European Parliament

Ukraine: Temporary autonomous trade measures

In view of the difficult economic situation and on-going reform process in Ukraine, the European Commission proposes to improve access for Ukraine to the EU market for some industrial and agricultural products. The European Parliament (EP) plenary vote is scheduled for May.

Background

In the context of Russia's illegal annexation of the Crimean peninsula and hybrid war against Ukraine, the European Union (EU) has stepped up its support for Kyiv. Ukraine is a priority partner for the EU, and the Association Agreement (AA) is the main tool for closer cooperation. The Deep and Comprehensive Free Trade Area (DCFTA) is part of the AA and has been provisionally applied since January 2016. It provides for the mutual opening of markets for goods and services. The EU is Ukraine's largest trading partner, with exports to the EU amounting to €12.7 billion in 2015, while EU exports to Ukraine totalled €13.9 billion the same year. The Commission argues that, against the backdrop of the 'difficult economic situation and the economic reform efforts undertaken by Ukraine, the measure aims at increasing the trade flows'.

Commission proposal

On 29 September 2016, the European Commission adopted a proposal on the introduction of temporary autonomous trade measures for Ukraine supplementing the trade concessions available under the AA/DCFTA. The Commission proposes introducing new duty-free tariff-rate quotas (TRQ) for eight farming products — maize, barley, wheat, barley groats/meal, processed tomatoes, oats, honey and grape juice — for a period of three years, in addition to those already agreed under the AA. The proposal includes partial or full removal of import duties for fertilisers and other products. The proposal would not amend the agreement, but rather takes the form of EU legislation which could be altered without consultation with Ukraine. The proposal also includes the possibility of targeted safeguard measures.

European Parliament position

The Commission proposal has sparked various responses in the EP. Some MEPs have asserted that the AA already allocates a 'generous' preferential quota to Ukraine – particularly for maize (400 000 tonnes in 2016), wheat (950 000 tonnes) and barley (250 000 tonnes) – claiming that new tariff-free trade quotas for Ukraine would push down prices paid to EU producers, which would in turn exacerbate the 'crisis in the sector'.

The Committee on Agriculture and Rural Development (AGRI), in a March 2017 opinion, expressed concern over 'potential destabilisation' of the EU agricultural markets' through granting Ukraine additional autonomous trade preferences. In this light, AGRI recommended leaving out the proposed tariff rate quotas (TRQs) for wheat, maize and processed tomatoes. On 4 May 2017, the International Trade Committee (INTA) gave its approval for additional duty-free import quotas. However, addressing concerns in the EU agricultural sector, MEPs suggested excluding certain sensitive agricultural products such as wheat, tomatoes and urea (fertiliser), but not maize. They also suggested deleting certain duty-free proposals for selected pesticides.

European Commission response

On 11 May, European Commissioner for Trade Cecilia Malmström deplored that INTA had reduced the scope of the Commission's proposed plan for temporary autonomous trade preferences for Ukraine. Malmström criticised the MEPs for 'diluting' the Commission's proposal. Acknowledging that the proposal was 'modest', she argued that it would be important for the Ukrainians in the short term, and would send a 'political signal that we are with them'. She expressed hope that the Council, meeting the same day (11 May 2017) would be more favourable towards the Commission's proposal.

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