



# **EU Tariff Rate Quotas on Imports from Ukraine**

**Veronika Movchan, Iryna Kosse, Ricardo Giucci**

Berlin/Kyiv, June 2015

# Contents

---

1. Tariff rate quota (TRQ): What is it?
2. TRQs in EU-Ukraine trade
3. TRQs utilisation:
  - Fully utilised TRQs – how limiting they are?
  - Partially utilised TRQs
  - Not utilised TRQs – reasons for no usage
4. Conclusions

Contact

# 1. Tariff rate quota: What is it?

---

- A **tariff rate quota** (TRQ) entails a lower import duty for imports of a specific product below a certain quantity (“quota”) and a higher duty beyond this quantity
- As such, TRQ entails no restrictions on the overall quantity of an imported product; it only limits preferential trade
- In the WTO framework, TRQs are used to implement the minimum access commitments provided for in the Agreement on Agriculture
- GATT 1994 requires TRQs to meet the following principles:
  - tariff bindings are observed
  - TRQs are non-discriminatory
  - TRQs are administered in a transparent way
  - any import licensing procedures related to TRQs conform to the agreement on that subject

## 2. TRQs in EU-Ukraine trade

---

- EU-Ukraine Association Agreement envisages application of TRQs for a number of 'sensitive' products:
  - EU TRQs: 36 groups of products (Annex I-A, Appendix A)
  - Ukraine TRQs: 3 group of products (Annex I-A, Appendix B)
- EU TRQs cover:
  - **Animal products:** meat (beef, pork, sheep, poultry), milk and dairy, eggs, honey etc.
  - **Plant products:** grains (wheat, barley, oat, maize), mushrooms, garlic etc.
  - **Processed food and other products:** sugar and products, grape and apple juice, sweet corn, processed tomatoes, ethanol, cigarettes etc.
- TRQs specify the volume that can be traded at zero rates. If the quota is exceeded, the trader is charged the MFN rate
- TRQs are administrated in two ways:
  - First come – first served
  - Import license
- TRQs constitute a part of EU autonomous trade preferences provided to Ukraine in late April 2014 initially for half a year and then postponed till end of 2015

### 3. Overview of fully utilised TRQs

Category	TRQ	% usage 2014, date of full usage	% usage 2015, date of full / partial usage
<b>First come - first serve</b>			
<b>Honey</b>	5 000 t/y with increase in 5 years to 6 000 t/y	100%, August 13	100%, January 4
<b>Barley groats and meal</b>	6 300 t/y with increase in 5 years to 7 800 t/y	100%, October 23	100%, April 8
<b>Processed tomatoes</b>	10 000 t/y	100%, October 27	46% as of May 19
<b>Grape and Apple juice</b>	10 000 t/y with increase in 5 years to 20 000 t/y	100%, May 10	99%, as of May 18
<b>Import license</b>			
<b>Common wheat, flours, and pellets</b>	950 000 t/y with increase in 5 years to 1 000 000 t/y	100%, August 29	-
<b>Maize, flour and pellets</b>	400 000 t/y with increase in 5 years to 650 000 t/y	100%, July 25	100%, May 21
<b>Poultry meat and preparations</b>	16 000 t/y with linear increase in 5 years to 20 000 t/y + 20 000 t/y	77%	100% of quotas for Q1 and Q2

- 2014: 6 TRQs (17% of TRQs) completely utilised:
  - Cereals (barley groats and meal, wheat, maize)
  - Honey
  - Processed tomatoes
  - Juices
- 2015: 5 TRQs (14%) exhausted as of end-May:
  - Cereals (barley groats and meal, maize)
  - Honey
  - Juices
  - Poultry meat (TRQ for Q1-Q2 2015)
- **Key question:** Are the TRQs limiting?

# How limiting are TRQs?

Category	TRQ, t/y	In-quota duty	UA exports to EU, 2014, t/y	UA exports to EU, 2013, t/y	Out-quota duty (MFN)	Is TRQ limiting?
Honey	5 000	0%	26 121	17 145	17.3%	no
Barley groats and meal	6 000	0%	12 653	12 211	93 EUR/t	no
Processed tomatoes	10 000	0%	11 411	1 391	14.4%	potentially limiting
Grape and Apple juice	10 000	0%	84 032	73 834	18.9 % + 27 EUR/hl; 36.5 % + 121 EUR/hl	no
Common wheat, flours, and pellets	950 000	0%	1 048 614	101 658	95 EUR/t	potentially limiting
Maize, flour and pellets	400 000	0%	7 680 590	6 482 331	5.35 EUR/t (since July 2014)	no
Poultry meat and poultry meat preparations	36 000	0%	17 408	496	149 EUR/t	potentially limiting

- To assess whether TRQ is limiting, we compare volume of TRQ and total export volume; and volume before and after introduction of TRQ
- If volume of exports is close or equal to volume of quota, and if exports before TRQ was much lower than after TRQ, it may signal that duty rate outside quota is prohibitively high and thus TRQ is limiting
- Risk: data on trade at higher level of aggregation than TRQs → export volume may be higher due to inclusion of products not subject to TRQ → conclusions are tentative
- TRQs on **processed tomatoes, wheat and poultry meat** are **potentially limiting**

# Overview of partially utilised TRQs

Category	TRQ	2014	21 May 2015
<b>First come - first serve</b>			
Malt and wheat gluten	7 000 t/y	93%	0.9%
Bran, shaps and residues	16 000 t/y with increase in 5 years to 21 000 t/y	12%	6%
Sugar processed products	2 000 t/y with increase in 5 years to 3 000 t/y	11%	8%
Starches	10 000 t/y	7%	3%
Garlic	500 t/y	7%	0%
Oats	4 000 t/y	5%	68%
Other Sugars	10 000 t/y with increase in 5 years to 20 000 t/y	4%	1%
Sugars	20 000 t/y	3%	43%
Food preparations	2 000 tons/year	0.03%	0.04%
Sweet corn	1 500 tons/year	0.01%	0%
<b>Import license</b>			
Barley, flour and pellets	250 000 t/y with increase in 5 years to 350 000 t/y	7.76%	
Ethanol	27 000 t/y with increase in 5 years to 100 000 t/y	30%	
Eggs and albumins	1 500 t/y with increase in 5 years to 3 000 t/y + 3 000 t/y	2.6%	

- 2014: 14 TRQs (39%) partially used:
  - Plant products
  - Poultry meat
  - Processed food products
- 2015: 8 TRQs (22%) partially used
- Quota usage speeded up for:
  - Oats
  - Sugars
  - Poultry meat

# Overview of not utilised TRQs

Category	TRQ
<b>First come - first serve</b>	
Sheep meat	1 500 t/y with increase in 5 years to 2 250 t/y
Sugar syrups	2 000 t/y
Starch processed	1 000 t/y with increase in 5 years to 2 000 t/y
Mushrooms	500 t/y + 500 t/y
Fermented-milk processed products	2 000 t/y
Processed butter products	250 t/y
Cereal processed products	2 000 t/y
Milk-cream processed products	300 t/y with increase in 5 years to 500 t/y
Cigars and Cigarettes	2 500 t/y
Mannitol-sorbitol	100 t/y
Malt-starch processed	2000 t/y
<b>Import license basis</b>	
Beef meat	12 000 t/y
Pork meat	20 000 t/y + 20 000 t/y
Milk, cream, condensed milk and yogurts	8 000 t/y with increase in 5 years to 10 000 t/y
Milk powder	1 500 t/y with increase in 5 years to 5 000 t/y
Butter and dairy spreads	1 500 t/y with increase in 5 years to 3 000 t/y

- 2014: 16 TRQs (44%) were not used
  - Products of animal origin
  - Selected plant products
  - Cigars and cigarettes
- 2015: 20 TRQs (56%) are not used as of end-May
- **Key question:** Why are these TRQs not utilised?



# Reasons for not utilising TRQs

Reasons	To what products apply
Health safety	Pork. Planned for 2014 inspection of pork producers was postponed till after the issue with African swine fever is resolved
SPS standards not fulfilled	Milk and dairy products, beef. Dairy industry was inspected in 2014 and exports can start after all EU countries approve the report. NB: Table eggs are allowed to be exported in the EU since spring 2015 after all necessary formalities were completed
Insufficient domestic production	Starch, sugar syrups, garlic, mushrooms. For instance, in 2014, Ukraine exported 25 t of mushrooms mostly to the CIS countries
Exports to other destinations	Barley flour and pellets, cigarettes, bran. For bran, main export destinations are Turkey and Egypt
Low demand in EU (competitiveness issues)	Poultry (broiler carcasses), starch, ethanol
No trade partners in the EU	Sugar (as reported by businesses in 2014)

## 4. Conclusions

---

- TRQs are embedded in EU-Ukraine Association Agreement and currently implemented as a part of autonomous trade preferences provided by the EU
- TRQs represent the case of partial liberalization for so called 'sensitive' goods, full liberalization of which trade is frequently politically unfeasible
- In 2014 Ukrainian exporters full utilised 6 TRQs (17% of total number), partly utilised 14 TRQs (39%) and not used 16 (44%).
- In 2015, 5 TRQs (14%) are already full used, while utilisation of 20 (56%) has not started yet
- Out of 7 TRQs fully utilised in 2014 or 2015, three TRQs are potentially limiting (duty rates outside quota are assessed as prohibitively high):
  - Processed tomatoes
  - Common wheat, flours, and pellets
  - Poultry meat
- To facilitate usage of TRQs it is necessary:
  - Complete harmonization with EU SPS standards and ensure their proper implementation, increase control over animal diseases
  - Develop domestic production, improve its competitiveness
  - Facilitate business networking in the EU



## Dr. Ricardo Giucci

giucci@berlin-economics.com

## Veronika Movchan

movchan@ier.kiev.ua

## Iryna Kosse

kosse@ier.kiev.ua

## German Advisory Group

c/o BE Berlin Economics GmbH

Schillerstr. 59, D-10627 Berlin

Tel: +49 30 / 20 61 34 64 0

Fax: +49 30 / 20 61 34 64 9

E-mail: [info@beratergruppe-ukraine.de](mailto:info@beratergruppe-ukraine.de)

[www.beratergruppe-ukraine.de](http://www.beratergruppe-ukraine.de)

Twitter: @BerlinEconomics

