

# Trade and economic relations with Ukraine

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The Committee on International Trade adopted the initiative report by Zbigniew **ZALESKI** (EPP-ED, PL) on trade and economic relations with Ukraine. The report recalls that after the 2004 enlargement, the EU became the biggest trade partner of Ukraine. The accession to the EU of countries having a common border with Ukraine has strengthened its commercial links with the EU and opened up new opportunities for regional trade, industrial cooperation and economic growth.

**WTO Accession:** MEPs support the successful conclusion of negotiations on accession to the WTO and they call on Ukraine to remove all the residual obstacles, both of a legislative and technical nature, which contribute to the difficulties surrounding its admission to the WTO. The Commission and the Member States are called upon to offer further political and diplomatic support to Ukraine's WTO accession and to provide Ukraine with continued assistance in meeting the necessary requirements.

**Creation of an EU/Ukraine Free Trade Area:** the report welcomes the fact that the on-going Trade Sustainable Impact Assessment carried out under the auspices of the Commission will be completed by the time the official negotiations for the FTA start, once Ukraine has completed its WTO accession process and the Ukraine parliament has ratified the result. The Commission and the Government of Ukraine are called upon to carefully take into consideration the results of the sustainable impact assessment study (SIA) when finalising the content of the FTA. The contracting parties are required to carefully consider the establishment of a sound and efficient institutional framework providing for the setting-up and the bestowal of power on supervisory Joint Committees authorised to make recommendations which further improve mutual trade and economic relations and give impetus to the creation of a functioning dispute settlement mechanism. A Sustainable Development Forum should also be established according to the report which should be open to representatives of civil society, with a strong climate change component, even before the conclusion of the negotiations on a FTA.

The report calls on Ukraine to further draw up and implement customs legislation that is in conformity with international and EU Standards and to improve the functioning of the customs service by simplifying and modernising customs procedures both at borders and inland. MEPs call on the Commission and the Member States to consider further liberalisation vis-à-vis Ukraine by granting eligibility for special preferential arrangements under the so-called "labour rights" clause (granting preferential treatment to countries like Ukraine which have implemented International Labour Organization (ILO) conventions on core labour rights).

**Industrial policy:** several proposals have been made by the committee which aim to strengthen industrial relations with Ukraine. In particular, MEPs are in favour of: i) export diversification which must primarily complement the strengthening of the domestic market for exports to become a reliable source of future economic growth in Ukraine; ii) improving the efficient operation of public services; iii) greater market liberalisation by guaranteeing the successful achievement of the privatisation process, the dismantling of monopolies and the independence of Ukraine's national bank; iv) increasing shareholders' and investors' rights emanating from WTO membership by increasing access of all its citizens to corporate information; vi) setting up a coherent and effective tax system that conforms to EU legislation and practices; vii) updating and extending anti money-laundering and tax evasion regulations; viii) eliminating distortions of competition.

The committee calls on the Ukrainian Government to refrain from providing illegal subsidies to Ukraine's exporting companies in violation of the WTO rules and to avoid any market distortions. The Government is also urged to guarantee that workers' fundamental rights concerning safety and minimum pay are duly implemented.

As regards the cast iron and steel sector, MEPs welcome the conclusion of the steel agreement in June 2007, which allowed a substantial increase in the quotas of Ukrainian steel products admitted into the Community and facilitated a more effective though gradual liberalisation of trade in goods between Ukraine and the EU. They believe that this agreement will contribute significantly to promoting the objectives of the Partnership and Cooperation Agreement (PCA) and will pave the way for better integrated markets within WTO provisions when quantitative restrictions are lifted.

**Energy and transit related matters:** the report calls for the reinforcement of high-level dialogue between Ukraine and the EU in the energy sector in order to fully implement the Memorandum of Understanding on cooperation in the field of energy between Ukraine and the EU. It calls on Ukraine to develop a consistent approach towards energy aimed at ensuring the diversification and the security of energy supplies running through the Ukrainian territory, nuclear safety, a reform of its domestic energy market, the development and modernisation of energy sector infrastructures (including pipelines), an efficient utilisation of energy and a better exploitation of renewable energy sources. The importance of ensuring a **safe, transparent and reliable transit system of energy between Ukraine and the EU** is stressed.

**Intellectual Property Rights:** the Ukrainian authorities are urged to align its intellectual property legislation and law enforcement with the *acquis communautaire*, WTO rules, particularly trade related aspects of intellectual property rights (TRIPs), and other relevant international standards. They are also urged to ensure full, consistent and sustained implementation so that counterfeiting and piracy can be effectively combated. The report calls on the Ukrainian authorities to implement all necessary and effective measures to neutralise the sources of illegal activity, such as optical disc plants manufacturing infringing copies of copyright products and Internet sites containing illegal copyright materials, and to eradicate piracy from markets, such as the Petrovka market in Kiev.

**Scientific and educational cooperation:** Ukraine is urged to give greater priority to the development of an economic model based on the knowledge economy and to substantially increase the proportion of GDP allocated to scientific research and academic exchanges. The report stresses that cooperation in the fields of science, research and technology is of crucial importance to the development of the national economy and the creation of a climate favourable to investment and innovation. Cooperation in the field of science, technology, education, training and educational and scientific learning programmes, such as Erasmus Mundus and Jean Monnet Programme is needed. MEPs stress that the EU must support the Ukrainian education system through the creation of support programmes and financial incentives for the development of scientific and technological research, which will contribute to higher and more sustainable economic growth and the country's cultural and scientific development.

**Agriculture and environmental matters:** the report urges that the farming and rural population be supported by improving its economic and health situation and developing rural areas. MEPs stress that such support should take the form of financial and infrastructure support, facilitating access to loans for small producers, introducing a weighting system for aid that favours small and young entrepreneurs, and creating vocational training programmes.

The Commission is called upon to start discussions with the aim of working towards regulatory cooperation in the SPS (sanitary and phyto-sanitary) field. Ukraine is urged to remove forthwith restrictive export quotas on wheat set in October 2006 and which have not only caused serious damage to Ukraine's own agricultural sector but also risk, with its non-transparent system based on licences, creating opportunities for corruption. MEPs stress the importance of Ukraine developing environmental

programmes in order to guarantee the region's environmental security, including nuclear energy, the drinking water distribution network and action to prevent the deterioration of the Black Sea, among others.

**Economic relations with neighbouring partners (including Russia):** Ukraine conditionally adhered to the Single economic space (SES) with Russia and other former Soviet Union Republic. The report recalls that certain provisions included in the SES agreement, if fully implemented, might be in conflict with the establishment of a functioning FTA with the EU. The committee calls on Ukraine to develop its economic relations with the Russian Federation in a way which would not hamper a progressive and deeper integration of the country into the Community's Single Market. In this context, the Commission is called upon to promote a three-way dialogue between Ukraine, Russia and the EU so as to foster a climate of security and peace in the region, a dialogue which should enable Ukraine to strengthen its own independent identity without becoming isolated.

**Final considerations (including ENP):** the report states that the committee welcomed the opening of negotiations between Ukraine and EU with a view to concluding a new Partnership and Cooperation Agreement with the EU. It also stressed the importance of rapid enforcement and implementation of the visa facilitation and readmission agreement with Ukraine. The report urges the Commission and the Member States to give future bilateral relations a new and more coherent dimension, based on comprehensive cooperation and solidarity, respectful of the privileged nature of the links forged by neighbourhood and history, particularly with regard to Russia.

On the other hand, MEPs are concerned by the lack of clear definitions and perspectives of the ENP and of a long term strategic vision for development and stabilisation in Eastern Europe and they stress the need for the process of Ukraine's integration to become a real political priority on the EU agenda.

Lastly, MEPs recall their consistent demand that the Council systematically apply the Human Rights and Democracy Clause in relations with all participants in the European Neighbourhood Policy. It calls on the Council to explain how it intends to apply this clause to the negotiations of a new enhanced agreement with the Ukraine.