

### **3<sup>RD</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 “new enhanced agreement” between the EU and Ukraine were launched in March 2007. Since that launch, two joint reports on the progress achieved in the negotiations have been prepared. These were presented to the EU-Ukraine Summits in Kyiv in 2007 and Paris in 2008. At the Paris Summit, 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.

This 3<sup>rd</sup> Joint Progress Report highlights the progress achieved since then. Since the Paris Summit of 2008, five 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, with the participation of a wide range of experts. Following agreement that Ukraine would accede to the WTO (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. Since the Paris Summit, four rounds on the DCFTA have taken place.

Negotiations in the last year have continued in a positive and constructive atmosphere. A strong joint commitment to advance has allowed all 31 chapters on economic and sector cooperation to be provisionally closed, promising the implementation by Ukraine of critical EU laws and standards in areas as diverse as environment, public health, agriculture and transport.

The next round on the FTA aspects of the Agreement is scheduled to take place on 7-11 December 2009 in Kyiv, and a programme of negotiations has already been agreed for the first half of 2010. Both sides retain their confidence that the Agreement can be concluded in the year ahead, bearing in mind that the quality and viability of the agreement should be their principal considerations.

#### **SPECIFIC PROGRESS SINCE THE 2008 SUMMIT**

Both sides have agreed on large parts of the text on the Preamble, Objectives and General Principles of the Agreement. At the same time, broad agreement was reached on the main outlines of the Institutional Provisions of the Agreement – in other words, the arrangements under which the enhanced EU-Ukraine dialogue will function. On

the General and Final Provisions, the recently opened discussions on provisions for a dispute settlement mechanism covering the entire agreement have so far been promising.

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; 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 respect for the principles of independence, sovereignty, territorial integrity and inviolability of borders.

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 illegal employment; movement of persons/the reference to a visa-free travel regime; admission rules 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.

Since the launch of negotiations on the DCFTA in February 2008, eight negotiating rounds have been conducted. The most recent round of FTA negotiations was held in Brussels on 5-9 October 2009. Negotiations took place on a large range of issues (tariffs, investment/services, and rules such as intellectual property rights, sanitary and phytosanitary standards, and technical barriers to trade). Some chapters, such as customs and trade facilitation and intellectual property rights, are close to provisional completion (the chapter on rules of origin has already been finalised). Discussions on regulatory approximation, for instance concerning sanitary and phytosanitary standards, or technical barriers to trade, will be covered intensively in the next few months. The next round of negotiations (9<sup>th</sup> round) will take place on 7-11 December

2009 in Kyiv. Further substantial efforts will be needed 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 gradual and ever deeper integration of Ukraine with the internal market, in parallel with the implementation of relevant elements of the *acquis communautaire*.

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

Turning their attention to the effective implementation of the new agreement, at the EU-Ukraine Summit on 9 September 2008 in Paris the leaders of the EU and Ukraine announced the intention to prepare a new practical instrument to replace the existing Joint Action Plan. Following extensive negotiations, agreement was reached on the text of an “Association Agenda”. The Association Agenda was endorsed at the EU-Ukraine Cooperation Council on 16 June 2009 and came into force following an exchange of letters on 23 November 2009. Together with the JLS (Justice, Freedom and Security) Action Plan of 2007, the Association Agenda will serve as the main reference point for joint activities, and will encompass the reform agenda in Ukraine.

The Association Agenda – the first of its kind – will firstly prepare for and secondly facilitate the entry into force of the EU-Ukraine Association Agreement. It is a practical, focused and living document based on the principles of joint responsibility and joint ownership, and it will be updated by the sides as the priorities contained in it are implemented.

#### **CONCLUSIONS**

Thanks to the constructive engagement of both sides, negotiations on the Association Agreement proceeded well in the course of 2008/2009, 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.