

Eastern Partnership

Platform 2 "Economic Integration and Convergence with EU Policies"

Core objectives and proposed Work Programme 2009 – 2011

I. Core Objectives

At the first meeting of the Eastern Partnership Platform 2 which took place at 26 June 2009 in Brussels participants had a comprehensive discussion on the core objectives of this Platform. Based on the contributions and comments by Partner Countries and Member States, the European Commission comes forward with a new draft of core objectives for approval at the next meeting on 9 November 2009:

Trade and Trade Related Regulatory Approximation linked to DCFTAs

- To assist partners in their efforts concerning trade- and trade related regulatory approximation and enhancing the administrative capacity building process.
- To support partners in their efforts to enhance economic relations and business environment which is conducive to investment and to SME development.
- To contribute to the creation of a network of bilateral Deep and Comprehensive Free Trade Agreements (DCFTAs) among the Partner Countries.
- To strengthen traditional trade links, in particular business to business contacts to step up trade in goods and services among partners.
- The key areas of cooperation include the following:

Trade in Goods

- national treatment and market access for goods,
- sanitary, phyto-sanitary and animal welfare rules,
- technical barriers to trade; technical regulations, standardisation, metrology, accreditation, conformity assessment and market surveillance systems,
- trade defence instruments,
- trade and sustainable development,
- trade statistics and products nomenclature (Harmonized System, Combined Nomenclature) in the context of preparation of the tariff offers.

Customs and Trade Facilitation

- increased cooperation on customs and trade facilitation and border management to ensure a smooth flow of goods between the European Union and the partners (and beyond), enhance security and safety and combat customs fraud,

- definition of a roadmap leading to accession to the EC/EFTA Convention on a common transit procedure and the Convention on the simplification of formalities in trade in goods and exploration of possibilities to extend the current “Pilot project on Exchanges of Advance Customs (transit) Information”, based on the contents of the TIR-Carnet, to other partners,
- exploration of possibilities for partners to participate in a system of diagonal cumulation of origin.

Trade and Trade Related Rules

- intellectual and industrial property rights (including GIs),
- public procurement,
- competition (state aid and antitrust).

Services, Establishment, Investment, Capital Movement and Payments

- national treatment and market access for services,
- freedom of establishment and investment,
- services regulation, including financial services,
- capital movement and payments.

Other Regulatory Approximation and Cooperation

- Better regulation issues, including transparency in the regulatory process, public consultation, impact assessment, administrative burden reduction.
- Enhanced Cooperation in the field of Company Law, Auditing and Accounting to improve the Partner Countries standards aiming at better regulation of financial markets, better control of financial institutions and better governance of companies.
- Transparency of regulations on ownership rights protection, resolving commercial disputes and ensuring an effective enforcement system.
- To improve performance of Customs and Border Control in order to increase the rate of detection of suspicious drug precursors consignments, in particular those that can be misused for illicit manufacture of synthetic drugs and heroin.
- Maritime cross-sectoral co-operation among services, industries and scientific institutions, and cooperation and integration on the surveillance of the sea, with a view to safety and security of shipping and environmental protection.
- Taxation (especially good governance in tax area) in order to develop a coordinated strategy to improve the fight against fiscal fraud and evasion through increased tax cooperation both internally and with third countries.

Macroeconomic and Financial Cooperation

- Exchange of views on macroeconomic stability as the cornerstone of the EU – wide macroeconomic regime.
- Multilateral dialogue on the appropriate mix of sustainable monetary and exchange rate policies that foster growth and reduce external imbalances.
- Exchange of views on policies to bring partner countries on a sustainable growth and employment path; share experience on state policies that strengthen the domestic growth potential and aim at the diversification of economic activity.
- Multilateral dialogue on the functioning of financial institutions in the partner countries and exchange of experience on developing strategies to reduce risks and build more robust financial systems.
- Multilateral cooperation on a sound management of public finances and combating corruption.

Socio-economic development

- Identification of key issues for effective enterprise policies and the promotion of a conducive business climate; involvement of the private sector and business in the process, through workshops, seminars and “business to business” contacts.
- Development of comprehensive and coherent strategies for labour market policies, development of skills, vocational training, improvement of social dialogue, poverty reduction, decent work, social inclusion and protection and equal opportunities.
- Multilateral cooperation on health topics (sector reform, HIV/AIDS and tuberculosis, approximation and implementation of EU practices). Possible partnership arrangements between partners’ authorities and the Commission and EU Member States to strengthen institutional capacity and enhance preparedness to tackle the cross-border spread of diseases.
- Development of cooperation on regional policy issues, using the examples of the achievements of the EU cohesion policy.
- Strengthening of the territorial cooperation programmes between the EU and Partner Countries’ regions.

Environment and Climate Change

- Promotion of convergence with the body of EU environment law and strengthened implementation of multilateral environment agreements (in particular the Kyoto Protocol, CBD and UNECE conventions).
- Ensuring synergies and complementarities with other initiatives and programmes in the region such as the Black Sea Synergy and Northern Dimension.
- Exchange of experience and best practice on strategic planning, environmental governance, progress monitoring, enforcement, specific environment themes

(such as air, water, waste management, integrated coastal zone management and biodiversity), and the financing of environment investments in a regional context.

- Involvement of partners in international discussions on future climate action, promotion of regional action on mitigation and adaptation and climate mainstreaming, and sharing of experience on emissions trading.
- Sharing of experience on emissions trading and collaboration on possible initiatives to support the transition towards a low- carbon economy.
- Cooperation on collection, monitoring and assessment of environment information, including with the European Environment Agency.
- Working with partners to assess options for developing a flagship project on environment.

Cooperation in the Field of Transport

(Core objectives to be decided at the next Platform meeting on 7 May 2010.)

General Issues

- Identification of partners' interests regarding participation in or cooperation with Community agencies and programmes.
- Establishment of a programme of secondment to Member States' administrations and to the Commission of civil servants from partner countries responsible for particular areas of EU approximation.

II. Work Programme 2009 – 2011

Platform 2 is expected to adopt its work programme for 2009 – 2011 at its second meeting on 9 November 2009. At its first meeting, participants of Platform 2 agreed to focus, in the near term, to enhance cooperation under this platform in the following areas:

- Trade and trade related regulatory cooperation, which delegations presented as a precondition for negotiations on deep and comprehensive free trade agreements (DCFTAs).
- Environment and climate change.

For these reasons, the European Commission suggests the establishment of two panels on "Trade and Trade Related Regulatory Cooperation linked to DCFTAs" and "Environment and Climate Change".

A decision on participation in the activities of the Platform by *ad hoc* participants will be taken in accordance with the Prague Declaration (point 12) and the General Guidelines and Rules of Procedure of the Platforms.

Areas of work covered by the Panels

1. Panel on “Trade and Trade Related Regulatory Approximation linked to DCFTAs”

At the first meeting Platform 2 participants stressed that work undertaken in Platform 2 should be *complementary* to the ongoing bilateral dialogues and activities, and that the areas of cooperation identified should be of interest to *all Partners* as they are preparing for DCFTA negotiations with the EU and amongst themselves.

The core objectives with regard to Trade and Trade Related Regulatory Approximation linked to DCFTAs will be dealt with by a dedicated Panel (the "Trade Panel"), and can be grouped in three main categories:

- a) Regulatory approximation across the whole spectrum of the EU *acquis* related to trade and investment, and enhancing the administrative capacity of Partners;
- b) Support for creating a network of bilateral Deep and Comprehensive Free Trade Areas;
- c) Involvement of the business community.

The Platform 2 meeting of 9 November should decide on the organisation of the work of the Trade Panel, give guidance on the assessment of the depth and potential of the trade relations between partners, and identify needs and priorities. In order to be complementary to existing work and inclusive of all Partners, account has to be taken of actions identified and undertaken under the individual ENP Country Programmes and Action Plans, Ukraine's "Association Agenda", and the Georgia and Armenia's "key recommendations" and the progress made by Partners on the implementation of these actions. This should be the first task of the Trade Panel, before embarking on meetings on specific subjects.

It is proposed that the following general subjects be covered as a matter of priority:

- Sanitary and phyto-sanitary system (SPS) and animal welfare
- Customs and trade facilitation
- IPR protection and enforcement
- Public procurement
- Technical regulations and standards

Other subjects are of great importance in the medium term:

- Competition (state aid and antitrust)
- Trade in goods: market access, rules of origin, including diagonal cumulation of origin, trade statistics and products nomenclature
- Services and establishment (sectoral approach with particular emphasis on financial services)
- Investments, capital movements and payments

A Work Programme for these subjects will be agreed at a later date, depending on the progress on the priority subjects.

In addition to the above subjects the Trade Panel would establish at its first meeting a detailed plan for the organisation of the first business to business meeting.

Participation in the Trade Panel will vary depending on the subjects covered, but would consist of officials from Partner countries' ministries and institutions involved in the different

subjects. Other stake holders from industry and professional organisations from Partner countries can take part, provided that they are identified by the Partners and attend as part of the Partners' Delegations.

Depending on the specifics of each subject a total of 10 - 15 meetings, over a two year period, should be envisaged. Under the Terms of Reference for the Trade Panel, adopted by the Platform, the first task of the Trade Panel will be to take stock of existing programmes and to adopt a calendar of events. Meetings on different subjects, but with similar participation might be organised back to back.

Priorities for the Panel on "Trade and Trade Related Regulatory cooperation linked to DCFTAs" in 2009-2011

Legislative approximation and institutional capacity building process is crucial for all Partner countries willing to make progress in the fields covered by DCFTAs. The panel "Trade and trade related regulatory cooperation linked to DCFTAs" will allow Partner countries to better understand the EU legislation and regulatory approximation process (embracing necessary administrative capacity). Hence, the following activities will be undertaken as a matter of priority by the Panel on "Trade and Trade Related Regulatory Cooperation linked to DCFTAs".

Sanitary, phytosanitary measures and animal welfare

The EU legal framework related in particular to SPS measures is very complex and is covered by many legal acts, meaning that a lot of legislative work would need to be done in Partner countries in order to align their law in that field. In addition, the aligned legal and regulatory framework in the SPS and animal welfare area should be implemented and enforced not only by specific public authorities but also by economic operators. It would also need substantial investments, firstly, to improve the capacity of control systems (training of staff, equipment for laboratory etc.) and, secondly to upgrade the food industry, including the primary production. The Commission believes that an explanatory process, prior to the start of the negotiations, will contribute to, the progress of the negotiations and better understanding of EU SPS legislation by Partner Countries.

Target group: Veterinary/Phytosanitary Services and Public Health Services under the Ministry of Agriculture and Ministry of Health

Customs and trade facilitation

The EU's customs policy objectives under the Eastern Partnership are to enhance security and safety of the supply chain, combat customs fraud and facilitate the development of legitimate trade and economic interaction throughout the region and with the EU. This requires a package of measures to strengthen cooperation between customs authorities and remove procedural, human resource and infrastructural bottlenecks, accompanied by appropriate technical and financial support.

The Commission has identified priority actions in three main areas.

A. Increased cooperation on customs and trade facilitation and border management to ensure a smooth flow of goods between the European Union and the Partners and among Partners (and beyond), enhance security and safety and combat customs fraud. The work will

complement the activities of the Eastern Partnership Integrated Border Management Flagship Initiative under Eastern Partnership Platform 1, which concerns partners' non – EU borders.

- Support to Partner countries' customs reforms on the basis of modernisation and capacity building strategies (e.g. following the EU Customs Blueprints).
- Participation of Partner countries in the Community programme Customs 2013 under the conditions specified in the relevant Programme Decision.
- Promotion of joint border controls at EU borders with Ukraine, Belarus and Moldova.

B. Definition of a roadmap leading to accession to the EC/EFTA Convention on a common transit procedure and the Convention on the simplification of formalities in trade in goods and exploration of possibilities to extend the current "Pilot project on Exchanges of Advance Customs (transit) Information", based on the contents of the TIR-Carnet, to other partners.

- Support measures aimed at the introduction of relevant national legislation, the creation of all operational structures and mechanisms needed to operate the procedure and the introduction of a computerised system which is compatible with the New Computerised Transit System (NCTS).
- Examine the conditions and timeframe under which an extension of the Pilot Project may be possible for each interested Partner Country.

C. Exploration of possibilities for Partners to participate in a system of diagonal cumulation of origin.

- Possible accession to the future Regional convention on pan-Euro-Mediterranean preferential rules of origin once bilateral free trade agreements between the EC and Partners are in place.

Target group: customs services and other competent public authorities

Intellectual Property Rights

An adequate and effective level of protection and enforcement of intellectual property rights is important to facilitate the production and commercialisation of innovative and creative products between the parties, the promotion of transfer and dissemination of technology and foreign investments.

Intellectual Property is important for the development of Partner Countries and has significant economic and social implications. A strong system of intellectual property rights protection is an essential instrument in the promotion of investment, creativity, employment and technological progress for the development of a modern society. By protecting IPR, including geographical indications, further knowledge development, innovation, technological advancement and creativity are ensured and fair trading conditions on the market are safeguarded. The introduction of improved mechanisms in the area of IPR protection is essential also for attracting foreign investment and technology transfer. Protecting intellectual property is also a matter of consumer and health protection and increasingly a matter of public order and even security. Therefore, it is an issue of mutual interest to have in place a solid and balanced system of protection and of enforcement of IPR.

Reforms in the IPR area should be gradual. As a first step, it is essential to ensure a level of protection equivalent to the level of protection of the TRIPS agreement. As a second step the Partner Countries should reach a level of IPR protection and enforcement equivalent to that in the European Union.

Target group: National agencies or services dedicated in the registration and protection of rights, customs authorities, police and enforcement agencies as well as the ministries of justice and the judicial system

Public Procurement

Procurement policy guides how public bodies spend public money when buying works, goods or services on the market, and is important for ensuring that taxpayers' money is spent efficiently, getting them the best deal in terms of quality and price. Transparent procurement promotes equal chances for those that submit tenders, and is a key element of good governance, accountability and the fight against corruption.

Transparent, non-discriminatory, competitive and open tendering is a major contributor to sustainable economic development and would provide the greatest benefits for the Partner Countries if they are also adopted at the regional level so as to support the development of regional procurement markets.

DCFTAs will require the progressive approximation of procurement legislation in the Partner Countries with the EU procurement acquis. This can be achieved through institutional reforms and the creation of an efficient public procurement regime based on the principles and rules governing public procurement in the European Union.

Target group: Representatives from public authorities and institutions involved in public procurement and contracting, officials from Ministries of Justice, Finance, Public Works

Technical regulations and standards

One of the pillars of the Eastern Partnership process is improved market access and promotion of free trade areas: on the one hand EU giving sectoral support in the short term should provide immediate gains for businesses in partner countries; on the other hand the goal of Association Agreements is to establish Deep and Comprehensive Free Trade Areas with each partner country once they have joined the WTO.

In the area of technical regulations, standards and conformity assessment, the Eastern Partnership process will help partner countries to develop the necessary capacities required to move closer to the goal of free movement of goods like the internal European market does. It will also encourage partners to develop free trade network between themselves.

DCFTAs with substantial alignment to EU standards and regulatory infrastructure will bring substantial benefit to partners: better access to export to the EU is conditioned to adoption of EU technical regulations and standards.

The priorities for action are the following: Partner Countries could choose priority industrial sectors with export potential (for instance, under the New Approach: machinery, electrical products, pressure equipment, gas appliances, construction products, lifts, toys...). They could

start aligning their technical regulations on EU Directives for each sector and adopt the related EU standards. They could start reorganising or upgrading their quality infrastructure according to New Approach principles. The European Commission will offer technical assistance in order to help partner countries in these complex and demanding tasks.

The target groups are stakeholders coming from Ministry of Industry and standardisation, accreditation, metrology and conformity assessment bodies in partner countries and Member States. The participation of the European quality organisations like CEN, CENELEC, ETSI, EA, EUROLAB, EURAMET and WELMEC would also be very useful.

2. Panel on “Environment and Climate Change”

The panel on environment and climate change will have two lines of focus: convergence towards EU environment legislation, and action to address climate change.

With the long-term goal of supporting partners in converging with the EU environment legislation, over this first period, the panel will aim to extend capacities for strategic planning and environmental governance. This work will provide the building blocks needed for possible subsequent actions related to specific environment legislation (including water, waste, nature, air, and coastal zone management). The panel will exchange experience and best practice in related areas of common concern. In particular, the panel will support partners' efforts to prioritize and plan the steps for moving closer to EU environment legislation. It will also launch a flagship project on environmental governance. This project will first lead to the development of a shared environmental information system, designed to support development and implementation of environment policy, and subsequently build capacity for improving other aspects of environmental governance. It is expected that the ENPI regional programme will contribute to financing this activity.

In the field of climate change, the panel will provide a forum for sharing experience with emissions trading, taking into account the collaboration already taking place under the International Carbon Action Partnership (ICAP). It will support partners in preparations for the implementation of a post-2012 global agreement on climate change mitigation. The panel will also provide for a multilateral exchange of view and best practices on adaptation to climate change, and possible development of multilateral pilot projects in this field.

Areas of Work covered by the Platform

1. Enterprise Policy

In the first Platform meeting, there was broad agreement on the need to involve the private sector and business in the process. To identify key issues for effective enterprise policies and the promotion of a conducive business climate, the European Commission will prepare the launch of the Flagship Initiative “SME Facility”.

The development of SMEs in partner countries is hampered by issues of business climate (including inadequate legal/policy framework), the lack of advisory services and difficult access to funding sources.

The SME Flagship Initiative would support the needs of SMEs, and provide external stimulus to growth and employment through the provision of technical assistance to SMEs, SME

support networks and the financial intermediaries and the establishment of a funding facility which would tap into the expertise and capacities of the EIB, EBRD and, possibly other International Financial Institutions active in the region. The Initiative will build on existing “*acquis*” in the area of SME’s development, in particular the Small Business Act, and specifically target a strengthening of the approximation component of EaP studies/reforms in the field of SME legislation/policy framework. It will complement support provided through the Neighbourhood Investment Facility as well as EBRD and other programmes launched by Member States or International Financial Institutions (i.e.: European Fund for Southeast Europe/European Neighbourhood Small Business Growth Facility; EU-EBRD - Infrastructure Project Facility) with the aiming at leveraging Financial Institution and International Financial Institution loans.

It is expected that activities directly funded under the initiative will be in the range of 40-50 million for the period 2010-2013.

In parallel to the implementation of the “SME – Facility, it is also important to promote discussions involving the private sector on how to create a “business climate” favourable” to SME - promotion, through various means such as workshops, seminars and “business to business” – contacts.

2. Enhanced cooperation in the field of Taxation and Public Finances

In addition, the European Commission makes the proposal to enhance cooperation in the field of Taxation and Public Finances.

The approximation of the system and structure of indirect taxes (VAT and excise duties) should continue to be strongly supported. Extending the approximation to excise duty rates would reduce tax fraud and smuggling of excise goods in the EU by decreasing the current high excise duty differentials between the EU and the Partner Countries. In the same breath, this approach would lead to an increase of the Partner Countries’ revenues. This should be accompanied by measures to support the approximation of these countries’ excise rates with their own neighbours to the East in order to avoid that they themselves become “victims of smuggling”.

As in the case of customs policy, active support should be provided to the Partner Countries” taxation reforms, while developing cooperation and harmonising policies to counteract tax fraud including the common application of the principles of good governance in the tax area.

The Commission proposes to exchange views on economic policies of how to attain and preserve a sound framework to public finances and to ensure a sustainable fiscal space. Furthermore, views can be exchanged and best practice shared concerning policy measures that ensure a sustainable debt management.

Target groups are the Partner Countries’ competent authorities.

3. Labour Market and Social Policies

Sustainable growth and employment paths are important issues that are under strain due to the consequences of the global economic and financial crisis. Partner Countries are all engaged at different degrees in substantial reforms of their labour markets and of their employment and social policies. Pursuing the reforms, adequately targeting them, ensuring consistence

between economic, employment and social policies is crucial for effective and sustainable progress.

The Commission proposes to start multilateral exchanges by means of technical seminars and continuous exchange of best practices. Target audience would be Ministries in charge of employment, labour and/or social policies as well as important institutions such as Public Employment Services. These seminars would involve ad-hoc participants such as the ILO, UNDP and other relevant international expertise. Possible topics to be addressed could include:

"New Skills for New Jobs": Developing human capital, upgrading skills, ensuring a better matching between labour supply and demand as critical to support the competitiveness of the economies on the global scene, sustain growth as well as social cohesion. The Commission has developed a "New Skills for New Jobs" initiative. It would propose to use the cross – country review of labour market trends and challenges in the Partner Countries being prepared by the European Training Foundation (ETF) as input for the discussion as well as other sources.

Poverty reduction is a shared concern, supported by important strategies in Partner countries. Fighting poverty is also an objective of the EU anchored in the coordination of policies for social inclusion and social protection. It will be given further priority in 2010 through the European Year. Linking poverty reduction and social inclusion approaches could make an important contribution to the socio-economic development of the Partner countries, especially in the light of their demographic evolution. A seminar on poverty reduction could be organised at the occasion of the European Year against Poverty in 2010.

Labour migration is another crucial issue for both the EU and Partner countries. Managing labour migration effectively is key to the structural reforms necessary to address future labour and skill needs, limit brain drain and brain waste and alleviate the challenges from population ageing. The Commission proposes discussing the results of a study on labour mobility between the Partner Countries as well as potentially between the Partner Countries and the EU, which the Commission will launch by the end of the year. As a complement to the former, a presentation of the results of an ETF cross – country review of labour market trends and challenges in the Partner Countries undertaken 2007 – 2009 would be beneficial.

Experiences can also be shared on the topics of state policies aiming at diversification of economic activity as well as on efforts of state and social partners to modernise the economies of the Partner Countries by supporting and developing their comparative advantages. Lessons from policies to be exchanged could include the strategic role of research and development and innovation.

Targeted Audience would be civil service institutions dealing with questions of labour market, employment and social policy as well as skills development and social cohesion.

4. Cooperation in Questions of Monetary, Exchange Rate and Financial Stability

The Commission proposes to strengthen the cooperation in questions of monetary, exchange rate and financial stability between the EU and the Partner Countries. The dialogue can include issues of financial stability and oversight; risk management within the financial system as well as sound monetary and exchange rate frameworks. Exchanging views and

sharing experiences during thematic workshops can contribute to a better mutual understanding of policy challenges and contribute to a useful exchange of views on sustainable monetary and financial sector policies that would take into consideration national institutions and policy preferences.

Target audience: Counterparts in the National Central Banks and institutions of financial oversight

5. Regional Economic Cooperation

Finally, the European Commission suggests enhancing cooperation in the field of regional policy.

a) Development of cooperation on regional policy issues, using the examples of the achievements of the EU cohesion policy

This activity would include presentation of the EU cohesion policy to the partners, starting an exchange of view on their needs and interests concerning the establishment of their regional development policies basing upon the EU achievements. It could be pursued through seminars/conferences, study visits and information sessions for central and local level administrations from Partner Countries responsible for regional policy. Additional studies on the Partner Countries' regions and their development needs could as well be conducted.

b) Strengthening the programmes of territorial cooperation between the EU and the Partner Countries regions

According to the interest and needs of the Partners, the current Cross – Border Cooperation (CBC) programmes financed by the European Neighbourhood and Partnership Instrument (ENPI) should be timely implemented and their relation to the Eastern Partnership objectives strengthened. Additional training sessions organised for the administrations of the Partner Countries on central and local level could be envisaged. Depending upon the successful implementation of the current programmes, the discussion should be started on financial strengthening and geographical extension of the CBC programmes with and between Partner Countries as well as on the cooperation with Partners in the framework of transnational programmes. The proposed activities would be undertaken in full complementarity and synergy with already existing and functioning programmes and regional initiatives.

6. Cooperation in the Field of Transport

(Areas of work will be decided at the next Platform meeting on 7 May 2010.)

7. Priorities of work covered by the Platform

It is the intention of the European Commission to start with two areas of work in the first Platform meeting of 2010.