

Book Review: 'Seljan Verdiyeva, Regional Trade Agreements in Eastern Europe, Central Asia and the Caucasus: Is Multilateralisation of Regionalism Possible?', Peter Lang, 2020'

Book Review by

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Abstract

The book 'Regional Trade Agreements in Eastern Europe, Central Asia and the Caucasus: Is Multilateralisation of Regionalism Possible?' by Seljan Verdiyeva explores the relationship between regional trade agreements (RTAs) and the multilateral trading system. Focusing on the concept of 'multilateralisation of regionalism,' the author analyses RTAs in the Caucasus, Central Asia, and Eastern Europe. The monograph examines whether these agreements contain elements that could harmonise trade regulations regionally and globally, emphasising non-tariff barriers, investment, competition policies, and energy regulation. With a comparative analysis of integration structures like the Eurasian Economic Union, EU Association Agreements, and CIS Free Trade Agreements, the study underscores the potential for multilateralisation, particularly in rules of origin and investment regulation, while addressing the challenges posed by geopolitical and economic complexities.

Keywords: regional trade agreements (RTAs); multilateral trading system; multilateralisation of regionalism; Eurasian Economic Union (EAEU); EU association agreements; rules of origin (RoO); investment regulation; trade facilitation; non-tariff barriers.

JEL Classification: K22, K33

DOI: 10.62768/IILJ/2025/5/1/07

Please cite this article as:

Trunk-Fedorova, Marina, 'Book Review: Seljan Verdiyeva, Regional Trade Agreements in Eastern Europe, Central Asia and the Caucasus: Is Multilateralisation of Regionalism Possible?', Peter Lang, 2020', *International Investment Law Journal* 5, no. 1 (February 2025): 106-113.

1. Introduction – overview of RTAs and multilateralism

The discussion on the relationship between the multilateral trading system and regional trade agreements (RTAs) continues² and is looked at from ever more different

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² See, e.g. Colin Picker, 'Regional Trade Agreements v. WTO: A Proposal for Reform of Article XXIV to Counter this Institutional Threat.' *University of Pennsylvania Journal of International Economic Law* 26, no. 2 (2005): 270; Sarah Barenkow and Kishore Kulkarni. 'Why Regionalism? A Look at the Costs and Benefits of Regional Trade Agreements in Africa.' *Global Business Review* 18, no. 1 (2017): 103, <https://doi.org/10.1177/0972150916666881>; Richard Baldwin, 'The World Trade Organization and the Future of Multilateralism.' *The Journal of Economic Perspectives* 30, no. 1 (Winter 2016): 95 – 115; Sun Jin and Lei Da, 'The New Development Trend of Regionalism in the Changes of the International Economic Structure.' *Economic Theory and Business Management* 42, no. 10 (2022): 62 – 73.

perspectives. The proliferation of RTAs³ has contributed to growing concerns about a possible negative influence of RTAs on the multilateral system created within the framework of the World Trade Organization and possible risks to multilateralism. These discussions include, e.g. the question of economic fragmentation and whether RTAs are rather ‘building blocks’ or ‘stumbling blocks’⁴ in respect of the multilateral trading system.

The thought-provoking monograph by *Seljan Verdiyeva* is a valuable contribution to this current discussion.

The author approaches the chosen topic from the perspective of ‘multilateralisation of regionalism’, and this is one of the distinguishing factors of the monograph. According to this concept, which was developed, inter alia, by Richard Baldwin, Patric Low and Pascal Lamy⁵, it is said to be possible to identify and harmonise generally accepted elements of different RTAs, thus allowing to achieve a harmonisation of certain RTAs rules among a wide range of states and thereby bring regionalism closer to multilateralism⁶. In other words, this approach suggests that it is possible to harmonise some provisions of different RTAs, which will eventually help to strengthen the multilateral trading system and diminish the negative effects of regionalism. The author puts the main focus of her research on non-tariff barriers. She persuasively argues that more liberal internal trade-related regulation in this field, on the basis of an RTA, will have a positive spillover effect also for non-members of the RTA⁷.

The author further notes that it is important to distinguish the processes of multilateralisation within (1) the multilateral trading system (i.e. the WTO, where certain aspects are harmonised on the global level); and (2) multilateralisation of regionalism, e.g. through mega-regional agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The monograph deals with the latter option examining several hypotheses about the efficiency of RTAs as a tool for multilateralisation as well as elements of RTAs which can be used for such a multilateralisation.

A distinguishing feature of the monograph is that the author has chosen to test the concept of multilateralisation of regionalism at the example of the economic integration processes in the region of the Caucasus, Central Asia and Eastern Europe⁸ (hereinafter also ‘the Region’). There are not many studies devoted to the legal regulation of international economic relations in this Region. The perspective offered by

³ See the WTO Regional Trade Agreements Database, available at: rtais.wto.org/UI/PublicMaintainRTAHome.aspx.

⁴ See, e.g., Jagdish Bhagwati, *The World Trading System at Risk*. Princeton, NJ: Princeton University Press, 1991. See the relevant discussion, e.g., in: Jérôme Trotignon, ‘Are the New Trading Blocs Building or Stumbling Blocks? A Gravity Model Using Panel Data.’ *GATE Groupe d’Analyse et de Théorie Économique UMR 5824 du CNRS, Documents de Travail — Working Papers W.P. 09–33* (December 2009), <https://shs.hal.science/halshs-00456590/document>.

⁵ *Multilateralizing Regionalism: Challenges for the Global Trading System*. Edited by Richard Baldwin and Patrick Low. Cambridge: Cambridge University Press, 2009; Pascal Lamy, ‘Opening Speech at the Conference on Multilateralizing Regionalism.’ 10 September 2007. Geneva: WTO, https://www.wto.org/english/news_e/sppl_e/sppl67_e.htm.

⁶ Seljan Verdiyeva, *Regional Trade Agreements in Eastern Europe, Central Asia and the Caucasus: Is Multilateralization of Regionalism Possible?* (Peter Lang, 2020), 17.

⁷ Verdiyeva, *Regional Trade Agreements*, 34.

⁸ The author means former Soviet Republics without the Baltic States. p. 17.

the author is novel, as to the best of our knowledge, there has been so far no deep analysis and comparison of different forms of economic integration in the Region through the lenses of the concept of multilateralisation of regionalism. The author's analysis is thus devoted to clarifying whether the regional trade agreements existing in the region of the Caucasus, Central Asia and part of Eastern Europe contain features which could lead to a multilateralisation of these regional trade arrangements.

2. Objectives and methodology of the study

The study aims to investigate the potential for *multilateralisation of regionalism* by analysing regional trade agreements (RTAs) in Eastern Europe, Central Asia, and the Caucasus. Its primary objectives include examining whether these RTAs incorporate elements that facilitate harmonisation with the multilateral trading system, particularly in areas like rules of origin, non-tariff barriers, and investment regulation. The study also seeks to assess how these agreements align with or deviate from the principles of the World Trade Organization (WTO), contributing to the broader discourse on regionalism versus multilateralism.

The methodology is based on a comparative legal analysis of treaty texts and economic integration frameworks such as the Eurasian Economic Union (EAEU), EU Association Agreements, and CIS agreements. It focuses on identifying harmonisation opportunities in regulatory elements, like sanitary and phytosanitary measures, technical barriers to trade, and trade facilitation. The study also incorporates a regional perspective, considering the influence of major trading partners like China and Turkey, to provide a comprehensive understanding of the geopolitical and economic contexts shaping these agreements.

3. Integration structures in the region. Analysis of EAEU, EU association agreements, and CIS agreements – comparative review of regional trade frameworks

Seljan Verdiyeva first introduces the integration structures, which she has chosen for the analysis – the Eurasian Economic Union (EAEU), the Association Agreements of the European Union with Georgia, Moldova and Ukraine, as well as the Commonwealth of Independent States (CIS). Thereafter she undertakes a comparative analysis of the relevant legal provisions. They, firstly, relate to topics which are typical for the WTO and RTAs (like rules of origin or trade facilitation). Secondly, some provisions relate to topics which go beyond the WTO and 'traditional' RTAs (e.g. investment protection or energy issues). Although the work is not particularly devoted to the analysis of regional economic integration initiatives in the countries under consideration, this chapter can be a valuable source of information about the historical and geopolitical context of such integration. An important feature and merit of the work is that the regional view is supplemented by the explanation of the positions of further important players in the region (China and Turkey): the countries of the Region are shown not in isolation from the rest of the world, but in their complex and dynamic relationships with their trading partners⁹.

⁹ For more details see Popa Tache, Cristina Elena. 2022. "The EU-China Road to the Comprehensive

As already mentioned earlier, the author chose for her analysis different types of economic integration structures in the region under consideration: a) the Eurasian Economic Union¹⁰, which is an economic union based on a customs union and an internal common economic space; b) the Association Agreements of the EU with Georgia, Moldova and Ukraine¹¹, which contain chapters on Deep and Comprehensive Free Trade Areas, i.e. establishing free trade areas; c) and finally, the Commonwealth of Independent States (CIS)¹². The CIS itself is not a RTA, but it is the parent of the Free Trade Agreement of the Commonwealth of Independent States, a regional trade agreement in the sense of the GATT/WTO. It may be noted that there were several steps leading to the current CIS FTA. The CIS Free Trade Agreement of 1994 did not receive many ratifications; therefore, free trade among CIS countries was for some time mainly regulated by bilateral free trade agreements – a ‘spaghetti bowl’ of free trade provisions. Several countries, however, wanted to optimise the regulation of free trade in the region. This led to the idea of a regional agreement, which would substitute the bilateral FTAs. This initiative was successful, and the new CIS FTA, which was signed in 2011, is now in force¹³.

4. Key elements for multilateralisation. Rules of origin (RoO). Non-tariff barriers: SPS and TBT provisions

The author then analyses traditional sectors in RTAs in the Region and looks at them from the perspective of multilateralisation of regionalism. She addresses the rules of origin (RoO), provisions on sanitary and phytosanitary measures (SPS), technical barriers to trade (TBT), transparency provisions, as well as trade facilitation provisions. It is explained that these RTA elements were chosen because they can contribute to a multilateralisation of the regulation of non-tariff measures, excluding discrimination against non-parties of RTAs¹⁴. Some of the research outcomes in this context deserve

Agreement on Investment.” Juridical Tribune - Tribuna Juridică 12 (4): 476–494; and, in general Popa Tache, Cristina Elena, and Cătălin-Silviu Săraru, eds. 2024. *Le droit international en transition*. Volume collectif. Contributions à la 4^{ème} Conférence sur le Droit comparé et international, Conférence internationale, 14 juin 2024, Bucarest. Paris: L’Harmattan, Collection « Logiques Juridiques ».

¹⁰ More information is available at: <https://eaeunion.org/?lang=en#info>. The EAEU Members are Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia.

¹¹ Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part, available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02014A0830\(02\)-20180601](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02014A0830(02)-20180601); Association Agreement between the EU and Euratom and their Member States, of the one part, and the Republic of Moldova, of the other part, available at: <https://eur-lex.europa.eu/EN/legal-content/summary/association-agreement-with-moldova.html>; Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part, available at: [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX %3A22014A0529%2801%29](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A22014A0529%2801%29).

¹² More information on the Commonwealth of Independent States is available at: e-cis.info/?ysclid=lenid6bpaw910628768.

¹³ Agreement on a Free Trade Area between members of the Commonwealth of Independent States (CIS) signed on 18 October 2011, available at: rtais.wto.org/UI/PublicShowRTAIDCard.aspx?rtaid=762&lang=1&redirect=1. The Treaty was signed by Armenia; Belarus; Kazakhstan; Kyrgyz Republic; Moldova; Russian Federation; Tajikistan; Ukraine. Uzbekistan participates in the Treaty by the means of a special protocol. The application of the Treaty was suspended between Russia and Ukraine in 2016, and later Ukraine announced that it was going to denounce the Treaty between Russia and Ukraine.

¹⁴ Verdiyeva, *Regional Trade Agreements*, 34.

particular appreciation. For example, the part on rules of origin contains useful information on rules of origin in the global context and on RoO models used in various RTAs. Moreover, this part contains a detailed analysis of different sets of norms regulating rules of origin in the region under consideration. This is probably one of the first attempts to offer a systemic picture in this area. The author deserves recognition for her analysis and explanation of how imported products are treated under different sets of rules of origin – the EU model and the EAEU/CIS model. The author found in her research that the RoO in the EU-Georgia, EU-Moldova and EU-Ukraine Association Agreements appear to be more restrictive than the RoO in some other EU FTAs: whereas the latter allow for diagonal or full cumulation, the EU-Georgia, EU-Moldova and EU-Ukraine Association Agreements only allow bilateral cumulation, which gives less possibilities for outsourcing inputs (e.g. production of inputs in Moldova to be used in the final product in Ukraine), in order to qualify as ‘originating’ products for trade with the EU¹⁵.

After the analysis of the RoO used in the EAEU and the CIS FTA, the author comes to the conclusion that there are two directions of the development of RoO in the region, and there will eventually be two models for the RoO – the EU model and the EAEU model, which would lead to a partial multilateralisation of RoO in the region¹⁶.

The author then addresses the next group of norms in the selected RTAs – provisions on TBT and SPS. She concludes that although they are all based on the WTO TBT and SPS regulations, they are not identical, as they are harmonised either with the regulatory framework of the EU or that of Russia¹⁷. The author suggests that the best way for multilateralisation here would be mutual recognition of SPS and TBT policies¹⁸.

Regarding other elements – trade facilitation and transparency, as well as intellectual property regulation – the author concludes that these areas were almost automatically multilateralised due to the adoption of the WTO Trade Facilitation Agreement and the TRIPS Agreement. At the same time, the author correctly notes that the enforcement of these provisions in the countries of the region is sometimes problematic.

5. ‘WTO Beyond’ provisions. Investment regulation. Competition policy and energy regulation

Another group of RTA provisions, which can be used for the multilateralisation of regionalism, are so-called WTO beyond elements. *Seljan Verdiyeva* has chosen the analysis of regulation of foreign investment, competition, and energy provisions in the RTAs under consideration.

The author convincingly explains that she has included investment provisions in her study on the multilateralisation of trade regulation due to their strong connection with trade¹⁹. Indeed, the WTO framework partly covers investment regulation – in the TRIMS, the GATS, and the TRIP Agreements. Moreover, trade and investment issues

¹⁵ Verdiyeva, *Regional Trade Agreements*, 86.

¹⁶ Verdiyeva, *Regional Trade Agreements*, 98.

¹⁷ Verdiyeva, *Regional Trade Agreements*, 110.

¹⁸ Verdiyeva, *Regional Trade Agreements* 111.

¹⁹ Verdiyeva, *Regional Trade Agreements*, 156.

were part of the ‘Singapore issues’ and were recognised in the Singapore Ministerial Declaration (1996)²⁰ as an important topic for negotiations. Finally, the ongoing negotiations on investment facilitation for development²¹ show the relevance of this topic for the multilateral trading system. Regarding provisions on foreign investments, the author explores the impact of chapters on foreign investments included in the chosen RTAs on the multilateral system.

The author correctly mentions that some new RTAs contain not only provisions on investment liberalisation but also investment protection guarantees. However, the EU Association Agreements analysed in the monograph are based on the earlier EU model of investment provisions in its RTAs, namely on the model of investment liberalisation and lacking investment guarantees and investment dispute settlement. Therefore, this analysis cannot be applied to all EU RTAs, as the more modern EU RTAs (e.g. the Comprehensive and Economic Trade Agreement with Canada – CETA) also contain provisions on investment protection and dispute settlement. However, the author’s analysis can be relevant for earlier EU RTAs. As for the EAEU/CIS model, the author shows that it covers investment protection and dispute settlement.

One of the main outcomes of the monograph is the author’s conclusion that foreign investment policies could be a sector, which might be used for the multilateralisation of RTAs in the region, as this framework can help harmonise diverse national rules on foreign investment and make trade rules for investors more accessible²². In any case, there remains a question which goes somewhat beyond the scope of the present monograph, namely, whether the new EU model of investment chapters has now more common features with the EAEU/CIS model and whether it could serve the purpose of multilateralisation of regionalism in an inter-regional context in the future. Other areas chosen for the analysis of ‘WTO beyond’ elements (competition policy and energy regulation) could in the author’s view also be used for multilateralisation of regionalism; however, states do not seem to be ready for this, as they tend to regard these areas as their internal affairs²³. As to energy regulation, it is also important to keep in mind that the RTAs under consideration have different goals: whereas the EAEU pursues the goal of creating a common market, the Association Agreements stress the issue of energy transit. Georgia, e.g. is a transit country for energy resources from Azerbaijan to the EU. This and other factors analysed by the author lead to the conclusion that attempts of multilateralisation in these areas will probably prove to be rather unsuccessful, at least in a short-term perspective.

6. Regional and global implications – potential spillover effects of RTAs on multilateralism

In the final chapter, the author assesses her results with the help of the OECD criteria for multilateralisation of regionalism²⁴. The author comes here to the result that

²⁰ Singapore Ministerial Declaration, adopted on 13 December 1996, WT/MIN(96)/DEC, available at: https://www.wto.org/english/thewto_e/minist_e/min96_e/wtodec_e.htm

²¹ www.wto.org/english/news_e/news23_e/infac_02feb23_e.htm

²² Verdiyeva, *Regional Trade Agreements*, 169.

²³ Verdiyeva, *Regional Trade Agreements*, 183, 197.

²⁴ Iza Lejarraga, ‘Deep Provisions in Regional Trade Agreements: How Multilateral-Friendly?: An Overview of OECD Findings.’ *OECD Trade Policy Papers*, No. 168. Paris: OECD Publishing, 2014, 12.

the areas with the highest potential for multilateralisation of regionalism are rules of origin and investment regulation.

The monograph is an interesting research work with challenging academic tasks, innovative approaches and persuasive argumentation. Although the primary goal of the author is to explore multilateralism, fragmentation, and multilateralisation of regionalism, the monograph can be of interest to international trade specialists dealing with regional economic integration in the Eurasian region. The monograph thus makes a contribution to the studies of international trade and investment in the region of the Caucasus, Central Asia and Eastern Europe, and also to the highly important issue of preserving a functioning multilateral trading system on the basis of the World Trade Organization.

As the monograph was written before the outbreak of the Russian-Ukrainian military conflict, the author did not and could not cover the issues raised by this conflict. Besides that, the main idea of the book was primarily about examining the concept of multilateralisation of regionalism – at the example of the Region of Eastern Europe, Central Asia and the Caucasus – and not about RTA structures in the Region per se. The author therefore understandably focused on treaty texts rather than on political developments and their consequences for trade relations in the Region.

7. Conclusions and recommendations. Policy implications and areas for future research

The author has raised many important questions, some of which remain not fully answered but it is probably impossible to give final answers nowadays, in view of the rapidly changing situation in the region and the world. Notwithstanding this fact, the monograph by *Seljan Verdiyeva* has made a valuable contribution to both the study of regional trade agreements in the region of Eastern Europe, Central Asia and the Caucasus, and discussion of the concept of multilateralisation of regionalism.

The study concludes that regional trade agreements (RTAs) in Eastern Europe, Central Asia, and the Caucasus demonstrate varying degrees of potential for contributing to the multilateralisation of regionalism. Key findings highlight that rules of origin and investment regulation offer the highest prospects for harmonisation due to their inherent adaptability and relevance to global trade standards. Areas like competition policy and energy regulation face significant obstacles, as states often perceive these domains as matters of domestic sovereignty. Policy recommendations emphasise the need for mutual recognition agreements and greater enforcement of existing multilateral provisions, such as those under the WTO framework. Future research should explore the evolving impact of geopolitical shifts, including new trade dynamics post-conflict, and the role of emerging mega-regional agreements in shaping multilateralism.

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