

ROADMAP			
TITLE OF THE INITIATIVE	Mandate for a new framework agreement with Azerbaijan		
LEAD DG – RESPONSIBLE UNIT – AP NUMBER	EEAS.EURCA.EAST.2 2016/EEAS+/021	DATE OF ROADMAP	13/05/2016
LIKELY TYPE OF INITIATIVE	Proposal for a Council Decision		
INDICATIVE PLANNING	<i>Second Quarter 2016</i>		
ADDITIONAL INFORMATION			
This indicative roadmap is provided for information purposes only and can be subject to change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content and structure.			

A. Context, Subsidiarity Check and Objectives
Context
<ul style="list-style-type: none"> • Azerbaijan is an important partner for the EU. The EU has had a Partnership and Cooperation Agreement (PCA) with Azerbaijan since 1999. However, none of its cooperation structures have met since 2014 at the request of Azerbaijan. Negotiations for an Association Agreement were started in 2010 but came to a halt after a few rounds. An attempt was made to replace it with a less ambitious, non-binding Modernisation Partnership (MP) but discussions have not advanced on this either. Inspired by the European Neighbourhood Policy (ENP) Review, Azerbaijan tabled its own proposal for a (Strategic) Partnership Agreement in the margins of the Eastern Partnership (EaP) Riga Summit in May 2015. This offers the possibility of maintaining Azerbaijan on a similar track to other EaP countries, replacing the existing PCA with a new updated legal basis. • After a period of stagnation in our bilateral relations, Azerbaijan has shown a strong interest in re-engaging with the EU. In the current turbulent regional context Azerbaijan has requested that negotiations be launched immediately. The EU has every interest in responding positively to this request, both to maintain internal coherence within the Eastern Partnership as well as to reinforce relations with a secular Muslim country capable of effective security cooperation in a region where the threat of radicalised Islam is rising. The Member States have given their unanimous support to this approach in the Council. • This initiative is in line with the European Neighbourhood Policy (ENP) Review¹ and its focus on differentiation - the development of partnerships that are tailor-made with each of our neighbourhood partners to reflect different ambitions and interests. The Council encouraged the Commission to work with all ENP partners in their ongoing and possible future negotiations: "for those who do not wish to engage in negotiations for a DCFTA, there should be the opportunity to jointly determine attractive and realistic alternatives". • Several Member States have concluded different bilateral arrangements with Azerbaijan. It is in the EU's strong interest to have an up-to-date agreement that ensures coherence with national policies and that EU action in the region brings the greatest possible added value. • The ENP Review included an extensive assessment of past policy by the EU Institutions, Partner Countries, and Civil Society Organisations both in Europe and in the Partner Countries. One of the key conclusions was that 'ownership' of the policy by the Partner Countries should be reinforced by better adapting the relationship to their needs and priorities. <p>The proposed agreement is relevant to two of the Commission's overarching priorities for 2014-19, namely:</p> <ul style="list-style-type: none"> • <i>Promoting Europe as a stronger global actor:</i> Having a modern and ambitious agreement with the partners in the neighbourhood will strengthen the EU's role. • <i>A resilient Energy Union with a forward-looking climate change policy:</i> Azerbaijan can make an important contribution to the EU's energy diversification policy.

¹ JOIN (2015) 50 final of 18.11.2015

Issue
<p>Azerbaijan's interest in the multilateral dimension of the Eastern Partnership (EaP) has diminished in recent years. Azerbaijan is now re-expressing an interest in strengthening the bilateral dimension of its relationship with the EU. This is important because a re-invigorated platform for bilateral relations will enable exchanges on key matters, and will allow both parties to address in a practical way issues of mutual interest, such as the development of the Southern Gas Corridor. It is hoped that through improving the bilateral relationship, one can also progressively reinforce Azerbaijan's multilateral engagement in the EaP.</p> <p>It is also important for the EU's role in the region that the EU remains comparably engaged with both protagonists in the Nagorno Karabakh conflict. The EU launched negotiations with Armenia on a new framework agreement in December 2015. It is in the interests of the EU that the new agreement with Azerbaijan will help to restore mutual confidence and contribute to creating a climate that would help address even controversial issues.</p> <p>The scoping exercise completed in March concluded that the agreement will cover the areas of the current PCA: Political dialogue, issues of economic interest and those of justice, freedom and security; democracy and human rights as well as people-to-people cooperation and financial assistance, including provision of EU expertise, technical assistance and grants. It will also extend cooperation to such new areas as defence and security as well as intercultural dialogue.</p> <p>The EU will need to ensure that the new agreement will include provisions on such issues as Weapons of Mass Destruction and Small Arms and Light Weapons, in line with current practice.</p> <p>The agreement will mainly affect the EU and its Member States, in their dealings with Azerbaijan.</p>
Subsidiarity check
<ul style="list-style-type: none"> • Negotiations will be opened and carried out on the basis of Article 218(3) and (4) TFEU. • The new agreement is a tool of the ENP that was re-endorsed by the Member States in the Council Conclusions on the ENP Review of 14.12.2015. All the Partner Countries that are fully engaged in the ENP have agreements that frame their participation in the policy; this is the manner that the Member States have chosen to conduct the EU relations with the ENP partner states.
Main policy objectives
<p>The main policy objective is to revive the relationship with Azerbaijan to our mutual benefit and to anchor Azerbaijan as an EaP country. The agreement will provide the EU with a platform for addressing interests ranging from energy supplies and connectivity to human rights and security, while contributing to stability (also in economic terms) in a turbulent region.</p> <p>Azerbaijan supplies a meaningful share of the EU's crude oil imports and, with the completion of the Southern Gas Corridor, has the potential to become a significant gas supplier, allowing the EU to further diversify its sources of energy and to enhance its energy security, in line with the Council Conclusions on Energy Diplomacy of July 2015, which specifically prioritise the Southern Gas Corridor.</p> <p>Azerbaijan's non-membership of the WTO and the absence of substantive trade related reforms mean that the trade provisions of the new agreement would be limited. They would update the 1999 PCA to the latest EU trade related policy developments and inscribe, where possible, fundamental WTO rules and principles for EU-Azerbaijan bilateral trade relations. This in turn could assist Azerbaijan if it decides to actively pursue the goal of WTO membership in due course.</p> <p>The new agreement, given that it will replace the current PCA, will cover all the areas of cooperation covered by its predecessor agreement, including some not present in the Azerbaijan's initial proposal, such as 'Provisions affecting business and investment', 'Legislative cooperation', 'sustainable development' 'Economic cooperation' and provisions related to sustainable development; in other areas the aim is to maintain or increase the level of commitment, including on cooperation related to economic resilience (diversification in the non-oil sectors) and financial governance. The provisions on democracy and human rights will be updated by references to the international norms in the area and the support to the civil society will notably be framed by new structured provisions on financial assistance that put inter alia on a solid legal basis the EU as a grant provider.</p> <p>Azerbaijan's position as a secular Muslim country between Europe and Central Asia offers potential to develop intercultural dialogue. As pointed out in the Council Conclusions on the ENP review, cross-cultural dialogue can play a role in conflict prevention. This will be particularly valuable and mutually beneficial in the context of the cooperation in justice and home affairs that is foreseen in the draft agreement. The Council also supports in the conclusions "an outreach beyond the neighbourhood in order to tackle shared challenges", and Azerbaijan can, under the new agreement, become a gateway for Europe to Central Asian markets and sources of supply.</p>

B. Option Mapping

OPTION 1: An Association Agreement (AA), as with three of the Eastern Partnership members

An AA would be too ambitious for the objectives, in particular the extensive regulatory convergence and was rejected by Azerbaijan. Including a Deep and Comprehensive Free Trade Area in the Agreement would be impossible as Azerbaijan is not a member of the WTO.

OPTION 2: A new type of agreement made possible by the ENP Review: Moderate ambition in the areas of trade and regulatory convergence but extending cooperation in new areas of mutual interest. In particular there is mutual interest in economic diversification of the Azeri economy

OPTION 3: A status quo with only an update of the existing PCA; An update of the PCA without extension to new thematic areas would not achieve the objectives in the field of security, specifically cited as an objective in the ENP Review, even if it would be a possible option as regards trade cooperation considering Azerbaijan's non-membership in the WTO.

OPTION 4: a non-binding Modernisation Partnership (MP).

A MP as a 'soft law' instrument would fall short of the mutual political will for a renewed legal basis.

OPTION 5: No action.

Not acting would not allow the EU to provide for the benefits described under the objective.

To reach the full range of objectives it is necessary to seek a mandate for the new type of agreement (Option 2) that would combine the ambitious political cooperation with an update of the trade-related provisions of the PCA; the other options would not be effective. The review of the PCA or a new type of agreement under the reviewed ENP would not place a burden on enterprises.

Proportionality check

The preliminary assessment for the new agreement based on the ENP review leads to the conclusion that this agreement would not go beyond what is necessary or appropriate to achieve the policy objectives.

C. Data collection and Better Regulation instruments

Data collection

The initiative builds on consultations carried out within the framework of the recently completed ENP Review. Azerbaijan has agreed to resume the meetings under the current PCA once the negotiations on the new agreement start; they will monitor progress in the different policy areas concerned also by the present proposal. The annual ENP Progress Reports published in 2012-2015 showed modest progress in Azerbaijan under the PCA; the ENP Review revealed that Azerbaijan yearned for an agreement better adapted to the individual needs of the country.

Consultation approach

Beyond the consultations under the ENP review already conducted, meetings with civil society representatives will be organised during the negotiation process both in Azerbaijan and in Brussels to allow them to express their expectations and concerns on the new agreement. After the first year of negotiations a public online consultation will be published at the EEAS web site dedicated to the purpose:
(http://eeas.europa.eu/consultations/index_en.htm)

The Member States and the European Parliament will be continuously consulted in accordance with the established practice for this type of agreements.

Will an Implementation plan be established?

Yes No

This initiative is not an act that requires transposition measures.

Will an impact assessment be carried out for this initiative and/or possible follow-up initiatives?

An impact assessment is not envisaged as no significant economic, social or environmental impacts are expected from this initiative. Given that Azerbaijan is not a member of the WTO and considering that there will not be major changes in the new agreement in comparison to what is in the existing PCA in the field of trade, the direct economic impact of the new agreement is expected to be relatively modest, with few social consequences related mainly to the envisaged provisions on human rights and security.

The EU's interest in pursuing closer relations with Azerbaijan is to engage with Azerbaijan against the background of its conflict with Armenia with whom the EU is already negotiating a new framework agreement. In addition, given the current suspension of Azerbaijan's participation in the PCA and the political window of opportunity for progress on a new agreement, it is important for the EU to proceed with the negotiation of a new

agreement; given the relatively modest trade and economic implications of the proposed agreement, the economic impacts are expected to be small. The completion of the Southern Gas Corridor will increase the supply of gas from Azerbaijan and improve the EU's energy security. However, while the new agreement will provide an improved framework for handling any emerging issues around the project, it is not a necessary condition for its completion; no major direct and immediate impact on the energy security is expected.

The bulk of EU imports from Azerbaijan are energy products, and Azerbaijan's membership of the Energy Charter Treaty ensures that major EU interests in this area will continue to be protected.