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on Trade and economic relations with Ukraine
(2007/2022(INI))

Committee on International Trade

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PR_INI

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on Trade and economic relations with Ukraine (2007/2022(INI))

The European Parliament,

- having regard to Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument,
- having regard to the Ferrero-Waldner/Solana ten-point plan for Ukraine, which the Council confirmed on 21 February 2005,
- having regard to the Communication to the Commission from Commissioner Ferrero-Waldner of 22 November 2005 entitled "Implementing and promoting the European Neighbourhood Policy" (SEC(2005)1521),
- having regard to the Communication from the Commission to the Council and the European Parliament on Strengthening the European Neighbourhood Policy (COM(2006)0726),
- having regard to the Commission's Country strategy paper for 2007-2013 and to the National Indicative Programme 2007-2010 for Ukraine,
- having regard to the Memorandum of Understanding on co-operation in the field of energy between the European Union and Ukraine, signed on 1 December 2005,
- having regard to the Communication from the Commission "Developing a Common Aviation Area with Ukraine", (COM(2005)0451) of 27 September 2005,
- having regard the Communication from the Commission "European Neighbourhood Policy - Strategy Paper" (COM(2004)0373),
- having regard to the "Commission staff working document accompanying the communication from the commission to the Council and the European Parliament on strengthening the European Neighbourhood Policy: ENP Progress Report, Ukraine. (COM(2006)0726)" SEC(2006)1505,
- having regard to the "Agreement between Ukraine and the European Community on Trade in Textile Products", signed on 5 May 1993 and extended and amended on 9 March 2005,
- having regard to the "Partnership and Cooperation Agreement between the European Communities and their Member States, and Ukraine"¹, signed on 14 June 1994 and extended and amended on 30 March 2004,

¹ OJ L 49, 19.2.1998, p. 3.

- having regard to the "Agreement between the European Community and the Government of Ukraine on Trade in certain steel products", signed on 22 November 2004,
 - having regard to the "Cooperation Agreement on a civil Global Navigation Satellite System (GNSS) between the European Community and its Member States and Ukraine " and the "Agreement between the European Community and Ukraine on certain aspects of air services ", both signed on 1 December 2005,
 - having regard to the results of recent EU-Ukraine Summits, including the one held in Helsinki on 27 October 2006,
 - having regard to its resolution of 19 January 2006 on the "European Neighbourhood Policy"¹ (ENP),
 - having regard to its resolution of 22 May 2007 on "Global Europe - external aspects of competitiveness"²,
 - having regard to its recommendation of 12 July 2007 to the Council on "a negotiation mandate for a new enhanced agreement between the European Community and its Member States of the one part and Ukraine, of the other part"³,
 - having regard to the activities of the European Parliament's Delegation to the EU-Ukraine Parliamentary Co-operation Committee,
 - having regard to the Council Conclusions of 22 January 2007 on the negotiations of a New Enhanced Agreement (NEA),
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade (A6-0396/2007),
- A. whereas Ukraine is a neighbour of strategic importance to the EU and the natural "bridge" connecting the EU with Russia and Central Asia; whereas its size, the resources of its territory and population and its geographical location give Ukraine a distinctive position in Europe and make it a determinant regional actor,
- B. whereas, after the 2004 enlargement, the EU became the biggest trade partner of Ukraine; whereas 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,
- C. whereas one of Parliament's main objectives as far as foreign policy is concerned is to enhance and foster the ENP, which aims at supporting the development of democracy and the market economy in the EU's neighbouring countries and the strengthening of their

¹ OJ C 287 E, 24.11.2006, p. 312.

² Texts adopted, P6_TA(2007)0196.

³ Texts adopted, P6_TA(2007)0355.

political and economic relations with the EU and its Members States,

- D. whereas, in order to develop an effective neighbourhood policy, priority must be given to multilateralism, and therefore the future free-trade agreement (FTA) will be a core element of the NEA on which negotiations started on 5 March 2007,
- E. whereas WTO accession of Ukraine, and its ratification by Ukraine's Parliament, is the necessary precondition for enabling the country to start negotiations for a free-trade area with the EU within the framework of the NEA with a view to bringing Ukraine's economy as close as possible to the EU economy and more generally to enhance Ukraine's commercial and economic performance,
- F. whereas, in the field of trade, the EU and Ukraine share convergent interests and both could benefit from the further integration of their respective markets; whereas, in this context, the gradual adoption by Ukraine of the Community's *acquis* would constitute a significant step towards Ukraine's objective of gradual economic integration and deepening of political cooperation with the EU,
- G. whereas the proposed FTA between Ukraine and the European Community may initially have negative effects which would mainly affect the economically and socially most vulnerable groups; whereas it is necessary to create transitional mechanisms, by boosting economic aid to population groups, which will permit gradual and balanced integration, thereby contributing to the sustainable development of the country,
- H. whereas the European Union's efforts must not focus only on Ukraine's economic integration but must also create the foundations for social support, for example by allowing fairer and more egalitarian access to retirement pensions, grants for the poorest people, large families and the rural population, and creating financing and other facilities for the integration of minorities; whereas these measures will promote the social and political stability necessary for the success of Ukraine's economic integration into the WTO and a closer partnership with the EU,
- I. whereas the EU and Ukraine are determined to advance rapidly towards achieving the objective of creating a common free trade area, as was confirmed during recent high-level meetings and summits, once Ukraine has completed its WTO accession process and once the Ukraine Parliament has ratified it,
- J. whereas space and time must be allowed for the country to consolidate its capacity to respond to the challenges of globalisation; whereas there needs to be a gradual opening up of the Ukrainian market, with a degree of flexibility in order to avoid imposing an economic vision, taking account of the strong and the weak points in the country's economy and its internal positions and regional characteristics,
- K. whereas the EU and Ukraine face common trade and economic policy challenges related to globalisation and the emergence of new and strong economic actors; whereas enhanced economic cooperation with the EU could boost the necessary reforms and, together with an improved investment climate, attract foreign direct investments from both international financial institutions (IFI) and the private sector, benefiting Ukraine's national economy,

- L. whereas increased economic cooperation with Ukraine also offers positive prospects of growth for the economies of the Member States and enhances their deeper integration into the EU single market,
- M. whereas the new political, economic and social issues in Eastern Europe constitute common challenges calling for a coordinated global response,

WTO Accession

- 1. Supports the successful conclusion of negotiations on accession to the WTO; calls 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;
- 2. Calls 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; calls on the Commission to support Ukraine in making full use of transitional periods granted for meeting the often demanding requirements pertaining to its WTO membership;
- 3. Welcomes the EU's decisions to grant market economy status to Ukraine, recognising the major efforts made by the Government of Ukraine to establish a well-functioning market economy in the country; calls on the Government of Ukraine to consolidate these achievements by ensuring that serious market distortions are properly addressed;

Creation of an EU/Ukraine Free Trade Area

- 4. 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; calls on the Commission and the Government of Ukraine to carefully take into consideration the results of the sustainable impact assessment study (SIA) when finalising the content of the FTA;
- 5. Calls on the contracting parties 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;
- 6. Calls on the Commission and the Ukraine Government to establish a Sustainable Development Forum, open to representatives of civil society, with a strong climate change component, even before the conclusion of the negotiations on a FTA;
- 7. Notes that a free-trade area with Ukraine will certainly have positive effects in the long term, but might also generate negative short- and medium-term effects on the EU's Eastern Member States which need to be addressed ;

8. 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; calls on the Commission to support Ukraine's efforts in this area by providing additional technical assistance and dedicated financial support;
9. Notes that, notwithstanding the fact that the most competitive products imported from Ukraine into the EU are not part of the EU's generalised tariff preferences (GSP) scheme, this system has been extremely helpful to Ukrainian producers wishing to enter the Community markets; calls 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

10. Urges Ukraine to make additional domestic reforms enabling sustainable integration in the world's global markets and value chains; points out that export diversification must primarily complement the strengthening of the domestic market for exports to become a reliable source of future economic growth in Ukraine;
11. Calls on Ukraine to promote the efficient operation of public services and good accessibility for all citizens to these services and to pay more attention to market liberalisation by guaranteeing the successful achievement of the privatization process, the dismantling of monopolies and the independence of Ukraine's national bank;
12. Considers it important to distinguish between commercial services and public services, whereby the latter should not be affected by liberalisation, in order to safeguard the basic needs of the population and good access to essential public goods such as healthcare, education, drinking water and energy;
13. Calls on Ukraine to balance increased shareholders' and investors' rights emanating from WTO membership by increasing access of all its citizens to corporate information, ensure the strict application of social, economic and human rights, and move towards international standards in corporate social responsibility (CSR), accounting and auditing; insists on the need for Ukraine's civil and commercial courts to play an increasing role in dissuading discrimination and abuses;
14. Urges Ukraine to set up a coherent and effective tax system that conforms to EU legislation and practices; recalls that sound and effective financial services are a necessary precondition of any further economic growth in Ukraine; stresses the need to update and extend anti money-laundering and tax evasion regulations; urges Ukraine to immediately terminate any discriminatory fiscal practices against foreign operators;
15. Notes with concern that, despite the efforts of the Ukrainian Government, corruption is still widely practised in the country and plays a major role in stifling economic growth and access of foreign capital; urges the Government of Ukraine to take the appropriate

initiatives to fight against corruption particularly addressing the underlying causes of it;

16. Notes that the cast iron and steel sector represents the bulk of Ukrainian manufacturing exports and the biggest source of trade revenue for the country; welcomes the conclusion of the steel agreement of 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 between Ukraine and the EU; believes 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;
17. Calls on the Ukraine to eliminate distortions of competition, which are the source of unfair trade, and so help to establish harmonious trade relations; similarly, calls on the Commission to ensure that Trade Defence Instruments (TDI) are only applied where trade distortions have led to injurious dumping or subsidisation;
18. 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;
19. Notes that Ukraine's current trade patterns, which have significantly grown and continue to do so, could be unsustainable in the longer term because of their heavy dependence on temporary and cyclical factors, such as the dramatic surge in the world's steel consumption and prices;
20. Encourages the approximation and convergence of standards in the agricultural, industry and services sectors and calls on the Commission to provide the necessary financial and technical assistance to ensure their conformity to Community standards;
21. Expresses concern about working conditions and low wages of miners and a growing number of mining accidents in Ukraine; urges the Government of Ukraine to guarantee that workers' fundamental rights concerning safety and minimum pay are duly implemented;

Energy and transit related matters

22. 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 co-operation in the field of energy between Ukraine and the EU;
23. Considers, in light of the need for more sustainable trade patterns in order to combat climate change, that access to energy resources is a matter of multilateral rule-setting which must not be undermined by bilateral trade agreements that compete for the most favourable access conditions;
24. 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;

25. Stresses the importance of ensuring a safe, transparent and reliable transit system of energy between Ukraine and the EU;
26. Strongly supports the gradual inclusion of Ukraine in the trans-European transport networks; considers it a key factor for the successful functioning of the FTA between the EU and Ukraine;

Intellectual Property Rights

27. Urges the Ukrainian authorities, within the framework of the WTO accession process and its relevant bilateral agreements with the EU, 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 and ensure full, consistent and sustained implementation so that counterfeiting and piracy can be effectively combated; urges the Ukrainian legislator to consult with the EU and the relevant stakeholders, in particular rights holder representatives, at an early stage in the drafting process prior to adopting any changes to the Copyright Act, especially where it concerns the introduction or amendment of digital rights, regulation of collective management of rights and enforcement provisions;
28. Encourages 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; notes that those measures should include repeated and unannounced inspections with the cooperation of rights holders;
29. Emphasises the need to adapt the current court system in order to effectively protect intellectual property rights (IPRs) and ensure more speedy prosecutions and sentencing of all persons involved in the illegal trade, i.e. both manufacturers and sellers; notes that the Ukrainian judiciary and courts should be instructed to confiscate and destroy obviously pirated and counterfeit materials as a rule;
30. Urges the Ukrainian authorities to review the hologram system for copyright products in close consultation with rights holders;
31. Urges the Ukrainian customs authorities to substantially step up their actions against imports of Russian-made pirate discs and improve their cooperation with the private sector;

Scientific and educational cooperation

32. Urges Ukraine 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; calls on the Commission to provide financial and technical support;

33. 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; takes the view that, to this end, both EU Member States' bilateral relations with, and the EU's common policy towards, Ukraine need to be further developed;
34. Calls on the Commission and the Government of Ukraine to enhance cooperation in the field of science, technology, education, training and educational and scientific learning programmes, such as Erasmus Mundus and Jean Monnet Programme; supports the establishment of stricter cross border cultural links and cooperation among universities and research centres;
35. Stresses 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

36. Welcomes the recent signature of a Memorandum of Understanding on a structured dialogue on agricultural issues; stresses that the agricultural sector fulfils important functions with regard to environmental preservation, food sovereignty and social balancing as regards discrepancies between rural and urban development, which can justify sectoral tariffs that are higher than tariffs on non-agricultural goods;
37. Urges that the farming and rural population be supported by improving its economic and health situation and developing rural areas; stresses 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; stresses the need also to create a network for the regional interconnection of rural and urban areas and improve access to information in rural areas;
38. Calls on the Commission to start discussions with the aim of working towards regulatory cooperation in the SPS (sanitary and phyto-sanitary) field; calls on the Commission to start negotiations with Ukraine on the protection of geographical indications and integrate the results of these negotiations in the future FTA;
39. Urges Ukraine 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;
40. Stresses the importance of Ukraine developing environmental programmes, following on from the adoption of the "national strategy for the environment" (1998-2008) and the ratification of the Kyoto Protocol, 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;

41. Stresses the need, alongside Ukraine's integration into the EU free-market area, to adopt rules on the certification of importers, exporters and transport and to tighten up sanitary and phyto-sanitary rules in order to bring about the approximation of these rules with the corresponding rules in force in the EU;

Economic relations with neighbouring partners (including Russia)

42. Takes note of Ukraine's conditional adhesion to the Single economic space (SES) with Russia and other former Soviet Union Republics; 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; 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;
43. Calls on the Commission 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; stresses the need to encourage dialogue on common interests, in particular with regard to security and defence, energy and the development of a quantitatively and qualitatively more efficient transport network, among other topics on the international agenda;

Final considerations (including ENP)

44. Took note with favour of the statement adopted by the Ukrainian Parliament on 27 February 2007 on the opening of negotiations between Ukraine and EU with a view to concluding a new PCA with the EU;
45. Welcomes the participation of Ukraine in the stabilisation of its region and encourages the strengthening of its role in the establishment of economic cooperation agreements, in particular with the Black Sea neighbouring countries;
46. Emphasises the importance of rapid enforcement and implementation of the visa facilitation and readmission agreement with Ukraine;
47. Supports international, especially cross-border and interregional, cooperation in economic and other areas, e.g. organisation of EURO 2012 with Poland;
48. Calls on Ukraine to support and create a favourable environment for small and medium-sized enterprises (SMEs) and to promote entrepreneurial spirit and personal responsibility;
49. Calls on the Commission and the Government of Ukraine to further implement monitoring measures (defined according to the results of proper evaluation) in relation to the influence that the recent EU enlargement has had on EU-Ukraine trade patterns; stresses the importance of establishing a dialogue evaluating the influence that the 2007

enlargement has had on the development of trade and economic relations, allowing the drawing up of appropriate measures to reduce possible losses;

50. Stresses the strategic importance of Ukraine and 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;
51. Is 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; stresses the need for the process of Ukraine's integration to become a real political priority on the EU agenda;
52. Recalls its consistent demand that the Council systematically apply the Human Rights and Democracy Clause in relations with all participants in the ENP; calls on the Council to explain how it intends to apply this clause to the negotiations of a NEA with the Ukraine;
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53. Instructs its President to forward this resolution to the Council, the Commission and the Government and Parliament of Ukraine.

EXPLANATORY STATEMENT

Ukraine as EU's partner

The EU has a clear interest in strengthening and developing its economic and political ties with Ukraine. Ukraine, which has taken substantial advantage from its recent democratization process, has become one of the most promising trade partners for the EU.

The country's territory size, its skilled population, its favourable geographic location at the crossroads between Europe and Asia, and its natural resources will certainly play an important role in shaping the future international status of Ukraine and strengthening its relationship to the EU.

From (post)-soviet to democratic state

The stereotypical picture of Ukraine as a post-soviet state no longer stands and needs to be quickly updated in view of the new and fast moving reality of the country. This misleading perception of the country could severely impact Ukraine's efforts towards a better structured market economy and a pluralistic society and make cooperation between the EU and Ukraine more difficult.

Drawing closer Ukraine to the EU is neither a quick nor an easy step. It would in fact require efforts on both sides and on many levels: political, economic, cultural and scientific.

The elections in 2005 and 2006 showed that democracy plants strong roots in the Ukrainian society. Even though the mentality differences between the Western and Eastern Ukraine are still present, the democratic process and a wide-spread culture of civil rights is steadily growing in the country.

Two souls in Ukraine

Ukraine certainly has two souls: one looking at Russia as a “protector” and a culturally (linguistically) closer ally and the other which instead deems that the future of the country is within the EU.

These contrasting forces are likely to create difficulties to Kiev if they are not properly managed. The scope of the forthcoming negotiations between the EU and Ukraine is to deeply integrate Ukraine in the Community's single market and to secure the pro-western choice of Ukraine. This option will automatically preclude a custom union with Russia but would not impact the traditional trade relations between Moscow and eastern Ukraine. However, Ukraine must make its choice irreversible. Only a coherent and eager approach to this matter will enable the country to profit from a stricter integration to Europe's and the world's economy. The more autonomous this decision is, the better it will be for the future of the country. Economic cooperation and trade is not isolated from other spheres. It is the precondition for building stronger political and social trust.

Free economy

Ukraine cannot miss this unique opportunity to develop itself and improve its economic conditions. To do so Kiev needs to speed up the accession to the WTO. WTO membership will officially prove that the major efforts undertaken by the country after its independence have been successful in transforming the Ukraine from a state-controlled economy to a full functioning market economy. The EU is ready to further assist Ukraine in matching all the remaining conditions which still hamper its WTO accession but Kiev has to do its bit as well.

The sooner this goal is achieved; the better it will be for our bilateral trade and economic cooperation. Adoption of sound WTO standards and the signature of a FTA will boost the Community's and other foreign investments in Ukraine.

Modernisation

The country is in need of new industrial technologies and modern management. The banking system and the insurance sector are still lagging behind their western counterparts. The hardworking and skilled Ukrainian workforce needs to be trained in modern technologies. More attention should be devoted to the respect of ecological standards and to the development of a more efficient and environmental friendly agriculture. Achieving these results, which will certainly provide a strong spur for country's whole economic development, will be more difficult if not impossible, if Ukraine does not move quickly towards a deeper integration with the world's economy. Ukraine should also make some more efforts in the development of a diversified and export oriented industry where traditional sectors such as steel and energy do not take the lion's share.

There is however no doubt that if the opening of the Ukrainian market will be done suddenly and without caution, this is likely to cause serious perturbations to the country's economy and might even have an impact on the Ukraine's political stability. It would therefore be commendable if the EU and its Member States, as well as the other international or financial institutions playing an active role in the economic development of the country, do not get tempted to apply approaches which do not take Ukraine's economic particularities and needs into sufficient consideration.

Russia's role

Securing the pro-western choice of Ukraine does not necessary mean that all the traditional trade and economic relations with Russia and other former Soviet Union Republics have to be cut off. As already mentioned above, Ukraine has an important role to play in the political and economic integration of the Black Sea area. In a long-term view, it would be important to create the basis for better integration of the Black Sea's neighbouring countries. This will certainly have a positive impact on the economic performance of the whole region and could, upon certain conditions; strengthen the traditional bond of friendship among these countries thus avoiding possible local troubles and controversies. In this respect, the EU, together with Russia, United States and other regional powers such as Turkey, should seek a negotiated solution of latent conflicts which are still affecting countries like Georgia, Armenia, Azerbaijan and Moldova more proactively.

Russia should have a role in the economic development of Ukraine. The Single Economic

Space agreement recently proposed by Moscow does not however seem to go in the right direction. If fully implemented, it would in fact prevent Ukraine from any real form of economic sovereignty and stake a heavy claim on the country's independence. A solution which does not prejudge legitimate Russian claims without restricting Ukraine's freedom of choice should ideally be found. It would be advisable if the Commission actively pursues this objective in its forthcoming negotiations with the Russian Federation. On the other hand, it must be understood that Ukraine is now a fully independent state with its own rights and prerogatives. Future bilateral relations between Russia and Ukraine should therefore be inspired to soundly and punctually respect the other party's legitimate rights.

In addition to Russia, Ukraine has a significant role to play in the Transdnestria and Moldova issues. It is in Ukraine's, as well as the Community's interest that this potential breeding ground for economic and political instability at the borders of the EU is removed without delay. In this respect, the initiatives undertaken so far by Ukraine are more than commendable. Finally, a stricter partnership between Ukraine and the EU is likely to stimulate the democratic process in Belarus.

Need for mentality change

After 50 years under the communist system, successful implementation of the full functioning market economy, and the green light for small private entrepreneurship, requires changes in people's mentality. Dedicated training therefore becomes necessary to speed up the country's modernization. In this respect, the *EPP Institute* teaching for local deputies, administrators and communities' representatives goes in the right direction. Education and enforcement of good practices is one of the most efficient strategies for Ukraine to get closer to EU membership.

New homo economicus

Though this report mainly focuses on trade and economy, the human factor cannot be left out. The development in politics, economy and culture does not happen automatically nor by themselves. People are the actors and creators. Thus, an enhanced exchange of individuals and groups in the universities, academia, industry, NGOs, culture and "simple" tourists would be very useful and deserves mutual efforts from both the Union and Ukraine.

Local cross border cooperation

The partnerships between local communities in Ukraine and the EU should be fostered, especially between the ones which are similar in economic structure. Only a better knowledge and deeper cooperation will allow the Europeans and the Ukrainians to learn about each other better and discover how close they are in terms of culture, values and social life. In this respect, the *media* should play a more active role in bringing together the Ukrainian and Community citizens.

Requirements to be fulfilled

Certainly a lot remains to be done to bring Ukraine's level of life up to the western standards and ensure an appropriate welfare which would benefit to protect the less fortunate parts of the Ukrainian population. Strengthening Ukraine's economy, adopting WTO standards and

removing limitation to the access to the Community's single market are the necessary preconditions not only for the economic development of the country but also for its further social and political growth.

Transport

Transportation in Ukraine can still be improved. Particular attention should be given to it. Ukraine would be better able to exploit its strategic location if its transportation system was modern, efficient and well connected to its neighbors. Massive investments will be needed to achieve this objective. The European Commission, recognizing the importance of the transport sector, has already started to support the improvements in the transport grid in the country. However more substantial investments are needed and they will only come from in the international markets.

Energy

Similar considerations also apply to the energy sector. Ukraine should improve its gas transport and distribution system and ensure the safety of its nuclear plants. An energy plan aiming at reducing the consumption of energy in the country should also be put in place to avoid unnecessary waste of energy and a growing increase in the cost of production of Ukrainian industrial goods. These results can only be achieved if the country is better integrated in the Community's energy grids and can profit from the Western European know-how.

Border services

Local cross-border trade practices between Ukraine and Poland (including those applied when Poland was a candidate country) can be used as an example for large scale trade with surface border passages. National custom services need to be improved both at central level and at the borders. The importance of reliable and fast verification procedures at border checkpoints for trade should not be underestimated. The ENP's financial instrument and the country's future action plan should properly tackle this issue and ensure that significant progress is made in a reasonable period of time. The same considerations apply to the fight against corruption which still significantly undermines the country's economic performance.

Ukraine's aspiration for EU membership

It cannot be ignored that Ukraine clearly has expressed aspiration for EU membership. Even though time is not ripe for accession, these long term projects of enhanced economic cooperation will contribute to building up EU standards and in this sense bring Ukraine closer to Europe. The EU should however be less ambiguous and reluctant to acknowledge the European vocation of Ukraine and provide Kiev with decent perspectives for the country's accession and an appropriate financial support.

European policy towards Eastern Europe

I have to note with regret that the Community's ENP launched in 2003 not always was successful. It would be advisable if the Commission, in cooperation with the Council and this Parliament, could start rethinking the whole approach to Eastern Europe and provide more

satisfactory responses to the legitimate expectations of those populations, bearing in mind that any further political or financial investment in the area would certainly be repaid by more political stability, better application of European social and environmental standards and improved economic penetrations which would be beneficial for both Community and local operators.

Hidden dangers?

We must be prepared for emerging perturbations in the young Ukrainian democracy as these are quasi natural. We should nonetheless support all solution steps in accordance to law, human right standards and citizens' sovereignty. The current polarisation between pro-European and pro-Russian parties in Ukraine also has a useful educational aspect: it teaches Ukrainians citizens and causes them to think critically of the policies, programs, projects for the future and partnerships with other countries and finally motivates them to take an active role as decision makers at election urns. Such crises, properly governed, can be productive in order to build a stronger democracy.

Ukraine as a challenged partner

Ukraine's full cooperation is needed to have a successful agreement. To avoid the “wild steppes” effect, EU must make it clear that the unambiguous rules and their implementation are a necessary requirement for a fair and effective construction of the Free Trade Area with Kiev. This precondition should not however be conditional on any governmental political orientation, be it socialist, communist, or liberal. The guarantee of whose value is not in governmental visions but in people's awareness of the particular advantage of the well-rounded, rules-based trade and economy.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	9.10.2007
Result of final vote	+: 25 –: 0 0: 2
Members present for the final vote	Kader Arif, Carlos Carnero González, Daniel Caspary, Christofer Fjellner, Glyn Ford, Béla Glattfelder, Ignasi Guardans Cambó, Eduard Raul Hellvig, Jacky Henin, Sajjad Karim, Caroline Lucas, Marusya Ivanova Lyubcheva, Erika Mann, Helmuth Markov, David Martin, Georgios Papastamkos, Vural Öger, Robert Sturdy, Daniel Varela Suanzes-Carpegna, Zbigniew Zaleski
Substitute(s) present for the final vote	Jean-Pierre Audy, Vasco Graça Moura, Eugenijus Maldeikis, Zuzana Roithová
Substitute(s) under Rule 178(2) present for the final vote	Kathalijne Maria Buitenweg, Jean Louis Cottigny, Yannick Vaugrenard