

Procedure file

Basic information	
INI - Own-initiative procedure	2007/2022(INI)
Trade and economic relations with Ukraine	Procedure completed
Subject 6.40.04 Relations with the Commonwealth of Independent States (CIS)	
Geographical area Ukraine	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	INTA International Trade	PPE-DE ZALESKI Zbigniew	26/09/2006
Council of the European Union	Council configuration General Affairs	Meeting 2817	Date 23/07/2007
European Commission	Commission DG Trade External Relations	Commissioner	

Key events			
15/02/2007	Committee referral announced in Parliament		
23/07/2007	Debate in Council	2817	
09/10/2007	Vote in committee		Summary
16/10/2007	Committee report tabled for plenary	A6-0396/2007	
14/11/2007	Debate in Parliament		
15/11/2007	Results of vote in Parliament		
15/11/2007	Decision by Parliament	T6-0539/2007	Summary
15/11/2007	End of procedure in Parliament		

Technical information	
Procedure reference	2007/2022(INI)
Procedure type	INI - Own-initiative procedure

Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	INTA/6/45735

Documentation gateway

Committee draft report	PE386.531	17/07/2007	EP	
Amendments tabled in committee	PE394.046	18/09/2007	EP	
Committee report tabled for plenary, single reading	A6-0396/2007	16/10/2007	EP	
Text adopted by Parliament, single reading	T6-0539/2007	15/11/2007	EP	Summary
Commission response to text adopted in plenary	SP(2007)6527	18/12/2007	EC	
Commission response to text adopted in plenary	SP(2008)0412	05/02/2008	EC	

Trade and economic relations with Ukraine

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.

Trade and economic relations with Ukraine

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.