



Ref. :
Contact :

21 July 2010

SUBJECT : Remarks on EU-Ukraine Free Trade Negotiations For Commissioner Füle

INTRODUCTION

- BUSINESSEUROPE strongly supports the FTA negotiations with Ukraine which is an important market for trade and partner for EU investors.
- In spite of the crisis, EU companies remain committed and engaged in the Ukrainian market. Challenges with export credit finance or investment risks have not deterred their enthusiasm.
- However, there are major concerns with the business climate in Ukraine where problems with VAT-refunds, corruption, absence of a strong legal system, bureaucratic red-tape and customs problems abound.

CHALLENGES WITH THE FTA NEGOTIATIONS

- There are some concerns with the Ukrainian negotiating position which is defensive in some sectors.
- However, our biggest concern lies with the effective implementation of a future FTA. Our experience with Ukrainian implementation of its WTO commitments is very disappointing. Tariff and non-tariff measures have been imposed in clear violation of WTO commitments. We understand that Ukraine has been through a terrible financial crisis but that is not an excuse to change the rules and especially without any prior warning to business.
- It is clear to us that the Ukrainian government needs a better dialogue with the business community which is lobbying against the implementation of new trade rules. If the business community is not consulted or uninformed, it is not surprising that it lobbies against new trade rules. We are used to this in Europe whenever the Commission does not consult business.
- BUSINESSEUROPE has a very strong position on the enforcement of trade agreements. We will not support an agreement that we know will not be implemented in practice. And we will make these views clearly known to the European Parliament, if no action is taken on this front.

BUSINESSEUROPE PROPOSALS FOR ACTION

- We should not simply outline problems today. We need solutions.
- BUSINESSEUROPE has already proposed that the Commission create a policy similar to the Business Support Programme used under the Enlargement



Policy. This approach is cost-effective and it ensures that business is well informed of the negotiations. A project could involve the main employers and industry federations as well as the key branch organisations on both sides. We are waiting for a Commission response to this idea.

- This focus on implementation projects is very important in the FTA with Ukraine because it is so comprehensive – covering goods, services and investment as well as regulatory approximation. The latter part will be a challenge for Ukrainian business and government if they do not see the medium term benefits and make the investments necessary to improve quality.
 - We also need to examine ways to deepen cooperation beyond free trade. Ukraine will face a major industrial challenge over the next few years as energy prices are aligned with the market. Ukraine has an incredibly energy intensive industry which will suffer from this change unless action is taken. Cooperation with EU industry which is a leader in energy efficient products and processes could help here. In addition, the EU could facilitate this cooperation by enabling EU companies to benefit from ETS certificates for major energy efficiency projects in Ukraine. This could fund the technology transfer required and have a significant impact on carbon emissions and energy security for Ukraine and the EU.
-