

Trade and economic relations with Ukraine

2007/2022(INI) - 15/11/2007 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report by Zbigniew **ZALESKI** (EPP-ED, PL) on trade and economic relations with Ukraine. The report recalled that after the 2004 enlargement, the EU became Ukraine's the biggest trade partner and a neighbour of strategic importance to the EU and the natural "bridge" connecting the EU with Russia and Central Asia . The accession to the EU of countries having a common border with Ukraine strengthened its commercial links with the EU and opened up new opportunities for regional trade, industrial cooperation and economic growth.

WTO Accession: Parliament stated that the accession of Ukraine to the World Trade Organisation (WTO), and its ratification by Ukraine's Parliament, was the necessary precondition for enabling the country to start negotiations on a free-trade area with the EU within the framework of the NEA with a view to aligning Ukraine's economy as close as possible to that of the EU and more generally to enhance Ukraine's commercial and economic performance. It called on the Commission and the Member States to offer further political and diplomatic support to Ukraine's WTO accession and to provide Ukraine with continued assistance in meeting the necessary requirements. The Commission was asked to support Ukraine in making full use of transitional periods granted for meeting the often demanding requirements pertaining to its WTO membership. Parliament welcomed the EU's decisions to grant market economy status to Ukraine, and called on the Government of Ukraine to consolidate this achievement by ensuring that serious market distortions are properly addressed.

Creation of an EU/Ukraine Free Trade Area: the proposed FTA between Ukraine and the European Community might initially have negative effects which would mainly affect the economically and socially most vulnerable groups. Parliament pointed out that it was necessary to create transitional mechanisms, by boosting economic aid to population groups, which would permit gradual and balanced integration. It noted that a free-trade area with Ukraine would certainly have positive effects in the long term, but might also give rise to negative short- and medium-term repercussions on the EU's Eastern Member States which needed to be addressed. The Commission and the Government of Ukraine are called upon to take into consideration the sustainable impact assessment study (SIA) when finalising the content of the FTA, and to consider the establishment of an institutional framework regarding the 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 open to representatives of civil society, with a strong climate change component, should be established even before the conclusion of the negotiations on a FTA.

Ukraine was asked to implement customs legislation that was in conformity with international and EU Standards and to modernise customs procedures. Notwithstanding the fact that the most competitive products imported from Ukraine into the EU were not part of the EU's generalised system of preferences (GSP), this system had been extremely helpful to Ukrainian producers wishing to enter Community markets. Parliament called on the Commission and Member States to consider further liberalisation vis-à-vis Ukraine by granting eligibility status to special preferential arrangements under the so-called "labour rights" clause (granting preferential treatment to countries such as Ukraine which have implemented International Labour Organization (ILO) conventions on core labour rights).

Industrial policy: Parliament made several proposals recommending the following : 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, ensuring the strict application of social, economic and human rights, and moving towards international standards in corporate social responsibility (CSR), accounting and auditing; vi) setting up an effective tax system that conforms to EU legislation and practices; vii) updating and extending anti money-laundering and tax evasion regulations; viii) terminating any discriminatory fiscal practices against foreign operators ; ix) eliminating distortions of competition, which are the source of unfair trade. Parliament noted with concern that, despite the efforts of the Government of Ukraine, corruption was still widely practised in the country and played a major role in stifling economic growth and impeding access as regards foreign capital.

The cast iron and steel sector represented the biggest source of trade revenue for the country. Parliament welcomed the conclusion of the steel agreement signed in the margins of the EU-Ukraine Cooperation Council on 18 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. This agreement would contribute significantly to promoting the objectives of the Partnership and Cooperation Agreement (PCA) and pave the way for better integrated markets, in accordance with WTO provisions, once quantitative restrictions have been lifted.

Members called on Ukraine to refrain from granting illegal subsidies to Ukraine's exporting companies in violation of the WTO rules and to avoid any market distortions. They also expressed concern at the working conditions and low wages of miners and at the growing number of mining accidents in Ukraine.

Energy and transit related matters: Parliament called 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 called 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. Parliament stressed the importance of ensuring a safe, transparent and reliable transit system of energy between Ukraine and the EU, and strongly supported the gradual inclusion of Ukraine in the trans-European transport networks. This was considered a key factor for the successful functioning of the FTA between the EU and Ukraine.

Intellectual Property Rights: the Ukrainian authorities were 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. There must be full, consistent implementation so that counterfeiting and piracy could be effectively combated. The report called 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 was urged to give greater priority to the development of an economic model based on the knowledge economy and to increase the proportion of GDP allocated to scientific research and academic exchanges. Parliament called on the Commission to provide financial and technical support. Cooperation in the fields of science, research and technology was of crucial importance to the development of the national economy and the creation of a climate favourable to investment and innovation. Parliament referred to the need for cooperation through Erasmus Mundus and Jean Monnet Programmes and stressed 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.

Agriculture and environmental matters: farming and rural populations must be supported. Parliament stated 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 was called upon to start discussions on regulatory cooperation in the SPS (sanitary and phyto-sanitary) field. Ukraine was urged to remove restrictive export quotas on wheat set in October 2006 which had not only caused serious damage to Ukraine's own agricultural sector but also risked, with its non-transparent system based on licences, creating opportunities for corruption. MEPs stressed the importance of Ukraine developing environmental programmes, regarding 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): Parliament noted Ukraine's conditional adhesion to the Single economic space (SES) with Russia and other former Soviet Union Republic. Certain provisions included in the SES agreement, if fully implemented, might be in conflict with the establishment of a functioning FTA with the EU. Ukraine must 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. The Commission should 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: Parliament stressed the strategic importance of Ukraine and urged the Commission and the Member States to give future bilateral relations a more coherent dimension, based on cooperation and solidarity, respectful of the privileged nature of the links forged by neighbourhood and history, particularly with regard to Russia. It was 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 stressed the need for the process of Ukraine's integration to become a real political priority on the EU agenda.

Lastly, Parliament recalled its consistent demand that the Council systematically apply the Human Rights and Democracy Clause in relations with all participants in the ENP, and asked the Council to explain how it intended to apply this clause to the negotiations of a NEA with Ukraine.