

Reduction or elimination of customs duties on goods originating in Ukraine: extension of the application period

2014/0279(COD) - 19/09/2014 - Legislative proposal

PURPOSE: to extend the application of Regulation (EU) No 374/2014 on the reduction or elimination of customs duties on goods originating in Ukraine.

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

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 signed by both parties on 27 June 2014. 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.

[Regulation \(EU\) No 374/2014](#) on the reduction or elimination of customs duties on goods originating in Ukraine was to apply until Title IV of the Association Agreement enters into force or is applied provisionally. It was intended that this Regulation (would cease to apply on 1 November 2014 at the latest.

In light of the unprecedented **security, political and economic challenges** faced by Ukraine, and in order to support its economy, it was decided to anticipate the implementation of the Schedule of concessions set out in Annex I-A to the Association Agreement between the EU and Ukraine by means of the autonomous trade preferences provided for under Regulation (EU) No 374/2014. In view of the challenges Ukraine still faces, the application of Regulation (EU) No 374/2014 shall be extended.

CONTENT: in order to support the political and economic stability of Ukraine, the European Commission would propose the extension of the application of Regulation (EU) No 374/2014 on the reduction or elimination of customs duties on goods originating in Ukraine **until 31 December 2015**. For the purpose of predictability, the customs duties and access to tariff quotas should following the extension remain the same as for 2014.

The autonomous trade preferences provided for by Regulation (EU) No 374/2014 should have full **respect for democratic principles, human rights and fundamental freedoms** and respect for the principle of the rule of law, promotion of respect for the principles of sovereignty and territorial integrity, inviolability of borders and independence, as well as countering the proliferation of weapons of mass destruction.

The proposal ensures that it is appropriate to introduce the possibility to temporarily suspend the preferences in case of failure to respect the fundamental principles of human rights, democracy and the rule of law by Ukraine.

BUDGETARYIMPLICATION: 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 political and economic situation of Ukraine and can change.

