

Goods originating in Ukraine: reduction or elimination of customs duties

2014/0090(COD) - 11/03/2014 - Legislative proposal

PURPOSE: to propose reductions or temporary eliminations of customs duties on goods originating in Ukraine.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: Ukraine is a **priority partner country** within the European Neighbourhood Policy (ENP) and the Eastern Partnership. The European Union and Ukraine negotiated in 2007-2011 an Association Agreement, including a Deep and Comprehensive Free Trade Area (DCFTA), which was initialed by both parties in 2012. Under the provisions of the DCFTA, the European Union and Ukraine are to establish a free trade area over a transitional period of a maximum of 10 years starting from the entry into force of the Association Agreement.

Following the recent unprecedented events in the country and the security, political and economic challenges faced by Ukraine, on 6 March 2014, the European Council stated its intention to **support the economic stabilisation of the country** by means of a package of measures, including the granting of autonomous trade preferences which is detailed in this proposed Regulation.

It is appropriate not to await the entry into force of the Association Agreement's provisions on a Deep and Comprehensive Free Trade Area, but to anticipate its implementation by means of autonomous trade preferences and to start unilaterally the reduction or elimination of Union customs duties on goods originating in Ukraine.

CONTENT: this proposal seeks to reduce temporarily and unilaterally its trade barriers (whether tariffs, quotas or tariff rate quotas) on the imports of Ukrainian goods into the EU to level agreed bilaterally in the EU-Ukraine Deep and Comprehensive Free Trade Area.

Conditions for entitlement to the preferential arrangements: entitlement to benefit from the preferential arrangements shall be subject to:

- compliance with the rules of origin of products and the procedures related thereto;
- participation by Ukraine in effective administrative cooperation with the Union in order to prevent any risk of fraud;
- abstention by Ukraine from introducing new duties or charges having equivalent effect and new quantitative restrictions or measures having equivalent effect for imports originating in the Union or from increasing existing levels of duties or charges or from introducing any other restrictions from the day of the entry into force of this Regulation.

Temporary suspension: where the Commission finds that there is sufficient evidence of failure to comply with the conditions set out above it may suspend in whole or in part the preferential arrangements provided for in this Regulation.

Where imports of a product originating in Ukraine and included in Annex I cause or threaten to cause serious difficulties to Union producers of like or directly competing products the Commission may reintroduce the normal Common Customs Tariff duties with regard to such imports.

The Commission had assessed that, thanks to the DCFTA, Ukrainian exporters would save EUR 487 million annually due to reduced EU import duties, which represented a removal of 98.1% of duties in trade value.

BUDGETARY IMPLICATION: the European Union will see a **loss of customs revenue corresponding to EUR 487 million (gross) annually**. However, those figures are estimates, having regard to the economic situation of Ukraine and can change.