

Fact Sheet

The logo for WIDE NETWORK features a stylized globe icon in the background, with the word "WIDE" in a large, bold, white sans-serif font above the word "NETWORK" in a smaller, white sans-serif font. The entire logo is set against a dark purple rectangular background.

WIDE
NETWORK

Gender Implications of the European Union - Ukraine Trade Relations

WIDE

**Globalising gender equality
and social justice**

Rue de la Science 10
1000 Brussels

Tel: +32-2-545.90.70

Fax: +32-2-512.73.42

info@wide-network.org

www.wide-network.org

Oksana Kisselyova
Liberal Society Institute
November 2007

Gender Implications of the European Union-Ukraine Trade Relations

Author: Oksana Kisselyova, Liberal Society Institute, Ukraine

Publisher: WIDE
Person in charge: Barbara Specht
Rue de la science 10
1000 Brussels
Belgium
www.wide-network.org

Copyrights©2007 WIDE

Any part of this publication may be reproduced without permission for educational and non-profit purposes if the source is acknowledged. WIDE would appreciate a copy of the text in which the document is used or cited.

WIDE gratefully acknowledges the financial assistance of the European Commission, DG Trade for producing this publication. The view expressed in this publication is the view of the author and can therefore in no way be taken to reflect the official opinion of the European Commission.

List of abbreviations

EC	European Commission
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood Policy Instrument
EU	European Union
FDI	foreign direct investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
NEA	New Enhanced Agreement
PCA	Partnership and Cooperation Agreement
SMEs	Small and medium-sized enterprises
TNCs	transnational corporations
WTO	World Trade Organization

In 2003 the European Union (EU) created a new framework for its relations with neighbouring countries, including Ukraine, called the European Neighbourhood Policy (ENP). The main idea of the ENP is to encourage stability, security and prosperity in the neighbouring states without extending EU membership to them. In the framework of the ENP two fundamental documents have been designed to shape EU-Ukraine relations: the EU-Ukraine Action Plan and the European Neighbourhood Policy Instrument (ENPI) Ukraine Country Strategy Paper for 2007-2013.

EU-Ukraine relations

The EU-Ukraine Action Plan was agreed in February 2005 and is to be implemented over a period of three years. The Action Plan sets objectives and priorities in most major policy areas – e.g. in legislation, economic and social policies, trade policies, environmental standards, taxation, transport, energy, education and the public health sector – and elaborates on what should be done to achieve them. In the economic domain, the prioritised areas include World Trade Organization (WTO) accession, the removal of non-tariff barriers in bilateral trade, improving investment climate, tax reform, and bringing Ukrainian legislation more in line with EU legislation. Underlining the EU's firm support of Ukraine's efforts to join the WTO, the Action Plan also explores the feasibility of establishing an EU-Ukraine Free Trade Agreement (FTA) following Ukraine's accession to the WTO. The EU has promised to increase financial support to Ukraine to help with the implementation of the Action Plan with the ENPI. In addition, the European Investment Bank has pledged to support projects involving infrastructure investments in Ukraine.¹

The **ENPI Country Strategy Paper** for Ukraine covers the period 2007-2013. The principal objective of cooperation between the EU and Ukraine at this stage is to develop an increasingly close relationship, going beyond past levels of cooperation to gradual economic integration and deeper political cooperation, including cooperation on foreign and security policy. Supporting trade, market and regulatory reform **the European Commission (EC)** will offer assistance to Ukraine to back the process of market and regulatory reform, at the same time bearing in mind the challenges Ukraine will face with the introduction of an EU-Ukraine FTA envisaged once the WTO accession process has been completed.

Ukraine's accession process to the WTO

Ukraine submitted its official request for joining the General Agreement on Tariffs and Trade (GATT) in late 1993, and the Working Party on the Accession of Ukraine to the WTO was established on 17 December 1993. The Memorandum of the Foreign Trade Regime was agreed upon in 1994. During the 14-year WTO accession process, Ukraine has experienced intensive rounds of multilateral and bilateral negotiations with the WTO members, in addition to substantial legal transformations and trade liberalisation.

Presently, the negotiation process on Ukraine's accession to the WTO is approaching its final stage as Ukraine has almost concluded bilateral talks with interested countries and already agreed

¹ Global Analysis Report for the EU-Ukraine TSIA. Ref: TRADE06/D01. – P. 19.

on all import tariff lines for goods (which are reflected in Ukraine's tariff offer), as well as finalised its offer regarding the conditions of market access for services. In addition, Ukraine has already introduced a number of legal changes aiming at harmonising its legislation with WTO rules, in addition to fulfilling accession commitments agreed on during multilateral and bilateral negotiations. The Ukrainian Parliament has passed more than 40 new laws. There still remain a few bottlenecks in the negotiation process, such as the level of domestic support to agriculture and bilateral negotiations with Kyrgyzstan².

Meetings of the Working Party are the main element of the WTO accession process. Intermediary results are summed up and the degree of preparedness of a candidate for WTO membership is determined at the meetings. Seventeen official meetings of the Working Party on the Accession of Ukraine to the WTO have been held over 14 years. The first Meeting of the Working Party took place in February 1995.³

The latest revision of Ukraine's draft Report of the Working Party was circulated in April 2007, and the last meeting of the Working Party on the Accession of Ukraine to the WTO was held in Geneva in July 2007. Ukrainian Deputy Minister of Economy Valeryi Pyatnytskiy said that the meeting was very fruitful. The wording of the Draft Working Party Report has practically been finalised, and all the rest – respective amendments to the text of the Report – falls within the scope of technical work at the WTO Secretariat. The Working Party members have tentatively arranged to meet again in the first half of October and, presumably, will approve the Report in its final form then.

In July 2007 the Ukrainian President Victor Yushchenko promised that Ukraine would finish the WTO accession process in November 2007.⁴ But the same promises were already made in 2005.⁵ Minister of Foreign Affairs Arseniy Yatsenyuk is very sceptical that Ukraine will become a member of the WTO before the end of 2007. He considers the lack of political freedom and economic education in Ukraine as well as the permanent political crisis to be the main reasons behind Ukraine's slow progress towards WTO membership.⁶

At the same time Ukraine's accession to the WTO could help to stop business pressure groups' demands for government protection and decrease corruption. The WTO and the EC demand that shareholders' and investors' rights must move towards international standards in economic and trade relations. This will lead to greater certainty and clarity in trading conditions for businesses and better discipline and less opportunity for corruption by the government. The level of corruption in Ukraine is still very high. In 2006, Transparency International issued an annual aggregate index for corruption in 159 countries; Ukraine scored 2.8 (10 is least corrupt and 0 is most corrupt) and shares rank 99 with the Dominican Republic, Georgia, Mali, Mongolia and Mozambique.⁷

² In August 2007 a memorandum with proposals on cancelling Ukrainian debt, handed over to the capital of Kyrgyzstan Bishkek by the Ukrainian Ministry of Economy, was under consideration at the Kyrgyz Ministry of Finance.

³ http://www.wto.org/english/thewto_e/acc_e/a1_ukraine_e.htm

⁴ <http://www.obozrevatel.com/news/2007/6/8/174643.htm>

⁵ <http://www.korespondent.net/main/43219>

⁶ <http://ua.korespondent.net/main/72014>

⁷ Corruption Assessment: Ukraine. Final report. – USAID, 2006.

The EU-Ukraine FTA in the framework of the New Enhanced Agreement

The next step after Ukraine's accession to the WTO will be a deep and comprehensive FTA between the EU and Ukraine. On 13 September 2006, the EC presented draft negotiating directives to the EU Council and invited the Council to agree on a mandate for the EU to negotiate a New Enhanced Agreement (NEA) with Ukraine, to replace the existing Partnership and Cooperation Agreement (PCA)⁸. The negotiations for the NEA started on 5 March 2005. The NEA will entail a significant degree of political and economic integration including a FTA provision. The NEA which is expected to be most beneficial to both parties will be in line with the ENP and the EU-Ukraine Action Plan and will go beyond the respective WTO obligations for Ukraine and the EU. However negotiations on the FTA elements of the agreement will only commence after Ukraine has acceded to the WTO and technical preparations for the negotiations have been undertaken on both sides.

Scope of the New Enhanced Agreement

The NEA is expected to have a five-pillar structure:

- 1) Setting up an **institutionalised political dialogue** on common values in line with mutually accepted general principals governing the future relationship between the EU and Ukraine.
- 2) Establishing a **WTO-compatible FTA** on goods and services including binding disciplines in non-tariff and regulatory areas (e.g. intellectual property rights, technical standards, competition, sanitary and phytosanitary rules, trade facilitation).
- 3) Foreseeing **specific provisions regarding energy**.
- 4) Containing provisions on **cooperation on a broad range of areas of mutual interest**.
- 5) Providing for developed **institutional structures** to ensure the effective implementation of the agreement, including a dispute settlement mechanism.

The NEA is expected to include new commitments in the following areas:

- **Trade in goods**, including industrial goods, agricultural products, processed agricultural products and fishery products;
- Technical barriers (**non-tariff barriers**) to trade and sanitary and phytosanitary measures (SPS);
- **Trade in services**, including financial services, transport and telecommunication;
- **Capital movements** and payments;
- **Government procurement**;
- **Competition**;
- **Intellectual property rights**;
- **Trade facilitation**, customs and rules of origin;
- Trade and **sustainable development**; and

⁸ The PCA entered into force in 1998 and regulates the political, economic and cultural relations between the EU and Ukraine and is the current legal basis for the EU's bilateral trade with Ukraine. One of its main objectives is the promotion of trade and investment as well as the development of harmonious economic relations between the two parties.

- **Energy.**⁹

A significant proportion of Ukrainian goods entering the EU market benefit from the General System of Preferences (GSP). The new EU GSP, in force since 1 January 2006, implies positive news for beneficiary countries (including Ukraine) in terms of stability, predictability and simplicity. GSP effective imports from Ukraine have increased significantly from 2000 and the GSP utilisation rate reached a very satisfactory 72.5% of eligible products in 2006. With 1.73 million euro worth of GSP preferential imports to the EU, Ukraine ranks among the top 12 effective users of the system. Preferential imports are diversified and include among others the following sectors: chemicals, plant oils, minerals, base metals, machinery and mechanical appliances.¹⁰

Main negotiation areas of the EU-Ukraine FTA

The envisaged EU-Ukraine FTA aims at deepening economic integration by foreseeing **substantial liberalisation in goods and services** as well as a **further opening and liberalisation of the financial sector**. Liberalisation in goods would also include tariff reduction of agricultural, steel and textile products, which are sensitive products for the Ukraine. If the more sensitive areas and products can't be excluded from the tariff reduction, at least longer transition periods must be granted. Also the **removal of non-tariff barriers and the harmonisation of Ukraine's regulatory regime** with that of the EU, especially in the areas of **competition** and company law will be subject of the FTA negotiations. The EU and Ukraine anticipated that harmonisation of regulation and removing barriers to trade would attract new investment, improve conditions for cross-border trade and lead to the gradual participation of Ukraine in the EU internal market. Obviously, Ukraine is counting on the EU's assistance in the process.

As a result of the envisaged FTA in the framework of the NEA between the EU and Ukraine the Ukrainian population's welfare is estimated to increase by 4-7%.¹¹ The major Ukrainian industries that should benefit from Ukraine's accession to the WTO are metallurgy, fuel, textile, chemical industries and agriculture.¹² At the same time service sectors like communication, transport, water transport and air transport, recreational, entertainment, cultural and sporting activities, social activities, business services and renting and public administration, education, health, sewage, cleaning of streets and refuse disposal are likely to experience shrinking exports.¹³

As regards **Foreign Direct Investment (FDI)**, although FDI flows to Ukraine have been rising rapidly in the last couple of years they remain at a level that would need to increase in order to sufficiently foster further economic growth in the country. The EU is by far the largest foreign investor in Ukraine with its share of investment growing every year (71.7% by the end of 2005). FDI flows from the EU25 amounted to 5.5 billion euro in 2006, compared to just above 230 million euro in 2003.

⁹ Global Analysis Report for the EU-Ukraine TSIA. Ref: TRADE06/D01. – P. 20.

¹⁰ http://ec.europa.eu/trade/issues/bilateral/countries/ukraine/index_en.htm

¹¹ Kholod Nazar. Perspectives of Ukraine's Integration to the World Economic Space // Agora. Ukraine in the European Context. Vol. 5. – Kiev: Stilos. – 2007. – P.43.

¹² Ibid. – P. 46.

¹³ Global Analysis Report for the EU-Ukraine TSIA. Ref: TRADE06/D01. – P. 77.

In the recent years Ukraine has made significant progress in achieving a more predictable and safer investment climate, which is essential for attracting higher levels of investment. However, the EU demands further improvements to this, especially in the form of effective enforcement of legislation and a transparent judiciary as well as the completion of the reform process.¹⁴

The main obstacles faced by EU investors are frequent changes in regulations affecting foreign trade, the lack of transparency, failings in the implementation of laws, discriminatory regulation and corruption. The European Business Association in Ukraine was established in 1999 as a forum for discussion and for the resolution of issues facing the European private sector in Ukraine. At present it brings together over 650 European and international companies operating in Ukraine.¹⁵

As mentioned above, the FTA constitutes one important pillar of the NEA. At the same time, the NEA seeks to enhance cooperation in different other policy fields including environment, energy, transport and education. In addition, freedom, security and justice would fall under the scope of the NEA.

Energy

Ukraine's energy sector, transit of mineral oil and gas are of high interest to the EU. Increasing EU dependence on imported gas and oil, and signs that energy commodities are increasingly used as tools for exerting political influence by some commodity exporters, have inspired renewed EU interest in working out a common external energy policy (Commission, 2006b). In 2005 mineral oil and oil products were the second most exported Ukrainian goods – 10% of total exports (740 million euro) – after ironstone and steel (around 30%).¹⁶

In September 2006, the EU and Ukraine signed a Memorandum of Understanding on energy cooperation. The memorandum foresees options for the reform of the Ukrainian gas transit system; the adoption by Ukraine of EU legislation on oil stocks, the electricity and gas sectors; the extension of the Odessa-Brody pipeline; the completion of the oil and gas Boyarka metrology centre; work on renewables and energy efficiency. The issue of energy was also discussed at the 10th EU-Ukraine Summit that took place in Helsinki on 27 October 2006. The Summit placed particular emphasis on enhancing the security of energy supplies in Ukraine and the gas transit to the EU market.¹⁷

In September 2007 at the 11th EU-Ukraine Summit the leaders of Ukraine and the EU reaffirmed their joint strategic interest in energy cooperation. They agreed to continue cooperation with the aim of advancing Ukrainian energy sector reform and ensuring safe, reliable and transparent energy transit through Ukraine. EU leaders commended Ukraine on obtaining observer status in the Treaty on the Energy Community and pledged EU support for Ukraine's efforts to acquire membership of the body.¹⁸

¹⁴ http://ec.europa.eu/trade/issues/bilateral/countries/ukraine/index_en.htm

¹⁵ <http://www.delukr.ec.europa.eu/page36088.html>

¹⁶ Braichevskiy Yulian. Ukraine's Foreign Trade: What will be the Ukrainian Niche at the European Markets? // Agora. Ukraine in the European Context. Vol. 5. – Kiev: Stilos. – 2007. – P. 46.

¹⁷ http://www.eu2006.fi/news_and_documents/press_releases/vko43/en_GB/1161940819448/

¹⁸ <http://www.eu2007.pt>

Gender implications of the EU-Ukraine FTA

The Ukraine WTO accession agreements as well as the EU-Ukraine documents lack a comprehensive gender approach. The EU-Ukraine Country Strategy Paper envisages gender mainstreamed as a cross-cutting issue into the design of programmes related to all the key issues mentioned above to the maximum extent possible.¹⁹ At the same time, unfortunately, the description of each of the six priorities (political dialogue and reform; economic and social reform and development; trade, market and regulatory reform; co-operation in justice and home affairs; transport, energy, information society and environment; and people-to-people contacts) is gender blind. A gender dimension is also not taken into account in the analysis of the consequences of Ukraine's WTO accession or the creation of an FTA between the EU and Ukraine.

Impact on women entrepreneurs

EU-Ukraine trade policy must take into account that Ukrainian women are active economic actors. Women make up around 49% of the total number of economically active population in Ukraine.²⁰ Small and medium-sized enterprises (SMEs) operated by women play a critical role in the economic survival of poor families. The negative impacts of economic structural adjustments pushed women out of the traditional labour market and forced them to seek ways to support themselves and their families. In this context, self-employment both in the informal and formal sector has become crucial for family survival. In the last 5-6 years the women-owned and –led business is developing rapidly in Ukraine. According to the results of a BIZPRO survey, in 2002 women controlled 22% of private small and medium enterprises in Ukraine.²¹ The majority of women's enterprises are engaged in wholesale and retail trade. In this regard international trade can open new opportunities for them. Other relevant development trends of women-owned business are agriculture, public catering, industry, consumer services, hotels, and tourism.

Gender considerations policy makers must take into account when drafting trade policy include understanding that women business owners in Ukraine:

- Generally have less access to credit and capital than male business owners;
- Face psychological barriers and patriarchal stereotyping;
- Need external support, such as advice, consulting, and training to address diffidence;
- Have less time than men to attend training programmes related to technology, market information or other relevant skills, due to their reproductive tasks;
- Use technology less than men and generally as a means to an end;
- Have less flexibility to travel to gather market information than men because of their family-related responsibilities;
- Are likely to accord a higher priority to core labour standards, ethical and environmental issues than men-led businesses.

¹⁹ ENPI Ukraine Country Strategy Paper for 2007-2013. Draft. P.19.

²⁰ Gender Issues in Ukraine: Challenges and Opportunities. – Kiev, 2003. P. 29.

²¹ Small and Medium Business in Ukraine. Report. – Kiev: BIZPRO, 2002.

Impact on women workers

Trade policy also has to consider issues affecting women workers. There is a tendency for trade impact analysis to focus on the fact that trade liberalisation leads to the creation of a large number of jobs for women particularly in export processing zones. However, in Ukraine women are employed disproportionately in industries that would benefit from WTO accession. Ukrainian women are concentrated in public catering (84%), education, health, social support (78.3%), financial sector (56.6%), wholesale and retail trade (57.7%).²² As mentioned above, cultural and social activities, education and health are expected to experience shrinking exports as a result of WTO accession. There are few women in the metallurgy and fuel industries that are likely to benefit the most from Ukraine's accession to the WTO. A positive effect for women's employment could only be expected through an increase of export in the textile sector, where the majority of workers are women.²³

Impact on women in agriculture

In spite of the agrarian reform started in the beginning of the new millennium, Ukrainian agriculture is in permanent crisis. The structure of Ukrainian agriculture is: 58% peasant one-person businesses, 22% farmers, 6% collective farmers, and 3% enterprises with different forms of property. There are no favourable credits for small-scale peasants who make up the majority of agricultural producers. The share of women in agriculture is 42.9%.²⁴ As a result of the WTO accession cheaper products will compete with women-farmers' food production. Taking into account that agriculture in Ukraine is poorly mechanised and women have limited access to credits, women food producers will face unfair competition. Also privatisation and the creation of private farms have forced women into the position of unpaid family workers without social benefits.

Impact on women's social reproductive work

Ukrainian women are the primary caretakers of young children and elderly, sick or disabled family members. Women also contribute a considerable amount of unpaid labour to support core community social and political activities. Trade policy and practice tends to overlook and exclude women's multiple roles, because much of women's work is unpaid and, therefore, is not recorded in national statistics, and the more traditional gender roles of Ukrainian women are often undervalued. These gender-specific issues are an obstacle women face when trying to take advantage of the new opportunities that WTO and EU-Ukraine trade agreements may bring.

²² Gender Issues in Ukraine: Challenges and Opportunities. – Kiev: UNDP, 2003. P. 30

²³ The textile industry is one of the industries that suffered most of all during the transition period. In the 1990s unemployment in this industry was around 80%. Most of the textile workers are women. Today successful EU-Ukraine joint textile enterprises in western and eastern Ukraine (Uzhgorod and Lugansk clothes factories) offer better working conditions in terms of flexibilisation and casualisation, closer to EU standards than other Ukrainian enterprises.

²⁴ Ibid.

Conclusions and recommendations

A gender dimension is missing from the WTO consultations and EU-Ukraine trade relations. In order to fill the gap it is necessary to:

- Integrate a gender analysis in the ongoing trade impact assessments and encourage the use of gender-disaggregated data and gender indicators.
- Form a multi-sector gender and trade consultative group with regard to gender issues at the WTO and EU-Ukraine trade relations under the Ukrainian Ministry of Economy. This could take the form of a joint committee with representatives from the public, private, civil and academic sectors.
- Adopt explicit gender analysis and integration measures in all trade policy development related to the WTO and EU-Ukraine trade negotiations.
- Make the WTO and EU-Ukraine trade decision-making nationally and multilaterally more transparent, democratic and guarantee women's input and participation.
- Introduce special programs (micro-finance, credits, grant programs, etc.) to support women's businesses.