

ICPS newsletter®

What does business in Poltava and Kharkiv think about an EU-Ukraine FTA?

Under the "EU-Ukraine FTA: Analytical, methodological and informational support for negotiations" project, ICPS continues to hold consultations regarding the future agreement on a Free Trade Area between Ukraine and the European Union. After having taken this debate to Dnipropetrovsk, Donetsk, L'viv and Uzhhorod, ICPS economists Ildar Gazizullin and Ihor Shevliakov organized similar discussions of the possible impact and prospects of such a trade agreement between Ukraine and the EU in Poltava 4 April and in Kharkiv 23 April. The main conclusion of these two debates was that the Government needs to more actively consult with business in the regions about the current and planned measures aimed at Eurointegration

At these roundtables, participants looked at such issues as:

- What impact will Ukraine's accession to the World Trade Organization have on your sector or business?
- What EU markets are of interest to you today? What barriers to entry are there on these markets?
- Do these markets interest you in the longer term and are you prepared (at the sector or business level) to adapt to EU standards (and, of course, to the costs involved), which will give you the prospect of better access to EU markets?

Business Headache #1: Unstable legislation

The roundtable in Poltava was organized in partnership with the Regional Fund for the Support of Enterprise in Poltava Oblast, and this event was mostly attended by representatives of SMEs. At the beginning of the discussion, business expressed negative opinions about possible changes to legislation as the consequence of a deeper FTA agreement.

Changes to the business environment, as a rule, tend to lead to greater costs of doing business, while SMEs, according to most of the participants, are not prepared to spend enormous amounts of money, especially for legal services. Business made it clear that the Number One problem for those doing business was constant changes in

legislation and the unpredictability that such changes led to.

During the discussion, most participants agreed that adapting to European standards could improve the situation, especially as this will be inevitable at some point in the future anyway. Business also noted that competition from EU companies was growing every day. Still, importers pointed out that there are currently problems with customs and importing goods from the EU.

At the end of the roundtable, participants emphasized how important it was for them to work more actively with government institutions such as the Ministry of Economy and the State Department for the Adaptation of Legislation, whose representatives are involved in negotiations with the EU.

Concern about impact on trade with Russia

The roundtable in Kharkiv was organized with the support of the Union of Trade Unions of Kharkiv Oblast. During the discussion, business representatives raised the issue of the impact of a deeper FTA with the EU on the prospects for trade with Russia.

Participants noted that a large share of the output in heavy industry, which is a major component of the oblast's economy, is sold in the Russian Federation.

Moreover, these business representatives

By the way...

ICPS's Eurointegration and foreign policy analyst Natalia Shapovalova is winding down her tour at FRIDE, a European think-tank in Madrid, through the International Fellowship Programme for Learning and Exchange in Philanthropy. The internship, which began in April, has allowed Ms. Shapovalova to learn more about the work of this Spanish think-tank and to participate in its research studies.

also pointed out that Russia is actively following a policy of import replacement, at the same time as many hi-tech companies in Kharkiv Oblast are rapidly losing their competitive edge because their manufacturing capacities and processes are not being upgraded.

Still, those at the roundtable also offered success stories of local machine-building companies that are actively modernizing their assets, cooperating with EU companies, and conquering new markets with their products. ■

The "EU-Ukraine FTA: Analytical, methodological and informational support for negotiations" project was launched in September 2007 with funding from the Swedish International Development Agency (SIDA).

The purpose of this project is to support the process of Ukraine's economic and trade integration with the European Union. The Centre's partners in this project, which is funded by the Swedish Agency for International Development (SIDA), are the Ministry of Economy, the Ministry of Foreign Affairs, and the Secretariat of the Cabinet of Ministers.

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