party shall adopt or maintain any export duties and similar charges.

Both parties agreed on a **review clause** i.e. that after five years from the entry into force of Association Agreement, they would consult (if there is a request from either party) to consider broadening the scope of the liberalization of customs duties in bilateral trade.

In case of the EU-Moldova DCFTA the EU removed almost all import duties for goods imported from Moldova already at the provisional start of DCFTA (1.09.2014). Six agricultural and food products i.e. apples, table grapes, plums, grape juice, garlic and tomatoes are subject to annual duty-free TRQs. After the quantity covered by zero duty has been exhausted the MFN rates apply.

20 agricultural products (fruits and certain vegetables) are covered by the system of entry prices for which the *ad valorem* component of the import duty is exempted. Import of 14 categories of agricultural and processed agricultural products (pig meat, poultry, dairy products and processed dairy products, cereals, cigarettes, sugar processed goods and sweet corn) is duty-free but monitored under a anti-circumvention mechanism (if the imports to the EU reaches certain agreed levels the EU may temporarily suspend the preferential treatment of the products concerned).

At the same time **Moldova** liberalised import duties on 93.6% of tariff lines for goods imported from the EU on 1.09.2014. 1% of products tariff lines (agricultural and processed agricultural products) are covered by preferential TRQs. Customs duties on 4.8% of products in terms of tariff lines are to be reduced or eliminated in 3-6 or 10 annual stages (the longest liberalisation period has been reserved for agricultural and food products).⁵² It reflects an asymmetric approach in gradual reciprocal market opening for the benefit of Moldova.

It was agreed that neither Party shall adopt or maintain any export duties and similar charges.

EU and Moldova have agreed on a **review clause** which stipulates that after the entry into force of the Association Agreement, the Parties may consider accelerating and broadening the

⁵² The most sensitive products are pork, bovine, fresh table grapes, fresh nectarines and plums – for that group a 10-year liberalization period has been foreseen including 5-year standstill. Certain products like: milk and cream, fresh cherries, meat of turkey and duck and some pork products will be gradually liberalized during 10- year period.

scope of the elimination of customs duties on their bilateral trade. During the third year after the entry into force of the AA, the Parties shall assess the situation, taking account of the pattern of trade in agricultural products, the particular sensitivities of such products and the development of agricultural policy on both sides. They shall examine, in the Association Committee in Trade configuration, on an appropriate reciprocal basis, the opportunities for granting each other further concessions with a view to improving liberalisation of trade in agricultural products, in particular those subject to TRQs.

The scope and timeline of tariff elimination/reduction in **trade in goods between Ukraine and the EU** is more complex and the longest in comparison to other DCFTA Partners. Pursuant to the provisions of the DCFTA, EU and Ukraine are to establish free trade area over a transitional period of a maximum of 10 years. Based on an asymmetry approach the transitional period for customs duty elimination will be applied by Ukraine until 2026 (in 2-11 equal stages) and will result in market opening for 96.5% tariff lines for products imported from the EU (97.7% in terms of import value). The EU will open its market earlier than Ukraine i.e. in 2023 for 95.8% of tariff lines (97.9% in value) for products imported from Ukraine also by applying similar staging. For certain categories of products both sides decided only to reduce customs duties by 20-60% in 6, 8 or 11 annual stages. Taking also into account the reduction of duties for certain products and the annual duty-free tariff rate quotas (TRQs) applied indefinitely by both sides, it means that certain number of products is excluded from full liberalization and will remain dutiable; nevertheless the market access will be improved for them. In case of Ukraine it concerns 367 products (animal and vegetable products, animal and vegetable fats and oils, prepared foodstuffs and beverages); on the EU side – 400 goods (live animals, vegetable products, prepared food, and certain chemicals).⁵³

The specific commitments for Ukraine and the EU are described below.

The schedule of market opening by the Ukraine foresees that the country has liberalized access to its market for over 70% of EU products (including almost 38% tariff lines liberalized earlier on MFN basis) immediately after the start of DCFTA application or gradually in stages i.e. between 3 and 7 years (with exception of cars where 10-year transitional period has been foreseen – see below). In general longer protection is envisaged for agricultural products (Chapters 1-24 of the Combined Nomenclature - CN) and for several goods in those Chapters only certain reduction of tariffs (between 20% and 60%) will be accomplished after 5, 7 or 10 years (e.g. for some species of fish and fish products and sausages). Interestingly, the highest average preferential tariff at the end of implementation period will be sugars and sugar confectionary (CN Chapter 17).

Ukraine will protect its **car sector** during 10-year transitional period (it concerns several categories of passenger cars under CN 8703) and simultaneously has a right to apply during 15-year period a special safeguard measure in the form of higher (MFN) duty on cars imported from the EU if as a result of the reduction or elimination of customs duty under AA cars are imported into Ukraine in such increased quantities, in absolute terms (trigger levels apply) or relative to domestic production, and under such conditions as to cause serious injury to a domestic industry producing a like products. Special conditions will also apply during 5 years to **worn clothing** and other worn articles (CN 6309 00 00) imported from the EU to Ukraine. To this end, as from 1 January 2017 Ukraine shall, within 5 years, gradually reduce

⁵³ Factual Presentation: Deep and Comprehensive Free Trade Area Concluded as a Part of the Association Agreement between the European Union and Ukraine (Goods and Services), Report by the WTO Secretariat, WT/REG353/1, 13 April 2017.

duties on imports during the first four years and shall abolish them not later than the end of the fifth year. The minimum entry price will apply in that period.

As concerns agricultural goods Ukraine applies (indefinitely) the **duty-free TRQs** for **3 product groups** imported from the EU: pork meat, poultry meat and sugar products (91 tariff lines on CN 8-digit level).

In terms of **export duties** applied on MFN basis to 5 categories of products (livestock, raw hides, certain oil seeds as well as waste and scrap of ferrous and non-ferrous metals), Ukraine committed eliminating them over a transitional period up to 2026 but also maintained the right to apply, during 15 years starting in 2017 (for sunflower seeds in 2016) a safeguard measure (for raw hide materials, sunflower seeds and certain metal waste and scrap) in the form of a surcharge to the export duty if their exports to the EU exceed a trigger level.

While anticipating the (provisional) application of the DCFTA that was signed on 27 June 2014, as well as in view of the unprecedented security, political and economic challenges faced by Ukraine and in order to support its economy, the EU unilaterally started on 23 April 2014 the reduction or elimination of tariffs on goods originating in Ukraine. It was in line with the schedule of concessions foreseen in Annex I-A of the Association AA/DCFTA.⁵⁴ In general, import duties for Ukrainian products covered by around 90% of tariff lines were abolished (including 25% of tariff lines liberalized earlier on MFN basis) and almost all of them are to be subsequently liberalized in 3, 5 or 7 stages (the longest 7-year period has been foreseen for such products as glassware, fertilizers, goods from aluminium, certain motor vehicles, bicycles, certain radio and TV equipment).

The tariffs on imports of agricultural and food products from Ukraine were abolished by the EU on the start of DCFTA application with exception of **36 agricultural product groups** (more than 320 tariff lines - CN 8-digit level) which are (indefinitely) subject to annual **duty-free TRQs**: meat (beef, pork, sheep, and poultry), milk and dairy, eggs, honey etc.; plant products: grains (wheat, barley, oat, maize), mushrooms, garlic, processed food and other products: sugar and products, grape and apple juice, sweet corn, processed tomatoes, ethanol, cigarettes etc. The TRQ amount is allocated on a first-come, first-served basis except for some cases where a system of import licences is applied by the EU. After the quantity covered by zero duty has been exhausted the MFN rate applies. The EU maintains its **minimum entry price system** for products covered by 28 tariff lines (CN 8-digit level) i.e. for different types of fruits and vegetables e.g. apples and pears, tomatoes and cucumbers. Those products are subject to a specific duty in addition to its *ad valorem* tariff if their price is below the minimum entry price.

The EU and Ukraine agreed on a **review clause** related to trade in goods which may be requested by either Party **5 years after the entry into force of the Agreement** whereby both sides may consider accelerating and broadening the scope of the elimination of tariffs on trade between themselves. The decision on that matter should be taken by the Association Committee in Trade configuration.

⁵⁴ It was done by means of autonomous trade measures introduced on the basis of Regulation (EU) No 374/2014 of the European Parliament and of the Council of 16 April 2014 on the reduction or elimination of customs duties on goods originating in Ukraine (OJ L 118, 22.04.2014) <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0374&from=EN> and later amended by the Regulation (EU) No 1150/2014 of 29 October 2014 (OJ L 313, 31.10.2014) <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R1150> As these autonomous trade measures were extended until 31 December 2015 (thereafter the DCFTA started to be provisionally applied), for the purpose of predictability the customs duties and access to TRQs for the extended period remained the same as for 2014.

As concerns agricultural products Ukraine applies (indefinitely) the **duty-free TRQs** for **3 product groups** imported from the EU: pork meat, poultry meat and sugar products (91 tariff lines on CN 8-digit level).

Table 33: General overview of the timeline of trade in goods liberalization in the DCFTAs between the EU and Georgia, Moldova and Ukraine

Timetable	1.09.2014 ⁵⁵	2015	2016 ⁵⁶	2017	2018	2019	2020	2021	2022	2023	2024	2025		
EU-GEORGIA ⁵⁷	EU: All imports liberalized except for:	Indefinitely duty-free TRQ for fresh or chilled garlic; <i>entry price</i> system for 28 products (8-digit level; mainly fruits and certain vegetables) for which the <i>ad valorem</i> component of the import duty is exempted; <i>anti-circumvention mechanism</i> for 15 groups of agricultural and processed agricultural products												
	GE: All imports liberalized													
EU-MOLDOVA ⁵⁸	EU: All imports liberalized except for some agricultural and food products	Indefinitely duty-free TRQs for 6 products (8-digit level): tomatoes, garlic, table grapes, apples, fresh plums, grape juice); 20 agricultural products (fruits and vegetables) covered by the system of <i>minimum entry price</i> ; 14 groups of agricultural and processed agricultural products (pig meat, poultry, dairy products and processed dairy products, cereals, cigarettes, sugar processed goods and sweet corn) is duty-free but monitored under <i>anti-circumvention mechanism</i>												
	MD: 96.3% tariff lines liberalized but 4.8% only in stages	In 3-4 annual stages												
		In 5-6 annual stages												
		In 10 annual stages: pork, bovine, fresh table grapes, fresh nectarines and plums (with 5-year standstill); milk and cream, fresh cherries, meat of turkey and duck and some pork products												
		Preferential TRQs for certain agricultural and processed agricultural products												
EU-UKRAINE ⁵⁹	EU: on 23.04.2014 most of the tariffs eliminated or reduced unilaterally ⁶⁰ ; the rest only in stages (400 tariff lines excluded from liberalization)	In 2-3 annual stages												
		In 4-6 annual stages												
		In 8-11 annual stages (e.g. for some fish products, sausages)												
		In 6-11 equal stages: tariff reductions between 20-60%												
		Indefinitely duty-free TRQs for 36 agricultural products groups; system of <i>minimum entry prices</i> for products covered by 28 tariff lines (8-digit level) i.e. for different types of fruits and vegetables e.g. apples and pears, tomatoes and cucumbers												
		UA: Most of the tariffs eliminated or reduced; the rest only in stages (367 tariff lines excl. from liberalization)	In 2-3 annual stages											
			In 4-6 annual stages; in 5 stages (starting in 2017) gradual elimination of tariffs on worn clothing (CN 63090000), accompanied by <i>minimum entry price system</i>											
			In 8-11 annual stages, e.g. for some passenger cars CN 8703 and accompanied as from 2017 by special safeguard measure during 15-year period										►► 2031	
			In 6-11 equal stages: tariff reductions between 20-60%											
			Export duties to be eliminated during 10-year period and accompanied by safeguard measure during 15-year period										►► 2026 ►► 2031	

⁵⁵ 1st September 2014 – the date of provisional application of the DCFTAs with Georgia and Moldova.

⁵⁶ The provisional application of the DCFTA with Ukraine started on 1.01.2016; on 1.07.2016 AA/DCFTAs entered in force with Georgia and Moldova and on 1.09.2017 with Ukraine.

⁵⁷ EU and Georgia agreed on a review clause (to consider accelerating and broadening the scope of elimination customs duties in trade between the parties) which may be activated after 5 years from entry into force of the Agreement (Article 26.4).

⁵⁸ EU and Moldova agreed on a review clause which may be activated after the entry into force of the Agreement with exception of agricultural products for which the assessment of the situation in trade has been envisaged during the 3rd year after the entry into force of the AA (Article 147).

⁵⁹ EU and Ukraine agreed on a review clause which may be activated after 5 years from entry into force of the Agreement (Article 29.4).

⁶⁰ The unilateral preferences were introduced by the EU in 2014 in accordance with the Regulations (EU) 374/2014 and 1150/2014 which amended the previous one.

In view of the difficult economic and political situation in Ukraine the European Commission adopted on 29 September 2016 a Proposal for a Regulation on the introduction of **temporary autonomous trade measures** (ATMs) for certain agricultural and industrial products, supplementing the trade concessions available for Ukraine under Association Agreement, which entered into force on 1 October 2017. Its aim is to create additional opportunities for Ukrainian exporters by accelerating tariff elimination (as envisaged by the DCFTA) for 22 industrial products and by increasing amounts of annual duty-free TRQs for 8 agricultural products (common wheat, maize, barley, natural honey, barley groats and pellets, prepared or preserved tomatoes, grape juice and oats).

The DCFTA parts of all three Association Agreements include the separate chapters with "Trade-related energy" provisions. In accordance with those chapters the natural gas, the electrical energy and crude oil are defined as "**energy goods**". In particular the chapter contains provisions regarding the prohibition of dual pricing applied to energy goods, prohibition of customs duties and quantitative restrictions, freedom of transit and non-discrimination in transport, cooperation of the parties on gas transmission infrastructure and storage facilities as well as issues on access to and exercise of the activities of prospecting, exploring for and producing hydrocarbons, licensing and licensing conditions. In terms of regulatory approximation the DCFTA makes the preference to the adoption of legislation consistent with **Energy Community Treaty** of 2005 which was joined by **Moldova** on 1st May **2010**, by **Ukraine** on 1st February **2011**, and by **Georgia** on 1 July **2017**.

Looking at the Table 33 one may conclude that whereas **EU trade with Georgia has been almost fully liberalized as from 2014**, when the provisional application of the DCFTA started, Moldova and Ukraine used a longer period for opening its markets towards EU exporters. **Free trade between them and the EU for substantially all trade will be achieved in maximum 10 years i.e. by 2024/2026.**

In terms of enhancing its trade with the EU and other partners in the region by means of cumulation of rules of origin for goods the three DCFTA partners submitted formal requests for **accession to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM)** and on the basis of the decision adopted by the Joint Committee of the Convention they have been invited to accede to that Convention: **Moldova** on 1st September **2014**⁶¹ (became a Contracting Party on 1 September 2015), **Georgia** on, 28th September **2016** (became a Contracting Party of PEM on 1 July 2017) and **Ukraine** on 16th May **2017** (will become a Contracting Party upon deposit of the accession instrument with the depositary of the PEM Convention (the General Secretariat of the Council of the EU). The law on Ukraine's accession to the Regional Convention on PEM has been published on 2 December 2017)⁶².

⁶¹ Decisions of the Joint Committee of PEM Convention concerning invitation to accede to the Convention were published: for Moldova: OJ L 217, 23.7.2014 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014D0490> for Georgia: OJ L 329, 3.12.2016 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22016D2126> and for Ukraine: OJ L 191, 22.7.2017 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22017D1367>

⁶² For more see: T.Kovziridze, V.Movchan, V.Gumene, M.Emerson: *The Pan-Euro-Mediterranean Convention on Preferential Rules of Origin and its Benefits A Comparative Analysis of its application for Georgia, Moldova and Ukraine*, consortium led by Center for European Policy Studies (CEPS) and SIDA, 10.08.2017. <http://www.3dcftas.eu/publications/other/pan-euro-mediterranean-convention-preferential-rules-origin-and-its-benefits>

2. Trade in services

The general overview of the regulatory approximation commitments by DCFTA partners in four services sectors are presented in Tables 33-36. The **EU and Georgia** made commitment on freedom of **establishment** as from the start of DCFTA provisional application by granting each other national treatment and most favoured-nation treatment (subject to several reservations specified by EU Member States and few reservations by Georgia) as well as on liberalization of **cross-border supply of services** (by granting each other national treatment with several limitations and reservations on both sides). In 4 services sectors (postal and courier services, telecommunication, financial services and international maritime transport services) Georgia recognized the importance of gradual approximation (**lasting between 4-8 years**) of its existing and future legislation to the list of the EU *acquis* (in case of financial services also to the international best practice and standards). Further market opening in those sectors is conditioned upon Georgia fulfilling its commitments of gradual regulatory approximation (timeframe up to 2022).

EU and Moldova have committed the freedom of establishment by granting each other national treatment and most favoured-nation treatment (subject to several reservations specified by EU Member States and few reservations by Moldova) as well as liberalization of cross-border supply of services (by granting each other national treatment) with several limitations and reservations on both sides). In 4 services sectors (postal and courier services, telecommunication, financial services and international maritime transport services) Moldova recognized the importance of gradual (**lasting between 3 and 8 years**) approximation of its existing and future legislation to the list of the EU *acquis* (in case of financial services also to the international best practice and standards).

The **EU and Ukraine** have agreed to the freedom of establishment in services and non-services sectors (national treatment and most favoured nation treatment) as well as national treatment in cross-border supply of services, subject to limited reservations in Member States, and **in the long-term the internal market treatment in 4 services sectors** (postal and courier, international maritime transport, financial services⁶³ and telecommunication services) once Ukraine achieved the required level of advancement as regards the transposition, implementation and enforcement of the EU *acquis*, including sufficient administrative capacity to enforce the national legislation (**regulatory approximation will last between 2 up to 7 years**). Ukraine has liberalised establishment and cross-border provision of services for EU companies with very few and limited exceptions.

It is important to mention that in all three DCFTAs EU and its partners agreed on **review clauses** with a view of liberalizing establishment (regular review), cross-border supply of services (regular review)⁶⁴ and capital movement (by the end of the fifth year following the date of entry into force of the DCFTA).

⁶³ It should be noted that as concerns financial services, due to the last financial crisis and significant changes related to regulation of the EU financial sector and notably more centralized supervisory framework which does not have legal authority to act beyond the EU borders, it is not feasible for EaP countries to implement in full EU *acquis* in this area. On the other hand they can take inspiration from the EU law to design its own regulatory and supervisory frameworks conducive to financial stability.

⁶⁴ This review shall take into account, inter alia, the process of gradual approximation foreseen in the Agreements and its impact on the elimination of remaining obstacles to cross border supply of services between the parties.

Table 34: General overview of the timeline for implementation of the DCFTA regulatory approximation commitments in postal and courier services by GEORGIA, MOLDOVA and UKRAINE

Deadline/No of EU legal acts	1.09.2014 <i>(provisional application of the DCFTA)</i>	2015	2016 <i>(1 July DCFTA in force/ prov. application for UA)</i>	2017	2018	2019	2020	2021	2022
GEORGIA Annex XV-C to Chapter 6	3 Directives: 97/67/EC (common rules for the internal market in postal services and improvement of quality service, 2002/39/EC (further opening of the sector to competition), 2008/6/EC (full accomplishment of the internal market in postal services)								
MOLDOVA Annex XXVIII-C to Chapter 6	1 (Directive 97/67/EC on common rules for the development of the internal market for postal services and the improvement of quality of service)								
	1 (Directive 2002/39/EC on further opening to competition of postal services)								
	1 (Directive 2008/6/EC on full accomplishment of the internal market in postal services)								
UKRAINE Appendix XVII-4 of Annex XVII to Chapter 6			By end of June: a detailed (indicative) roadmap for enactment & implementation of EU law						
			3 Directives: 97/67/EC (common rules for the internal market in postal services and improvement of quality service, 2002/39/EC (further opening of the sector to competition), 2008/6/EC (full accomplishment of the internal market in postal services)						

Table 35: General overview of the timeline for implementation of the DCFTA regulatory approximation commitments in telecommunication services by GEORGIA, MOLDOVA and UKRAINE

Deadline/No of EU legal acts	1.09.2014 (provisional application of the DCFTA)	2015	2016 (1 July DCFTA in force/ prov. application for UA)	2017	2018	2019	2020	2021	2022
GEORGIA Annex XV-B to Chapter 6	5 (national regulator, access to networks, price control, transparency, non-discrimination, fundamental rights & freedoms, use of spectrum)								
	1 (Universal Service obligations, European Emergency Call Number 112)								
MOLDOVA Annex XXVIII-B to Chapter 6	1 (Community framework for electronic signature)								
	8 (common regulatory framework for electronic communication network and services (Framework Directive), Authorisation Directive, Access Directive, competition in the electronic communication markets, 3 - radio spectrum policy, re-use of public sector information)								
	3 (Universal service Directive, processing of personal data and protection of privacy, Directive on electronic commerce)								
UKRAINE Appendix XVII-3 of Annex XVII to Chapter 6			By end of June: a detailed (indicative) roadmap for enactment & implement. of EU legal acts						
			2: Directive 2002/77/EC (competition in the markets for electronic communication), Directive 98/84/EC (legal protection of services based on, or consisting of conditional access)						
			2: Directives 2000/31/EC (legal aspects of information society services; E-Commerce Directive), 1999/93/EC (electronic signature)						
			5: Directives 2002/21/EC (regulatory framework for electronic communication networks & services); 2002/20/EC (Authorisation Directive); 2002/19/EC (Access Directive); 2002/22/EC (Universal Service Directive; call number 112); Decision 676/2002/EC (radio spectrum policy)						

Table 36: General overview of the timeline for implementation of the DCFTA regulatory approximation commitments in international maritime services by GEORGIA, MOLDOVA and UKRAINE

Deadline/No of EU legal acts	1.09.2014 (provisional application of the DCFTA)	2015	2016 (1 July DCFTA in force/ prov. application for UA)	2017	2018	2019	2020	2021	2022
GEORGIA Annex XV-D to Chapter 6	2 (implementation of International Safety Management Code, training of seafarers)								
	9: 2 (maritime safety), 2 (vessel traffic monitoring), 1 (accidents investigation, liability of carriers), 1 (stability requirements for ro-ro passenger ships), 1 (prohibition of organotin compounds on ships), 1 (safety & health), 2 (port, ship and port facility security)								
	9: 2 (flag state, port state control), 3 (technical & operational rules (passenger ships, oil tankers, bulk carriers), 1 (environment); 1 (technical conditions), 2 (social conditions)								
MOLDOVA Annex XXVIII-D to Chapter 6	3 (implementation of International Management Code; enhancing port security, enhancing ship and port facility security)								
	10 (vessel traffic monitoring & information system, accident investigation, liability of carriers of passengers, rules for bulk carriers, training of seafarers, prohibition of organotin compounds on ships, reporting formalities for ships, social requirements for seafarers on board vessels)								
	3 (safety rules and standards for passenger ships, system of mandatory surveys for safe operation of ro-ro ferry and high speed passenger craft services, stability requirements for ro-ro passenger ships)								
	5 (rules and standards for ship inspection and survey organizations, compliance with flag state requirements, port state control, port reception facilities for ship generated waste and cargo residues)								
UKRAINE Appendix XVII-5 of Annex XVII Chapter 6			By end of June: a detailed (indicative) roadmap for enactment & implementation of EU legal acts						
			10 (implement. of International Safety Management Code; common rules & stand. for ship inspection; safety rules for passenger & ro-ro ships; training of seafarers; environ. & social conditions; maritime security)						
			6 (common rules & standards for ship inspection; port state; bulk carriers, technical conditions; working time of seafarers)						
			2 (vessel traffic monitoring & inform. system; port reception fac. for ship-generated waste & cargo residues)						
			1 (working time of seafarers – Clause 16 of Agreement ECSA-FST)						

Table 37: General overview of the timeline for implementation of the DCFTA regulatory approximation commitments in financial services by GEORGIA, MOLDOVA and UKRAINE

Deadline/No of EU legal acts	1.09.2014 (provisional application of the DCFTA)	2015	2016 (1 July DCFTA in force)	2017	2018	2019	2020	2021	2022
GEORGIA Annex XV-A ⁶⁵ to Chapter 6	2 Directives: 2005/60/EC & 2006/70/EC (Anti-money laundering)								
	1 Directive 1781/2006 (Anti-money laundering)								
	6 (rules for banks, financial institutions, insurance undertakings)								
	9: 2 (rules for investment firms & credit institutions), 1 (insurance of motor vehicles), 2 (financial instruments), 4 (financial market infrastructure)								
	8: 1 (banking prudential rules), 1 (deposit-guarantee schemes), 2 (insurance undertakings), 1 (securities), 2 (UCITS), 1 (payment services)								
	12: 1 (insurance), 11 (securities)								
	1 (insurance mediation)								
MOLDOVA Annex XXVIII-A ⁶⁶ to Chapter 6	5: 2 (exposure of certain institutions to multilateral banks, reorganization of credit institutions), 3 (money laundering & terrorist financing by banks, inform. on transfers of funds)								
	27 (prudential assessment of acquisitions, supplementary supervision, taking up & pursuit of business of credit institutions, capital adequacy (with 10-year exceptions for some provisions), prudential supervision of electronic money institutions, 4 - consolidated accounts of banks/financial institution and insurance undertakings, insurance mediation, motor vehicles insurance, markets in financial instruments, 2 - investment firms, 2 - securities/prospectus, 3 - market abuse, derivatives on commodities, exemptions for buy-back programs& stabilization of fin. instr., UCITS, financial collateral arrangements, securities payment and settlement systems, payment service in the internal market).								
	2 (harmonization of transparency requirements in relation to securities issuers),								
	5 (deposit guarantee schemes (with 10-year exceptions), supervision of institutions for occupational retirement provisions, investor-compensation schemes (with 10-year exceptions), credit rating agencies, administrative provisions for UCITS - Collective investment in transferable securities)								
	1 (taking up and pursuit of business of Insurance and reinsurance (Solvency II Directive))								

⁶⁵ The timetable of approximation in area of services is indicated as: "within x years of the entry into force of this Agreement".

⁶⁶ Timetable for services defined as "those provisions shall be implemented within x years of the entry into force of this Agreement".

Deadline/No of EU legal acts	1.09.2014	2015	2016 (<i>prov. application of the DCFTA</i>)	2017	2018	2019	2020	2021	2022
UKRAINE Appendix XVII-2 of Annex XVII ⁶⁷ to Chapter 6			By end of June: submission of a detailed (indicative) roadmap for enactment and implementation of EU legal acts						
			6: 1 (insurance of motor vehicles), 1 (insurance mediation), 1 (supervision of institutions for occupational retirement provisions), 3 (anti-money laundering)						
			44: 12 (banks & financial institutions: prudential rules and supervision; capital adequacy; deposit-guarantee schemes, annual & consol. accounts, branches), 2 (insurance: Solvency II, annual & consol. Accounts), 24 (securities), 6 (UCITS)						
			8 (free movement of capital & payments)						
			5: 2 (banks: Basel II, prudential assessment, capital adequacy – remains), 3 (financial market infrastructure)						

⁶⁷ The timeline for approximation in 4 sectors of services is defined as "*within x years after entry into force of this Agreement*", with exception of part related to free movement of capital and payments where the deadline is described as "*x years after the entry into force of this Agreement*".

3. Opening of public procurement markets

The parties of the DCFTAs recognize the importance of non-discrimination, transparency and competition for the good functioning of their procurement markets. They shall open gradually and simultaneously their respective markets (with exception of defence sector) and allow for the participation of their companies without applying any establishment requirement. The extent of market access mutually granted by the parties will depend on the progress made in the legislative approximation. An overview of the timetables of committed reforms and reciprocal market opening in public procurement between EU and Georgia, Moldova and Ukraine as foreseen in the DCFTAs is presented in Table 37. It's to be emphasized that **Ukraine** (as from May 2016), **Moldova** (from 14 July 2016) **are parties to the WTO Government Procurement Agreement (GPA)**. **Georgia** has an **observer status** since 1999 and is in the process of accession negotiations.

The **EU-Georgia DCFTA** envisages mutual access to public procurement markets on the basis of the principle of national treatment at national, regional and local level for public contracts and concessions in the traditional sector as well as in the utilities sector. It provides for the **progressive approximation (in 5 phases up to 2022)** of the public procurement legislation in Georgia with the EU public procurement *acquis*, accompanied with an institutional reform and the creation of an efficient public procurement system based on the principles governing public procurement in the EU. The implementation of each phase shall be evaluated by the Association Committee in Trade configuration, and, following a positive assessment, will be linked to the reciprocal granting of market access as set out in Annex XVI-B to the AA.

The **EU-Moldova DCFTA** foresees mutual access to public procurement markets on the basis of the principle of national treatment at national, regional and local level for public contracts and concessions in the traditional sector as well as in the utilities sector. It provides for a **gradual approximation (in 4 phases up to 2022)** of the public procurement legislation in Moldova with the EU public procurement *acquis*, accompanied with an institutional reform and the creation of an efficient public procurement system based on the principles governing public procurement in the EU. The implementation of each phase shall be evaluated by the Association Committee in Trade Configuration, and, following a positive assessment, will be linked to the reciprocal granting of market access as set out in Annex XXIX to the AA.⁶⁸

⁶⁸ Decision No 2/2016 of the EU-Republic of Moldova Association Committee in Trade configuration of 19 October 2016 updating Annex XXIX to the Association Agreement (OJ L 313, 19.11.2016) <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22016D2028&from=EN>

Table: 38 General overview of the timeline for implementation of the DCFTAs with Georgia, Moldova and Ukraine in terms of regulatory commitments in PP⁶⁹

Deadline/EU law	1.09.2014 ⁷⁰	2015	2016 ⁷¹	2017	2018	2019	2020	2021	2022
GEORGIA Public Procurement <i>(with corresponding scope of reciprocal market access opening)</i> Annex XVI-B to Chapter 8	PHASE 1: Implementation of Articles 143(2) & 144 including designation of an executive body at central government level tasked with coherent PP policy and its implementation and an impartial and independent review body; compliance with basic contract award standards; Agreement of the Reform Strategy (comprehensive roadmap) set out in Article 145. <i>Market access on reciprocal basis for supplies for central government authorities</i>								
	PHASE 2: Approx. & implement. of basic elements of Directive 2004/18/EC and of Council Directive 89/665/EEC (Annexes XVI-C, XV-D) <i>Market access on reciprocal basis for supplies for state, regional and local authorities and bodies under public law</i>								
	PHASE 3: Approx. & implement. of basic elements of Directive 2004/17/EC and of Council Directive 92/13/EEC (Annexes XVI-E, XVI-F) <i>Market access on reciprocal basis for supplies for all contracting entities in the utilities sector</i>								
	PHASE 4: Approx. & implement. of other elements of Directive 2004/18/EC (Annexes XVI-G, XVI-H, XVI-I) <i>Market access on reciprocal basis for service & works contracts & concessions for all contracting authorities</i>								
	PHASE 5: Approx. & implement. of other elements of Directive 2004/17/EC (Annexes XVI-J, XVI-K) <i>Market access on reciprocal basis for service and works contracts for all contracting entities in the utilities sector</i>								
MOLDOVA Public Procurement <i>(with corresponding scope of reciprocal market access opening)</i> Annex XXIX to Chapter 8 (amended on 19.10.2016, OJ L 313, 19.11.2016)	PHASE 1: Implementation of Articles 270(2) and 271 of DCFTA. Agreement of the Reform Strategy set out in Article 272 (9 months after the entry into force of DCFTA; adopted on 19.10.2016) <i>Market access on reciprocal basis for supplies for central government authorities</i>								
	PHASE 2: Approximation & implementation of basic elements of Directives: 1) 2014/24/EU, 89/665/EEC (Annexes: XXIX-C, XXIX-N) <i>Market access on reciprocal basis for state, regional and local authorities and bodies governed by public law</i> 2) 2014/25/EU and 92/13/EEC (Annexes XXIX-G, XXIX-Q) <i>Market access to be granted on reciprocal basis for supplies for all contracting entities in the utilities sector</i> 3) Other elements of Directive 2014/24/EU (Annexes: XXIX-D, XXIX-E, XXIX-O) <i>Market access to be granted on reciprocal basis for service and work contracts for all contracting authorities</i>								
	PHASE 3: Approx. & implement. of Directive 2014/23/EU (Annexes: XXIX-K, XXIX-L) <i>Market access on reciprocal basis for concessions to all contracting authorities</i>								
	PHASE 4: Approx. & implement. of other elements of Directive 2014/25/EU (Annexes: XXIX-H, XXIX-I, XXIX-R) <i>Market access on reciprocal basis for service and work contracts for all contracting entities in the utilities sector</i>								

⁶⁹ Indicative timetable for approximation in public procurement defined as: “x years after the entry into force of this Agreement”.

⁷⁰ Provisional application of the DCFTAs with Georgia & Moldova.

⁷¹ 1 January 2016 provisional application of DCFTA for Ukraine; 1 July 2016 DCFTA in force for Georgia and Moldova.

Deadline/EU law	1.09.2014	2015	2016	2017	2018	2019	2020	2021	2022
UKRAINE Public Procurement <i>(with corresponding scope of reciprocal market opening)</i> Annex XXI-A to Chapter 8 (amended on 12.12.2016, OJ L 6, 11.01.2017)			PHASE 1: Implementation of Articles 150(2) and 151 of AA; agreement of the Reform Strategy as set out in Article 152 of AA by 30 June <i>Market access on reciprocal basis for supplies for central government authorities</i>						
			PHASE 2: Approximation and implementation of basic elements of Directives: 2014/24/EU and 89/665/EEC (Annexes XXI-B and XXI-C) <i>Market access on reciprocal basis for supplies for state, regional and local authorities and bodies governed by public law</i>						
			PHASE 3: Approximation and implementation of basic elements of Directives: 2014/25/EU and 92/13/EEC (Annexes XXI-D and XXI-E) <i>Market access on reciprocal basis for supplies for all contracting entities in utilities sector</i>						
			PHASE 4: Approximation and implementation of other elements of Directive 2014/24/EU. Approximation and implementation of Directive 2014/23/EU (Annexes XXI-F, XXI-G and XXI-H) <i>Market access on reciprocal basis for service and works contracts and concessions for all contracting authorities</i>						
			PHASE 5: Approximation and implementation of other elements of Directive 2014/25/EU (Annexes XXI-I and XXI-J) <i>Market access on reciprocal basis for service and works contracts for all contracting entities in the utilities sector</i>						

►►► 2024

The **EU-Ukraine DCFTA** envisages mutual access to public procurement markets on the basis of the principle of national treatment at national, regional and local level for public contracts and concessions in the traditional sector as well as in the utilities sector. It provides for the **progressive approximation (in 5 phases up to 2024)** of the public procurement legislation in Ukraine with the EU public procurement *acquis*, accompanied with an institutional reform and the creation of an efficient public procurement system based on the principles governing public procurement in the EU. The implementation of each phase shall be evaluated by the Association Committee in Trade Configuration, and, following a positive assessment, will be linked to the reciprocal granting of market access as set out in Annex XXI-A to the AA.⁷²

B. On a reform path towards regulatory convergence based on the DCFTA commitments

Apart from the gradual market access liberalization directly linked to the regulatory approximation (the case of public procurement and some sectors of services) the DCFTA countries have embarked on the internal reforms in the areas of **technical barriers to trade (TBT)** and **sanitary and phytosanitary measures (SPS)** as these two areas indirectly facilitate trade i.e. determine the real use by producers and exporters of market access opportunities created by elimination/reduction of customs tariffs by the EU. Having in mind that industrial products safety (ensured by technical regulations and standards) and food safety are important not only in the context of exports to the EU but also for in terms of protection their own consumers, Georgia, Moldova and Ukraine, with different level of ambition and timetables though, have started the regulatory approximation and administrative capacity building process even before the start of provisional application of the DCFTAs.

The commitments related to regulatory and administrative reforms in the area of **customs and trade facilitation, competition policy** and in the system of protection of **intellectual property rights (IPRs)**, including protection of Geographical Indications (GIs) constitute further important elements of the comprehensive approach to trade-related aspects in the DCFTAs. It should also be mentioned that in case of trade in energy products (crude oil, natural gas and electrical energy) covered by the DCFTA Chapters on "Trade-related energy" provisions all three partners made commitments on regulatory approximation with key elements of the EU. This process is being pursued within implementation of the **Energy Community Treaty** joined by Moldova in 2010, by Ukraine in 2011, and by Georgia in 2017.

Technical barriers to trade

⁷² Council Decision (EU) 2017/43 of 12 December 2016 on the position to be adopted, on behalf of the European Union, in the EU-Ukraine Association Committee in Trade configuration established by the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Ukraine, of the other part, in relation to the update of Annexes XXI-A to XXI-P in the area of public procurement (OJ L 6, 11.01.2017) <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017D0043&from=EN>

In the TBT area all **3 DCFTA partners should finish their committed legal approximation process in 2021 (Moldova⁷³ and Ukraine) or in 2022 (Georgia)** – see Annex 2.

Moldova adopted a very ambitious reform in **technical regulation and standards (TBT)** up to 2021 which was endorsed by the Decision of the Association Committee in Trade configuration in October 2016. The *Roadmap for initiating the negotiations of the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA)* was approved in 2016 and in January 2017 submitted to the EU. **Moldovan authorities have prioritized 3 product sectors to be covered by future ACAA⁷⁴:** construction products, toys and low voltage equipment. **In Ukraine** this process is conducted on the basis of the *Strategy for the Development of the Technical Regulation System until 2020* and the related *Action Plan* adopted by Ukrainian Government in 2016. As concerns approximation process leading to **ACAA** Ukraine has decided to focus on **3 priority sectors** i.e. machinery, low-voltage equipment, and electromagnetic compatibility.

The state of play in approximation work in TBT field by EaP countries in 2017 can be illustrated by the data provided by European Standardisation Organizations CEN-CENELEC.

The three DCFTA partners are the more advanced in the harmonisation process, but there is disparity among them: Moldova has adopted almost all of the Harmonised European Standards, while Georgia has adopted less than 1/3rd of them. Moldova shows willingness to go further than the legal constraints in terms on standards: it is aligned at 59.9% with CEN and CENELEC portfolio – in which Harmonised European Standards are included, but which covers more sectors, and consists partially in a voluntary alignment. Ukraine has adopted more than half of the Harmonised European Standards, but its level of alignment with CEN-CENELEC portfolio is only 14%. Among the partners that don't have a DCFTA, Belarus is the more advanced (more than 2% alignment with the Harmonised European Standards, less than 1% for Armenia and Azerbaijan). It shows that the DCFTA is a differentiating factor in the progress of the alignment with the Harmonised European Standards (see Table 39).

It is worth to mention in this context that the following European Standardisation Organizations (ESOs) are officially recognized by the European Commission as providers of voluntary European Standards (EN): the European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC), and the European Telecommunications Standards Institute (ETSI).

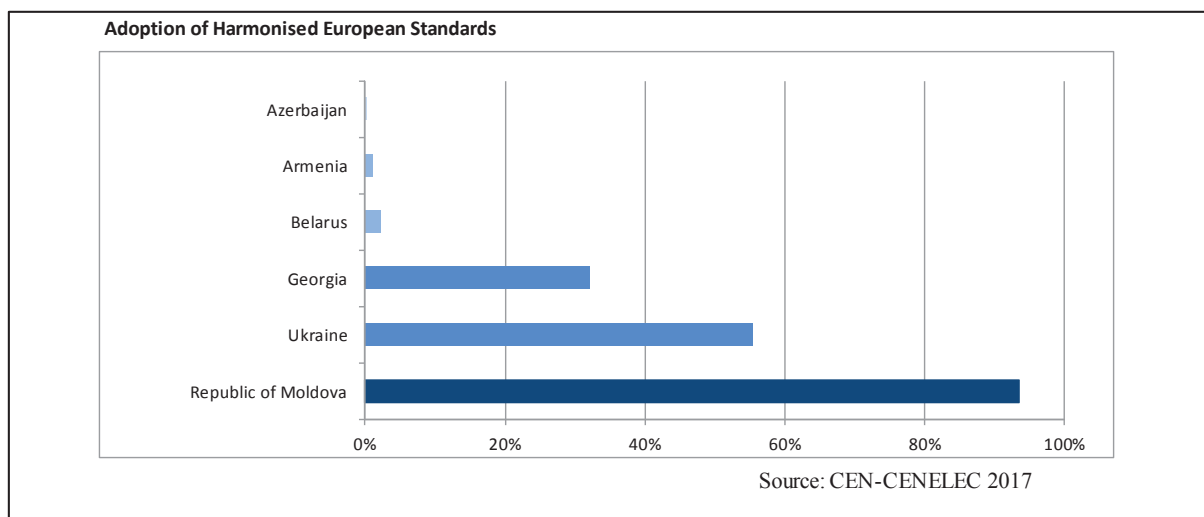
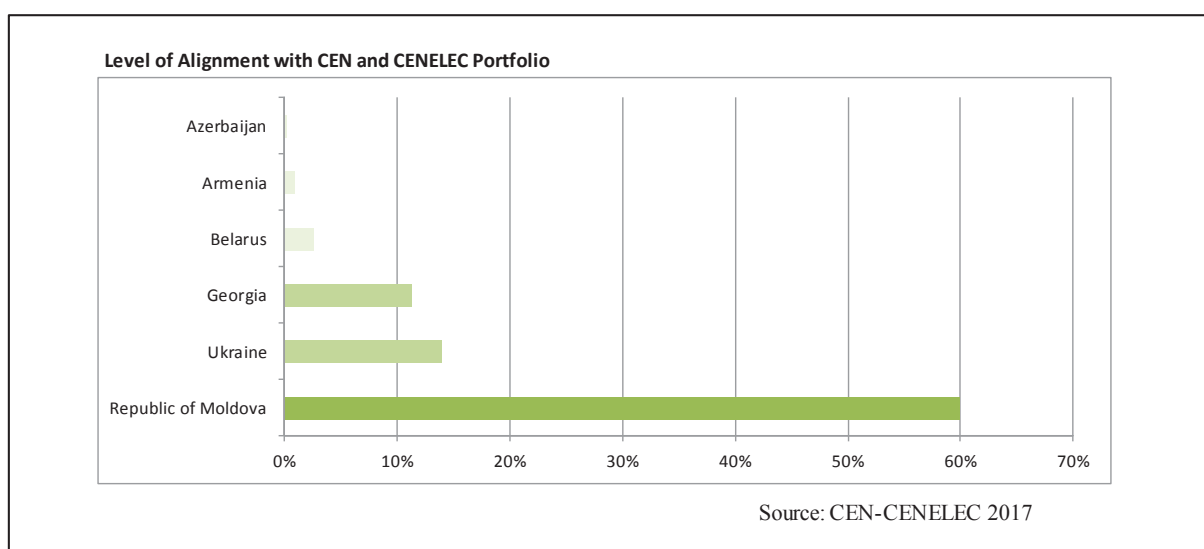
Table 39: Level of alignment with CEN and CENELEC portfolio and state of play in adoption of Harmonised European Standards by EaP countries, 2017

⁷³ Decision No 1/2016 of the EU–Republic of Moldova Association Committee in Trade configuration of 19 October 2016 updating Annex XVI to the Association Agreement (OJ L 313, 19.11.2016) <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22016D2027&from=EN>

⁷⁴ ACAA will provide that trade between the EU and a partner country in goods from the sectors that it covers shall take place under the same conditions as those applying to trade in such goods between the Member States of the EU. Until a product is covered under the ACAA, the relevant existing legislation of the Parties shall apply to it, taking into account the provisions of the WTO TBT Agreement.

Eastern partners	Level of Alignment with CEN and CENELEC Portfolio	Adoption of Harmonised European Standards
Republic of Moldova	59.91%	93.37%
Ukraine	13.98%	55.47%
Georgia	11.31%	32.09%
Belarus	2.54%	2.26%
Armenia	0.91%	0.98%
Azerbaijan	0.03%	0.05%

Source: CEN-CENELEC 2017



The ESOs are open for cooperation with other countries. One can see that **certain bodies from the three DCFTA countries have a status of the Companion Standardisation**

Bodies (CSB) of CEN and CENELEC⁷⁵ – Georgia, Moldova, Ukraine and Armenia (only in case of CEN).

Table 40: Status of Eastern Partnership countries with the European Standardisation Organizations (CEN, CENELEC and ETSI) UNECE and International Organization for Standardization – ISO (as in August 2017)

EaP country	CEN	CENELEC	ETSI	UNECE	ISO
Armenia	CSB ¹	-	-	-	Member Body: SARM (National Institute of Standards)
Azerbaijan	-	-	Network operator Azqtel LLC - full membership	2002	Member Body: AZSTAND (State Committee for Standardization, Metrology and Patent)
Belarus	-	-	-	1995	Member Body: BELST (State Committee for Standardization)
Georgia	CSB	CSB	-	2015	Correspondent Member: GEOSTM (Georgian National Agency for Standards and Metrology)
Moldova	CSB	CSB	ISM - Observer	-	Correspondent Member: ISM (Institute for Standardization of Moldova)
Ukraine	CSB	CSB	Public Research Body (URTRI) – full membership	2000	Member Body: DSTU (Ukrainian Scientific Research and Training Center of Issues Standardization, Certification and Quality)

¹CSB - Companion Standardization Body (CSB) – the status opened to: National Institute of Standards (CJSC) in Armenia; Georgian National Agency for Standards and Metrology (GEOSTM), Institute for Standardization of Moldova (ISM), Ukrainian Scientific Research and Training Center of Issues Standardization, Certification and Quality (DSTU).

Source: <http://www.etsi.org/membership/current-members>; <https://www.iso.org/members.html>
<https://standards.cen.eu/dyn/www/f?p=CENWEB:60:::NO::> <https://www.cenelec.eu/dyn/www/f?p=web:161>

In September 2017 the Belarusian State Committee for Standardisation and the ESOs - CEN and CENELEC signed a cooperation agreement at the 40th session of the General Assembly of the International Organization for Standardization (ISO). This agreement paves the way for acquiring the Companion Standardization Body status.⁷⁶ In case of ETSI organizations from two countries – Azerbaijan and Ukraine have full membership and the Institute for Standardisation of Moldova has an observer status there.

⁷⁵ Both organizations CEN and CENELEC offer a concept of the Companion Standardisation Bodies, a partnership model that strengthens the global trading position of the given country and bring it closer to the European market. Thanks to the CSB status the National Standardisation Bodies receive unlimited access to European Standards (ENs) for adoption and they can sell them in their country. CSB status also offers the national stakeholders the chance to be part of the European standardization process and to connect with leading European industries and companies. The fulfilment of the following criteria are required for application for CSB status: (1) the organization should be the only recognized National Standards Body/National Electrotechnical Committee in the country, (2) the applicant should be a member or corresponding member of ISO/member or associate member of the International Electrotechnical Commission (IEC), (3) it should accept the WTO Code of Good Practice for the preparation, adoption and application of standards.

⁷⁶ See the news from Belarussian Telegraph Agency: <http://eng.belta.by/economics/view/belarus-signs-cooperation-agreement-with-european-standards-organizations-105126-2017/>

All EaP established links (full membership or correspondent membership) with the UN Economic Commission for Europe (UNECE) creating standards for automotive sector to (to this end the 1958 Geneva Agreement operates on the principles of type of approval and reciprocal recognition in order to facilitate international trade) and with the ISO (all EU countries are members of these organizations).⁷⁷ This fact is important taking into account that notably ESOs and ISO cooperate closely and even share the work on international standards on the basis of the cooperation agreement concluded in Vienna in 1991.⁷⁸

The current status of the Eastern Partnership countries with ESOs, ISO and UNECE is presented in Table 40.

Sanitary and phytosanitary measures

As concerns food safety standards reflected in **SPS measures**, the Eastern Partners need more time to complete the reforms in this area and therefore the respective reform periods will last **until 2020 for Moldova**⁷⁹, **2021 in case of Ukraine**.⁸⁰ **Georgia** back loaded its commitments in this area so will finish the reform process **in 2026-2027**.⁸¹ The timetable of the necessary reforms is illustrated in Annex 3.

The DCFTA foresees that after the legislative approximation foreseen in the SPS area has been achieved (to be acknowledged on the basis of EU monitoring stipulated in the Association Agreement), this fact shall be deemed to be a request by DCFTA partners to initiate the process of recognition of *equivalence* of SPS measures. The equivalence may be recognized in respect of: an individual or group of SPS measures, or a system applicable to a sector, subsector, commodities or group of commodities. The bilateral SPS Sub-Committees created under Association Agreement constitute the forums of regular discussions on all SPS-related matters.

Customs and trade facilitation

For the development of bilateral trade with the EU but also for building convergence of trade environment in the region, customs and trade facilitation appear high on the agenda of the DCFTA Partners. To this end the EU and the three Parties agreed to reinforce cooperation in those areas with a view to ensuring that the relevant legislation, procedures and administrative

⁷⁷ As concerns status of Russia: ISO (Member Body: GOST R - Federal Agency on Technical Regulating and Metrology), ETSI (1 service provider and 7 research bodies as full members); UNECE since 1987. On 21 June 2017 the Eurasian Economic Commission signed a Memorandum of Understanding with CEN and CENELEC which provides a common framework to facilitate the sharing of information, the transfer of technical knowledge, the exchange of best practices and their mutual support in the work of the international standardization organizations, ISO and IEC.

⁷⁸[http://isotc.iso.org/livelink/livelink/fetch/2000/2122/3146825/4229629/4230450/4230458/01_Agreement_on_Technical_Cooperation_between_ISO_and_CEN_\(Vienna_Agreement\).pdf?nodeid=4230688&vernum=-2](http://isotc.iso.org/livelink/livelink/fetch/2000/2122/3146825/4229629/4230450/4230458/01_Agreement_on_Technical_Cooperation_between_ISO_and_CEN_(Vienna_Agreement).pdf?nodeid=4230688&vernum=-2)

⁷⁹ Decision No 1/2016 of the EU-Republic of Moldova Sanitary and Phytosanitary Sub-Committee of 1 June 2016 modifying Annex XXIV-B to the Association Agreement (OJ L 178, 2.07.2016) <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22016D1074&from=EN>

⁸⁰ In accordance with the *Comprehensive Strategy for the implementation of Chapter IV Sanitary and Phytosanitary Measures (SPS)* to the Association Agreement (additional Annex V to the AA approved by the Cabinet of Ministers of Ukraine on 24 February 2016. The Union position has been adopted on 17 July 2017 (OJ L 195, 27.07.2017) and a formal adoption of the Strategy by both sides will take place before the end of 2017. For the content of the SPS Strategy see: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017D1391>

⁸¹ Decision No 1/2017 of the EU-Georgia Sanitary and Phytosanitary Sub-Committee of 7 March 2017 modifying Annex XI-B to the Association Agreement OJ L 98, 11.04.2017 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22017D0683&from=EN>

capacity respond to the objective of effective customs control and support legitimate trade, while preventing fraud. As underlined in the 2017 Progress report on the Communication "Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products", the Commission continues its efforts in key source and transit countries as well as in its Eastern neighbourhood to address the phenomenon of the illicit tobacco trade. In this regard, the Commission, in addition to recent bilateral dialogues with a number of countries (like Belarus and Ukraine) to step up the fight against the illicit trade of tobacco products, is planning to organise a high-level Roundtable with Eastern Partnership countries on tobacco smuggling in the fall 2018.

The Parties agreed that their respective trade and customs legislation should be stable and the procedures applied should be proportionate, transparent, predictable, non-discriminatory, impartial, uniform and effective.

The bilateral Customs Sub-Committees created under Association Agreement constitute the forum of discussions on all customs and trade facilitation matters. Under these Sub-Committees the Parties have regular occasions for consultation and monitoring of implementation and administration of the Chapters on Customs and trade facilitation, including issues related to customs cooperation, cross-border customs cooperation and management, EU technical assistance, rules of origin, Authorised Economic Operator programmes as well as mutual administrative assistance in customs matters. To assist in the implementation of the customs provisions, the EU and the DCFTA partners agreed the Strategic Frameworks for Customs Cooperation and set up project groups under the EU Customs 2020 Programme with participation of EU Member States. An important aspect, in the context of relations with the business community, is transparency and public availability of respective legislation and description of procedures, possibly through electronic means. The content and timetable of gradual approximation to the EU customs legislation as laid down in the EU and international standards are described in Annex 3 of this analysis. All 3 Partners have in principle similar commitments on regulatory approximation with EU acquis and international conventions with the final deadlines in 2018-2019.

Competition policy

Commitments undertaken as concerns competition rules covering antitrust and mergers as well as State Aid reflect the recognition of importance by the EU and the DCFTA Partners of free and undistorted competition in their trade relations. They acknowledge that anti-competitive business practices and transactions have the potential to distort proper functioning of markets and undermine the benefits of trade liberalization. Similarly both sides agreed that any aid granted through state resources which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods is incompatible with the proper functioning of the Association Agreement insofar as it may affect trade between the Parties. The commitments in that area are illustrated in Annex 4. One can see that out of 3 DCFTA Partners Georgia has the least ambitious commitments as concerns antitrust and mergers and only declared transparency in subsidies. On the other hand Ukraine aspiring to internal market treatment in services has very ambitious commitments on approximation of law and enforcement practices in antitrust and mergers and as concerns alignment to the EU's state aid control system.

C. Complementarity versus competition between the EaP economies

1. General overview of EaP countries' economies

The comparison of gross domestic products (GDP) based on purchasing power parity (PPP)⁸² in 2016 allows for comparing the economic potential between the EU and Eastern Partnership region and between the countries in the EaP group.

The population of all six EaP countries constitutes slightly more than 14% of the number of people living in EU-28. As concerns the value of GDP the EaP region accounts for around 4% of the total EU gross domestic product based on PPP. Ukraine is the biggest country in the EaP group in terms of population (almost 60%) and the value of the GDP (around 46% of the total GDP/PPP in the region), followed by Belarus and Azerbaijan. As concerns GDP *per capita* (based on PPP) the richest countries in EaP are Belarus, Azerbaijan and Georgia.

The integration of the EaP countries into the world value chains is illustrated by the share of their trade in goods and services in the nominal GDP (current prices). Higher shares indicate that the economy is more open, competitive and integrated in international trade flows (relatively to its size).

Table 41: Basic economic data for EU and Eastern Partnership countries, 2015

EaP country	Population (million)	GDP based on PPP, current international \$, 2016		Trade in goods and services 2012/2015 as % of GDP (current prices)	
		billion	units per capita	Imports	Exports
EU-28	508.3	20,008.1	39,317	40.3/40.0	42.2/43.4
Armenia	3.0	25.8	8,621	48.4/42.0	27.6/29.8
Azerbaijan	9.6	165.5	17,439	25.6/34.8	53.7/37.8
Belarus	9.5	171.0	18,000	76.7/59.8	81.1/60.0
Georgia	3.7	37.2	10,044	57.8/64.9	38.2/45.0
Moldova	3.6	18.9	5,328	83.9/74.2	43.5/43.3
Ukraine	42.8	353.0	8,305	56.4/54.8	35.4/52.8
Total EaP	72.2	771.4	-	-	-

Source: Eurostat, IMF, World Economic Outlook Database, 12 April 2017.

Changes over time i.e. here in 2012 and then in 2015 (see two last columns of Table 39) may indicate that the applied policy measures reduced the trade barriers or provided more favorable business conditions for trade.

In relation to the size of their economies **Moldova, Georgia and Belarus are relatively more open to imports**, hence to foreign competition. Azerbaijan and Armenia are on the

⁸² The purchasing power parity (PPP) standard is more useful than nominal GDP per capita when comparing generalized differences in living standard between countries because PPP takes into account the relative cost of living and the inflation rates of the countries, rather than using only exchange rates, which may distort the real differences in income. GDP per capita based on purchasing power parity (PPP). PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. For data see: <http://www.imf.org/external/pubs/ft/weo/2017/01/weodata/index.aspx>

other end of this ranking. The economies of **Belarus, Ukraine, Georgia and Moldova are relatively more dependent on exports** than Azerbaijan and Armenia.

The economic activity structure of EaP countries, measured by the share in the gross value added (see Table 41) and compared to the EU one, is characterized by a **bigger share of traditional sectors i.e. industry** (notably in case of Azerbaijan (37%), Belarus (around 31%) and Ukraine – almost 24%) **and agriculture** (Armenia (19%), Ukraine (14%), Moldova – 12%). The important **presence of the agricultural sectors is reflected in the export portfolio notably in case of Moldova, Ukraine, Georgia and Belarus.**

As EaP economies are still based on the primary and secondary sector, there is a **potential for development of services** in the region when comparing to the EU which is the highly service-oriented economy (74% of gross value added). In that context the small economies of Moldova and Georgia note the highest share of services sectors in gross value added (around 69% and 66% respectively).

The EaP countries' **services export structure** (see Table 26 and 28) is dominated by the following sub-sectors: **transport** (notably in case of Ukraine, Belarus and Azerbaijan), **travel services** (Georgia, Azerbaijan), **telecommunication, computer and information services** as well as services for business (Ukraine and Belarus). **On import side** travel services matter the most for Ukraine, Azerbaijan and Armenia, transport (Ukraine, Belarus and Georgia), other business services (Ukraine and Azerbaijan), construction (Azerbaijan and Belarus).

Table 42: Gross value added by economic activity⁸³ (NACE rev. 2) in the EU and Eastern Partnership countries 2015⁸⁴ (%)

EaP Country	Industry (excl. construction)	Agriculture	Services	Construction
EU28 ¹	19.0	1.5	74.0	5.4
Armenia	17.8	19.0	52.8	10.4
Azerbaijan	37.0	6.8	43.0	13.2
Belarus	30.8	7.8	51.7	9.7
Georgia ¹	24.5 ²	9.2	66.3	-
Moldova	15.0	12.1	69.4	3.6
Ukraine ^{3 4}	23.6	14.0	59.7	2.7

¹Based on World Bank, 2015. ²Including construction. ³Based on ESA 2010. ⁴Excluding territories which are not under effective control of Ukrainian Government and the illegally annexed Autonomous Republic of Crimea and the city of Sevastopol.

Source: Eurostat, World Bank.

In terms of the share of services exports in the nominal GDP, Georgia (22.5%) and Moldova (15.2%) rank the highest and are followed by Armenia (over 14%), Belarus (12%), Ukraine (9%) and Azerbaijan (around 8%).

In 2015, comparing to 2012, Azerbaijan and Georgia noted an increase in opening of their economies whereas in case of Belarus and Moldova the opposite trend was observed. Georgia

⁸³ Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy. In national accounts it is output minus intermediate consumption. In other words it is the total of all revenues, from final sales and (net) subsidies, which are incomes into businesses. Those incomes are then used to cover expenses (wages & salaries, dividends), savings (profits, depreciation), and (indirect) taxes.

⁸⁴ According to the LELP National Statistics of Georgia, in 2016, the shares of industry (including construction), agriculture and services were respectively 25.4%, 9.3% and 65.4%.

and Ukraine improved their export performance whereas Azerbaijan and Belarus noted a decline in the share of exports in their GDP, mainly due to the drop in oil and gas prices.

As notably the exports and the inflow of FDIs are dependent on country's competitiveness and business climate, it is worthwhile to have some indication related to that. To this end the Table 40 presents the ratings of EaP countries in: *Doing Business Index* of World Bank,⁸⁵ *Corruption Perception Index* of Amnesty International⁸⁶ as well as the *Global Competitiveness Index* of the World Economic Forum.⁸⁷

Table 43: Performance of EaP economies, 2015-2017

EaP country	Doing Business Index (out of 190 countries)			Corruption Perception Index		Global Competitiveness Index	
	2015	2016	2017	2015 (rank out of 168 states)	2016 (out of 176 states)	2015-2016 (out of 140 states; Score 1-7)	2016-2017 (out of 138 states; Score 1-7)
Armenia	45	38	47	95	113	82 (4.0)	79 (4.1)
Azerbaijan	80	65	57	119	123	40 (4.5)	37 (4.6)
Belarus	57	37	38	107	79	N/A	N/A
Georgia	15	16	9	48	44	66 (4.2)	59 (4.3)
Moldova	63	44	44	103	123	84 (4.0)	100 (3.9)
Ukraine	96	80	76	130	131	79 (4.0)	85 (4.0)

Source, World Bank, Amnesty International, World Economic Forum.

According to the **Global Competitiveness Index** Azerbaijan scores highest in the EaP region (37th in 2016 and went up by 3 places comparing to preceding year), followed by Georgia (59th position and went up by 7 places). This may mean that both countries have weathered the recent economic crisis better than neighboring economies. However, the recent negative trend in the prices of oil and gas may have an impact on the public budget of Azerbaijan. The country has a relatively efficient labor market but faces, however, **two main challenges to further development which are to certain extent similar for other countries in the EaP region: corruption** (with exception of Georgia) is still the most serious obstacle for doing business; **difficult access to finance** (Armenia, Georgia), **policy instability** (Moldova, Ukraine), **inefficient public administration** (Armenia). These issues are particularly problematic for countries that need private investments to diversify their economies, notably at a time when commodity prices are forecasted to remain relatively low.

Table 44: EaP countries' credit ratings (as on 15 September 2017)⁸⁸

⁸⁵ *Doing Business* measures regulations affecting 11 areas surrounding a business activity. Ten of these areas are included in 2017 ranking on the ease of doing business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. For more see: World Bank, *Doing Business 2017, Equal Opportunity for All*, 25 October 2016 <http://www.doingbusiness.org/reports/global-reports/doing-business-2017>

⁸⁶ Transparency International, *Corruption Perception Index 2016*, Surveys, 21 January 2017, https://www.transparency.org/news/feature/corruption_perceptions_index_2016

⁸⁷ For *Global Competitiveness Report 2016-2017* see: <https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1>

⁸⁸ The credit-rating companies issue credit ratings (short-term and long-term) for the debt of public and private companies, and other public borrowers such as governments and governmental entities. The ratings constitute evaluation of the credit risk of a prospective debtor (an individual, a business company or a government), predicting their ability to pay back the debt, and an implicit forecast of the likelihood of the debtor to defaulting.

EaP Country	Standard & Poor's		Moody's		Fitch Group	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Armenia	Not rated		B1 (08.2017)	Stable	BB+ (06.2017)	Stable
Azerbaijan	BB+ (07.2016)	Negative	Ba2 (08.2017)	Stable	BB+ (02.2016)	Negative
Belarus	B- (10.2013)	Stable	Caa1 (06.2017)	Stable	B- (07.2017)	Positive
Georgia	BB- (11.2016)	Stable	Ba2 (09.2017)	Stable	BB- (04.2015)	Stable
Moldova	Not rated		B3 (08.2017)	Stable	Not rated	
Ukraine	B- (10.2015)	Stable	Caa2 (08.2017)	Positive	B- (11.2016)	Stable

Source: Standard & Poor's, Moody's and Fitch Group.

The scores and outlooks presented in Table 44 show that EaP countries need to continue the reforms in order to enhance financial and economic stability as the ratings and outlooks available from S&P, Moody's and Fitch Group as on 15 September 2017 were following:

Armenia: B1/BB+ with stable outlook by Moody's and Fitch Group (obligations are considered speculative and subject to substantial credit risk and they are in the higher end of its generic category).

Azerbaijan: Ba2 with stable outlook by Moody's (obligations are considered speculative and subject to substantial credit risk and are in higher end of its generic category); BB+ with negative outlook by S&P and Fitch Group (an obligation is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation).

Belarus: Caa1 with stable outlook by Moody's and B- by S&P (obligations are judged to be speculative of poor standing and are subject to very high credit risk; they are in the higher end of its generic category) and positive outlook by Fitch Group,

Georgia: BB-/Ba2 with stable outlook by the three rating agencies (obligation is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation).

Moldova: B3 with stable outlook by Moody's (obligations are considered speculative and are subject to high credit risk).

Ukraine: B- with stable outlook by S&P and Fitch Group (financial situation varies noticeably) and upgrade from Caa3 to Caa2 with improved outlook from stable to positive by Moody's.

The more detailed characteristics of the economies of individual EaP countries are presented in the next points. It goes without saying, that the continuation of implementation of market-based policies and reforms will be conducive to encouraging trade, long-term growth and jobs and consequently improve the assessment of the individual countries' performance by international organizations and foreign credit-rating agencies.

1.1. Economy of Georgia

Georgian economy⁸⁹ has undergone significant structural change since the country gained its independence in 1991. Twenty years ago, shares of agriculture, industry and services were more or less evenly split. The share of **agriculture** has since declined steeply and stands at around 9% of gross value added (2015), though this sector **remains important**, given that agricultural production accounts for 45% of rural households' income and subsistence agriculture accounts for 73% of rural employment. Agriculture thus still provides an important safety net for the rural population and also makes an important contribution to exports.

The **industry sector** (including construction) amounts to around **24.5% of the gross value added** and 14.8% in terms of employment, making labor productivity more than twice the level in the rest of the economy. Underpinned by Georgia's WTO membership, the industrial sector is liberalized and open to international trade.

Georgia's economy has become increasingly service-based (over 66% of gross value added in 2015). The telecommunication sector dominates the ICT market in Georgia and is well penetrated by service providers, most of them international companies.

In 2009-2015 Georgian exports have nearly tripled and consists mostly of mining, agrochemicals (fertilizers), metal products, food processing (such as wine, mineral water and nuts), construction materials and equipment and refurbished passenger vehicles. In overall the commodity structure of Georgia's exports is resource-based (see Table 16) and dominated by crude materials (inedible except fuels) – 18%, food and live animals (17%), beverages and tobacco (15%) and manufactured goods classified chiefly by material (14%). All these product groups account for 64% of Georgia's total merchandise exports. The dependence on resource-based products with limited employment generation has remained relatively high whereas the share of more processed, employment-generating products is limited.

Problems concerning technological sophistication and innovation are the main reasons for low export diversification and limited penetration of new markets. To support the private sector, two new agencies – the **Entrepreneurship Development Agency (EDA)**⁹⁰ and the **Innovation and Technology Agency** – were established in 2014 to promote entrepreneurship by improving access to finance, entrepreneurial learning, consultancy services and export promotion and innovation.

In total imports of Georgia from the world (see Table 16) the biggest share is attributed to machinery and transport equipment (29%), manufactured goods qualified chiefly by material (16%) and mineral fuels (14%).

1.2. Economy of Moldova

Over the years, exports of Moldova have significantly been reoriented from the countries of Commonwealth of Independent States (CIS) to the EU. While in 2004 more than 50% of exports were shipped to the CIS, in 2016 almost 2/3 of exports were destined to the EU. This is mainly the result of market access liberalization for Moldovan products by the EU over the last years. In order to better perform on the EU market but also better use the potential of regional markets Moldova needs to support its companies in developing their export abilities. The Export and Investment Promotion Organization (MIEPO), a public institution established

⁸⁹ WTO Trade Policy Review, Georgia, 10 November 2015.

https://www.wto.org/english/tratop_e/tp428_e.htm

⁹⁰ For mission of the Georgian Entrepreneurship Development Agency (Enterprise Georgia) see:

<http://enterprisegeorgia.gov.ge/en/aboutus/Mission--Vission?v=78>

in 1999 and coordinating policy implementation for competitiveness, export promotion and investment attraction in Moldova is instrumental in this respect.

Moldova⁹¹ has **few natural resources** and as concerns its primary energy needs is almost entirely dependent on imports from the Russian Federation. In terms of traditional sectors of the economy the **industry** (excluding construction) constitutes **15%** of the Moldovan gross value added, whereas **agriculture over 12%** and services almost 70%.

Moldova remains a **net importer of industrial goods** on account of sustained dynamism in imports of machinery and transport equipment (21% of its total imports from the world in 2015), manufactured goods classified chiefly by material (20%) and chemical products (16%) – see Table 15. The manufacturing sector's challenges include limited access to financing, nearly depreciated fixed assets, high energy costs, and low levels of innovation and adoption of new technologies. Domestic support to manufacturing mainly takes the form of incentives granted within industrial parks and free economic zones.

Agriculture has traditionally been an important pillar of the Moldovan economy, on account of fertile land; moreover, Moldova is a **net exporter** in this sector. Nevertheless, the agriculture continues to face a number of challenges, including: land fragmentation, infrastructure deficiencies, limited coverage and poor condition of irrigation systems, a weak system of sanitary and phytosanitary control, and a declining and ageing rural labor force.

The **food and beverage industries dominate manufacturing activity**, representing over 43% of the sector's output. In terms of exports to the world (see Table 15) food and live animals, beverages and tobacco accounted for 34% of all exports in 2015 followed by miscellaneous manufactured articles (22%) and machinery and transport equipment (16%) in 2015.

1.3. Economy of Ukraine

In Ukraine⁹², richly endowed with fertile soils, **agriculture has emerged as a key growth sector**; this is also reflected in Ukraine's position as one of the **major world exporters of grains and oilseeds**. Share of agriculture in the Ukrainian economy has been increasing steadily, reaching about **14% of gross value added in 2015** (the second rank in EaP region after Armenia) – unlike many countries, where agriculture shows a secular decline. Far from being an agrarian economy, Ukraine has long been highly urbanized owing to "forced industrialization" during Soviet Union times. Agricultural products are by far number one in exports, while **steel products come in second. In addition**, Ukraine has also inherited a number of high-tech industries in aviation, aerospace and other sectors.

The industrial sector is subject to a long-run relative decline, in particular because of the weak performance of the heavy industry. The food industry has overtaken the machine-building, metallurgical and chemical industries as the leading industry in terms of output. This shift reflects a **restructuring of the economy from heavy to light industries benefitting from growing demand for consumer goods**. The depreciation of the Hryvnia's exchange rate has further boosted wage competitiveness and hence Ukraine's attractiveness for light industries.

⁹¹ WTO Trade Policy Review, Moldova, 14 September 2015.

https://www.wto.org/english/tratop_e/tpr_e/tp423_e.htm

⁹² WTO Trade Policy Review, Ukraine, WT/TPR/S/334, 15 March 2016.

https://www.wto.org/english/tratop_e/tpr_e/tp434_e.htm

The **industry sector contributed to almost 24%** of gross value added in 2015⁹³, while the services sector accounts for almost 60%.

The structure of economy described above finds reflection in the pattern of Ukrainian exports to the world which is dominated by manufactured goods classified chiefly by material (28%), food and live animals (24%), crude materials, inedible, except fuels (15%) and machinery and transport equipment (12%). In the overall imports mineral fuels (29%), machinery and transport equipment (21%) and chemical products (14%) occupy the most prominent role (see Table 14).

Although over time the share of EU market in overall exports of Ukraine has become much bigger than the market of Russia, but it is also more challenging. **Ukrainian companies seeking to enter EU markets face several specific challenges** related to competitiveness of the products with higher value added, obsolete export strategies, poor knowledge of foreign markets, and limited marketing and communications skills. To remedy this situation the **Export Promotion Office (EPO)** has been set up in March 2017 as part of government's efforts to support Ukrainian exporters and help them expand globally.

1.4. Economy of Armenia

Out of traditional sectors of the economy **agriculture is providing almost one fifth of the gross value added** in Armenia (the biggest share in EaP group), followed by industry (excluding construction) with a bit smaller share and the construction (over 10%). Services represent over 50%.

Armenia, though not as dependent as Azerbaijan on natural resources (see point 6), is also dependent on commodity prices as (according to Eurostat data for 2016) the country **exports mainly crude materials**, inedible, except fuels (24%), **beverages and tobacco** (22%) and manufactured goods classified chiefly by material (19%). The main product groups on the import side are: manufactured goods classified chiefly by material (20%), machinery and transport equipment and mineral fuels (both 18% respectively) – see Table 23

The enhanced trade with the EaP countries could be a way of compensating the weak domestic demand in Armenia and the declining remittances (mainly due to economic crisis in Russia). Armenia's economy is harmed by a high unemployment rate (18% and close to 30% in case of young people). In 2015-2016, there was a cumulative deflation of 1.4%, partly because of the dollarization of the loans, but also as a result of the low national consumption. The poverty rate is high (22.6% of the population has less than USD 2.5/day PPP terms, while 71.7% of the population live with less than USD 5/day PPP⁹⁴). More **openness to foreign trade might compensate for the low domestic demand**. Armenia has a closed border with two of its neighbors (Azerbaijan and Turkey), it is therefore heavily dependent on Georgia and Russia in terms of its external trade.

1.5. Economy of Azerbaijan

The structure of Azerbaijan's economy is hardly comparable to economies of other Eastern partners, given that **the country disposes of a pool of natural resources** (Azerbaijan's proven crude oil reserves are at 7 billion barrels). In 2015, the **industry sector** (excluding construction) created **37% of the gross value added** whereas services - 43%, construction - over 13% and **agriculture less than 7%**. The biggest share of industry in gross value added in the EaP region stems from the fact that Azerbaijan is **very dependent on the oil and gas**

⁹³ . The 50% industry share in GDP in 1991 was unsustainable, and largely due to a Soviet model of production.

⁹⁴ World Bank data, 2015.

industry sector. The Azeri authorities aim at diversification of the economy and to this end they have already targeted the development of other sectors, namely agriculture, tourism, financial services, heavy industry, machinery, and logistics.

The pattern of **exports of Azerbaijan fully reflects its economic structure i.e. the mineral fuels, lubricants and related materials account for 87%** (2015) followed by food and live animals (6%) whereas share of other groups of products is negligible. Thanks to the revenues from exports of mineral fuels Azerbaijan's GDP per capita (PPP) is almost at the same level as Belarus' one, well above the average of the 4 other EaP countries (see Table 39). In terms of the main sectors in total imports of Azerbaijan the machinery and transport equipment (34%), manufactured goods classified chiefly by material (26%) and food and animal products (10%) amount to 70% (see Table 24).

Azerbaijan needs both to minimize the negative impact of low oil prices on its fiscal situation and on the financial sector (problems of the biggest bank IBA), and to restore the confidence of the public and investors. Opening trade to its neighbors could be a booster to take up these challenges. The low oil-price environment may lead Azerbaijan to get closer to the EaP, and to "*intensify*" – as stated in July 2016 – WTO accession talks.

1.6. Economy of Belarus

Economy of Belarus is characterized by the dominance of **industry** (the second after Azerbaijan) amounting to over **30% of gross value added**, whereas services amount to almost 52%, construction over 13% and **agriculture only less than 8%**. The economy is quite open compared to other EaP countries; nevertheless its economic model is outdated.

The overall pattern of **exports is relatively well diversified**. In 2016 mineral oil products accounted for 21%, whereas machinery and transport equipment, chemicals, manufactured goods classified chiefly by material as well as food and live animals amounted to 16% respectively. It is worth noting that Belarus exports very different products to various markets. It provides the EU market primarily with transport equipment, petroleum products, and other commodities with relatively low added value. In contrast, a much wider basket is sold on Russia and other CIS markets (petroleum products but also vehicles (tractors) and animal agricultural products, as well as processed food, plastics, metals, and textile products).

In terms of shares in total imports of Belarus the mineral fuels (27%), machinery and transport equipment (20%), manufactured goods classified chiefly by materials (15%) and food and live animals (13%) are the most prominent product groups (see Table 25).

While looking at the trade structure one should take into account that Belarusian economy is dependent firstly, on supplies of oil (90% of total imports on which the refineries are entirely dependent) and gas (100%) from Russia as well as on a general performance of Russian economy, and secondly, on the international price level of commodities. The gas prices are crucial for the profitability of the predominantly outdated industry in Belarus (e.g. nitrate and potassium factories) which is using gas in the production cycle, and the oil prices are important for petrochemical sector that is of strategic importance for the performance of the Belarusian economy as a whole. Thus, Belarus needs to increase efforts to further diversify its export and imports structure, both with respect to the product sectors and the markets targeted.

2. The intra-regional trade of Eastern Partnership countries

The short description of the six Eastern Partnership countries' economies shows **differences in the size** not only of their territories and population but also **of their economic potential measured by GDP based on PPP**. Three out of six EaP countries i.e. Ukraine, Belarus and Azerbaijan deliver almost 90% of the total GDP of the region. The **weight of traditional sectors i.e. of agriculture and commodities (notably energy products) is still relatively high impacting the EaP countries' export structure** which is dominated by commodities and less value added products. In such context, **more foreign trade might serve as useful tool for restructuring and diversification** of their economies and trade, making them less dependent from commodity prices, leading to more balanced-structure economies and contributing to accumulation of capital.

In spite of the liberalization of trade in goods on the basis of regional (CIS FTA, GUAM FTA) and several bilateral FTAs concluded in the past (see Chapter III), the **level of intra-regional trade i.e. among the EaP countries is relatively small** (see Tables 43 and 44).

Table 45: Trade of Eastern Partnership countries with the world and with EaP region/countries and with Russia (million EUR), 2016

EaP trade with	World		EaP		Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine		Russia	
	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp
Armenia	1,604.1	2,918.2	151.1	204.0			2.0	1.9	12.8	21.2	128.7	88.2	0.3	0.9	7.2	91.9	335.1	899.3
Azerbaijan ¹	10,209.0	8,302.1	469.2	418.0					1.7	75.3	404.8	61.3	0.4	3.2	62.3	278.2	371.8	1,295.3
Belarus	21,152.8	24,811.4	2,817.9	998.1	19.6	6.1	99.4	10.6			48.1	14.3	102.0	98.4	2,548.9	868.6	9,679.0	13,524.6
Georgia	1,909.6	6,537.0	359.3	1,082.5	136.1	195.9	138.6	447.5	16.5	52.4			1.8	9.8	66.2	377.0	186.3	609.8
Moldova	1,847.8	3,632.1	158.7	440.5	0.8	0.3	4.2	0.5	93.5	91.5	15.3	1.4			44.9	346.8	210.7	483.5
Ukraine ¹	34,364.2	33,813.6	1,999.2	2,334.2	91.5	6.6	287.4	27.3	784.8	2,207.4	363.0	55.7	472.5	37.2			4,351.3	6,753.2
TOTAL	71,087.4	80,014.2	5,955.4	5,477.4	248.1	209.0	531.7	487.9	909.2	2,447.8	959.8	220.8	577.1	149.5	2,729.5	1,962.6	15,134.1	23,565.7

¹Data from 2015

Source: ITC/COMTRADE

Table 46: Trade of Eastern Partnership countries with EaP region/countries and with Russia as % of their total trade with the world, 2016

EaP trade with	World		EaP		Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine		Russia	
	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp
Armenia	100.00	100.00	9.42	6.99	0.00	0.00	0.13	0.06	0.79	0.73	8.02	3.02	0.02	0.03	0.45	3.15	20.89	30.82
Azerbaijan ¹	100.00	100.00	4.60	5.03	0.00	0.00	0.00	0.00	0.02	0.91	3.97	0.74	0.00	0.04	0.61	3.35	3.64	15.60
Belarus	100.00	100.00	13.32	4.02	0.09	0.02	0.47	0.04	0.00	0.00	0.23	0.06	0.48	0.40	12.05	3.50	45.76	54.51
Georgia	100.00	100.00	18.81	16.56	7.13	3.00	7.26	6.85	0.86	0.80	0.00	0.00	0.10	0.15	3.47	5.77	9.76	9.33
Moldova	100.00	100.00	8.59	12.13	0.04	0.01	0.23	0.01	5.06	2.52	0.83	0.04	0.00	0.00	2.43	9.55	11.40	13.31
Ukraine ¹	100.00	100.00	5.82	6.90	0.27	0.02	0.84	0.08	2.28	6.53	1.06	0.16	1.38	0.11	0.00	0.00	12.66	19.97
TOTAL	100.00	100.00	8.38	6.85	0.35	0.26	0.75	0.61	1.28	3.06	1.35	0.28	0.81	0.19	3.84	2.45	21.29	29.45

¹Data from 2015

Source: ITC/COMTRADE

The share of EaP region in the total trade with the world of the individual EaP countries accounts for between 4.6% and 18.8% on the export side and between 4.0% and 16.6% on the import side. The highest shares of EaP region in overall exports are noted for Georgia (18.8%), Belarus (13.3%) and Moldova (8.6%). As concerns imports, the ranking shows Georgia (16.6%), Moldova (12.1%) and Armenia and Ukraine (around 7% respectively) on the top places.

In the meantime, the **EU** (the world's largest regional market with high purchasing power), **has become the main trading partner** (accounting for between 24% and 65% of total exports and between 20% and 49% of overall imports) **for five out of six Eastern partners** (see Table 7), with exception of Belarus for which the EU is the second origin and destination of foreign trade after Russia (worth to note that apart from trade flows, the EaP countries rely heavily on EU investment as well).

Russia still remains among the most important trading partners for EaP (notably among CIS and Eurasian Economic Union members). It is reflected in the fact that **for Belarus and Armenia** (the latter only in terms of exports) **Russia is the first partner** and **for all other EaP countries (with exception of Azerbaijan in terms of its exports) Russia is the second partner after the EU**. The lowest shares of Russia are noted in total exports of Azerbaijan (3.6%) and Georgia (9.9%) and on imports side for Georgia (9.3%) and Moldova (13.3%).

Trade within the GUAM FTA (Georgia, Ukraine, Azerbaijan and Ukraine) is small and amounts to 7% of the total EaP exports and only 4% of total imports (the biggest shares of GUAM on export side have been noted for Belarus (13%) and Georgia (11%), whereas for Georgia (13%) and Moldova (10%) in imports).

VI. Conclusions based on the preliminary fact-finding

The development of Eastern Partnership initiative is based on a demand driven process but also reflects a clear EU interest to support stability and prosperity of the countries in its neighborhood. Therefore, in the trade policy context, the **EU follows the principles of differentiation and responds to individual aspirations, interests and abilities of neighbouring partners**. Simultaneously, these principles determine the need for more flexibility in EU's trade agreements, i.e. aiming at economic integration with those EaP countries that embarked on the deep and comprehensive free trade areas (DCFTAs) and at the lighter, more flexible trade agreements/arrangements for those which – for different reasons - do not want to follow the DCFTA path.

Notwithstanding the **growing role of the EU (the world's largest regional market)**, followed by Russia **in the EaP countries' trade**, despite the already completed liberalization of trade in goods on the basis of regional (CIS FTA, GUAM FTA) and several bilateral FTAs concluded in the past (see Chapter III), **the intra-regional trade, i.e. among the EaP countries remains relatively limited**. The question arises what are the reasons behind it and what can be done in order to improve this situation. For the sake of a diagnosis it would be worthwhile to look at quantitative evidence e.g. by using the gravity model with its different variables (distance, size of the economies and their purchasing powers, etc.), and assessing the complementarity and competitiveness of trade in different sectors (indexes on the revealed comparative advantage (RCA) or on trade intensity).⁹⁵

⁹⁵ Usually the lower level of complementarity i.e. the bigger level of competitiveness of the protected sectors, the potential for trade intensification is higher as a result of trade liberalization.

In today's world of global specialization, **geographical and cultural proximity is an asset if the neighbouring countries can benefit of** economies of scale, do not suffer from domestic supply constraints and have an adequate level of elasticity of supply, as well as enjoy production factors mobility, efficient border crossing procedures, low transport and communication costs and good quality institutions to sustain their production and trade capacity. However, **for countries on a development and transformation path, the demand-driven economic growth is usually coming from trade with the developed countries where the world's strongest demand comes from** and where also the most efficient suppliers are located. The truth is that smaller Eastern Partnership countries have a limited and similar range of traded goods (with exception of Azerbaijan which differs due to almost solely energy resources based economy), hence diversification and specialization in some intermediate products (for the sake of economies of scale) are needed for a trade enhancement in the region.

The **Deep and Comprehensive Free Trade Areas** as part of the Association Agreements **between European Union and Georgia, Moldova and Ukraine** respectively, are at the beginning of their implementation. This stage includes - among others - a more detailed programming of the trade-related reforms through adoption of strategies and roadmaps by the countries concerned. Simultaneously, due to the dynamic regulatory approximation embedded in the Association Agreements, certain annexes in the AA are being updated due to the evolution of EU acquis. The first results (the continuously growing share of the EU as trade partner, increasing number of companies trading within the free trade areas with the EU, new products traded) can already be observed in the countries implementing DCFTAs but **bigger benefits are to be expected in the medium to longer term** when tariff dismantling is completed as well as the approximation with the EU acquis well advanced and the planned reforms enter into force on time and are implemented on the ground.

The description of the timetables of commitments related to market opening in goods⁹⁶ allows drawing a conclusion that **at certain point of time** (in maximum 10 years from the start of elimination/reduction of customs tariffs) **substantially all trade in goods will be liberalized in trade between the EU and DCFTA partners** (with Georgia this stage has already been achieved). If on top of that – in medium- to longer term – the DCFTA partners reach an advanced level of regulatory approximation with the EU acquis and present the ability to enforce it effectively, they will have a chance to integrate with the EU's internal market in the area of public procurement and provision of services in certain sectors.

Taking into account this perspective a **question arises if the largely similar emerging legal framework in trade related areas**, as a result of the DCFTAs with the EU, does not create an incentive for deepening the currently functioning FTAs (bilateral or regional) **between Georgia, Moldova and Ukraine** and making them more comprehensive for the sake of stimulating regional integration.

With regard to the other three Eastern partners (Armenia, Azerbaijan and Belarus), the consideration/finalisation of an enhanced form of contractual trade relations with the EU is taking place while two of them, namely Belarus and Azerbaijan, have still not concluded their WTO accession process. In this context, the idea (mentioned in the Joint Declaration from 2015 EaP Summit in Riga) of a *wider economic area based on the WTO rules*, appears to be a long-term perspective. Moreover, Armenia and Belarus are members of the Eurasian

⁹⁶ Worth to recall that in accordance with the asymmetry principle benefiting its partners the EU liberalized considerably the access to its market, notably for industrial goods at the provisional start of application of the DCFTAs.

Economic Union and this status implies that their competence for concluding FTAs in the area of goods has been transferred to the Eurasian Economic Commission.

It seems, however, that the performance of **Eastern Partnership countries' companies exporting to regional markets depends not only on trade liberalization on the basis of concluded FTAs** but also is determined by several structural and trade facilitation aspects e.g. by connectivity in terms of transport and communication infrastructures, efficient procedures at border crossings, regulatory similarities and administrative capacity in trade-related matters, including the development of **authorised economic operator (AEO)** programmes. Through mutual recognition by partner countries, AEOs could benefit from facilitated customs procedures, including controls and transit throughout the region. The ability of individual EaP partners to effectively promote exports and getting into international value chains is also very important in terms of development of intra-regional trade.

Having said this, **the instruments available under Eastern Partnership could be strengthened and enriched** in order to better contribute - at country and regional level - **to creating policies that help to enhance foreign trade capacity of the six EaP countries.** This could concern for example more of the well targeted investment in multi-country **transport infrastructure projects** financed from the **Neighbourhood Investment Facility (NIF)**⁹⁷ as well as from the **External Investment Plan** adopted on 27 September 2017.⁹⁸ The technical assistance should focus on reforms aiming at **trade facilitation** understood as simplification, modernization and harmonization of export and import processes (the WTO Trade Facilitation Agreement, that entered into force in February 2017, can constitute a basis for implementing certain measures⁹⁹) as well as on helping in export diversification and promotion.

The present factual analysis is not exhaustive in its quantitative and qualitative content and should be considered as a preliminary point of reference for discussion with and among Eastern partners on the means of enhancement of trade and investment in the EaP region, without prejudice to their current contractual relations (FTAs, customs union, non-preferential agreements and arrangements) and institutions functioning under the existing agreements. In order to look in more depth at certain emerging bottlenecks and/or trade irritants the current factual analysis may be complemented at later stage by further specific analyses on certain jointly identified aspects and based, if possible, on evidence from the ground, in accordance with the inclusiveness and ownership principles underpinning the EaP initiative.

The Expert Panel on Trade and Trade-Related Regulatory Cooperation which has been re-launched in June 2017 (under Platform 2: *Economic Development and Market*

⁹⁷ The Neighbourhood Investment Facility was officially launched in 2008 and aims at mobilizing additional funding to for capital-intensive infrastructure projects in EU partner countries covered by the European Neighbourhood Policy (ENP) in such sectors as transport, energy, environment and social development. The NIF supports also the private sector, notably small and medium-sized enterprises, mainly through grants and risk capital operations. It pools grant resources from the EU budget and the EU Member States and uses them to leverage loans from European Financial Institutions as well as contributions from the ENP countries themselves.

⁹⁸ The External Investment Plan is an instrument for Africa and EU Neighbourhood and aims at mobilizing investment and leveraging funds (through the guarantees from new European Fund for Sustainable Development - EFSD) in order to facilitate and encourage (through reducing the risk) investments by private sector. For more see: Commission Communication COM(2016) 581 final from 14.09.2016 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016DC0581&from=EN> and **Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund**, OJ L 249, 27.09.2017

http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2017.249.01.0001.01.ENG

⁹⁹ Armenia, Georgia, Moldova and Ukraine joined the WTO Trade Facilitation Agreement.

Opportunities, of the EaP multilateral architecture) will be the appropriate discussion format for the examination and verification of the factual situation described in this analysis and for the discussion on the possible further medium and long-term prospects for enhancement of intra-regional trade and cooperation which could contribute to gradual economic integration. One should remember, however, that economic integration is a multi-dimensional, long-term process that depends not only on economic variables but also on political courage and willingness of participating partners.

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VII. ANNEXES

ANNEX 1: Content of the current bilateral free trade agreements of the Eastern Partnership states

1. ARMENIA

1.1. Armenia's FTAs with other EaP countries

Content	AR/BE	AR/GE	AR/MD	AR/UA
Reference to GATT/WTO principles	X	X		X
Trade in goods	X	X	X	X
Exceptions in import tariffs liberalization	X			
TRQs for agri products				
Export duties (exceptions?)				
Elimination of quantitative restrictions	X	X	X	X
Rules of origin	X	X	X	X
National treatment (Art. III GATT)	X			
Trade defence (AD & countervailing measures)		X		
Special safeguard measures (Art. XIX of GATT)		X		
Rules on subsidies				
General & security exceptions (Art. XX/XXI of GATT)	X	X	X	X
Customs related procedures	X	X	X	X
TBT				
SPS				
Services				
IPR				
Public procurement				
Competition rules	X	X	X	X
Freedom of transit	X	X	X	X
Restrictions to protect balance of payments	X		X	
Dispute settlement	X	X	X	X
Provisions on trade-related approximation or reforms				
Any other specific/institutional issue	X	X	X	

1.2. Armenia's FTAs with former Soviet Union Republics

Content	AR/RU	AR/KZ	AR/KG	AR/TJ	AR/TM
Reference to GATT/WTO principles					
Trade in goods	X	X	X	X	X
Exceptions in import tariffs liberalization	X				
TRQs for agri products					
Export duties (exceptions?)					
Elimination of quantitative restrictions	X	X	X	X	X
Rules of origin	X	X	X	X	X
National treatment (Art. III GATT)	X	X			
Trade defence (AD & countervailing measures)	X				
Special safeguard measures (Art. XIX of GATT)	X				
Rules on subsidies	X		X		
General & security exceptions (Art. XX/XXI of GATT)	X	X	X	X	X
Customs related procedures	X	X	X	X	X
TBT					
SPS					
Services					
IPR					
Public procurement					
Competition rules	X	X	X	X	X
Freedom of transit	X	X	X	X	X
Restrictions to protect balance of payments	X	X	X	X	X
Dispute settlement	X	X	X	X	X
Provisions on trade-related approximation or reforms					
Any other specific/institutional issue	X	X	X	X	X

2. AZERBAIJAN

2.1. Azerbaijan FTAs with other EaP countries

Content	AZE/BY	AZE/GEO	AZE/MO	AZE/UA
Reference to GATT/WTO principles	x	x	x	x
Trade in goods	x	x	x	x
Exceptions in import tariffs liberalization	All exceptions eliminated	All exceptions eliminated	All exceptions eliminated	All exceptions were eliminated
TRQs for agri products				
Export duties (exceptions?)				
Elimination of quantitative restrictions	x	x	x	x
Rules of origin	x	x	x	x
National treatment (Art. III GATT)				
Trade defence (AD & countervailing measures)				
Special safeguard measures (Art. XIX of GATT)				
Rules on subsidies				
General & security exceptions (Art. XX/XXI of GATT)				
Customs related procedures				
TBT				
SPS				
Services				
IPR				
Public procurement				
Competition rules				
Freedom of transit				
Restrictions to protect balance of payments				
Dispute settlement	x	x	x	x
Provisions on trade-related approximation or reforms				
Any other specific/institutional issue				

2.2. Azerbaijan FTAs with the former Soviet Union Republics

Content	AZE/KAZ	AZE/KYR	AZE/RUS	AZE/TAJ	AZE/TURK	AZE/UZB
Reference to GATT/WTO principles	x	x	x	x	x	x
Trade in goods	x	x	x	x	x	x
Exceptions in import tariffs liberalization	All exceptions eliminated	All exceptions eliminated	All exceptions eliminated	All exceptions eliminated	All exceptions eliminated	All exceptions eliminated
TRQs for agri products						
Export duties (exceptions?)			x			
Elimination of quantitative restrictions	x	x	x	x	x	x
Rules of origin	x	x	x	x	x	x
National treatment (Art. III GATT)			x	x		
Trade defence (AD & countervailing measures)				x		
Special safeguard measures (Art. XIX of GATT)						
Rules on subsidies			x			
General & security exceptions (Art. XX/XXI of GATT)				x		
Customs related procedures			x	x		
TBT				x		
SPS				x		
Services						
IPR				x		
Public procurement						
Competition rules			x			
Freedom of transit						
Restrictions to protect balance of payments						
Dispute settlement	x	x	x	x	x	x
Provisions on trade-related approximation or reforms						
Any other specific/institutional issue			RU-AZE Intergv. Comm. on econ. coop. from 08.2006			

3. BELARUS

3.1. Belarus' FTAs with other Eastern Partnership countries

Content	BLR/ARM	BLR/AZ	BLR/GEO	BLR/MD	BLR/UA
Reference to GATT/WTO principles	Preamble				
Trade in goods	Art 1	Art 1, 2		Art 1	Art 1
Exceptions in import tariffs liberalization		Art 1, 3		Art 3	Art 3
TRQs for agri products					
Export duties (exceptions?)					
Elimination of quantitative restrictions	Art 3, possible in exceptional cases	Art 1		Art 1, 2, 3	Art 1,2,3
Rules of origin	Art 1	Art 1		Art 1	Art 1
National treatment (Art. III GATT)					
Trade defence (AD & countervailing measures)	Art 3	Art 1		Art 3	Art 3
Special safeguard measures (Art. XIX of GATT)	Art 3	Art 3		Art 3	Art 3
Rules on subsidies					
General & security exceptions (Art. XX/XXI of GATT)					
Customs related procedures	Art 1, 5, 6, 8	Art 5, 7		Art 5, 7, 9	Art 5,7,9
TBT					
SPS					
Services					
IPR					
Public procurement					
Competition rules	Art 7	Art 6		Art 8	Art 8
Freedom of transit	Art 9	Art 8		Art 10	Art 10
Restrictions to protect balance of payments	Art 3				
Dispute settlement	Art 13	Art 11		Art 15	Art 15
Provisions on trade-related approximation or reforms					
Any other specific/institutional issue		Bilateral commission on trade and economic cooperation		Bilateral commission on trade and economic cooperation; Establ. of Trade representation	Bilateral commission on trade and economic cooperation; Establ. of Trade representation

3.2. Belarus' FTAs with former Soviet Union Republics

Content	BLR/KAZ	BLR/KYR	BLR/RUS	BLR/TAJ
Reference to GATT/WTO principles	Preamble	-	-	Preamble
Trade in goods	Art 1, 2, 3	Art 2,3,4	Art 1, 2	Art 1,2
Exceptions in import tariffs liberalization	Art 4	Art 4	Art 3	Art 3
TRQs for agricultural products	-	-	-	-
Export duties (exceptions?)				
Elimination of quantitative restrictions	Art 3	Art 3, 4	Art 3	Art 3
Rules of origin	Art 2	Art 2	Art 1	Art 1
National treatment (Art. III GATT)	-	-	-	-
Trade defence (AD & countervailing measures)	Art 4	Art 4	Art 3	Art 3
Special safeguard measures (Art. XIX of GATT)	-	-	-	-
Rules on subsidies	-	-	Art 9	-
General & security exceptions (Art. XX/XXI of GATT)	-	-	-	-
Customs related procedures	Art 7, 9, 11	Art 7, 9, 11	Art 4, 5, 6, 8	Art 5,6,7, 9, 12
TBT	-	-	-	-
SPS	-	-	-	-
Services	-	-	-	-
IPR	-	-	-	-
Public procurement	-	-	-	-
Competition rules	Art 8	Art 8	Art 7	Art 8
Freedom of transit	Art 10	Art 10	Art 10	Art 10
Restrictions to protect balance of payments	Art 4	Art 4	Art 3	Art 3
Dispute settlement	Art 16	Art 16	Art 15	Art 15
Provisions on trade-related approximation or reforms	-	Preamble (aim for common economic space)		Preamble (aim for common economic space)
Any other specific/institutional issue	Export control coordination	Export control coordination	Joint export control council, Bilateral commission on trade and economic cooperation; Establishment of Trade representation	Bilateral commission on trade and economic cooperation

3.3. Belarus' FTAs with other trade partners

Content	BLR/Serbia
Reference to GATT/WTO principles	Preamble
Trade in goods	Art 2, 5
Exceptions in import tariffs liberalization	Art 2/Annex A
TRQs for agri products	-
Export duties (exceptions?)	-
Elimination of quantitative restrictions	Art 4
Rules of origin	Art 8
National treatment (Art. III GATT)	-
Trade defence (AD & countervailing measures)	Art 16, 17
Special safeguard measures (Art. XIX of GATT)	Art 16, 17
Rules on subsidies	Art 15
General & security exceptions (Art. XX/XXI of GATT)	Art 11, 12
Customs related procedures	-
TBT	Art 6
SPS	Art 7
Services	-
IPR	Art 13
Public procurement	-
Competition rules	-
Freedom of transit	Art 9
Restrictions to protect balance of payments	Art 19
Dispute settlement	Art 18
Provisions on trade-related approximation or reforms	-
Any other specific/institutional issue	-

4. GEORGIA

4.1. Georgia's FTAs with other EaP countries

Content	GEO/AM	GEO /UA	GEO/AZ
Reference to GATT/WTO principles	Yes	Yes	Yes
Trade in goods	Art. 1 - 2 – 3	Art. 1, para 2	Art. 1 - 2
Exceptions in import tariffs liberalization	Art. 6, para 2	N/A	Art. 6
TRQs for agri-products	N/A	N/A	N/A
Export duties (exceptions?)	Art. 1, para 1	Art. 1, para 1	Art. 1, para 1
Elimination of quantitative restrictions	Art. 2 - 3	Art. 2 – para 2	Art. 2 Art. 3, para 2
Rules of origin	Art. 1, para 1	Art. 1, para 2	Art. 1, para 1
National treatment (Art. III GATT)	Under the general acknowledgment of GATT Principles	Under the general acknowledgment of GATT Principles	Under the general acknowledgment of GATT Principles
Trade defence (AD & countervailing measures)	Art. 16	Art. 3	Art. 3, para 2, 3, 4
Special safeguard measures (Art. XIX of GATT)	Under the general acknowledgment of GATT Principles	Under the general acknowledgment of GATT Principles	Under the general acknowledgment of GATT Principles
Rules on subsidies	N/A	N/A	N/A
General & security exceptions (Art. XX/XXI of GATT)	Under the general acknowledgment of GATT Principles	Under the general acknowledgment of GATT Principles	Under the general acknowledgment of GATT Principles
Customs related procedures	Art. 8 - 9	Art. 4, para 3 Art. 8, para 1	Art. 8, para 1 Art. 9, para 2
TBT	N/A	N/A	N/A
SPS	Art. 10	Art. 3	Art. 10
Services	N/A	N/A	N/A
IPR	Art. 10	Art. 3	Art. 10
Public procurement	N/A	N/A	N/A
Competition rules	Art. 7	Art. 7	Art. 7
Freedom of transit	Art. 9	Art. 9	
Restrictions to protect balance of payments	N/A	N/A	Art. 3, para 2
Dispute settlement	N/A	Art. 11	Art. 13
Provisions on trade-related approximation or reforms	N/A	N/A	N/A
Any other specific/institutional issue	Art. 17	Art. 12	Art. 13

4.2. Georgia's FTAs with former Soviet Union Republics

Content	GEO/KZ	GEO/RU	GEO/TM
Reference to GATT/WTO principles	Yes	N/A	N/A
Trade in goods	Art. 1	Art. 1, para 2	Art. 2
Exceptions in import tariffs liberalization	Art. 2, para 1,2 and Protocol	Art. 3, para 2	N/A
TRQs for agri products	N/A	N/A	N/A
Export duties (exceptions?)	Art. 2, para 1	Art. 1, para 1	Art. 1, para 1
Elimination of quantitative restrictions	Art. 2, para 1 Art. 4	Art. 3	Art. 3
Rules of origin	Art. 2, para 1, 3 Art. 3, para 2	Art. 1 Art. 11, para 2	Art. 1, para 2
National treatment (Art. III GATT)	Under the general acknowledgment of GATT Principles	N/A	N/A
Trade defence (AD & countervailing measures)	Art. 4, para 4	N/A	N/A
Special safeguard measures (Art. XIX of GATT)	Art. 4, para 3	N/A	N/A
Rules on subsidies	N/A	N/A	N/A
General & security exceptions (Art. XX/XXI of GATT)	Art. 4, para 3	N/A	N/A
Customs related procedures	Art. 2, para 1, Art. 3 Art. 5, para 3, Art. 9, para 1	Art. 10, para 1	Art. 7, para 1
TBT	N/A	N/A	N/A
SPS	Art. 11	Art. 12	Art. 9
Services	Art. 7, para 1, Art. 10, para 2	Preamble	
IPR	Art. 11	Art. 12	Art. 9
Public procurement	N/A	N/A	N/A
Competition rules	Art. 8, para 1	Art. 8	Art. 6
Freedom of transit	Art. 10, para 1, 2	Art. 11, para 1,2	Art. 8
Restrictions to protect balance of payments	N/A	Art. 3, para 2	Art. 9
Dispute settlement	Art. 14, para 1	Art. 16	Art. 12
Provisions on trade-related approximation or reforms	N/A	N/A	N/A
Any other specific/institutional issue	N/A	Art. 7	Art. 13

4.3. Georgia's FTAs with other important trade partners

Content	GE/TR	GE/EFTA	Observations
Reference to GATT/WTO principles	Yes	Yes	
Trade in goods	Art. 1	Art. 1	
Exceptions in import tariffs liberalization	Art. 3, Annex I Art. 16	N/A	
TRQs for agro-products	Annex II to Protocol I – Table B		
Export duties (exceptions?)	Art. 2	N/A	
Elimination of quantitative restrictions	Art. 7	Art. 2.6	Paragraph 1 of Article XI of the GATT 1994 shall apply and is hereby incorporated into and made part of this Agreement, mutatis mutandis
Rules of origin	Art. 12, Art. 18	Annex II, Art. 8.7	
National treatment (Art. III GATT)	Under the general acknowledgment of GATT Principles		
Trade defence (AD & countervailing measures)	Art. 13	Art. 2.13, Art. 2.14	
Special safeguard measures (Art. XIX of GATT)	Art.14	Art. 2.15 Art. 2.16	
Rules on subsidies	Art. 21	Art. 5.16	
General & security exceptions (Art. XX/XXI of GATT)	Art. 29	Art. 2.17 Art. 2.18	
Customs related procedures	Art.31	N/A	
TBT	Art. 25	Art. 2.9	
SPS	Art. 10	Chapter 4	
Services	Art. 26	Chapter 5	
IPR	Art. 22	Chapter 7	
Public procurement	Art. 24	Chapter 8	
Competition rules	Art. 23	Chapter 9	
Freedom of transit	Art. 16	N/A	
Restrictions to protect balance of payments	Art. 17	Art. 2.19, Art. 5.15 Art. 6.9	
Dispute settlement	Art. 32	Chapter 12	
Provisions on trade-related approximation or reforms	N/A	N/A	
Any other specific/institutional issue	Art. 28 Art. 37	Art. 2.11 Chapter 11	

5. UKRAINE

5.1. Ukraine's FTAs with other EaP countries

Content	UKR/GE	UKR/MO	UKR/ARM	UKR/BY	UKR/AZ
Reference to GATT/WTO principles	Preamble	Preamble, Article 1	Preamble	Preamble (protocol)	Preamble
Trade in goods	Article 1	Article 1, 2, 3	Article 1	Article 1	Article 1
Exceptions in import tariffs liberalization					
TRQs for agri products					
Export duties (exceptions?)				Article 1(1) (protocol)	
Elimination of quantitative restrictions	Article 3		Article 3		Article 3
Rules of origin	Article 1 (2)	Article 9	Article 1 (2)	Article 1 (2) (protocol)	
National treatment (Art. III GATT)	Article 2	Article 12	Article 2	Article 2	Article 2
Trade defence (AD & countervailing measures)		Article 20, 21, 26		Article 3 (protocol)	Article 3
Special safeguard measures (Art. XIX of GATT)		Article 22, 26		Article 3 (protocol)	
Rules on subsidies		Article 17, 21			
General & security exceptions (Art. XX/XXI of GATT)	Article 8	Article 13, 14	Article 8	Article 11	Article 9
Customs related procedures	Article 6		Article 6	Article 6, 7 (agreement), Article 9 (protocol)	Article 7
TBT	Article 6	Article 6	Article 6		Article 7
SPS		Article 8			
Services					
IPR		Article 19			
Public procurement		Article 18			
Competition rules	Article 5	Article 16	Article 5	Article 8	Article 6
Freedom of transit	Article 7	Article 11	Article 7	Article 10	Article 8
Restrictions to protect balance of payments		Article 25		Article 3 (protocol)	Article 3
Dispute settlement	Article 11	Article 30	Article 11	Article 14 (protocol)	Article 12
Provisions on trade-related approximation or reforms					
Any other specific/institutional issue					

5.2. Ukraine's FTAs with former Soviet Union Republics

Content	UA/KAZ	UA/KG	UA/RU	UA/TD	UA/TK	UA/OZ
Reference to GATT/WTO principles	Preamble	Preamble		Preamble	Preamble	Preamble
Trade in goods	Article 1	Article 1	Article 1	Article 1	Article 1	Article 1
Exceptions in import tariffs liberalization			protocols			
TRQs for agri products						
Export duties (exceptions?)						
Elimination of quantitative restrictions			Protocols, Article 3(4)			
Rules of origin	Article 1(2)	Article 1(2)	Article 1(2)	Article 1(2)	Article 1(2)	Article 1(3)
National treatment (Art. III GATT)	Article 2	Article 2	Article 2	Article 2	Article 2	Article 2
Trade defence (AD & countervailing measures)		Article 3				
Special safeguard measures (Art. XIX of GATT)		Article 3				
Rules on subsidies						
General & security exceptions (Art. XX/XXI of GATT)	Article 3	Article 9	Article 10	Article 3	Article 8	Article 4
Customs related procedures	Article 5,6, 8	Article 5, 7	Article 5, 8	Article 5	Article 4, 6	Article 5, 7
TBT						
SPS						
Services						
IPR						
Public procurement						
Competition rules	Article 7	Article 6	Article 7	Article 6	Article 5	Article 6
Freedom of transit	Article 9	Article 8	Article 9	Article 7	Article 7	Article 8
Restrictions to protect balance of payments	Article 3(1)	Article 3	Article 3 (2)			
Dispute settlement	Article 11, 12	Article 12	Article 14	Article 12	Article 11	Article 12, 13
Provisions on trade-related approximation or reforms						
Any other specific/institutional issue						

5.3. Ukraine's FTAs with other trade partners

Content	UA/EFTA	UA/Montenegro	UA/FYROM	UA/Canada
Reference to GATT/WTO principles	Preamble, Article 1.1, 1.3	Preamble, Chapter I (Article 1, 2)	Preamble, Article 1	Article 1.1, 1.2
Trade in goods	Article 1.1, Chapter 2	Chapter II	Article 1, 4, 5, 6, 7, 15	
Exceptions in import tariffs liberalization	Annex I	Annex I		Article 2.4, Annex 2-B
TRQs for agri products			Protocol B	
Export duties (exceptions?)	Article 2.4	Article 9	Protocol A	Article 2.9
Elimination of quantitative restrictions				
Rules of origin	Article 2.2, 2.11	Article 16, Annex II	Article 24, Protocol C	Chapter 3
National treatment (Art. III GATT)	Article 2.7	Article 12	Article 3	Article 2.3
Trade defence (AD & countervailing measures)	Article 2.13, 2.14	Article 21, 22	Article 18, 22	Chapter 5 (Article 5.8, 5.9)
Special safeguard measures (Art. XIX of GATT)	Article 2.15, 2.16	Article 19, 20, 22	Article 19, 22	Chapter 5 (Article 5.2)
Rules on subsidies	Article 2.13			Article 2.10
General & security exceptions (Art. XX/XXI of GATT)	Article 2.17, 2.18	Article 13	Article 23, 32	
Customs related procedures	Article 2.11	Article 17		Article 2.8, Chapter 4
TBT	Article 2.9	Article 14	Article 9	Chapter 7
SPS	Article 2.8	Article 15	Article 14	Chapter 6
Services	Chapter 3	Chapter III		
IPR	Chapter 5		Article 28	Chapter 11
Public procurement	Chapter 6		Article 29	Chapter 10
Competition rules	Chapter 7		Article 26	Chapter 9
Freedom of transit		Article 18		
Restrictions to protect balance of payments	Article 2.19, 3.15, 4.13	Article 23		Article 2.7
Dispute settlement	Chapter 9	Chapter IV	Article 33	Chapter 17
Provisions on trade-related approximation or reforms				
Any other specific/institutional issue	Investments – Chapter 4; Institutional provisions – Chapter 8	Institutional provisions – Chapter V		Institutional provisions – Section D

ANNEX 2: General overview of the timeline for implementation of the DCFTA regulatory commitments in TBT by Georgia, Moldova and Ukraine

Deadline/No of EU legal acts	1.09.2014 ¹⁰⁰	2015	2016	2017	2018	2019	2020	2021	2022
GEORGIA Technical regulations (TBT) Annex III-A and III-B ¹⁰¹ to Chapter 3	2 New & Global Approach Directives (radio & telecommunication terminal equipment; protective systems in explosive atmospheres)								
	8 New & Global Approach Directives (traceability of explosives for civil use, 3 - medical devices (incl. in vitro diagnostic and implantable), appliances burning gaseous fuels, personal protective equipment, machinery, toys)								
	5 New & Global Approach Directives (electromagnetic compatibility, construction products, 2 - weighting & measuring instruments, electrical equipment for use with certain voltage limits)								
MOLDOVA Technical regulations (TBT) Annex XVI to Chapter 3 modified on 19.10.2016 ¹⁰² (OJ L 313, 19.11.2016)	12: 2 (horizontal laws on market surveillance & liability for defective products), 3 (dangerous chemicals), 1 (detergents), 1 (fertilizers), 1 (Good Laboratory Practice - GLP), 4 (medicinal and biocidal products)								
	19: 2 (horizontal laws: standards, measurement), 6 (New Approach/CE: construction, personal protective equipment, cableway inst., machinery, medical devices, toys), 1 (New Approach: packaging), 1 (motor vehicles), 1 (drug precursors), 6 (medicinal products (SPC), 2 (GMO)								
	6: 1 (horizontal law: general products safety), 1 (New Approach/CE: appliances burning gaseous fuels), 3 (motor vehicles), 1 (dangerous chemicals/electric waste)								
	16: 11 (New Approach/CE: electric. equip., pressure vessels, electromagnetic compatibility, equipment/explosive atm., explosives, lifts, measuring instr., hot water boilers, pressure equip., radio equipment, pyrotechnic articles); 1(New Approach: pressure equip.), 3 (motor vehicles), 1 (dangerous chemicals)								
	6: 1 (New Approach/CE: recreational crafts), 5 (motor vehicles)								
	2 - REACH and its implementation								
	2: 1 (dangerous chemicals); 1 (packaging & labelling)								

¹⁰⁰ In accordance with Annex III-A to AA in 2011-2013 GE was to approximate its legal framework to 6 EU New & Global Approach Directives on: cableway installations, lifts, pressure equipment, hot-water-boilers, simple pressure vessels, recreational craft. The timetable of approximation in TBT area defined as: "within x years after the entry into force of this Agreement"

¹⁰¹ There is no timetable in the DCFTA as concerns the indicative list of 6 horizontal technical regulations in Annex III-B on: common framework for the marketing of products, accreditation and market surveillance, general products safety, units of measurement, European standardisation, and on liability for defective products.

¹⁰² Timetable in TBT approximation indicated as "year x".

Deadline/No of EU legal acts	1.09.2014 ¹⁰³	2015	2016	2017	2018	2019	2020	2021	2022
UKRAINE Technical regulations (TBT) Annex III ¹⁰⁴ to Chapter 3			Horizontal legislation in 5 areas: general product safety; accreditation and market surveillance; common framework for products marketing; units of measurement; liability for defective products						
			12 Sectoral laws: machinery; electromagnetic compatibility; simple pressure vessels; transport pressure equipment; lifts; toys; electrical equipment; hot-water boilers; appliances burning gaseous fuels; household refrigerators; marine equipment						
			9 Sectoral laws: pressure equipment; weighting instruments; medical devices (incl. implantable & in vitro diagnostic); equip. & systems for explosive atmospheres; cableway installations to carry persons; packaging and packaging waste; explosives for civil use						
			2 Sectoral laws: radio & telecom equipment; recreational craft						
			1 Sectoral law: construction products (by the end of the year)						
			2 Sectoral laws: labelling of the consumption of energy; high-speed railways						

¹⁰³ In accordance with Annex III-A to AA in 2011-2013 GE was to approximate its legal framework to 6 EU New & Global Approach Directives on: cableway installations, lifts, pressure equipment, hot-water-boilers, simple pressure vessels, recreational craft. The timetable of approximation in TBT area defined as: "*within x years after the entry into force of this Agreement*"

¹⁰⁴ The timetable for regulatory alignment is defined as "*during the x year period after the Agreement's coming into force*".

ANNEX 3: General overview of the timeline for implementation of the DCFTA commitments in SPS by Georgia, Moldova and Ukraine¹⁰⁵

Deadline/Number of EU legal acts	1.09.2014 ¹⁰⁶	2015	2016 ¹⁰⁷	2017	2018	2019	2020	2021	2022
GEORGIA Sanitary and phytosanitary measures (SPS) Annex XI-B to Chapter 4 (list of measures) adopted on 7.03.2017 (OJ L 98, 11.04.2017)	Submission not later than 1.04.2015: of <i>a list of EU SPS & animal welfare measures for approximation</i> ; 30: 10 (veterinary measures); 16 (food safety); 4 (plant protection)								
	25: 9 (veterinary measures); 13 (food safety); 3 (plant protection)								
	List of EU SPS measures & animal welfare for approximation adopted jointly on 7.03.2017; 19: 7 (veterinary measures); 9 (food safety); 3 (plant protection)								
	24: 9 (veterinary measures); 6 (food safety); 9 (plant protections)								
	22: 7 (veterinary measures); 7 (food safety); 8 (plant protection)								
	26: 7 (veterinary measures); 9 (food safety); 10 (plant protection)								
	16: 5 (veterinary measures); 7 (food safety); 4 (plant protection)								
	26: 9 (veterinary measures); 7 (food safety measures); 10 (plant protection)								
	2023-2026: 63 of which: 27 (food safety); 36 (plant protection) 2023-2027: 21 (veterinary measures)								►►► 2026 ►►► 2027
MOLDOVA Sanitary and phytosanitary measures (SPS) Annex XXIV-B to Chapter 4 (list of measures) adopted on 1.06.2016 (OJ L 178, 2.07.2016)	Submission not later than 1.04.2015 of <i>a list of EU SPS & animal welfare measures for approximation</i>								
	13: 5 (veterinary measures); 2 (food safety); 2 (GMO), 4 (veterinary medicinal products as in Annex XVI)								
	List of SPS measures & animal welfare adopted jointly on 1.06.2016; 39: 3 (general laws (public health); 14 (veterinary measures); 2 (placing on the market of food, feed & animal by-products); 14 (food safety); 6 (phytosanitary measures)								
	69: 18 (veterinary measures); 18 (placing on the market of food, feed & animal by-products); 19 (food safety); 1 (specific rules for feed); 9 (phytosanitary measures); 3 (GMO)								
	54: 3 (general laws (public health); 14 (veterinary measures); 7 (placing on the market food, feed); 12 (food safety); 12 (phytosanitary measures); 5 (GMO); 1 (veterinary medicinal products)								
	58: 3 (general laws (public health); 26 (veterinary measures); 1 (placing on the market of food, feed & animal by-products); 3 (food safety); 9 (specific rules for feed); 15 (phytosanitary measures); 1 (veterinary medicinal products)								
	8: 1 (general laws (public health); 1 (veterinary measures); 6 (phytosanitary measures)								

¹⁰⁵ The timetable for approximation in SPS area is indicated as "year x".

¹⁰⁶ Provisional application of the DCFTA with Georgia & Moldova.

¹⁰⁷ 1st January - provisional application of the DCFTA for Ukraine; 1st July DCFTA in force for Georgia and Moldova, on 1 September 2017 for Ukraine.

Deadline/Number of EU legal acts	1.09.2014	2015	2016	2017	2018	2019	2020	2021	2022
UKRAINE Sanitary and phytosanitary measures (SPS) Annex V to Chapter 4			End of March: submission of a list of EU SPS & animal welfare measures for approximation (<i>Comprehensive SPS Strategy</i>) ¹⁰⁸ 96: 11 (general laws (public health); 9 (labelling); 27 (measures to animal products & other measures); 23 (animal health); 5 (animal diseases); 9 (animals registration); 3 (animal by-products); 2 (feed & feed additives), 7(animal welfare)						
			89: 21 (measures to animal products & other measures); 6 (animal health); 13 (animal diseases); 2 (animals registration); 16 (feed & feed additives); 1 (animal welfare); 30 (phytosanitary measures)						
			16: 1 (general laws (public health); 6 (measures to animal products & other measures); 1 (feed & feed additives); 1 (animal welfare); 7 (phytosanitary measures)						
			64: 2 (other measures applicable to animal products); 7 (animal health); 2 (animal diseases); 53 (phytosanitary measures)						
			1 (phytosanitary measures)						
			1 (phytosanitary measures)						

¹⁰⁸ The draft SPS Strategy has been agreed with the European Commission in 2016, the Union position on the decision to be taken on a list of EU SPS & animal welfare measures for approximation has been adopted on 17 July 2017 (OJ L 195, 27.07.2017) and its formal adoption by the SPS Management Sub-Committee sides will take place before end of 2017.

ANNEX 4: General overview of the timeline for implementation of the DCFTA regulatory approximation commitments in **customs and trade facilitation by Georgia, Moldova and Ukraine**

Deadline/No of EU legal acts	1.09.2014	2015	2016	2017	2018	2019
GEORGIA Customs legislation Annex XIII to Chapter 5	1 (Regulation (EU) 608/2013 on customs enforcement of intellectual property rights (IPR))					
	4 (approximation with selected provisions of EU Customs Code - Regulation (EEC) 2913/92), Regulation (EC) 1186/2009 on reliefs from customs duties; 2 Conventions: (1) Convention of 1987 on common transit procedure, (2) Convention of 1987 on simplification of formalities in trade in goods (SAD)					
MOLDOVA Customs legislation (Annex XXVI) to Chapter 5	1 (Regulation (EU) 608/2013 on customs enforcement of IPR)					
	4: 2 (Community Customs Code - Regulation (EEC) 2913/92; Setting up a system of reliefs from customs duty - Regulation (EC) 1186/2009), 2 Conventions: (1) Convention of 1987 on common transit procedure, (2) Convention of 1987 on simplification of formalities in trade in goods (SAD)					
UKRAINE Customs legislation Annex XV ¹⁰⁹ to Chapter 5			2 Conventions: (1) Convention of 1987 on simplification of formalities in trade in goods (SAD); (2) Convention of 1987 on common transit procedure			
			2: Approximation with Modernized Customs Code – Regulation (EC) 450/2008 (<i>in parts</i>) and Regulation on Customs enforcement of IPR protection ¹¹⁰			
			1 (Reliefs from customs duties - Titles I & II of Regulation (EC) 1186/2009)			

Comment: The timetables of approximation of customs legislation in all three Annexes are defined as: "*within x years following the entry into force of this Agreement*".

¹⁰⁹ Common Transit and SAD Conventions, Customs Code, IPR enforcement shall be incorporated into UA law "*within x years following the entry into force of this Agreement*". Reliefs from customs duty shall be incorporated into UA law "*not later than three years following the entry into force of this Agreement*".

¹¹⁰ Annex XV refers to 2 Regulations 1383/2003 and 1891/2004 which have been replaced by the Regulation 608/2013 on customs enforcement of IPR (EU discussed the new law with Ukraine).

ANNEX 5: General overview of the DCFTA commitments in competition by Georgia, Moldova and Ukraine

Deadline/No of EU legal acts	1.09.2014	2015	2016	2017	2018	2019	2020	2021	2022
GEORGIA Competition Chapter 10, Sect. 1 <i>Antitrust & mergers</i>	Implementation of antitrust and mergers legislation – <i>Article 204</i> : (1) Each Party shall maintain in its territory comprehensive competition laws, which effectively address anticompetitive agreements, concerted practices and anti-competitive unilateral conduct of enterprises, with dominant market power and which provide effective control of concentrations to avoid significant impediment to effective competition and abuse dominant position. (2) Each Party shall maintain an authority (...) responsible for effective enforcement of competition law. (3) The Parties recognize the importance of applying their respective competition laws in transparent and non-discriminatory manner, respecting the principles of procedural fairness and rights of defence of the enterprises concerned. ►►►								
<i>Section 2</i> <i>Subsidies</i>	<i>Article 206</i> : (...) (2) Each Party shall ensure transparency in subsidies. To that end shall <u>report every 2 years</u> to the other Party on the legal basis, the form, the amount of the budget and, where possible, the recipient of the subsidy granted by its government or public body in relation to the production of goods (...). ►►►								
MOLDOVA Chapter 10 Section 1 <i>Antitrust and mergers</i>	<i>Article 335</i> : Each Party shall maintain in its territory comprehensive competition laws, which effectively address anticompetitive agreements, concerted practices and anti-competitive unilateral conduct of undertakings, with dominant market power and provide effective control of concentrations. (2) Each party shall maintain an operationally independent authority (...) in order to enforce the competition laws. (3) The Parties recognize the importance of applying their respective laws in transparent and non-discriminatory manner, respecting the principles of procedural fairness and rights of defence of the undertakings concerned. ►►►								
<i>Section 2</i> <i>State aid</i> <i>(Review clause every 2 years)</i>	State aid control legislation adopted or maintained and an operationally independent authority entrusted with the powers for the control of state aid established.								
	Within 5 years: State aid shall be assessed on the basis of the criteria arising from the application of the EU competition rules (Article 107 of TFEU, interpretative instruments and ECJ jurisprudence)								
	Within 8 years: alignment of aid schemes instituted before the establishment of the state aid authority with EU state aid rules. The alignment period shall be extended up to 10 years with regard to state aid schemes instituted under Moldova Law on Free Economic Zones of 27 July 2001.								
UKRAINE Chapter 10 Section 1 <i>Antitrust and mergers</i> <i>Articles 256, 258</i>			<u>Approximation of law and enforcement practice (within 3 years):</u> 1) Council Regulation 1/2003 on implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty (TFEU art. 101, 102 and 106) (Article 30 on fines); 2) Council Reg. 139/2004 (Merger Regulation), Art. 1, 5(1) and 5(2) & Article 20 (thresholds and publication of decisions); 3) Commission Reg. 330/2010 on vertical agreements and concerted practices (TFEU Article. 101(3)) – Articles 1-4, 6-8; 4) Regulation 772/2004 on application of Article 81(3) of the Treaty to technology transfer agreements – Articles 1-8						
			5 years: to adjust state monopolies of commercial character so as to ensure that no discriminatory measures regarding the conditions under which goods are procured and marketed exist between natural and legal persons of the Parties.						

Deadline/No of EU legal acts	1.09.2014	2015	2016	2017	2018	2019	2020	2021	2022
UKRAINE Chapter 10 Section 2 State aid Articles 263, 267			Within 3 years: UA to adopt national state aid legislation and to establish an operationally independent <i>authority</i> entrusted with powers for full application of Article 262 on general principles of state aid						
			1) Any new aid granted in Ukraine must be consistent with EU state aid rules (with provisions of Articles 262 and 264 of AA) within 1 year of the date of establishment of the <i>authority</i> . 2) UA shall submit to the European Commission its GDP <i>per capita</i> figures harmonized at NUTS II level for the purpose of joint evaluation of the eligibility of regions of UA as well as the maximum aid intensities in relation thereto in order to draw up the regional aid map on the basis of relevant EU guidelines						
			1) UA shall to establish a comprehensive <i>inventory</i> of aid schemes instituted before the establishment of the <i>authority</i> 2) Any public aid granted by Ukraine shall be assessed taking into account the fact that UA shall be regarded as identical to those areas of the EU described in Article 107(3)(a) of TFEU 3) Both Parties apply transparency in state aid as provided in Article 263 (annual notifications)						
			Within 7 years - alignment of aid schemes identified in the <i>inventory</i> with the criteria referred to in Article 262 and 264 of AA						