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Improving Market Access for Food: Main Provisions of the EU's Deep and Comprehensive Free Trade Agreements with Ukraine, Moldova and Georgia

Veronika Movchan

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Veronika Movchan is an Academic Director at the Institute for Economic Research and Policy Consulting - IER (Kyiv, Ukraine) and a member of the Editorial Board of VoxUkraine. Also, she has participated as a short-term expert in projects financed by the EU, World Bank, UNDP, and USAID among others. Main spheres of her interest are trade policy, including WTO-related issues, regional integration, non-tariff measures, quantification of trade policy instruments, and modeling of policy changes, including the CGE modelling. Recently she has been focused on impact analysis of the establishment of the DCFTAs with the EU.

Mrs. Movchan holds MA in Economics from the National University “Kyiv-Mohyla Academy” (Ukraine). Before joining the IER, she was a visiting research fellow at Stanford University (USA) and worked as a consultant at the World Bank Resident Mission in Kyiv and the Harvard Institute for International Development (Ukraine).

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Executive Summary

The implementation of the Association Agreements between the EU and Georgia, Moldova and Ukraine is expected to become an important benchmark in development of agriculture and food sectors in these countries. Exports of agriculture and food products constitutes from one fifth to one third of merchandise exports in the studied countries, with the EU being the most important trade destination. Improved market access to the EU market, tougher competition on domestic markets and legislative harmonization are generally perceived as stimulus for sectors' modernization and growth.

Although Ukraine started negotiations with the EU earlier than Georgia and Moldova, all three countries signed the Association Agreements, including the Deep and Comprehensive Free Trade Areas (DCFTAs), simultaneously in June 2014. In Georgia and Moldova, temporary application of the DCFTA provisions began in September 2014, while the implementation of EU-Ukraine DCFTA was postponed till 1 January 2016.

The provisional implementation of the DCFTAs have not resulted in immediate cease of existing EU trade preferences, thus providing additional transition period for adaptation of business in partner countries. In particular, Georgia has been entitled to use enhanced Generalized System of Preferences (GSP+) before the DCFTA implementation starts, and this regime will last till end of 2016. Moldova has enjoyed autonomous trade preferences in exports to the EU since 2008, and the regime will be preserved till the end of 2015. Ukraine has been eligible to the Generalized System of Preferences (GSP), and since April 2014 it was granted by autonomous trade preferences (ATPs) replicating the first year of implementation of the DCFTA. The ATPs for Ukraine will last till the end of 2015.

The goals and structures of the Association Agreements signed by Georgia, Moldova and Ukraine are very similar. Among others, all three Agreements are aimed at establishing conditions for "*enhanced economic and trade relations leading gradual integration... in the EU Internal Market*" through far-reaching regulatory approximation and market access liberalization. All three Agreements contain titles devoted to trade and trade-related issues, namely DCFTAs, and also chapters on agriculture and rural development settling framework for harmonization with agriculture-related EU regulations.

Still, there are important peculiarities of each Agreement driven by initial trade regimes, trade and economic structures of the Parties. While the free trade areas between the EU and Moldova and Ukraine are to be implemented within maximum ten years transition period, Georgia known for its liberal principles agreed to establish free trade with the EU immediately after the entry of the Agreement into force.

There are also differences in exemptions from the duty free trade applied to agricultural products by the EU and by partner countries. Georgia's DCFTA is the most liberal, as there are no exemptions set by Georgia in respect to the EU exports. The EU set only one tariff rate quota (TRQ) for Georgian products, on garlic. Several agricultural products, including some vegetables, fruits, grape juice and must, are subject to entry prices. Also, a number of agricultural products including meat, dairy products, cereals etc. are subject to so called anti-circumvention mechanism, allowing monitoring of volume of exports and preventing illegal re-exports.

In case of Moldova, the list of TRQs applied by the EU is longer and includes tomatoes, grapes, garlic, apples, plums and grape juice. Similar to Georgia, selected Moldavian agricultural exports to the EU are subject to entry price regulations, and there are agricultural products subject to anti-circumvention mechanism.

The DCFTA with Ukraine does not contain anti-circumvention mechanism. The list of product subject to entry price in case of exports to the EU is similar to Georgian and Moldavian

lists. At the same time, the list of TRQs applied by the EU is the longest covering 33 agricultural products including meat, dairy, cereals, sugar products etc.

The DCFTAs provide better market access for the EU to markets of Georgia, Moldova and Ukraine as compared to the level of access ensured for the WTO members. Georgia completely opens its market to the EU agricultural exports immediately after the enactment of the Association Agreement. Ukraine and Moldova will preserve some protection for sensitive agricultural products.

Moldova will set zero import duties on agricultural products within ten-year transition period. Also, Moldova's DCFTA envisages implementation of TRQs on the EU exports of meat and products thereof, dairy, and sugar products.

Ukraine's agricultural market will remain somewhat protected (1.2% import duty) due to preservation of non-zero duties for sensitive agricultural products. Ukraine applies three TRQs that cover some meat and sugar.

Georgia and Moldova have no global TRQs as a part of their WTO commitments, while Ukraine has one TRQ on sugar preserved within the DCFTA.

As Georgia and Moldova have no export duties, there are no special provisions regarding their elimination in the Agreements of these countries, apart from commitment not to apply export duties in the future. Ukraine applies export duties for several agricultural products, namely on selected live animals and oil seeds. Ukraine committed to gradually reduce and finally eliminate existing duties within ten year period. As a concession, Ukraine will be able to apply special surcharges allowing the country to temporary compensate the reduction in export duties.

Regulatory approximation is the most important component of the DCFTAs. All three Agreements envisage approximation with the EU system of sanitary and phyto-sanitary (SPS) measures. In all cases, the list of measures to be implemented (the comprehensive strategy of reforms) is to be submitted to the SPS Sub-Committees in some time after the enactment of the Agreements. In Ukraine and Moldova, the strategy is to be developed in three months, and in Georgia – in six months. The SPS chapters envisage procedures for recognition of equivalence, certification procedures, verification and a set of measures related to implementation of transparency principle.

Chapters on agriculture and rural development, which are included in the titles on economic and sectoral cooperation, envisage quite significant list of EU norms for harmonization. The lists cover over 40 regulations including quality policy, organic farming, GMOs, biodiversity, and marketing standards. Only Moldova set explicit schedule for harmonization with agriculture-related regulations, establishing 3-5 years transition period. Georgia and Ukraine committed to conduct gradual approximation but without explicit time frame (and Georgia even without explicit list of regulations).

The Agreements reinforce provisions of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) regarding the protection of intellectual property rights. The parties agree to protect each other geographical indications (GIs). In case of Georgia and Moldova, the Agreements provide no transition periods for protection of the EU geographical indications, while Ukraine is granted with ten-year transition period for usage of selected GIs.

The Agreements envisage also enhancement of customs cooperation to facilitate trade and to fight trafficking of goods. The rules of origin are set in separate protocols to the Agreements. The Agreements require that products to be considered as satisfying rules of origin if they are obtained in exporting country or incorporate materials originating in the other party of the DCFTA, given sufficient working or processing carried out in the exporting country.

The issue of re-exports is closely related to efficiency of customs control, fight with corruption at customs (to avoid smuggling / trafficking of goods), and proper implementation of the rule of origins. These issues are tackled at the Association Agreements; and their proper implementation is aimed to prevent illegal re-exports. Thus, from legal point of view concerns about fraudulent re-exports are poorly justified.

Previous trade experience shows that expected tariff differential generated by the Russia most favoured nation (MFN) tariffs in agriculture and zero duties within the DCFTAs is not unique and thus it is highly unlikely to be attractive enough to stimulate re-exports. The same situation was observed in the 2000s when Georgia, Moldova, and Ukraine reduced their import duties vis-à-vis other WTO members including the EU, at the same time having the FTA with Russia.

Product-level analysis of major categories of the Russian agriculture and food imports and comparison of trade regimes before and after the DCFTAs allows better understanding of risks of illegal re-exports. The study shows that there will be no major risk in re-exports of meat products as swine meat – the largest category of meat imported by Russia from the EU – is restricted by the TRQs in Ukraine and Moldova. For beverages and dairy products, risk of illegal re-exports is low given their high value of the origination, and already high level of openness of Ukraine and Moldova markets. Tariff differential is expected to be considerable for fresh apples, but not larger than in the 2000s. As it was not a problem in the past, it is unlikely to be in the future. Only category where we did not register high tariffs differential before are vegetables. Tomatoes seem to be among few products with moderate risk of illegal re-exports.

Although the concern about massive re-exports of the EU agricultural products to the Russia market is unjustified, we can recommend establishing additional precautionary mechanism against potential fraud re-export. It is so called anti-circumvention mechanism already envisaged applied to Moldova and Georgia exports to the EU under the DCFTA. Its implementation could provide additional needed safeguards to mitigate potential risks.

The Association Agreements signed between the EU and Georgia, Moldova and Ukraine do not prevent the countries to conclude other FTAs. As of end of 2014, Ukraine and Moldova has been signatory parties of the CIS FTA (2011), while Georgia left the CIS after political conflict with Russia, and has only bilateral FTAs within the CIS, including the FTA with Russia. Despite FTAs, trade with Russia has been complicated by frequent application of non-tariff measures, in particular Rospotrebnadzor / Rosselkhoznadzor bans on exports of broad categories of agricultural products for food safety reasons. Ukraine has been regularly complaining on these measures at the WTO SPS and TBT Committees meetings.

The implementation of the DCFTAs is expected to positively economic effect, although impact varies across countries and sectors. According to IER (2014), agri-food sector could be one of the largest beneficiaries of the EU-Ukraine DCFTA thanks to both tariff and non-tariff barriers liberalization. The agricultural production is estimated to increase by 40% cumulatively in long-run, while food industry will grow by 13% cumulatively. For Georgia, results of ECORYS (2012) show increase in production of vegetables, fruits and nuts, oils and fats, and livestock production. At the same time, the impact of the DCFTA on output in several segments of food industry (meat products, dairy, and sugar) could be negative in long-run, *ceteris paribus*. ECORYS (2012) study for Moldova shows that the DCFTA would boost other crops output by 18.5% and grains output by 7.7% in long-run. The impact on food industry is more significant: sugar output is estimated to grow three-fold, other processed food by 12%.

Summing up, the DCFTAs will not only improve market access, but stimulate reforms in the economy anchoring them to the EU norms and practices. Studies show that the implementation of the DCFTA will be generally beneficial for the agriculture and food production in Georgia, Moldova and Ukraine.

List of abbreviations

AVE	ad valorem equivalent
ATP	autonomous trade preferences
CGE	computable general equilibrium
CIS	Commonwealth of Independent States
DCFTA	deep and comprehensive free trade area
FAO	Food and Agriculture Organization of the United Nations
EU	European Union
FTA	free trade area
GI	geographical indication
GSP	generalized system of preferences
m	million
MFN	most favoured nation
NS	not specified
OIE	World Organization for Animal Health
p.p.	percentage points
SPS	sanitary and phytosanitary
TRQ	tariff rate quota
USD	US dollar
WTO	World Trade Organization

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Glossary

Term	Definition
Ad valorem equivalent	An estimate of a tariff that is not a percentage (e.g., dollars per ton) as a percentage of the price. <i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm
Ad valorem tariff	A tariff rate charged as percentage of the price. <i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm
Circumvention	Getting around (something) in a clever and sometimes dishonest way <i>Source:</i> http://www.merriam-webster.com/dictionary/circumvention Getting around commitments (in the WTO) <i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm
Compartmentalisation	A procedure which may be implemented by a country to define and manage animal subpopulations of distinct health status within its territory, in accordance with the recommendations in the OIE Terrestrial Animal Health Code, for the purpose of disease control and/or international trade. <i>Source:</i> http://www.oie.int/doc/ged/d9962.pdf
Compound tariff	A tariff comprising an <i>ad valorem</i> duty to which is added or subtracted a specific duty (e.g. 10 per cent plus \$2.00/kg; 20 per cent less \$2.00/kg) <i>Source:</i> WTO (2003)
Equivalence	In sanitary-phytosanitary measures (SPS): governments recognizing other countries' measures as acceptable even if they are different from their own, so long as an equivalent level of protection is provided. <i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm
Free trade area	Trade within the group is duty free but members set their own tariffs on imports from non-members <i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm
Generalized System of Preferences	Programmes by developed countries granting preferential tariffs to imports from developing countries. <i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm
Geographical indication	Sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. <i>Source:</i> http://www.wipo.int/geo_indications/en/faq_geographicalindications.html Place names (or words associated with a place) used to identify products (for example, "Champagne", "Tequila" or "Roquefort") which have a particular quality, reputation or other characteristic because they come from that place. <i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm
Intellectual property rights	Ownership of ideas, including literary and artistic works (protected by copyright), inventions (protected by patents), signs for distinguishing goods of an enterprise (protected by trademarks) and other elements of industrial property <i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm

Term	Definition
MFN (most favoured nation) tariff	<p>Normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas)</p> <p><i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm</p>
	<p>Tariffs that countries promise to impose on imports from other members of the WTO, unless the country is part of a preferential trade agreement (such as a free trade area or customs union). This means that, in practice, MFN rates are the highest (most restrictive) that WTO members charge one another.</p> <p><i>Source:</i> http://wits.worldbank.org/wits/wits/witshelp/Content/Data_Retrieval/P/Intro/C2_Types_of_Tariffs.htm</p>
Mixed tariff	<p>The customs duty that ensures a minimum or maximum level of protection through a choice between an <i>ad valorem</i> duty and a specific duty (e.g. 10 per cent minimum \$2.00/kg; 10 per cent or \$2.00/kg, whichever is less)</p> <p><i>Source:</i> WTO (2003)</p>
Regionalization	<p>Recognition that an exporting region (part of a country or a border-straddling zone) is disease-free or pest-free (or has a lower incidence)</p> <p><i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm</p> <p>A method implemented by countries to create and maintain areas with a particular health status, in order to enable and promote international trade.</p> <p><i>Source:</i> http://www.oie.int/doc/ged/D666.PDF</p>
Re-exports	<p>Exports of foreign goods</p> <p><i>Source:</i> http://unstats.un.org/unsd/tradekb/Knowledgebase/Reexports-and_Reimports?Keywords=reexport</p>
Rules of origin	<p>Laws, regulations and administrative procedures which determine a product's country of origin.</p> <p><i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm</p>
Sanitary and phytosanitary (SPS) measures	<p>Measures dealing with food safety and animal and plant health; sanitary: for human and animal health; phytosanitary: for plants and plant products</p> <p><i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm</p>
Specific tariff	<p>A tariff rate charged as fixed amount per quantity (e.g., \$100 per ton).</p> <p><i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm</p> <p>The customs duty that is not related to the value of the imported goods but to the weight, volume, surface, etc. of the goods. The specific duty stipulates how many units of currency are to be levied per unit of quantity (e.g. 2.00 Swiss Francs per kg)</p> <p><i>Source:</i> WTO (2003)</p>
Tariff rate quota or tariff quota (TRQ)	<p>When quantities inside a quota are charged lower import duty rates, than those outside (which can be high).</p> <p><i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm</p>
Technical barriers to trade (TBT)	<p>Regulations, standards, testing and certification procedures, which could obstruct trade.</p> <p><i>Source:</i> https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm</p>

Term	Definition
Transparency	Degree to which trade policies and practices, and the process by which they are established, are open and predictable. <i>Source: https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm</i>
Verification	Checking, by examination and consideration of objective evidence, whether specified requirements have been fulfilled <i>Source: EU-Georgia Association Agreement</i>

1. Introduction

The implementation of the Association Agreements between the EU and Georgia, Moldova and Ukraine is expected to become an important benchmark in economic development of these countries in general, and in development of agriculture and food sectors in particular.

Exports of agriculture and food products constitutes from one fifth to one third of merchandise exports in the studied countries, with the EU being the most important trade destination. Improved market access to the EU market, tougher competition on domestic markets and legislative harmonization are generally perceived as stimulus for sectors' modernization and growth.

Although Ukraine started and completed negotiations with the EU earlier than Georgia and Moldova, all three countries signed the Association Agreements simultaneously in June 2014.

The establishment of deep and comprehensive free trade area (DCFTA) is embedded in all three agreements, being their economic backbone. The DCFTAs envisage complete or close to complete elimination of tariff barriers in trade between the EU and partner countries, as well as broad regulatory approximation to the Community *acquis*.

In Georgia and Moldova that ratified the Agreements earlier, provisional application¹ of the DCFTA began in September 2014. The application of the Association Agreement in Ukraine began in November 2014, but the implementation of EU-Ukraine DCFTA was postponed till 1 January 2016, largely due to the pressure of Russia claiming that the DCFTAs pose a threat to its economic interests.

The aim of this report is to analyze changes expected in trade regime of the parties due to the implementation of the Association Agreements, affecting agriculture and food industry, and to assess whether these changes pose a threat to trade with Russia.

¹ For the EU, provisional application of the international treaty is a mechanism allowing implementation of selected provisions of the treaty before the process of the ratification by all countries-members is completed. See details: http://europa.eu/rapid/press-release_MEMO-14-430_en.htm

2. Trade regime before the DCFTAs

All parties of the Association Agreements are the members of the World Trade Organization (WTO). The EU is the founding member of the WTO, Georgia joined in 2000, Moldova in 2001, and Ukraine in 2008.

Thus, trade in agricultural and food products between the EU and Georgia, Moldova and Ukraine occurs using the most favoured nation (MFN) import duties. Also, the EU unilaterally provides the preferential access to its market for three countries in questions, using generalised system of preferences (GSP)² and autonomous trade preferences.

Georgia is a beneficiary of the GSP and recently the GSP+, the component of the GSP providing deeper tariff cuts as compared to the baseline program.³ The GSP+ for Georgia will last till end of 2016 as a transition period allowing business to accommodate for changes.

Since 2008, Moldova's access to the EU market has occurred under the autonomous trade preferences (ATPs),⁴ envisaging duty-free and quota-free access for vast majority of Moldavian products. The ATPs for Moldova will be preserved till the end of 2015.

For sensitive agricultural products, the ATPs granted to Moldova provide two mechanisms of partial liberalization: tariff rate quotas and exemption of the ad valorem component of the import duty.

Tariff rate quotas (TRQs) foresee import tariffs at zero within quota limits and at MFN rate outside quota. Unlike standard quotas limiting quantity, TRQs establish two-tier tariffs depending on exported volume, but no limits on volume itself. Therefore, TRQs are considered as special instrument of partial liberalisation of trade.

The ATPs granted to Moldova envisage TRQs for selected agricultural products such as meat, dairy, grains, sausages and white sugar (**Table 2.1**). While initially wines was under the TRQ regime, since December 2013 Moldavian wine have got quota-free access to the EU market.⁵

² The EU's Generalised Scheme (System) of Preferences (GSP) is aimed to foster economic development in developing countries by allowing their exporters to pay less or no duties on their exports to the EU. Only countries that ratify and implement international conventions relating to human and labour rights, environment and good governance are eligible to the GSP.

There are three main variants of the scheme: (a) the standard/general GSP offering partial or entire removal of import duties on two thirds of all product categories; (b) the "GSP+" (i.e. enhanced GSP) offering full removal of tariffs on basically the same products as those covered by the GSP; and (c) Everything by Arms (EBA) program for least developed countries offering s duty-free quota-free access to all products, except for arms and ammunitions.

See details: http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index_en.htm

³ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/georgia/>

⁴ Council Regulation (EC) No 55/2008 of 21 January 2008 introducing autonomous trade preferences for the Republic of Moldova and amending Regulation (EC) No 980/2005 and Commission Decision 2005/924/EC. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02008R0055-20140220&from=EN>

⁵ Regulation (EU) No 1384/2013 of the European Parliament and of the Council of 17 December 2013. <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1384>

Table 2.1: List of agricultural and food products subject to TRQs in accord with the ATPs granted to Moldova

HS Code	Name of product	Quota volume in 2014
0201 to 0204	Fresh, chilled or frozen meat of bovine animals, swine, sheep and goat	4000 tones
ex 0207	Meat and edible offal of poultry, excluding fatty livers	500 tones
ex 0210	Meat and edible offal of swine and bovine animals	500 tones
0401 to 0406	Dairy products	1500 tones
0407	Birds' eggs in shell	120 m units
ex 0408	Birds' eggs, not in shell and egg yolks	300 tones
1001 90 91 1001 90 99	Other spelt, common wheat and meslin	65000 tones
1003 00 90	Barley	60000 tones
1005 90	Maize	55000 tones
1601 90 91 1601 90 99 ex 1602	Sausages and similar products of meat, meat offal and blood; food preparations thereof Other prepared or preserved meat, meat offal and blood	600 tones
1701 99 10	White sugar	34000 tones

Source: Council Regulation (EC) No 55/2008

Another mechanism of partial liberalisation of access to the EU market used in trade with Moldova is an exemption of the ad valorem component of the import duty. It means that exporters are required to pay only specific part of compound tariff applied by the EU and not to pay ad valorem part.⁶ The list of products eligible for this type of partial liberalisation is presented in **Table 2.2**.

Table 2.2: List of agricultural and food products subject to exemption of ad valorem component of import duty in accord with the ATPs granted to Moldova

HS Code	Name of product
0702	Tomatoes, fresh or chilled
0703 20	Garlic, fresh or chilled
0707	Cucumbers and gherkins, fresh or chilled
0709 90 70	Courgettes, fresh or chilled
0709 90 80	Globe artichokes
0806	Grapes, fresh or chilled
0808 10	Apples, fresh
0808 20	Pears and quinces
0809 10	Apricots
0809 20	Cherries
0809 30	Peaches, including nectarines
0809 40	Plums and sloes

Source: Council Regulation (EC) No 55/2008

⁶ For instance, in the EU cherry tomatoes (code 0702 00 0007) are subject to entry price check and payment of compound import duty that depends on entry price. For entry price, equal to or greater than 82.90 euro per 100 kg but lesser than 84.60 euro per 100 kg, standard import duty is 8.80% plus 1.70 euro per 100 kg. Moldova as beneficiary of the ATPs is exempted from payment of ad valorem component of compound duty (8.80%) and is to pay only specific duty (1.70 euro per 100 kg).

Special surveillance measures are envisaged for four food categories, namely for sugar and sugar confectionary, cocoa and cocoa preparations, cereals, and miscellaneous edible preparations. The monitoring is established to avoid disturbances of the EU market.

Ukraine is entitled for the GSP. Also, since April 2014 Ukraine enjoys autonomous trade preferences, replicating the first year of the EU-Ukraine DCFTA. The ATPs for Ukraine were launched initially for a six-month period and then continued till the end of 2015.

Summing up, the implementation of the DCFTA has started from different level of access to the EU market faced by Georgia, Moldova, and Ukraine. It is important to highlight that the provisional implementation of the DCFTAs have not resulted in immediate cease of existing EU trade preferences, thus providing additional transition period for adaptation of business in partner countries.

3. Association Agreements between the EU and Georgia, Moldova and Ukraine

3.1. Overview

The goals and structures of the Association Agreements signed by Georgia, Moldova and Ukraine are very similar, although the sequencing of titles and chapters somewhat vary. Each of these three Agreements is aimed among others at establishing conditions for “enhanced economic and trade relations leading gradual integration... in the EU Internal Market” through far-reaching regulatory approximation and market access liberalization.

All three Agreements contain titles devoted to trade and trade-related issues, namely DCFTAs, and also separate chapters on agriculture and rural development settling framework for cooperation and for harmonization with agriculture-related EU regulations (**Table 3.1**).

The Agreement with Ukraine is the most detailed, it covers more topics and in more details, both in terms of exemptions and transition periods.

Principles, norms and practices of the WTO constitute the ground for all Association Agreements. The membership in the WTO has a condition for launch of the FTA talks with Ukraine, which joined this organization only in May 2008.

Table 3.1: Structures of Association Agreements between the EU and Georgia, Moldova, and Ukraine

	Georgia	Moldova	Ukraine
	Preamble	Preamble	Preamble
Title I	General principles	General principles	General principles
Title II	Political dialogue and reform, cooperation in the field of foreign and security policy	Political dialogue and reform, cooperation in the field of foreign and security policy	Political dialogue and reform, political association, cooperation and convergence in the field of foreign and security policy
Title III	Freedom, security and justice	Justice, freedom and security	Justice, freedom and security
Title IV	Trade and trade-related matters	Economic and other sector cooperation including Chapter 12 “Agriculture and rural development”	Trade and trade-related matters
Title V	Economic cooperation	Trade and trade-related matters	Economic and sector cooperation including Chapter 17 “Agriculture and rural development”
Title VI	Other cooperation policies including Chapter 10 “Agriculture and rural development”	Financial assistance, and anti-fraud and control provisions	Financial cooperation, with anti-fraud provisions
Title VII	Financial assistance, and anti-fraud and control provisions	Institutional, general and final provisions	Institutional, general and final provisions
Title VIII	Institutional, general, and final provisions		

	Georgia	Moldova	Ukraine
Number of annexes	34	35	44
Number of protocols	3	2	3

Sources: EU-Georgia, EU-Moldova, EU-Ukraine Association Agreements

Despite obvious similarities, there are important peculiarities of each Agreement driven by initial trade regimes, trade and economic structures of the Parties. The first and very important difference is in implementation schedule. While the free trade areas between the EU and Moldova and Ukraine are to be implemented within maximum ten years transition period, Georgia known for its liberal principles agreed to establish free trade with the EU immediately after the entry of the Agreement into force.

As the Association Agreements have to be ratified by all 28 members of the EU to come into force, the provisional application of the Agreements was envisaged allowing to frontload implementation of trade-related provisions of the Agreements. In Georgia and Moldova, provisional application of the Association Agreements, including the DCFTAs, began in September 2014, and the application of EU-Ukraine Association Agreement started in November 2014. However, the implementation of EU-Ukraine DCFTA was postponed till 1 January 2016.

As of February, 2015, 8 out of 28 EU member states ratified and deposited the Association Agreements. The ratification procedures are completed in Baltic States (Estonia, Latvia and Lithuania), Slovak Republic, Romania, Bulgaria, Malta, and Sweden.

3.2. Market access

3.2.1. Import duties

The Association Agreements with Georgia, Moldova and Ukraine foresee different speed and level of liberalisation of trade in agriculture and food products.

Georgia

The Agreement with Georgia envisages the most liberal trade regime, and it starts immediately after the enactment of the Association Agreement, i.e. after the provisional application of the Agreement starts.

There are no exemptions from duty-free regime set by Georgia in respect to the EU exports. So, Georgia did not request any asymmetry / transition period in tariff liberalisation.

The EU also opens its market immediately for vast majority of goods. The Union applies few limitations to exports from Georgia. First, tariff rate quota (TRQ) with zero import duties within quota is applied for one product (garlic). The TRQ is set at 220 tonnes, meaning that up to 220 tonnes of Georgian garlic can be exported to the EU duty-free and all exports above this volume will be subject to import duty.

Second, entry prices⁷ and exemption of ad valorem component of the import duty are to be applied for several agricultural products originating from Georgia (**Table 3.2**). It is the same mechanism of partial liberalisation as applied in case of the ATPs for Moldova and described in the previous section of the study.

⁷ Entry price is the price threshold allowing to differentiate duty paid depending on the customs value of imported product.

Table 3.2: Products subject to entry prices, with exemption of ad valorem component of the import duty

HS code	Product description	Georgia	Moldova	Ukraine
0702 00 00	Tomatoes, fresh or chilled	YES	NO	NO
0707 00 05	Cucumbers, fresh or chilled	YES	YES	NO
0709 91 00	Globe artichokes, fresh or chilled	YES	YES	NO
0709 93 10	Courgettes, fresh or chilled	YES	YES	NO
0805 10 20	Sweet oranges, fresh	YES	YES	YES
0805 20 10	Clementines	YES	YES	YES
0805 20 30	Monreales and satsumas	YES	YES	YES
0805 20 50	Mandarins and wilkins	YES	YES	YES
0805 20 70	Tangerines	YES	YES	YES
0805 20 90	Tangelos, ortaniques, malaquinas and similar citrus hybrids (excl. clementines, monreales, satsumas, mandarins, wilkins and tangerines)	YES	YES	YES
0805 50 10	Lemons "Citrus limon, Citrus limonum"	YES	YES	YES
0806 10 10	Table grapes, fresh	YES	NO	YES
0808 10 80	Apples, fresh (excl. cider apples, in bulk, from 16 September to 15 December)	YES	NO	YES
08083090	Pears, fresh (excl. perry pears in bulk from 1 August to 31 December)	YES	YES	YES
0809 10 00	Apricots, fresh	YES	YES	YES
0809 21 00	Sour cherries "Prunus cerasus", fresh	YES	YES	YES
0809 29 00	Cherries (excl. sour cherries), fresh	YES	YES	YES
0809 30 10	Nectarines, fresh	YES	YES	YES
0809 30 90	Peaches (excl. nectarines), fresh	YES	YES	YES
0809 40 05	Plums, fresh	YES	NO	YES
2009 61 10	Grape juice	YES	NO	YES
2009 69 19				
2009 69 51				
2009 69 59				
2204 30 92	Grape must	YES	YES	YES
2204 30 94				
2204 30 96				
2204 30 98				

A number of agricultural products including meat, dairy products, cereals etc. (**Table 3.3**) are subject to so-called anti-circumvention mechanism, allowing monitoring of volume of exports and preventing re-exports.

Table 3.3: Georgian products subject to anti-circumvention mechanism

	Product category	Trigger volume (tonnes)
1	Beef, pork and sheep meat	4 400
2	Poultry meat	550
3	Dairy products	1 650
4	Eggs in shell	6 600
5	Eggs and albumins	330
6	Cereals	200 000
7	Malt and wheat gluten	330
8	Starches	550
9	Sugars	8 000
10	Bran, sharps and other residues	2 200
11	Sweet corn	1 500
12	Sugar processed	6 000

	Product category	Trigger volume (tonnes)
13	Cereal processed	3 300
14	Cigarettes	500

Source: Annex II-C, EU-Georgia Association Agreement

Anti-circumvention mechanism is designed as follows:

- The EU sets so called trigger volumes, that is volumes of product exports, approaching to which launches the mechanism;
- When volume of product subject to anti-circumvention mechanism approaches 70% of trigger volume, the EU notifies Georgia about this fact;
- Georgia has to provide sound justification that it has the capacity to produce and export volume in excess of trigger volume;
- If no sound justification is provided and volume of Georgian exports of product in question reaches 100% of trigger volume, the EU may temporary – for up to six months – suspend duty-free regime for the product concerned;
- Trigger volume could be revised upwards if Georgia proves its increased production and export capacity.

This mechanism provides effective tool to prevent re-exports without provides disincentives to develop domestic production and exports, as it is the case with other trade barriers.

Moldova

The Moldavian DCFTA could be placed in the middle between the Georgian and Ukrainian Agreements by the level of tariff liberalisation it provides. Majority of products are to be traded duty-free immediately after the implementation of the DCFTA. However, there are exemptions applied by both parties.

In case of Moldova, the list of TRQs applied by the EU is somewhat longer and includes tomatoes, grapes, garlic, apples, plums and grape juice (**Table 3.4**). Interesting to note that TRQs applied under the ATPs does not correspond to list of the TRQs applied within the DCFTA.

Table 3.4: TRQs applied for Moldavian exports to the EU

HS code	Description	TRQ volume (tonnes)
07020000	Tomatoes, fresh or chilled	1 000
07032000	Garlic, fresh or chilled	220
08061010	Table grapes, fresh	5 000
08081080	Apples, fresh (excl. cider apples, in bulk, from 16 September to 15 December)	20 000
08094005	Plums, fresh	5 000
20096110	Grape juice	500
20096919		
20096951		
20096959		

Source: Annex XV-A, EU-Moldova Association Agreement

Similar to Georgia, selected Moldavian agricultural exports to the EU are subject to entry price regulations with exemption of ad valorem component of the import duty (**Table 3.2**). The list of products subject to entry price in the case of Moldova is bit shorter compared to the list for Georgia as some of these products are subject to the TRQs instead.

Moldova's exports to the EU are also subject to anti-circumvention mechanism, the same as applied in case of Georgia. The list of agriculture and food products subject to the mechanism is quite wide (**Table 3.5**).

Table 3.5: Moldavian products subject to anti-circumvention mechanism

	Product category	Trigger volume (tonnes)
1	Pig meat	4500
2	Poultry meat	600
3	Dairy products	1700
4	Eggs in shell	7000
5	Eggs and albumins	400
6	Wheat, flour and pellets	75000
7	Barley, flour and pellets	70000
8	Maize, flour and pellets	130000
9	Sugars	37400
10	Cereal processed	2500
11	Cigarettes	1.000t or 1 billion pieces
12	Dairy processed	500
13	Sugar processed	4200
14	Sweet corn	1500

Source: Annex XV-C, EU-Moldova Association Agreement

Moldova does not open its market for the EU immediately, as Georgia does. The Agreement with Moldova envisages asymmetrical opening, with gradual reduction of import duties on a number of agricultural and food products over three to ten year periods (**Table 3.6**). For pig meat, fresh table grape, fresh apples, peaches, plums, and selected meat preparations the reduction of import duties will start with five-year lag (products are subject to five-year standstill).

Table 3.6: Schedule for reduction of imports duties in Moldova for selected EU agriculture and food products

Description of broad category*	Base rate	Staging scheme**
Pig meat	15	10-S
Swine liver/offal salted	15	10-A
Milk & cream	10	10-A
Fresh cheese	10	5-A
Processed cheese	10	3-A
Cheese for processing	10	5-A
Tomatoes	10-20 (seasonal)	5-A
Vegetables	15	5-A
Cucumbers	10-15 (seasonal)	5-A
Fresh table grape	10-20 (seasonal)	10-S
Fresh apples	10-15 (seasonal)	10-S
Fresh sour cherries	10-20 (seasonal)	5-A
Fresh cherries	10-20 (seasonal)	10-A
Nectarines	10-20 (seasonal)	5-A
Peaches	10-20 (seasonal)	10-S
Plums	10-20 (seasonal)	10-S
Strawberries	10-20 (seasonal)	5-A

Description of broad category*	Base rate	Staging scheme**
Currants	10	5-A
Frozen berries	15	5-A
Turkey, duck, goose meat preparations	20	10-A
Bovine animals meat preparations	15	10-S
Cereals products	10-15	3-A 5-A
Fruit and vegetable preparations	10-25	3-A 5-A
Wines	0.5 euro / l	5-A

Source: Annex XV-D, EU-Moldova Association Agreement

Notes:

* not all codes belonging to this category are subject to the gradual reduction

** Staging schemes⁸: 3(5,10)-A means elimination in 3(5,10) equal stages starting 1-Jan of the year following the date of Agreement enactment; 10-S means Elimination of import duty starts on 1-Jan of fifth year of Agreement enactment

Also, selected EU agriculture and food products like meat and products thereof, dairy products and sugar are subject to the TRQs in case of exports to Moldova (**Table 3.7**).

Table 3.7: TRQs applied for the EU exports to Moldova

No.	Description of broad category*	TRQ volume (tonnes)
TRQ1	Pig meat	4000
TRQ2	Poultry meat	4000
TRQ3	Dairy products	1000
TRQ4	Sausages, other meat preparations	1700
TRQ5	Sugar	5400
TRQ6	Glucose	640

Source: Annex XV-D, EU-Moldova Association Agreement

Note: not all codes belonging to this category are subject to the TRQs

Ukraine

The DCFTA with Ukraine is the least liberal among three studied cases. The EU and Ukraine committed to liberalize the most but not all of its agricultural trade.

On the EU side, about 85% of tariff lines for agriculture and foods products are set at zero level immediately after the entry into force of the Agreement. For the rest of products, either entry price or TRQs are applied.

The list of Ukrainian products subject to entry price and exemption of ad valorem component of import duty is very similar to whose of Georgia and Moldova (**Table 3.2**). At the same time, the list of TRQs applied by the EU towards products originating from Ukraine is the longest covering 33 agricultural and food products including meat, dairy, cereals, sugar products etc. (**Table 3.8**).

Table 3.8: TRQs applied for Ukraine's exports to the EU

Description of broad category*	TRQ volume
Beef meat	12 000 tons/year expressed in net weight
Pork meat	20 000 tons/year expressed in net weight + 20 000 tons/year expressed

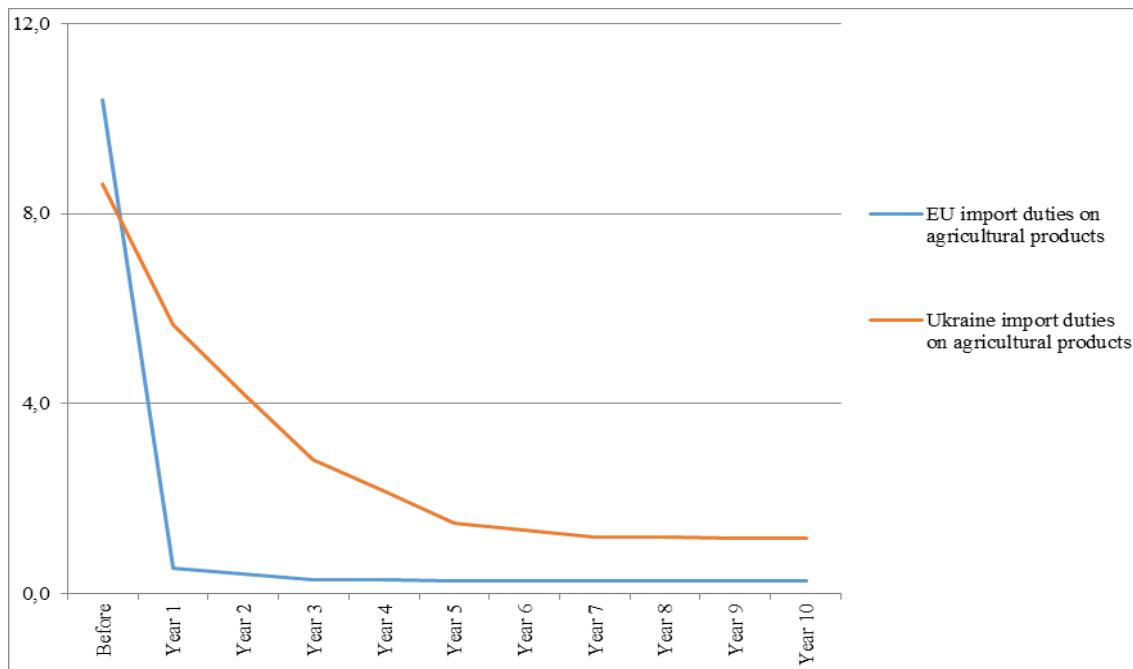
⁸ Staging scheme defines schedules of tariff reduction within the Association Agreement. Unless otherwise is specifically noted, the Agreement envisages duty-free regime in the end of transition period defined by staging scheme.

Description of broad category*	TRQ volume
	in net weight (for the CN codes 0203.11.(10) 0203.12.(19) 0203.19.(11-15-59) 0203.21.(10) 0203.22.(19) 0203.29.(11-15-59))
Sheep meat	1 500 tons/year expressed in net weight with linear increase in 5 years to 2 250 tons/year expressed in net weight
Poultry meat and poultry meat preparations	16 000 tons/year expressed in net weight with linear increase in 5 years to 20 000 tons/year expressed in net weight + 20 000 tons/year expressed in net weight (for the CN code 0207.12.(10-90))
Milk, cream, condensed milk and yogurts	8 000 tons/year expressed in net weight with linear increase in 5 years to 10 000 tons/year expressed in net weight
Milk powder	1 500 tons/year expressed in net weight with linear increase in 5 years to 5 000 tons/year expressed in net weight
Butter and dairy spreads	1 500 tons/year expressed in net weight with linear increase in 5 years to 3 000 tons/year expressed in net weight
Eggs and albumins	1 500 tons/year expressed in shell-egg equivalent with linear increase in 5 years to 3 000 tons/year expressed in shell-egg equivalent + 3 000 tons/year expressed in net weight (for the CN code 0407.00.(30))
Honey	5 000 tons/year expressed in net weight with linear increase in 5 years to 6 000 tons/year expressed in net weight
Garlic	500 tons/year expressed in net weight
Sugars	20 000 tons/year expressed in net weight
Other Sugars	10 000 tons/year expressed in net weight with linear increase in 5 years to 20 000 tons/year expressed in net weight
Sugar syrups	2 000 tons/year expressed in net weight
Common wheat, flours, and pellets	950 000 tons/year with linear increase in 5 years to 1 000 000 tons/year
Barley, flour and pellets	250 000 tons/year with linear increase in 5 years to 350 000 tons/year
Oats	4 000 tons/year
Maize, flour and pellets	400 000 tons/year with linear increase in 5 years to 650 000 tons/year
Barley groats and meal; cereal grains otherwise worked	6 000 tons/year with linear increase in 5 years to 7 500 tons/year
Malt and wheat gluten	7 000 tons/year
Starches	10 000 tons/year
Starch processed	1 000 tons/year expressed in net weight with linear increase in 5 years to 2 000 tons/year expressed in net weight
Bran, shaps and residues	15 000 tons/year with linear increase in 5 years to 20 000 tons/year
Mushrooms	500 tons/year expressed in net weight + 500 tons/year expressed in net weight (for the CN code 0711.51.(00))
Processed tomatoes	10 000 tons/year expressed in net weight
Grape and Apple juice	10 000 tons/year expressed in net weight with linear increase in 5 years to 20 000 tons/year expressed in net weight
Fermented-milk processed products	2 000 tons/year expressed in net weight
Processed butter products	250 tons/year expressed in net weight
Sweet corn	1 500 tons/year expressed in net weight
Sugar processed products	2 000 tons/year expressed in net weight with linear increase in 5 years to 3 000 tons/year expressed in net weight
Cereal processed products	2 000 tons/year expressed in net weight
Milk-cream processed products	300 tons/year expressed in net weight with linear increase in 5 years to 500 tons/year expressed in net weight
Food preparations	2 000 tons/year expressed in net weight
Ethanol	27 000 tons/year expressed in net weight with linear increase in 5 years to 100 000 tons/year expressed in net weight
Cigars and Cigarettes	2 500 tons/year expressed in net weight

Source: Annex II, EU-Ukraine Association Agreement
Note: not all codes belonging to this category are subject to the TRQs

Unlike in Georgian and Moldavian case, the DCFTA with Ukraine does not contain anti-circumvention mechanism, establishing monitoring over exports to the EU.

Figure 3.1: Reduction of Ukraine and EU import duties on agricultural products according to the DCFTA commitments



Source: IER (2014)

Ukraine will open its agricultural market gradually and partially. About 40% of agriculture-related import duties will be reduced to zero immediately after the Agreement enters into force, and another half of import duties will be nullified during seven-year transition period⁹ (**Figure 3.1**). However, about 10% of tariff lines covering selected products in such product categories as dairy and eggs, sugar, miscellaneous edible products, animal oils and fats, feeding stuff for animals will preserve non-zero tariffs.

Ukraine will apply three TRQs for the products originating from the EU (**Table 3.9**).

Table 3.9: TRQs applied for the EU exports to Ukraine

Description of broad category*	TRQ volume
Pork meat	10 000 tons/year expressed in net weight + 10 000 tons/year expressed in net weight (for the CN codes 0203.11.(10) 0203.12.(19) 0203.19.(11-15-59) 0203.21.(10) 0203.22.(19) 0203.29.(11-15-59))
Poultry meat and poultry meat preparations	8 000 tons/year expressed in net weight with linear increase in 5 years to 10 000 tons/year expressed in net weight + 10 000 tons/year expressed in net weight (for the CN code 0207.12.(10-90))
Sugars	30 000 tons/year expressed in net weight with linear increase in 5 years to 40 000 tons/year expressed in net weight

Source: Annex II, EU-Ukraine Association Agreement

Note: not all codes belonging to this category are subject to the TRQs

⁹ Ryzhenkov et al (2013)

Despite only partial liberalisation of trade for some sensitive products, the DCFTAs provide better market access for the EU to markets of Georgia, Moldova and Ukraine as compared to the level of access ensured for the WTO members (**Table 3.10**). Georgia completely opens its market to the EU agricultural exports. Moldova and Ukraine will preserve some protection, Moldova – in form of TRQs, Ukraine – in form of TRQs and non-zero import duties on selected products.

Table 3.10: Import duties faced by the EU agricultural products in Georgia, Ukraine, and Moldova before and after establishment of the DCFTA

	Import duty before the DCFTA (2014, MFN, simple average, %)*	Final import duty after the DCFTA (simple average, %)**
Georgia	6.1	0.0
Moldova	13.2	0.0
Ukraine	8.7	1.2

Sources: Market Access Map; http://www.ier.com.ua/ua/Ukraine_EU_project/; author's estimates

Note: * including AVEs of non-ad valorem tariffs

** for Moldova and Ukraine, not taking into account TRQs

Georgia and Moldova have no global TRQs as a part of their WTO commitments, while Ukraine has one TRQ on sugar preserved within the DCFTA.

According to the provisions of the Agreements, the above described market access regime could be changed by consultations. The assessment of situation and consideration of opportunities to broaden the scope of the Agreements or speeding up the reduction in duties is foreseen for the third year of the DCFTA implementation in case of Moldova, and for the fifth years – in case of Georgia and Ukraine.

3.2.2. Export duties

As the EU, Georgia and Moldova have no export duties, there are no special provisions regarding their elimination in the Agreements of these countries, apart from commitment not to apply export duties in the future.

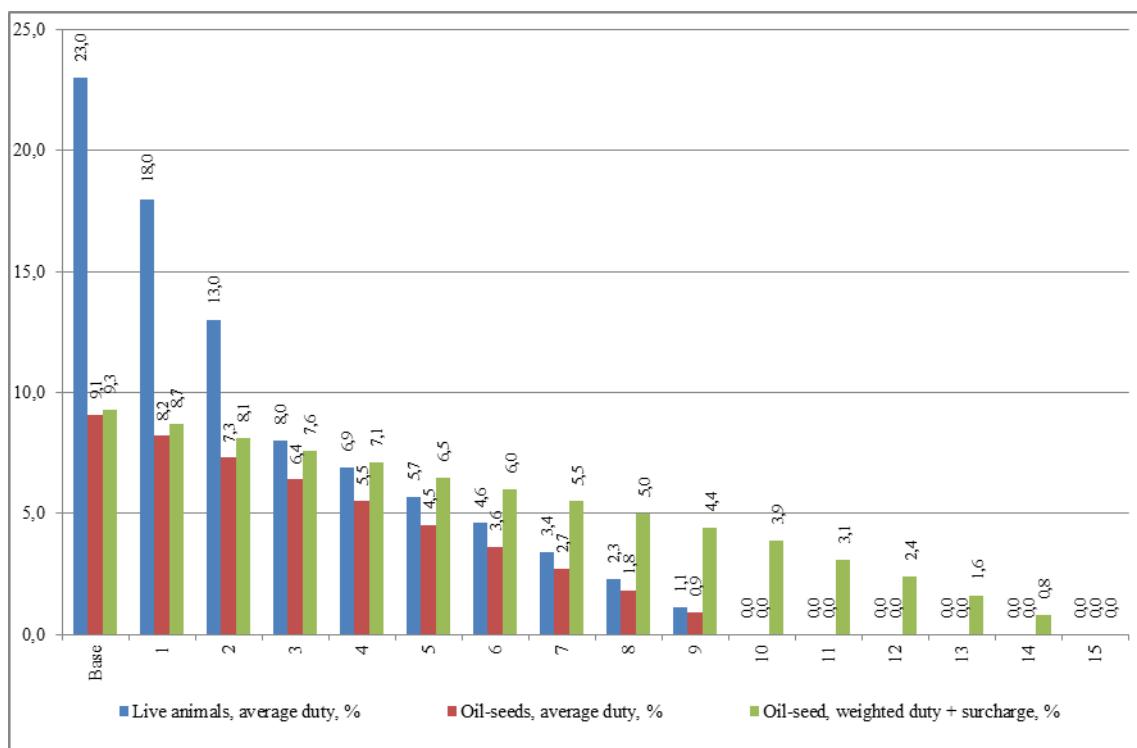
Ukraine currently applies a number of export duties on agriculture-related products, namely on sunflower seeds, linseeds, rape seeds, live animals and raw hides and skins.

In line with the WTO commitments, starting January 2013, export duty on oilseeds was set at 10%, and on live animals and raw hides and skins – at 25%.¹⁰

Ukraine committed to gradually reduce and eventually eliminate existing duties on exports (**Figure 3.2**). Ten-year transition period is envisaged for elimination of duties.

¹⁰ <http://sfs.gov.ua/baneryi/mitne-oformleniya/subektam-zed/stavki-vviznogo-ta-viviznogo-mita/vivizne-mito/vvizne-mito/>

Figure 3.2: Timing for elimination of export duties on live animals and oil seeds



Source: Ryzhenkov et al (2013)

As a concession, Ukraine will be able to apply special surcharge measures allowing the country to temporary compensate the reduction in export duties for sunflower seeds and raw hides and skins. There are no safeguards for linseeds, rape seeds and live animals.

The Agreement allows Ukraine to apply safeguard measures during the fifteen years after the enactment of the DCFTA if during any one-year period exports of products, subject to export duties, will exceed the thresholds set in the Agreement.

The safeguard measures for sunflower seeds allow introducing surcharge that will completely counterbalance the reduction in export duty up until the tenth year of the implementation of the Agreement. Starting year eleven, export duty will be zero and the surcharge will gradually reduce to reach zero in the end of grace period.

Unlike other products, export duties for raw hides and skins will be significantly liberalised immediately after the enactment of the Agreement. Moreover, safeguard measures envisaged for this category are more liberal than for sunflower seeds. In the first year of implementation, export duty will be reduced by half of the WTO-committed level, from 25% to 12.5%. Possible surcharge will start from 0.75% (export duty for this year is 11.25%), and will grow slower than export duty reduces. Thus, safeguard will not allow preserving pre-DCFTA level of protection for hides and skins even within the transition period.

3.2.3. Export subsidies

Only the EU-Ukraine Agreement contains provisions envisaging elimination of export subsidies in trade between parties, namely non-application of the EU export subsidies.

Ukraine had never applied export subsidies, and committed to the WTO not to use this trade instrument in the future. On the other hand, the EU still applies export subsidies on agricultural products. Article 32 of the Ukrainian Agreement contains the obligation of the parties not to maintain, introduce or reintroduce export subsidies or other equivalent measures

on agricultural goods destined for the territory of the partner country. The commitment is expected to level playing field and remove unfair competition practices in trade between Ukraine and the EU.

The Georgian and Moldavian Agreements do not contain any provisions regarding exports subsidies in agriculture.

3.3. Regulatory approximation

Regulatory approximation is the most important component of the DCFTAs. All three agreements are rather similar as to their coverage of regulatory issues and commitments to converge their legislation to the EU norms and practices.

3.3.1. SPS measures

All three Agreements set same goals in the sphere of sanitary and phyto-sanitary (SPS) measures, i.e. measures dealing with food safety and animal and plant health, and envisage approximation with the EU SPS system.

More specifically, the agreements aim to:¹¹

- Ensuring full transparency as regards SPS measures applicable to trade;
- Approximating the regulatory system of the partner countries to that of the EU;
- Recognizing the animal and plant health status of the Parties and applying the principle of regionalisation;
- Establishing a mechanism for the recognition of equivalence of SPS measures;
- Continuing to implement the WTO SPS Agreement;¹²
- Establishing mechanisms and procedures for trade facilitation; and
- Improving communication and cooperation between the Parties on SPS measures.

In all cases, the approximation list of SPS measures (the comprehensive strategy of reforms) should be submitted to the respective SPS Sub-Committees in some time after the enactment of the Agreements. In Ukraine and Moldova, the list is to be developed in three months, and in Georgia – in six months. In all cases, the list will be added as an annex to the Association Agreement, and will serve as a reference point for monitoring of implementation of the SPS chapters.

Moldova put an explicit conditional clause regarding the implementation of approximation commitments. In EU-Moldova Agreement, it is envisaged that the approximation list will be based on technical and financial resources of Moldova.

The SPS chapters of the Agreements envisage a set of procedures aiming at simplification of trade without compromising on food safety. Most importantly, the parties agreed on procedures allowing recognition of equivalence of SPS measures in the EU and DCFTA countries. The equivalent measures mean that they provide same level of protection even if these measures are not identical. Procedures related to recognition of equivalence are to be conducted within a year after the receipt of the request of the exporting country, unless other is agreed.

¹¹ Article 50 of EU-Georgia Agreement; Article 176 of EU-Moldova Agreement; Article 59 of EU-Ukraine Agreement

¹² The WTO Agreement on Sanitary and Phytosanitary Measures dealing with food safety and animal and plant health standards

The Agreements contain key requirements regarding certification of plant and animal products including knowledge and impartiality requirements for certifying officers, data requirements, traceability of certificate to certifying officer, and establishment of system allowing prevention of the issuing of false or misleading certifications and the fraudulent use of certificates.

The parties also agreed that each country has right to conduct verification of the inspection and certification system of the partner country, as well as to request information about the control systems.

Special attention in the SPS-related chapter is devoted to procedures for recognition for trade purposes of animal health and pest status and regional conditions following international standards. The parties agreed to recognize the concept of regionalization as defined by the World Organization for Animal Health (OIE), according to which regionalization is “a method implemented by countries to create and maintain areas with a particular health status”.¹³

In case of animal diseases, the recognition of the animal disease status of the territory is to be based on the OIE Terrestrial Animal Health Code. In case of aquaculture diseases, the decision regarding regionalization is to be based on the OIE Aquatic Animal Health Code. The establishment of pest free area is ruled by the FAO International Standard for Phytosanitary Measures No.4 on Requirements for the establishment of pest free areas.

The EU and Georgia, Moldova and Ukraine also agreed to continue discussing implementation of compartmentalisation, a procedure aimed at definition and management of animal subpopulations of distinct health status within its territory.¹⁴ Unlike regionalization, defined on geographical basis, compartmentalisation relates primarily to management and husbandry practices in ensuring the health status of animals.

The Agreements allows application of safeguard measures “to control any cause likely to constitute a serious hazard or risk to human, animal or plant health”. The adoption of such measures shall be report to the partner country within a day, and within 15 days countries should hold consultations regarding applied measures.

All countries agreed to a set of measures related to implementation of transparency principle aiming to ensure prompt and efficient exchange of information and consultation mechanisms. While all three agreements mention implementation of mutually applied rapid alert system and early warning mechanism for any veterinary and phytosanitary emergencies at the later stage of the implementation, only Moldova is absolutely explicit in its commitment to connect its national systems with the EU ones.

In all three agreements, implementation of the SPS related provisions are to be done by the newly established SPS Sub-Committees. Apart of considering issues related to implementation of the SPS chapters, the Sub-Committee has the right to review annexes of the Agreement, related to SPS measure in trade, and modify them.

3.3.2. Protection of intellectual property rights

The Agreements reinforce provisions of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) regarding the protection of intellectual property rights. In the sphere of agriculture, the most important and heatedly debated issue is definitely protection of geographical indications (GIs).

The parties agree to protect each other geographical indications, i.e. “place names used to identify products which have a particular quality, reputation or other characteristic because

¹³ <http://www.oie.int/doc/ged/D666.PDF>

¹⁴ <http://www.oie.int/doc/ged/d9962.pdf>

they come from that place".¹⁵ The establishment of the Geographical Indications Sub-Committee is envisaged in all three agreements to monitor the development of this issue and to intensify the countries' cooperation and dialogue on the GIs.

The list of to be protected EU GIs contains several thousand names, while the list of Georgian, Moldavian and Ukraine GIs is much more modest. Georgia listed protection of 18 wines, Moldova and Ukraine – 2 wines each.

In case of Georgia and Moldova, the Agreements provide no transition periods for protection of specific EU geographical indications, while Ukraine is granted with transition period for usage of several GIs (**Table 3.11**).

Table 3.11: Transition period for usage of several GIs in Ukraine

Geographic indications	Transition period, years
Champagne, Cognac, Madeira, Porto, Jerez /Xérès/ Sherry, Calvados, Grappa, Anis Português, Armagnac, Marsala, Malaga, Tokaj.	10 years
Parmigiano Reggiano, Roquefort, Feta	7 years

Source: Article 208 of EU-Ukraine Association Agreement

Although Moldova did not request any transition periods for usage of the GIs by its producers, it requested five-year transition period for implementation of commitments, namely "to put in place all complementary actions necessary to stop any unlawful use of the protected geographical indications, in particular the measures at the custom border".

3.3.3. Agriculture and rural development

Chapters on agriculture and rural development, which are included in the titles on economic and sectoral cooperation in each of three Agreements, postulate tighter cooperation and legislative convergence with the Community *acquis*.

The list of cooperation aims includes a number of spheres common for three texts:

- Facilitation of the mutual understanding of agricultural and rural development policies;
- Enhancement of the administrative capacities at central and local level to plan, evaluate, implement and enforce policies in accordance with EU regulations and best practices;
- Promotion of the modernization and the sustainability of the agricultural production;
- Sharing knowledge and best practices of rural development policies to promote economic well-being for rural communities;
- Improvement of the competitiveness of the agricultural sector and the efficiency and transparency for all stakeholders in the markets;
- Dissemination of knowledge and promoting extension services to agricultural producers;
- Enhancement of the harmonisation of issues dealt within the framework of international organisations;
- Promotion of quality policies and their control mechanisms.

Also, there are cooperation aims specific for one agreement. In particular, Georgia highlighted cooperation in wine production and agro tourism, which are not mentioned in other agreements. Ukraine mentioned cooperation in biotechnologies and in improvement of investment conditions.

¹⁵ https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm

The Ukrainian and Moldavian Agreements contain annexes listing over 40 regulations covering quality policy, organic farming, and marketing standards. However, only Moldova set explicit schedule for harmonization with agriculture-related regulations, establishing 3-5 years transition period. Georgia and Ukraine committed to conduct gradual approximation but without explicit time frame (and Georgia even without explicit list of regulations).

3.4. Customs cooperation and rules of origin

The Agreements envisage enhancement of customs cooperation to facilitate trade and to fight trafficking of goods. Chapters on customs and trade facilitation are practically identical for all three Agreements.

The Customs Sub-Committee is to be established in the framework of each agreement. The Sub-Committee's function include monitoring of implementation of issues, related to customs, including the issues of customs cooperation and management, technical assistance, rules of origin, trade facilitation, as well as mutual administrative assistance in customs matters.

The rules of origin are set in separate protocols to the Agreements. The Agreements specifies requirements for products to be considered as satisfying rules of origin:

- Products are wholly obtained in the signatory party of the Agreement;
- Products are obtained in the signatory party of the Agreement incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the signatory party of the Agreement;
- Products are obtained in the one signatory party of the Agreement incorporating materials originating in the other signatory party of the Agreement in accordance with the provisions of the Protocol on rules of origin.

There are several agricultural and food products that are considered to be wholly obtained in a country:

- Vegetable products harvested there;
- Live animals born and raised there;
- Products from live animals raised there;
- Products obtained by hunting or fishing conducted there;
- Products of sea fishing and other products taken from the sea outside the territorial waters of the exporting Party by its vessels, as well as products made aboard its factory ships exclusively from products referred to in.

There is also a list of operations that are considered as insufficient working or processing, and thus these operations cannot be used to claim change in the rules of origin:¹⁶

- Preserving operations to ensure that the products remain in good condition during transport and storage;
- Breaking-up and assembly of packages;
- Washing, cleaning; removal of dust etc.;
- Operations to colour sugar or form sugar lumps
- Peeling, stoning and shelling, of fruits, nuts and vegetables;

¹⁶ Article 6 of Protocol II to EU-Moldova Agreement; Article 7 of Protocol I of EU-Ukraine Agreement; Article 6 of Protocol I of EU-Georgia Agreement

- Simple grinding or simple cutting;
- Sifting, screening, sorting, classifying, grading, matching; (including the making-up of sets of articles);
- Simple placing in bottles, cans, flasks, bags, cases, boxes and all other simple packaging operations;
- Affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;
- Simple mixing of products, whether or not of different kinds;
- Mixing of sugar with any material;
- Simple assembly of parts of articles to constitute a complete article or disassembly of products into parts;
- Combination of two or more operations specified above;
- Slaughter of animals.

It should be highlighted that agriculture and food materials are mostly required to be ‘wholly obtained’ to satisfy the rules of origin and thus to be eligible for free trade arrangements.

3.5. Impact of the DCFTA: estimates

The implementation of the DCFTAs is expected to have positive economic effect, although impact varies across countries and sectors. In agricultural sector, the most economically challenging the DCFTA is expected to be for Georgia.

According to IER (2014) assessments using the CGE model for Ukraine, agriculture and food sector could be one of the largest beneficiaries of the EU-Ukraine DCFTA thanks to tariff elimination and especially to reduction of non-tariff barriers associated with regulatory approximation. The agricultural production is estimated to increase by 40% cumulatively in long-run, while food industry cumulative growth will be 13%.

Ryzhenkov et al (2013) estimates that the Ukrainian exports of agriculture and related products to the EU will increase by 18-20% above basic trajectory thanks to import duties liberalization in the EU. The gains will be captured in the first years of the DCFTA implementation thanks to the fact that the EU market will open immediately after the Agreement enters into force. Elimination of export duties will benefit primarily oil seeds producers that could double their exports, after safeguards expire. The increase in agricultural imports from the EU will be lower at 4-8%. The assessments were made using partial equilibrium approach.

Estimates done by Nekhay, Fellmann & Gay (2012) are more moderate. They run AGLINK-COSIMO, a recursive-dynamic partial equilibrium model that covers main agricultural products. They expect 2.6% increase in agricultural producers' revenue in Ukraine over three-year horizon.

Studies by Ryzhenkov et al (2013) and Nekhay, Fellmann & Gay (2012) are made based on assumptions that both EU and Ukraine producers will be able to comply with existing SPS norms, and thus there are no major barriers on trade apart of tariffs. It means that capturing expected benefits of the DFFTA is conditioned upon successful regulatory approximation.

Thorough impact assessment of the establishment of the DCFTAs with the EU on Georgia and Moldova economies was done by ECORYS (2012). The study was based on multi-regional global CGE model

ECORYS (2012) estimates for Moldova demonstrate that the DCFTA would boost other crops output by 18.5% and grains output by 7.7% in the long-run. The impact on food industry is more significant: sugar output is estimated to grow three-fold, other processed food by 12%.

For Georgia, results of ECORYS (2012) show increase in production of vegetables, fruits and nuts by 3.4% in long run, oils and fats by 6.7% and animal production by 3.1% (**Table 3.12**). At the same time, the impact of the DCFTA on output in several segments of food industry (meat products, dairy, and sugar) could be negative in long-run, *ceteris paribus*.

Table 3.12: Changes in agriculture and food sectors output due to the DCFTA

	Georgia		Moldova	
	Short-run	Long-run	Short-run	Long-run
Grains and crops	-1.2	0.0	7.1	7.7
Vegetables and fruits, nuts	2.4	3.4	-0.5	-0.4
Other crops	-1.0	-2.0	18.2	18.5
Animal products	2.4	3.1	-0.2	0.7
Livestock and meat products	-15.8	-14.8	-18.1	-17.7
Vegetable oils and fats	9.5	6.7	5.8	5.9
Dairy products	-1.5	-1.3	0.9	1.5
Sugars	-1.3	-2.4	187.7	187.1
Other food products	-2.5	-8.8	2.3	12.1
Beverages and tobacco	-1.0	-4.0	3.7	-14.5

Source: ECORYS (2012)

Rau (2014) estimated impact of tariff and non-tariff liberalization using MAGNET model. According to her results, tariff liberalization within the DCFTA will have moderate positive impact on agriculture exports of Ukraine, Georgia and Moldova exports to the EU. Also, it was shown that the impact of the NTMs reduction has much more pronounced impact on trade flows as compared to tariff elimination, once again highlighting importance of legislative approximation. The gains from the NTMs reduction will be more significant for Ukraine than for Georgia and Moldova. Impact on Georgia is least significant.

Table 3.13 summarizes these findings, showing that the trade in agricultural products will benefit from the DCFTA, but these gains will be distributed unequally. Once again, Georgia is expected to have negative trade balance in agricultural trade with the EU, allowing the EU to capture the larger share of the DCFTA-associated gains.

Table 3.13: Distribution of trade benefits for agriculture and food products in 2030, due to DCFTAs between the EU and partners, USD m

	Ukraine	Moldova	Georgia
DCFTA exports to the EU	1694	132	50
EU exports to the DCFTA partner	1017	96	79
Total	2717	228	129
<i>Percentage share in total increase in trade</i>			
DCFTA exports to the EU	62%	58%	39%
EU exports to the DCFTA partner	38%	42%	61%

Source: Rau (2014)

Study by EPRC (2014) confirms that EU-Georgia DCFTA is expected to be beneficial for the society as a whole, but is challenging due to increase in competition on domestic market and higher cost of compliance with standards.

Summing up, observed studies generally confirm benefits of the DCFTAs for the countries as a whole. However, these benefits will not be equally distributed among various

sectors / households, and also these benefits are conditioned upon successful implementation of the regulatory components of the DCFTAs.

4. Impact of the DCFTAs on Russia

4.1. Current trade regime of Georgia, Moldova and Ukraine with Russia

Georgia, Moldova and Ukraine have long-established economic relations with Russia, formally based on bilateral and/or multilaterals FTAs and featuring numerous trade conflicts. Despite FTAs, trade with Russia has been complicated by frequent application of non-tariff measures, in particular Rospotrebnadzor / Rosselkhoznadzor bans on exports of broad categories of agricultural products for food safety reasons. Ukraine has been regularly complaining on these measures at the WTO SPS and TBT Committees meetings.

As of end of 2014, Ukraine and Moldova has been signatory parties of the CIS FTA (2011), while Georgia left the CIS, and has only bilateral FTAs within the CIS, including the FTA with Russia.

The CIS FTA signed in October 2011 by eight countries, including Moldova and Ukraine, replaces the network of bilateral FTAs among the CIS countries-members. Provisions of the CIS FTA are more elaborated as compared to bilateral FTAs signed in mid-1990s, but still major features are preserved (Movchan & Giucci, 2012). As bilateral FTAs, the CIS FTA is focused on merchandise trade, not covering trade in services and paying little attention to other trade-related questions. Also, the CIS FTA has retained most – although not all – of trade exemptions.

There are several important features of the CIS FTA. First, it refers to the WTO agreements as a basis for trade relations between the countries, thus anchoring the CIS countries into global trade rules and practices. Second, the trade exemptions are explicitly listed in the agreement, and the signatory parties committed not to increase them and to establish a dialogue aimed for their eventual eliminations.

However, the most important feature of the CIS FTA is its biased treatment of members of the customs union as compared to other signatory parties of the agreement. Annex 6 of the CIS FTA postulates:

"In case if participation of the [signatory] Party in the agreement specified in Paragraph 1 of Article 18 [that is, in another regional trade agreement] leads to an increase in imports from such Party in such quantities as to cause damage or threaten to damage the industry of the Customs Union, the countries - members of the Customs Union, without prejudice to the application of Articles 8 and 9 this Agreement [these articles relate to application of antidumping, safeguard and countervailing measures] and after appropriate consultations, reserve the right to impose duties on importing the goods from such first Party in the amount of MFN rates".¹⁷

The Russian Federations refers to this annex as a justification for an increase in import duties on Ukraine's and Moldova's exports to Russia after the establishment of the DCFTA with the EU. In August 2014, Russia introduced MFN tariffs on 19 categories of mainly agri-food products originating from Moldova, apparently claiming recourse to a general provision in Annex 6 (Cenusu et al, 2014). Similar decision was taken with regard to Ukraine in September 2014, but it still on hold after the postponement of the DCFTA implementation.

Russia-Georgia trade relations are formally regulated by bilateral FTA (1994), but situation of 2008 resulted in trade embargo for several years. Trade has started to revive

¹⁷ http://zakon4.rada.gov.ua/laws/show/997_n25

gradually, but the situation remains uncertain. According to Cenusu et al (2014), Russia requested a meeting with Georgian officials to discuss possible impacts of the DCFTA.

4.2. Issue of re-exports from the EU to Russia through DCFTA countries

One of concerns expressed by the Russian Federation with regard to the establishment of the DCFTAs between the EU and Georgia, Moldova and Ukraine is related to the issue of re-exports. Russia claims that removal of import duties and simplification of customs procedures will result in massive re-export of the EU products to the Russia market, thereby creating threats to its producers.

Below we consider whether this concern is justified.

The risk of re-export is inherent for any FTAs, and thus all FTAs contain mechanisms aimed to mitigate this risk. Rules of origin provide the shield that allows countries to sign multiple FTAs and mitigate the risk of improper usage of the preferences.

The rules of origin are embedded both in the DCFTAs and in the FTAs applied within the CIS. The CIS Agreement on Rules of Origin was signed in November 2009,¹⁸ and its general principles very closely correlate with the principles that govern rules of origin in the DCFTA.

It is very important to highlight that the rules of origin are especially strict for agricultural products. For many agricultural products, the origination from the specific country means that it was wholly obtained in this country.

Similarity of rules of origin embedded in the DCFTA agreements and the CIS agreements mean that there should be no doubts in interpretations regarding the origin of a particular product, and thus the unintended violation of preferential treatments is highly unlikely.

Thus, we can talk only about risk of illegal re-export through re-labelling, smuggling etc. Thus, we should talk about the second barrier – against illegal re-exports.

This second barrier is the establishment of efficient customs procedures based on risk management. The DCFTAs pays special attention to customs cooperation and activities aimed to avoiding smuggling / trafficking of goods and proper implementation of the rules of origin. Thus, the successful implementation of the DCFTAs will reduce risk of violation of the rules of origin due to improved efficiency of customs services, especially in medium-run (three to five years).

However, as corruption is unlikely to be eliminated very quickly, there is still risk of violations of rules of origin, especially in short-run. Products satisfying the following characteristics are more likely to be transhipped:

- These products should face reasonably high import duties in Georgia, Moldova and Ukraine before the DCFTAs, and the elimination of these duties should result in high tariff differential vis-à-vis Russia in order to make illegal re-export profitable;
- They should be allowed duty-free after the DCFTA (no TRQs);
- Products should be rather homogeneous, not allowing to distinguishing true country of origin;
- Origin of the product should not be considering as adding value to the product, as re-labelling would mean loss of this value (it is the case for e.g. cheeses, wines, etc.);

¹⁸ http://www.mfa.gov.by/upload/Sogl_20.11.2009.pdf

- Products are to be in the EU trade 'basket', likely already exported to Russia.

There are several categories of agricultural products that seem to satisfy these criteria, primarily vegetables and fruits. However, historical experience shows that expected tariff differential is highly unlikely to be attractive enough to stimulate re-export.

The reduction of tariff barriers within the DCFTA is not the first case when Russia had significantly higher tariff barriers vis-à-vis the EU than other CIS countries with which it had the bilateral FTAs. The same situation was observed in the 2000s when Georgia, Moldova, and Ukraine reduced its import duties vis-à-vis other WTO members including the EU, at the same time having the FTAs with Russia.

Table 4.1 shows that after Ukraine joined the WTO in May 2008, its level of tariff protection dropped, especially for agricultural products. In 2008 (before accession), average MFN tariffs on agricultural products in Ukraine was 32.2%, and in 2009 it reduced to 9.3%. As a result, the difference in import duties applied by Russia and by Ukraine immediately widened from 3.9 percentage points (p.p.) to 28.3 p.p. High differential was preserved till Russia's WTO accession in middle of 2012. Despite significant differential, no massive re-export of goods from the EU and other WTO members to Russia was registered.

Similarly, high tariff differential for agricultural products – over 20 p.p. on average – was observed in cases of Russia-Moldova and Russia-Georgia import tariffs up until the moment when Russia joined the WTO (**Table 4.1**). Again, no major re-export was reported.

Table 4.1: Ad valorem equivalents of MFN tariffs on agricultural products in Georgia, Moldova, Ukraine and Russia in 2006-2014 and tariff differential vis-à-vis Russia*

	2006	2008	2009	2010	2012	2014
Average MFN tariffs on agricultural products, %						
Russia	36.3	36.0	37.6	32.1	36.3	20.8
Georgia	12.7	10.4	9.9	9.2	6.1	6.1
Moldova	11.8	14.0	13.5	11.8	9.6	13.2
Ukraine	27.4	32.2	9.3	9.3	9.2	8.7
Difference in average tariffs, percentage points						
Georgia	23.7p.p.	25.6p.p.	27.8p.p.	22.9p.p.	30.2p.p.	14.8p.p.
Moldova	24.5p.p.	22.1p.p.	24.1p.p.	20.3p.p.	26.7p.p.	7.6p.p.
Ukraine	8.9p.p.	3.9p.p.	28.3p.p.	22.8p.p.	27.1p.p.	12.2p.p.

Source:

Market

Access

Map

Note: * see Annex II for data source explanations

The reduction in import duties envisaged in the framework of the DCFTAs will result in lower average tariff differential than observed in the period between Georgia's, Moldova's, and Ukraine's accession to the WTO and Russia's WTO accession. As show in **Table 4.2**, the expected differential between Russian import duty and free-trade regime applied within the DCFTAs will be about 20 p.p., which is lower than in 2009-2012. Thus, analysis of aggregate data shows no reason to expect that the differential will become attractive enough to stimulate massive illegal re-export.

Table 4.2: Ad valorem equivalents of tariffs on agricultural faced by the EU exporters in Georgia, Moldova, Ukraine and Russia before and after implementation of the DCFTAs

	Russia	Georgia	Moldova	Ukraine
Average tariff before implementation of DCFTAs, %	20.8	6.1	13.2	8.7

	Russia	Georgia	Moldova	Ukraine
Average tariff after implementation of DCFTAs, %	20.8	0.0	0.0*	1.2*
Tariff differential vis-à-vis Russia before DCFTAs		14.8	7.6	12.2
Tariff differential vis-à-vis Russia after DCFTAs		20.8	20.8	19.6

Sources: Market Access Map; http://www.ier.com.ua/ua/Ukraine_EU_project/; author's estimates
Note: * not taking into account TRQs

Now let us consider several specific products traditionally imported by Russia from the EU (before sanctions and counter-sanctions) in order to check whether our generic conclusions hold at the disaggregated level.

Meat (code HS 02)¹⁹

Meat constitutes the largest component of the Russian agriculture and food products imports. In 2013, Russia imported USD 6.7 bn of meat (HS 02) amounting to 16% of total imports of products classified under HS 01-24 codes (agriculture and foods products).

The structure of Russian meat imports is quite concentrated (**Figure 4.1**). The main component of imports is boneless bovine cuts (35% of meat imports) supplied predominantly from Latin America (Brazil 56%, Paraguay 26%, Uruguay 6%, and Argentina 3%). Here there is no reason to expect re-export.

The second large component is frozen swine cuts (27% of meat imports) where the EU played the leading role as exporter (64%). This category of meat products will be analyzed in more details below.

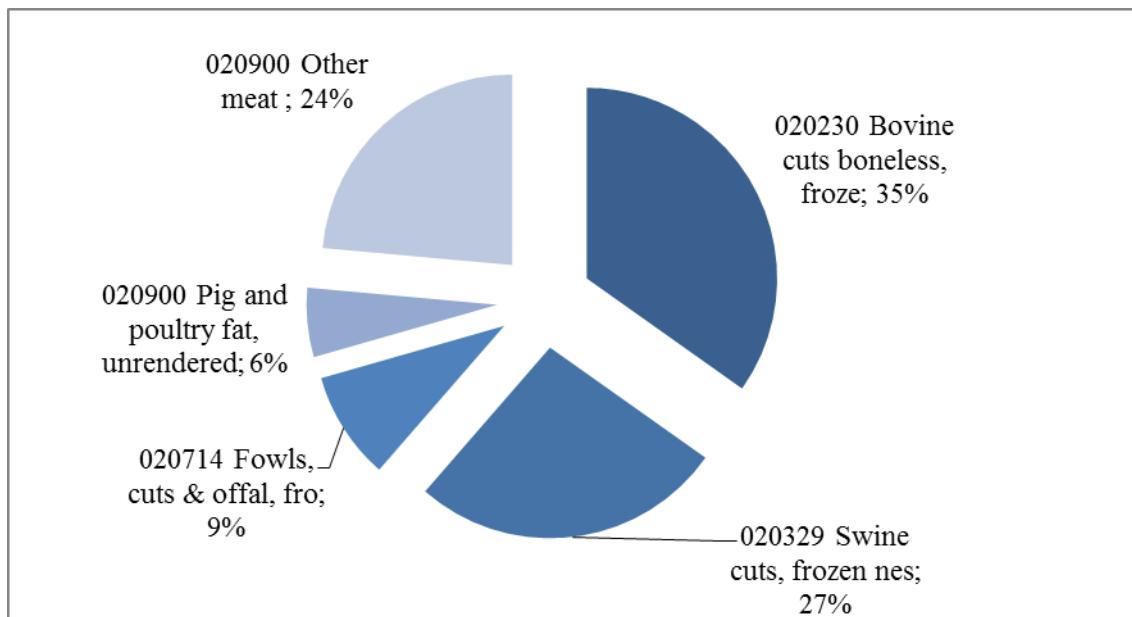
Imports of cuts and offal of fowls constitutes 9% of Russian meat imports. As in the case with bovine cuts, the most of imports comes from other continent: 54% from the USA and 21% from Brazil.

The fourth large component is pig and poultry fats accounting for 6% of meat imports in Russia. This product is most entirely supplied from the EU (96%). Georgia, Moldova, and Ukraine have not ever supply this product to Russia²⁰, and thus there is no potential for illegal re-export that it is difficult to prove the origin.

¹⁹ The report analyzes the structure of foreign trade of Russian Federation prior to the introduction of anti sanction measures by Russia in August 2014 according to the Decree of the President of Russia № 560 "On the application of certain special economic measures in order to ensure the security of the Russian Federation" dated 06.08.2014.

²⁰ The only exemption is year 2012 when Ukraine shipped 27 tons of fats that is less than 0.01% of total Russian imports of this product.

Figure 4.1: Structure of Russian imports of meat in 2013



Source: UN ComTrade

Meat was also the largest category of the EU exports to Russia among agricultural and food products. In 2013, meat accounted for 14% of total EU agri-food exports to Russia. There are two largest categories of exports: frozen swine cuts (020329) constituting 50% of EU meat exports and pig and poultry fat (020900) accounting for 16%. Also it was discussed above, only frozen swine cuts constitute some risk of re-export.

Table 4.3: Ad valorem equivalents of MFN tariffs on frozen swine in Georgia, Moldova, Ukraine, and Russia and, %

	2002	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	12	12	5	5	0
Moldova	15	33	20	20	20	Zero within TRQ: 4000 t
Ukraine	102	38	10	10	10	Zero within TRQ: 20000 t
Russia	20	15-60	15-60	15-75	0-65	

Source: Market Access Map, author's estimates

Table 4.3 shows that tariff rates on frozen swine mean in Russia are very sensitive to trade nomenclature code of the shipment. The WTO membership does not change the situation: it could be duty-free trade or 65% rate depending on the code assigned by the customs inspector. Duties applied by Georgia, Moldova and Ukraine are within Russian tariff scissors being in 5-20% range.

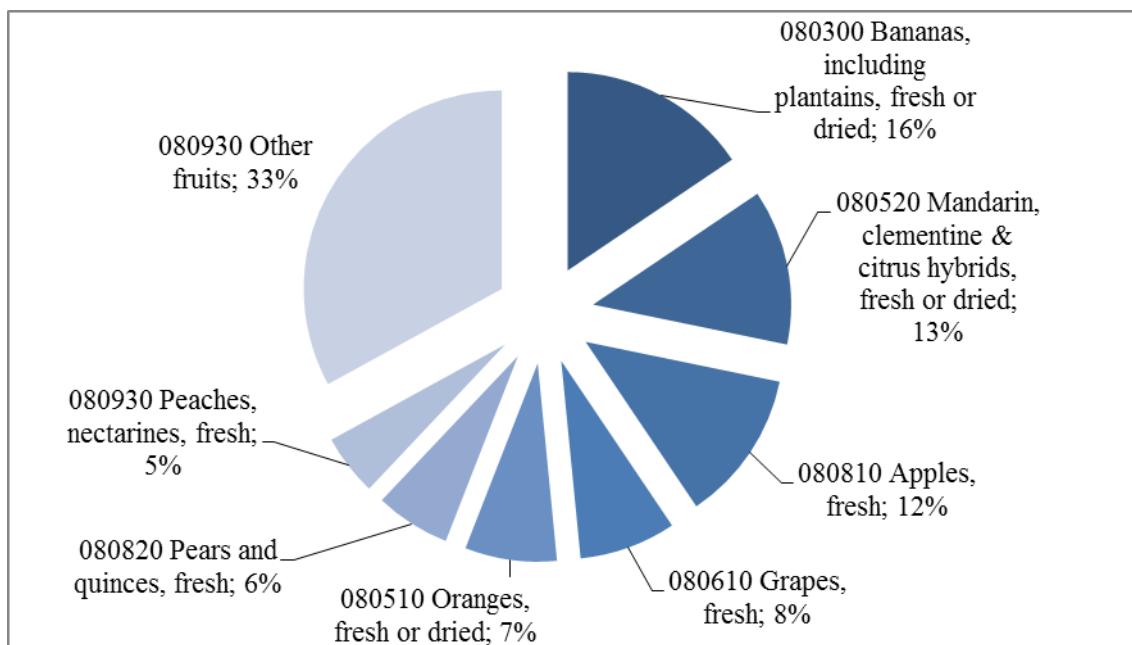
Pig meat is subject to the TRQs both in Moldova and Ukraine, and volumes of these TRQs are much lower than volume of Russian imports of swine meat from the EU: 4 and 20 thousand tons of annual TRQs are incomparable with 511 thousand tons of Russian imports.

Thus, there is no noticeable risk of major illegal re-export of swine meat, as well as of other types of meat.

Fruits (code HS 08)

Fruits are the second largest category of agriculture and food imports of Russia, accounting for 15% of HS 01-24 imports in 2013 (**Figure 4.2**). The largest categories of imports are bananas (16%), mandarins (13%), fresh apples (12%), fresh grapes (8%), and oranges (7%).

Figure 4.2: Structure of Russian imports of fruits in 2013



Source: UN ComTrade

The EU played important role as supplier of several types of fruits. In 2013, it supplied 61% of fresh apples (HS 080810), mostly from Poland; 57% of pears and quinces, first of all from Belgium and Netherlands, and 77% of peaches and nectarines, mainly from Spain and Greece.

These categories of products are the most suspicious for illegal re-export as they are homogeneous and they are also supplied – other in smaller volumes – by Georgia, Moldova, and Ukraine to the Russian market (**Table 4.4**).

Table 4.4: Ad valorem equivalents of MFN tariffs on fresh apples in Georgia, Moldova, Ukraine, and Russia, %

	2002	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	12	12	12	12	0
Moldova	10	10-20	10-20	10-20	10-20	0
Ukraine	14	5-10	0-10	0-10	0-10	0-5
Russia	31-62	29-59	24-48	21-41	14-46	

Source: Market Access Map, author's estimates

Table 4.5: Ad valorem equivalents of MFN tariffs on pears and quinces in Georgia, Moldova, Ukraine, and Russia, %

	2002	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	12	12	12	12	0
Moldova	10-15	10-20	10-20	10-20	10-20	0

Ukraine	12	5-10	5-10	5-10	5-10	0-5
Russia	10	10	10	10	6.7	

Source: Market Access Map, author's estimates

Table 4.6: Ad valorem equivalents of MFN tariffs on peaches and nectarines in Georgia, Moldova, Ukraine, and Russia, %

	2002	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	12	12	12	12	0
Moldova	10	10-20	10-20	10-20	10-20	0
Ukraine	11	7-10	5	5	5	0-4
Russia	5	5	0	0	0	

Source: Market Access Map, author's estimates

Analysis of applied tariffs allows immediate elimination of peaches (**Table 4.6**) from the re-export risk list, as Russia applies zero tariff on these products. The tariff applied by Russia on imports of pears is also quite low (**Table 4.5**) and does not provide sufficient margin to incentivize illegal re-export.

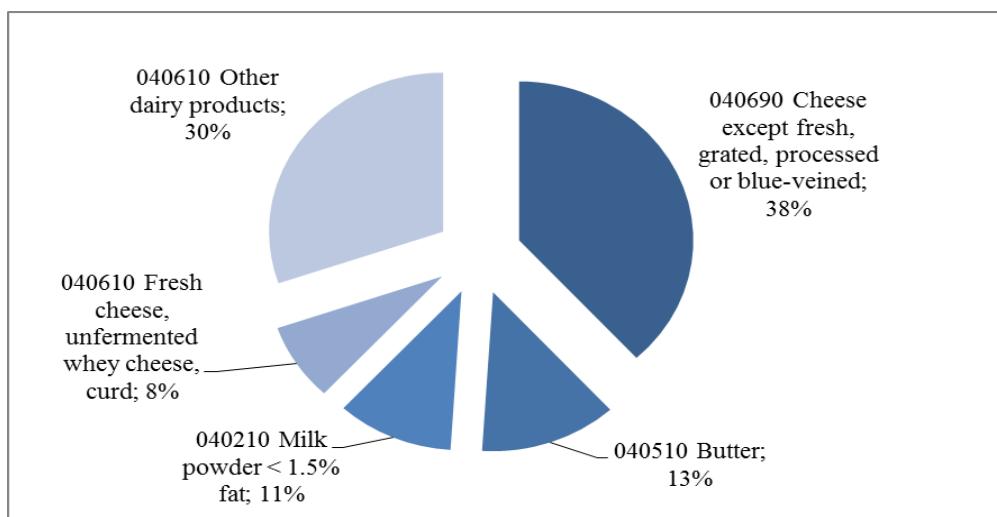
Apples are the most suspicious case as this market has been highly protected in Russia. However, tariff differential that will emerge after end of transition periods and establishment of full-fledged DCFTAs will be equivalent to tariff differential observed in mid-2000s. As it was no information about illegal re-exports in that period, it is low risk of illegal re-exports nowadays.

Summing up, apples, pears, and peaches constitute the largest share of Russian fruit imports from the EU. Among these products, only apple market is highly protected in Russia, thus forming high tariff differentials vis-à-vis DCFTA countries. However, these tariff differentials remain in the ranges already observed in mid-2000s when no re-exports were registered. Thus, it is unlikely that illegal re-export of apples emerge nowadays.

Dairy products (code HS 04)

Dairy products comprise the third largest category of the Russian agriculture and food products imports, accounting for 10% of these imports. Cheeses (38% processed or blue-veined and 8% fresh), butter (13%) and low-fat milk power (11%) dominate imports (**Figure 4.3**).

Figure 4.3: Structure of Russian imports of dairy products in 2013



Source: UN ComTrade

Belarus and the EU are two major exporters of dairy products to the Russian market. The EU was the major supplier of cheeses accounting for 57% of Russian imports of processed and blue-veined cheeses and 54% of fresh cheeses in 2013. It also supplied 21% of butter and 17% of milk powder, being the second largest exporter to Russia after Belarus.

Unlike meat or fruits, cheeses are non-homogenous products, and illegal re-export is very likely to reduce its value. Moreover, all dairy products are subject to rigorous SPS controls, significantly increasing costs of potential illegal re-exports. Thus, the risk of illegal re-export of dairy products is quite low.

Table 4.7: Ad valorem equivalents of MFN tariffs on processed and blue-veined cheeses in Georgia, Moldova, Ukraine, and Russia, %

	2002	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	5-12	5-12	5	5	0
Moldova	15	10	10	10	10	0
Ukraine	25	11	10	10	10	0
Russia	16	10	15	16	15	

Source: *Market Access Map*, author's estimates

Table 4.8: Ad valorem equivalents of MFN tariffs on butter in Georgia, Moldova, Ukraine, and Russia, %

	2002	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	5	5	0	0	0
Moldova	20	48-58	33	15	32	Zero within TRQ: 1000 t
Ukraine	136	44	10	10	10	0-6.7
Russia	26-34*	5	28	16	15	

Source: *Market Access Map*, author's estimates
Note: * estimate for 2005

Table 4.9: Ad valorem equivalents of MFN tariffs on low-fat milk powder in Georgia, Moldova, Ukraine, and Russia, %

	2002	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	0-12	0-12	0-12	0-12	0
Moldova	15	10	10	10	10	0
Ukraine	32	8	10	10	10	6.7-8
Russia	15	5	20	25	20	

Source: *Market Access Map*, author's estimates

Table 4.10: Ad valorem equivalents of MFN tariffs on fresh cheeses in Georgia, Moldova, Ukraine, and Russia, %

	2002	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	12	12	5	5	0
Moldova	15	10	10	10	10	0
Ukraine	36	33	10	10	10	0
Russia	15	5	24	15	15	

Source: *Market Access Map*, author's estimates

Tables 4.7-4.10 show that observed tariffs and tariff differentials for dairy products are moderate, and thus confirm low probability of illegal re-export. Also, tariff differential expected

after the implementation of the DCFTAs will be comparable with differentials existed in end-2000^s.

Implementation of the TRQs for selected dairy products in Moldova is another barrier on the way of illegal re-export.

Summing up, risk of illegal re-export of dairy product is low due to a number of reasons. First, value of these products depends on their origination making re-labelling unprofitable. Second, there is rigorous food safety controls on imports of these products increasing transaction costs of illegal operations. Third, there are TRQs applied on selected dairy products (Moldova case). Fourth, tariff differentials are moderate providing limited compensation for risk of illegal operations.

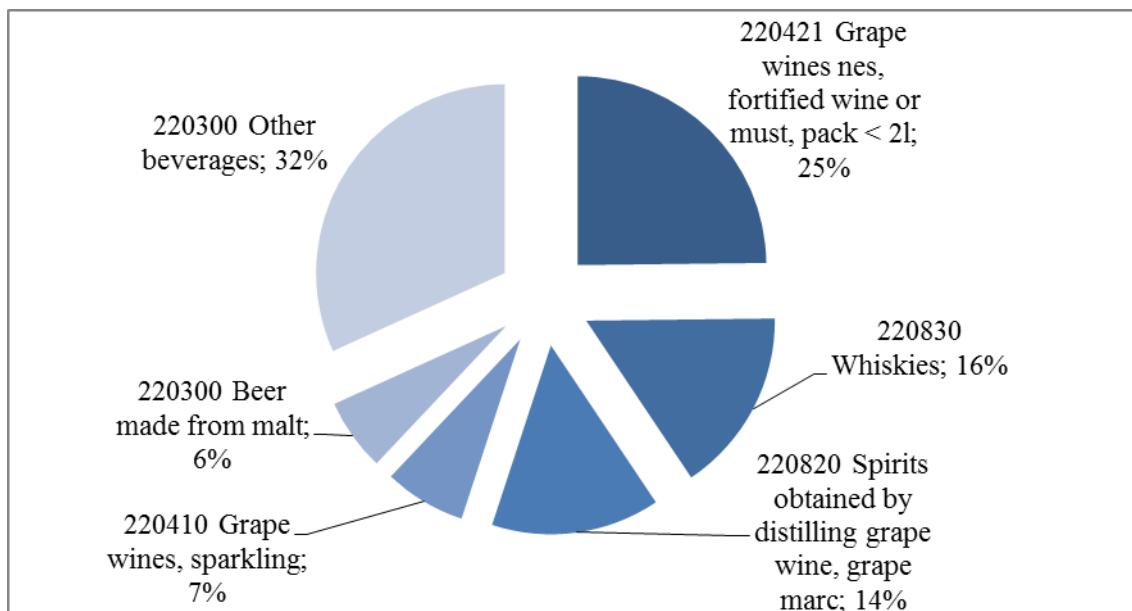
Beverages and spirits (code HS 22)

Beverages account for 8% of Russian imports of agriculture and food products, being the fourth largest import category. Various types of alcoholic beverages and spirits account for 85% of total imports in this category. **Figure 4.4** presents the structure of imports by most important products.

The EU is the largest supplier of alcohol beverages to Russia. In 2013, the EU accounted for 67% of grape wine imports of Russia, 82% of whiskies imports, and 56% of imports of spirits obtained by distilling grape wine and grape marc.

Beer, wines and other spirits are highly differentiated goods, the origin of which comprises a significant part of its market value. Therefore, relabeling of these products would mean losing their value, and thus it is unlikely. However, there could be a risk of smuggling.

Figure 4.4: Structure of Russian imports of beverages and spirits in 2013



Source: UN ComTrade

Analysis of tariff schedules of Russia and the DCFTAs countries (Tables 4.11-4.13) shows that this risk is also quite low. Tariff differential for grape wine at 20 percentage points is moderate, and thus unlikely to stimulate illegal re-export.

Moreover, Ukraine and Moldova have already opened their markets to the EU whiskies and spirits obtained by distilling grape wine and grape marc, and the DCFTAs will not add

much to liberalization of these markets. Therefore, if there had a risk of re-export of these products to Russia, it would have been realized already. No reporting means no problems.

Table 4.11: Ad valorem equivalents of MFN tariffs on grape wines in Georgia, Moldova, Ukraine, and Russia, %

	2006	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia		16	11	11	11	0
Moldova	13	16	12	12	10	0
Ukraine		64-96	7	7	6	0
Russia	20	20	20	20	20	

Source: *Market Access Map*, author's estimates

Table 4.12: Ad valorem equivalents of MFN tariffs on whiskies in Georgia, Moldova, Ukraine, and Russia, %

	2006	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia		33	21-34	7-12	7-12	0
Moldova	2-4	2	5	2	1-2	0
Ukraine		50	14	0	0	0
Russia	30-34	33-52	21	23	27	

Source: *Market Access Map*, author's estimates

Table 4.13: Ad valorem equivalents of MFN tariffs on spirits obtained by distilling grape wine and grape marc in Georgia, Moldova, Ukraine, and Russia, %

	2006	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	12	12	5	5	0
Moldova	15	10	10	10	10	0
Ukraine	36	33	10	10	10	0
Russia	15	5	24	15	15	

Source: *Market Access Map*, author's estimates

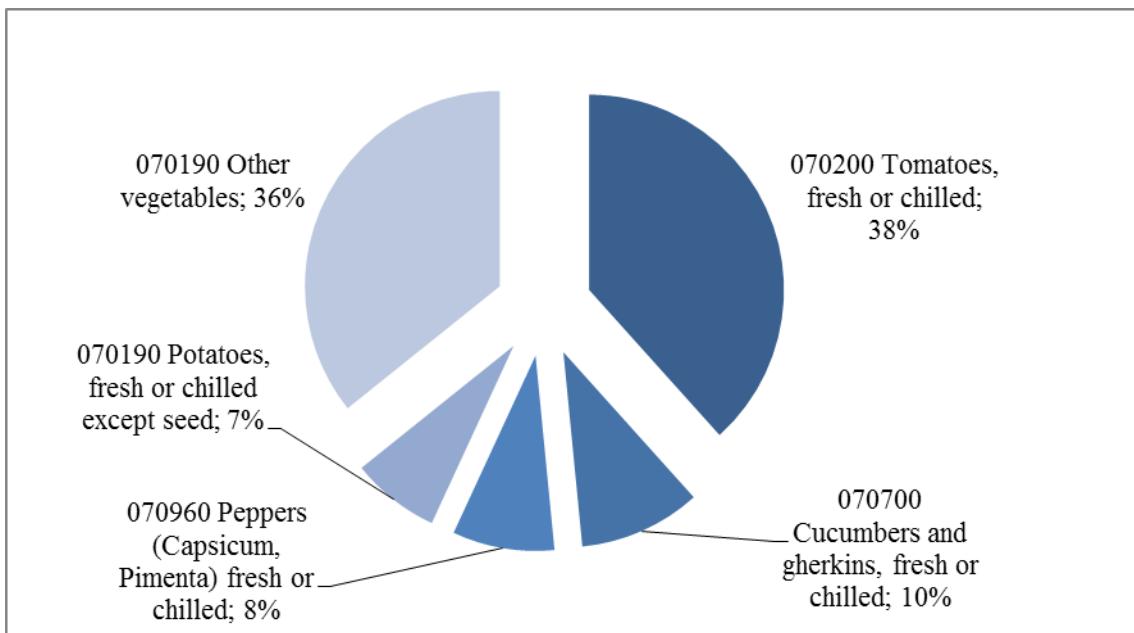
Summing up, the risk of illegal re-export of the EU alcohol beverages to Russia is low given no economic reason to use re-labelling as a way of illegal re-export, current openness of Ukrainian and Moldavian markets, and moderate tariff differential observed for grape wines, the largest imported category.

Vegetables (code HS 07)

The fifth largest category of the Russian agriculture and food imports is vegetables that account for 7% of total agri-food imports. Import of tomatoes, mainly from Turkey, account of 38% of HS 07 imports, followed by cucumbers (10%), peppers (8%) and potatoes (7%) that together account for almost two thirds of Russia's vegetable imports (**Figure 4.5**).

The EU does not play a dominant role in supplying vegetables to Russia. In 2013, the EU shares were 26% of Russia's tomato imports, 19% of cucumber import, 31% of pepper imports and 14% of potato imports.

Figure 4.5: Structure of Russian imports of vegetables in 2013



Source: UN ComTrade

Given the fact that the EU is not specialized in exports of vegetables (exports of category HS 07 constituted 0.2% of the EU exports in 2013), it is very unlikely that there will be massive re-export of the EU vegetables through the DCFTAs countries to Russia.

Still, let us consider tariffs for two types of exports where the plays relatively important role in Russian imports: tomatoes and peppers.

Table 4.14: Ad valorem equivalents of MFN tariffs on fresh or chilled tomatoes in Georgia, Moldova, Ukraine, and Russia, %

	2006	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	12	12	12	12	0
Moldova	10-20	10-20	10-20	10-20	10-20	0
Ukraine		45	10	10	10	0
Russia	21-32	15-18	15	15	15	

Source: Market Access Map, author's estimates

Table 4.15: Ad valorem equivalents of MFN tariffs on fresh or chilled peppers in Georgia, Moldova, Ukraine, and Russia, %

	2006	2008	2010	2012	2013	Tariff for EU after complete DCFTA implementation
Georgia	12	12	12	12	12	0
Moldova	15	15	15	15	15	0
Ukraine		15-20	15-20	15-20	15-20	0-10
Russia	15	15	15	15	15	

Source: Market Access Map, author's estimates

Tables 4.14-4.15 show that there will be moderate tariff differential (15 p.p.) for tomatoes after the establishment of the DCFTAs, while differential for pepper will be lesser as Ukraine preserve non-zero duty on sweet peppers, traditionally the most popular kind of pepper.

It remains ambiguous whether this moderate trade differential on tomatoes not observed before would stimulate re-export, although some moderate risk exists.

Although the concern about massive re-export of the EU agricultural products to the Russia market is not justified, we can recommend establishing additional precautionary mechanism against potential fraud re-export. It is so called anti-circumvention mechanism already envisaged applied to Moldova and Georgia exports to the EU under the DCFTA.

The anti-circumvention mechanism envisaged that:

- Products subject to the anti-circumvention mechanism are listed, and threshold annual volume of imports is set, based on production and export capacity of the partner country;
- When the volume of imports of one or more categories of products referred above reaches, for instance, 70 % of the volume, the importing country notifies the exporting country;
- Within specified period of time, exporting county has to provide to importing country a sound justification of the increased exports linked to expansion of production or export capacity;
- If the exporting country indeed increased its capacities to exports, the annual threshold is adjusted to take into account changes;
- If the exporting country fails to provide a sound justification, the importing country is entitled to temporary suspect existing trade preferences.

Proper implementation of anti-circumvention mechanism could provide needed additional safeguards to mitigate potential risks and eliminate concerns.

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Annex I. Schedule of approximation to EU *acquis* in agriculture and rural development sphere

Table A1: Schedule of approximation to EU *acquis* in agriculture and rural development sphere, years

	Moldova	Ukraine
Quality policy		
Council Regulation (EC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs	4	NS
Commission Regulation (EC) No 1898/2006 of 14 December 2006 laying down detailed rules of implementation of Council Regulation (EC) No 510/2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs	4	NS
Regulation (EC) No 110/2008 of the European Parliament and of the Council of 15 January 2008 on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks	4	NS
Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation), <i>part related to wine geographical indication in Chapter I of Title II of Part I</i>	4	NS ²¹
Council Regulation (EC) No 479/2008 of 29 April 2008 on the common organisation of the market in wine, namely, Title III "Regulatory measures" and Article 117 on controls as repealed by Regulation 491/2009 of 25 May 2009 and as incorporated into the Single CMO Council Regulation (EC) No 1234/2007 of 22 October 2007	Not committed	NS
Commission Regulation (EC) No 555/2008 of 27 June 2008 laying down detailed rules for implementing Council Regulation (EC) No 479/2008, as regard support programmes, trade with third countries, production potential and on controls in the wine sector, namely, Title V "controls in the wine sector"	4	NS
Council Regulation (EC) No 509/2006 of 20 March 2006 on agricultural products and foodstuffs as traditional specialities guaranteed	4	NS
Commission Regulation (EC) No 1216/2007 of 18 October 2007 laying down detailed rules for the implementation of Council Regulation (EC) No 509/2006 on agricultural products and foodstuffs as traditional specialities guaranteed	4	NS
Organic farming		
Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91	4	NS
Commission Regulation (EC) No 889/2008 of 5 September 2008	4	NS

²¹ This Regulation is listed in different part of Ukraine's schedule of commitments

	Moldova	Ukraine
laying down detailed rules for the implementation of Council Regulation (EC) No 834/2007 on organic production and labelling of organic products with regard to organic production, labelling and control		
Commission Regulation (EC) No 1235/2008 of 8 December 2008 laying down detailed rules for implementation of Council Regulation (EC) No 834/2007 as regards the arrangements for imports of organic products from third countries	4	NS
Genetically modified crops		
Commission Recommendation on guidelines for the development of national strategies and best practices to ensure the co-existence of genetically modified crops with conventional and organic farming of 23 July 2003	Not committed	NS
Biodiversity		
Council Regulation (EC) No 870/2004 of 24 April 2004 establishing a Community programme on the conservation, characterisation, collection and utilisation of genetic resources in agriculture and repealing Regulation (EC) No 1467/94	Not committed	NS
Marketing standards for plants, seeds of plants, products derived from plants, fruits and vegetables		
Commission Regulation (EEC) No 890/78 of 28 April 1978 laying down detailed rules for the certification of hops	Not committed	NS
Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)	5 ²²	NS
Commission Regulation (EC) No 1850/2006 of 14 December 2006 laying down detailed rules for the certification of hops and hop products	Not committed	NS
Commission Regulation (EC) No 1295/2008 of 18 December 2008 on the importation of hops from third countries (Codified version)	5	NS
Council Directive 66/401/EEC of 14 June 1966 on the marketing of fodder plant seed	5	NS
Commission Regulation (EC) No 382/2005 of 7 March 2005 laying down detailed rules for the application of Council Regulation (EC) No 1786/2003 on the common organisation of the market in dried fodder	Not committed	NS
Council Directive 66/402/EEC of 14 June 1966 on the marketing of cereal seed	5	NS
Council Directive 68/193/EEC of 9 April 1968 on the marketing of material for the vegetative propagation of the vine	5	NS
Council Directive No 2008/72/EC of 15 July 2008 on the marketing of vegetable propagating and planting material, other than seed (Codified	5	Not

²² Selected provisions only: for horizontal issues: Article 113, Annex I, Annex III and Annex IV; for seeds for sowing: Article 157; for sugar: Annex IV b; for cereals/rice: Annex IV a; for row tobacco: Articles 123, 124, 126, it should be noted that Article 104 is not applicable for this Agreement; for hops: Articles 117, 121g, Article 158, it should be noted that Article 185 is not applicable for this Agreement; for edible oils/olive oil: Article 118, Annex XVI; for live plants, fresh cut flowers and fresh foliage: Annex I part 13; for fruits and vegetables: Article 113a

	Moldova	Ukraine
version)		committed
Council Directive 92/33/EEC of 28 April 1992 on the marketing of vegetable propagating and planting material, other than seed	Not committed	NS
Council Directive 92/34/EEC of 28 April 1992 on the marketing of fruit plant propagating material and fruit plants intended for fruit production	5	NS
Council Directive 98/56/EC of 20 July 1998 on the marketing of propagating material of ornamental plants	5	NS
Council Directive 1999/105/EC of 22 December 1999 on the marketing of forest reproductive material	5	NS
Council Directive 2001/111/EC of 20 December 2001 relating to certain sugars intended for human consumption	3	NS
Commission Regulation (EEC) No 2568/91 of 11 July 1991 on the characteristics of olive oil and olive-residue oil and on the relevant methods of analysis	5	NS
Council Directive 76/621/EEC of 20 July 1976 relating to the fixing of the maximum level of erucic acid in oils and fats intended as such for human consumption and in foodstuffs containing added oils or fats	5	NS
<i>Art. 52 of Council Regulation (EC) No 1782/2003</i> of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001	Not committed	NS
Council Directive 2002/53/EC of 13 June 2002 on the common catalogue of varieties of agricultural plant species	5	NS
Council Directive 2002/54/EC of 13 June 2002 on the marketing of beet seed	4	NS
Council Directive 2002/55/EC of 13 June 2002 on the marketing of vegetable seed	4	NS
Council Directive 2002/56/EC of 13 June 2002 on the marketing of seed potatoes	4	NS
Council Directive No 2002/57/EC of 13 June 2002 on the marketing of seed of oil and fibre plants	5	NS
Commission Regulation (EC) No 1345/2005 of 16 August 2005 laying down detailed rules for the application of the system of import licences for olive oil	Not committed	NS
Council Directive 2002/57/EC of 13 June 2002 on the marketing of seed of oil and fibre plants	5	NS
Commission Regulation (EC) No 1019/2002 of 13 June 2002 on marketing standards for olive oil	5	NS
<i>Art. 171cg, Art. 171ch and Art. 171cj of Corrigendum to Commission Regulation (EC) No 1973/2004</i> of 29 October 2004 laying down detailed rules for the application of Council Regulation (EC) No 1782/2003 as regards the support schemes provided for in Titles IV and	Not committed	NS

	Moldova	Ukraine
IVa of that Regulation and the use of land set aside for the production of raw materials		
Commission Regulation (EC) No 507/2008 of 6 June 2008 laying down detailed rules for the application of Council Regulation (EC) No 1673/2000 on the common organisation of the markets in flax and hemp grown for fibre	Not committed	NS
Directive 2000/36/EC of the European Parliament and of the Council of 23 June 2000 relating to cocoa and chocolate products intended for human consumption	5	NS
Council Directive 2001/113/EC of 20 December 2001 relating to fruit jams, jellies and marmalades and sweetened chestnut purée intended for human consumption	4	NS
Directive 1999/4/EC of the European Parliament and of the Council of 22 February 1999 relating to coffee extracts and chicory extracts	5	NS
Commission Regulation (EC) No 223/2008 of 12 March 2008 laying down conditions and procedures for the recognition of producer organisations of silkworm rearers	Not committed	NS
Council Directive 2001/112/EC of 20 December 2001 relating to fruit juices and certain similar products intended for human consumption	4	NS
Commission Regulation (EC) No 1580/2007 of 21 December 2007 laying down implementing rules of Council Regulations (EC) No 2200/96, (EC) No 2201/96 and (EC) No 1182/2007 in the fruit and vegetable sector	3 ²³	NS
Marketing standards for live animals and animal products		NS
Regulation (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products and repealing Council Regulation (EC) No 820/97	5	NS
Commission Regulation (EC) No 1825/2000 of 25 August 2000 laying down detailed rules for the application of Regulation (EC) No 1760/2000 of the European Parliament and of the Council as regards the labeling of beef and beef products	5	Not committed
Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)	5 ²⁴	NS
Commission Regulation (EC) No 566/2008 of 18 June 2008 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 as regards the marketing of the meat of bovine animals aged 12 months or less	5	NS

²³Except for Title III and Title IV

²⁴ Selected provisions only: for horizontal issues: Article 113, Annex I, Annex III and Annex IV; for poultry and eggs: Annex XIV AB, B, C: all Articles; for veal: Article 113b, Annex XIa: all Articles; for adult bovines, pigs and sheep: Annex V; for milk and milk products: Articles 114 and 115 with the annexes, Annex CII: all Articles, Annex CIII: all Articles, Annex XV: all Articles

	Moldova	Ukraine
Commission Regulation (EC) No 589/2008 of 23 June 2008 laying down detailed rules for implementing Council Regulation (EC) No 1234/2007 as regards marketing standards for eggs	4 ²⁵	NS
Commission Regulation (EC) No 1249/2008 of 10 December 2008 on the implementation of the Community scale for the classification of beef, pig and sheep carcasses and the reporting of prices thereof	4 ²⁶	NS
Commission Regulation (EC) No 617/2008 of 27 June 2008 laying down detailed rules for implementing Regulation (EC) No 1234/2007 as regards marketing standards for eggs for hatching and farmyard poultry chicks	4	NS
Council Regulation (EC) No 2991/94 of 5 December 1994 laying down standards for spreadable fats	Not committed	NS
Commission Regulation (EC) No 445/2007 of 23 April 2007 laying down certain detailed rules for the application of Council Regulation (EC) No 2991/94 laying down standards for spreadable fats and of Council Regulation (EEC) No 1898/87 on the protection of designations used in the marketing of milk and milk products (Codified version)	5	NS
Council Directive 2001/114/EC of 20 December 2001 relating to certain partly or wholly dehydrated preserved milk for human consumption	5	NS
Commission Regulation (EC) No 273/2008 of 5 March 2008 laying down detailed rules for the application of Council Regulation (EC) No 1255/1999 as regards methods for the analysis and quality evaluation of milk and milk products	4	NS
Commission Regulation (EC) No 543/2008 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 as regards the marketing standards for poultry meat	4	NS
Corrigendum to Commission Regulation (EC) No 543/2008 of 16 June 2008 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 as regards the marketing standards for poultry meat	Not committed	NS
Council Regulation (EEC) No 3220/84 of 13 November 1984 determining the Community scale for grading pig carcasses	Not committed	NS
Council Directive (EC) No 2001/110/EC of 20 December 2001 relating to honey	3	Not committed
Corrigendum to Council Directive 2001/110/EC of 20 December 2001 relating to honey	Not committed	NS

²⁵ Except for Articles 33-35, Annex III and Annex V

²⁶ Except for Article 18, Article 26, Article 35 and Article 37

Annex II. Import tariffs: methodological note

The study uses the Market Access Map (MACMap),²⁷ online tool developed by the International Trade Centre (ITC),²⁸ as a key source of tariff information.

The applied tariff database of the MACMap is collected from the following sources:²⁹

- ITC (MACMap) database collected by the ITC from national authorities;
- WTO Integrated Data Base (IDB) collected by the WTO through notifications from member governments on an annual basis.

Important difference between the ITC MACMap and the WTO IDB is availability of ad valorem equivalents (AVEs). The MACMap database includes AVEs of all non-ad-valorem tariffs, while the WTO IDB generally does not report AVEs. It stems from the fact that the WTO Secretariat does not calculate AVEs. The IDB contains AVEs reported by the members, but vast majority of the members does not report them.³⁰ For the Trade Policy Reviews, the Secretariat substitutes missed AVEs with the ad valorem part of all compound and certain mixed duties.

The incidence of non-ad valorem tariffs are much higher for agriculture products compared to industrial goods, and thus correct assessment of tariff protection taking into account non-ad valorem tariffs is especially important for the analysis of trade policy in agriculture and food. Therefore, we opt for the usage of the MACMap as a source of tariff information.

²⁷ <http://www.macmap.org/>

²⁸ The ITC is the joint agency established by the WTO and United Nations with the aim “to foster sustainable economic development and contribute to achieving the Millennium Development Goals in developing countries and transition economies through trade and international business development”. See <http://www.intracen.org/itc/about/>

²⁹ Market Access Map User Guide. <http://www.macmap.org/Content/UserGuide-en.pdf>

³⁰ WTO (2003) Incidence of non-ad valorem tariffs in Members' tariff schedules and possible approaches to the estimation of *ad valorem* equivalents. Note by the Secretariat. TN/MA/S/10, 20 May 2003. See http://www.jmcti.org/2000round/com/doha/tn/tn_ma_s_010.pdf

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Regional Office for Europe and Central Asia
Food and Agriculture Organization of the United Nations
34 Benczur ut.
1068 Budapest, Hungary

Telephone: +36 1 461 2000

Fax: +36 1 351 7029

<http://www.fao.org/world/Regional/REU>