

Trade and economic relations with Ukraine

European Parliament resolution of 15 November 2007 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 Instrument¹,
- 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 entitled "Developing a Common Aviation Area with Ukraine" (COM(2005)0451),
- having regard the Communication from the Commission entitled "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 and on 27 March 2007,

¹ OJ L 310, 9.11.2006, p.1.

- having regard to the "Agreement between the European Community and the Government of Ukraine on trade in certain steel products"², 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 ones held in Helsinki on 27 October 2006 and in Kiev on 14 September 2007,
 - having regard to its resolution of 19 January 2006 on the "European Neighbourhood Policy"³ (ENP),
 - having regard to its resolution of 22 May 2007 on "Global Europe - external aspects of competitiveness"⁴,
 - 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"⁵,
 - 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 political and economic relations with the EU and its Members States,

¹ OJ L 49, 19.2.1998, p. 3.

² OJ L 384, 28.12.2004, p. 23.

³ OJ C 287 E, 24.11.2006, p. 312.

⁴ Texts adopted, P6_TA(2007)0196.

⁵ Texts adopted, P6_TA(2007)0355.

- 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 the accession of Ukraine to the World Trade Organisation (WTO), and its ratification by Ukraine's Parliament, is 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,
- 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 EU'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 setting up financing mechanisms and other facilities for the integration of minorities; whereas such 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 Ukraine must be given space and time in order to allow it 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 strengths and the weaknesses in the country's economy and its internal characteristics and regional positions,
- 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 ongoing Trade Sustainable Impact Assessment carried out under the auspices of the Commission will be completed by the time the official negotiations on 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 Government of the Ukraine 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 give rise to negative short- and medium-term repercussions 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 system of preferences (GSP), this

system has been extremely helpful to Ukrainian producers wishing to enter Community markets; calls on the Commission and the 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

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 in order that exports become a reliable source of future economic growth in Ukraine;
11. Calls on Ukraine to promote the efficient operation of public services and better quality access for all citizens to these services and to pay more attention to market liberalisation by guaranteeing the successful achievement of the privatisation 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 the liberalisation process, 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 improving access for 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; 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 practice; 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 Government of Ukraine, corruption is still widely practised in the country and plays a major role in stifling economic growth and impeding access as regards 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 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 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, in accordance with WTO provisions, once quantitative restrictions have been lifted;

17. Calls on 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 (TDIs) are only applied where trade distortions have led to injurious dumping or subsidisation;
18. Calls on the Government of Ukraine to refrain from granting 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 in order to ensure their conformity with Community standards;
21. Expresses concern at the working conditions and low wages of miners and at the 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 the EU and Ukraine;
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 the 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 setting up 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 in October 2006; 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. Insists 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 enterprises and young entrepreneurs, and setting up 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 sanitary and phyto-sanitary (SPS) 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 does not hamper the 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, such as the organisation of the 2012 European Football Championship, 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 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.