

## **4<sup>TH</sup> JOINT PROGRESS REPORT**

### **NEGOTIATIONS ON THE EU-UKRAINE ASSOCIATION AGREEMENT**

#### **SUMMARY**

Relations between the EU and Ukraine are based on the Partnership and Co-operation Agreement (PCA), which entered into force in 1998 and will renew automatically until the entry into force of a new contractual arrangement.

Negotiations on a comprehensive, ambitious and innovative agreement between the EU and Ukraine were launched in March 2007. At the Paris Summit (2008), the leaders of the EU and Ukraine agreed that the new enhanced agreement should be given the title of Association Agreement (AA), and that it should renew the EU-Ukraine common institutional framework, facilitating the deepening of relations in all areas, as well as the strengthening of political association and economic integration involving reciprocal rights and obligations.

Since the launch of the Association Agreement negotiations in 2007, seventeen negotiating rounds have taken place. Since March 2009, these have been supplemented by an intensive programme of videoconferences allowing a continuous and accelerated process of negotiation on economic and sector cooperation issues, on trade-related issues and on horizontal provisions of the Agreement, with the participation of a wide range of experts.

Following agreement that Ukraine would accede to the WTO (formal accession took place on 16 May 2008), the EU and Ukraine launched negotiations on a Deep and Comprehensive Free Trade Area (DCFTA), as a core element of the Association Agreement, on 18 February 2008. Since then thirteen rounds of DCFTA negotiations have been conducted.

Joint reports on the progress achieved in the agreement negotiations were presented to the EU-Ukraine Summits in 2007, 2008 and in 2009.

#### **SPECIFIC PROGRESS SINCE THE 2009 SUMMIT**

This 4<sup>th</sup> Joint Progress Report highlights the progress achieved in the last year. Since the 2009 Summit, three plenary rounds and five rounds on the DCFTA have taken place.

Negotiations in the last year have continued in a positive and constructive atmosphere. After the entry into force of the Treaty on the Functioning of the European Union (TFEU) on 1 December 2009, the negotiating texts of the Association Agreement were reviewed and updated according to the TFEU.

Both sides reiterate their commitment to the negotiating process with a view to finalising negotiations as soon as possible while retaining the quality and consistency of the Agreement.

Agreement has been reached on the Institutional Provisions of the Agreement. On the General and Final Provisions, the discussions on provisions for a dispute settlement mechanism covering the entire agreement have been finalised.

On the chapter dealing with Political Dialogue and Reform, Political Association, and Cooperation and Convergence in the Field of Foreign and Security Policy, both sides have provisionally closed the negotiations on almost all matters. The provisionally agreed text covers issues such as the aims of political dialogue; fora for the conduct of political dialogue; dialogue and cooperation on domestic reform; Foreign and Security policy including principles of respect for independence, sovereignty, territorial integrity and inviolability of borders; regional stability; conflict prevention; crisis management; and military-technological cooperation; non-proliferation of weapons of mass destruction; disarmament and arms control, and combating terrorism. Discussions continue on references to the International Criminal Court.

The Justice, Freedom and Security chapter is also close to final agreement. Both sides have agreed on aspects covering the rule of law and respect for human rights; protection of personal data; cooperation on migration, asylum and border management; movement of persons; money laundering and terrorism financing; cooperation on the fight against illicit drugs; the fight against crime and corruption; combating terrorism. Negotiations are now focused on movement of persons/the reference to a visa-free travel regime and judicial cooperation on civil matters.

In the group on Economic and Sector Cooperation, negotiations on all 31 areas have been finalised, opening the way for a comprehensive implementation by Ukraine of core EU laws and standards which will impact on the context in which economic activities will be conducted, and on the lives of citizens. These include agriculture and rural development; audio-visual policy; civil society cooperation; company law; consumer protection; cross-border and regional cooperation; culture; the Danube river; education, training, and youth; financial cooperation including anti-fraud provisions; energy cooperation; environment; financial services; fisheries and maritime development; health policy; industrial and enterprise policy; information society; macro-economic cooperation; management of public finances; mining and metals; participation in Community agencies and programmes; research and technological development; social cooperation; space; sports; statistics; taxation; tourism; and transport. Discussions on transport issues will however resume following the presentation of the services offers.

The most recent round of DCFTA negotiations was held in Kyiv on 4-8 October 2010 and both sides showed clear willingness to engage constructively in most chapters. Negotiations took place on a large range of issues (tariffs, services, customs and trade facilitation, intellectual property rights, sanitary and phytosanitary standards, public procurement, geographical indications, trade defence instruments, and technical barriers to trade). Some chapters, such as customs and trade facilitation, public procurement and intellectual property rights, are close to provisional completion. So

far, four chapters are considered as provisionally closed (Trade dispute settlement, Rules of Origin, Transparency, Customs and Trade facilitation (still discussing the annexes)). Detailed discussions on regulatory approximation, for instance concerning sanitary and phytosanitary standards, or technical barriers to trade, will be covered intensively over the next few months.

The next round of negotiations (14<sup>th</sup> round) will take place on 6-10 December 2010 in Brussels. Further substantial efforts will be needed to find mutually beneficial compromises and to complete negotiations in this complex area. In further negotiations on the DCFTA part, both sides will be guided by the fact that the establishment of a deep and comprehensive Free Trade Area between the EU and Ukraine will lead to ever deeper integration of Ukraine into the EU internal market, in parallel with the implementation of relevant elements of the *acquis*. Ukraine reiterated its continuing attachment to this ultimate goal through gradual extension of the four freedoms to Ukraine.

#### **IMPLEMENTATION OF THE ASSOCIATION AGREEMENT**

In order to prepare for and facilitate the entry into force of the EU-Ukraine Association Agreement, the Association Agenda came into effect in November 2009. It is a practical, focused and living document based on the principles of joint responsibility and joint ownership. A list of priorities for action for 2010 from the Association Agenda was agreed at the first meeting of the Joint Committee: these priorities highlight areas where particular emphasis should be placed jointly by the EU and Ukraine.

#### **CONCLUSIONS**

Thanks to the constructive engagement of both sides, negotiations on the Association Agreement proceeded well in the course of 2010, leading to a joint understanding on large parts of the Agreement and provisional agreement at expert level on the texts concerning the Preamble, Political Dialogue, Justice, Freedom and Security, and Sector and Economic Cooperation. A limited number of issues remain to be treated further at a later stage. Both the EU and Ukraine consider the completion of the negotiations as a key short term objective. They reconfirm their willingness to put their relations on a new footing of political association and economic integration, which should be supported by strong institutions and is relevant to Ukraine's European aspirations.