

Position Paper on the Extension of Autonomous Trade Measures for Ukraine

European The European Enterprise Alliance and Union of Entrepreneurs and Employers (ZPP) present our position on the Extension of Autonomous Trade Measures for Ukraine. We emphasise the importance of these measures in enhancing economic cooperation, fostering resilience, and promoting sustainable development between the EU and Ukraine.

Background

Autonomous Trade Measures (ATMs) have been pivotal tools employed by the European Union (EU) since June 4, 2022, as part of the ATM Regulation 2022/870, set to last for one year. These measures encompass a comprehensive removal of import duties on industrial products, including the complete elimination of all tariff rate quotas on agricultural and food products. Additionally, the EU has abolished entry prices on fruit and vegetables and suspended all trade defence measures, notably anti-dumping duties and safeguards, particularly applied to steel products. Moreover, the EU has taken additional steps to streamline transportation and border control for Ukraine's exports. Specifically, it has temporarily liberalized freight transportation by road between the EU and Ukraine, eliminating the need for permits, a measure extended until June 30, 2024. Furthermore, Ukraine's accession to the Common Transit Convention in October 2022 has simplified customs transit procedures between the EU and Ukraine, facilitating smoother trade operations. On February 23, the European Commission proposed a pivotal decision to extend the regulation governing Autonomous Trade Measures (ATMs) for another year, and on March 20, the Council and Parliament reached a deal to renew the EU's autonomous trade measures for Ukraine until 5 June 2025.

Ukraine's trade landscape has been profoundly impacted by the ongoing invasion of Russia, necessitating further support to mitigate economic losses and bolster resilience. The economic toll of Russia's aggression against Ukraine has been staggering, with the Ukrainian economy shrinking by approximately one-third and exports plummeting by 35.1% in 2022 compared to the previous year. This decline translated to a staggering \$24 billion reduction in foreign currency revenue for Ukraine in 2022. Particularly hard-hit was the iron and steel industry, which experienced a 67.5% reduction in export supplies, amounting to \$9.4 billion less in exports compared to the previous year. Other sectors, including ore exports, chemicals, machinery, and electronic equipment, also witnessed significant declines. Amidst these challenges, Ukraine's reliance on agricultural and food exports has surged during wartime, accounting for more than half of all critically needed export revenues. However, even as agricultural and food products gained prominence, total exports in this sector declined by 15.5% or \$4.3 billion in 2022. The conflict has also disrupted Ukraine's key export routes, particularly through the blockade of Black Sea ports by Russia, and inflicted significant damage on production facilities and critical infrastructure, exacerbating the economic strain on Ukrainian producers. Internal and external supply chain disruptions, coupled with shortages of critical imports and rising production and logistics costs, have further compounded the challenges faced by Ukrainian exporters, threatening their profitability and competitiveness in global markets. Despite these adversities, Ukraine has witnessed a remarkable recovery in exports to the EU, which surpassed pre-invasion levels by the end of 2022. The EU emerged as Ukraine's principal trading partner, with exports to the EU accounting for 63% of Ukraine's total exports in 2022. Notably, the growth of agri-food exports to the EU played a pivotal role in this recovery, with exports increasing by more than \$5.2 billion, driven by factors such as logistics problems, high freight and insurance costs, and increased demand in the EU due to a drought affecting

many regions of Europe. Temporary trade-liberalization measures, including the suspension of tariff rate quotas (TRQs), have played a crucial role in facilitating Ukrainian exports to the EU, providing Ukrainian products with a competitive edge in European markets. However, challenges persist, as evidenced by the need for compromise solutions between the Commission and EU member states to address concerns regarding the impact of Ukrainian imports on local markets. While the EU's continued support signals its commitment to Ukraine, the risk of prolonged or new import restrictions underscores the uncertainties and pressures faced by Ukrainian agri-food producers amidst the evolving trade dynamics. Ukraine, endowed with fertile agricultural land and a favourable climate, holds significant potential as a supplier of agrifood products to the EU market. With its vast agricultural resources, Ukraine has emerged as one of the world's leading exporters of commodities such as grains, oilseeds, and sunflower oil. Furthermore, the country's agrifood sector has demonstrated a commitment to sustainable agricultural practices, aligning with the EU's objectives regarding environmental protection and food safety standards.

Key Points for Consideration

Strengthening connectivity between Ukraine and the EU is imperative

Ensuring the smooth operation and enhancing the capacity of the Solidarity Lanes are crucial for facilitating the transit of Ukraine's agricultural and non-agricultural exports to both global markets and EU member states, particularly during wartime. Urgent investment is needed to improve EU-Ukraine road, rail, and river connections, deepen river canals, expand transport resources, upgrade EU-Ukraine border infrastructure, construct transshipment terminals, and augment grain and food storage facilities in Eastern European nations. These initiatives aim to streamline transit operations across these countries and bolster the resilience of Ukraine's export channels. While alternative routes cannot fully substitute Ukrainian seaports currently under Russian occupation, they have contributed to diversifying Ukraine's export routes, reducing Kyiv's reliance on the grain agreement and seaport routes, and mitigating Russia's control over shipping Ukraine's exports. With Russia's withdrawal from the grain agreement, the importance of the Solidarity Lanes has significantly increased for Ukraine's trade. Expanding the Solidarity Lanes, extending European Transport Corridors (TEN-T) into Ukraine, and advancing the Ukrainian segment of the TEN-T network is pivotal for Ukraine's post-war recovery and deeper integration into the EU Single Market. Improving connectivity and interoperability of transportation systems in Ukraine and the EU is also vital for enhancing the effectiveness and resilience of EU food supply chains. These endeavours will benefit Ukraine, the EU, and global food security while fostering stronger economic ties and fostering stability in the region.

Common Agricultural Policy (CAP) Considerations

The implementation of Autonomous Trade Measures and Temporary Trade Liberalization must consider the implications for the EU's Common Agricultural Policy (CAP). Increased imports of Ukrainian agrifood products present an opportunity for the EU to diversify its sources and enhance food security. Moreover, access to high-quality Ukrainian agricultural products can benefit European consumers by offering a wider variety of choices at competitive prices. However, it is crucial to ensure that such imports do not unduly harm domestic agricultural producers within the EU. Therefore, policymakers should explore mechanisms to support EU farmers in adapting to increased competition while preserving market stability, maintaining income support mechanisms, and upholding environmental and animal welfare standards.

Data and Impact Assessment

Robust data collection and impact assessments are essential for understanding the potential effects of increased Ukrainian agri-food imports on the EU market. Comprehensive analysis should consider factors such as production volumes, market prices, employment trends, and environmental impacts.

Rue d'Arlon 46

1000 Bruxelles

Enterprise Number Belgium

0733.737.395

EU Transparency Register

329556137684-27

enterprisealliance.eu

Market Access and Regulatory Alignment

Enhancing market access for Ukrainian agrifood products requires alignment with EU regulatory standards and certification requirements. Close cooperation between Ukrainian authorities and EU regulatory agencies is essential to ensure compliance with food safety, phytosanitary, and quality standards. By promoting regulatory alignment and mutual recognition agreements, policymakers can facilitate seamless trade flows and enhance consumer confidence in Ukrainian agri-food products. Moreover, fostering a collaborative regulatory environment can promote regulatory convergence and facilitate trade partnerships based on mutual trust and respect for international standards.

Conclusion

The extension of Trade Liberalization represents a significant opportunity for both Ukraine and the European Union to enhance economic cooperation and foster mutual prosperity. By leveraging Ukraine's agricultural potential and addressing concerns related to market stability, environmental sustainability, and regulatory compliance, the EU can strengthen its partnership with Ukraine and create opportunities for economic growth and development.

As partners in progress, the EU and Ukraine must work collaboratively to realize the shared vision of a prosperous and interconnected agricultural sector. The European Enterprise Alliance and Union of Entrepreneurs and Employers stand ready to support and advocate for policies that promote a sustainable and mutually beneficial trade relationship between the EU and Ukraine.

Bibliography

Taran, Svitlana. EU-Ukraine Wartime Trade: Overcoming Difficulties, Forging a European Path. European Policy Centre, 21 Aug. 2023.

Proposal for a REGULATION of the EUROPEAN PARLIAMENT and of the COUNCIL on Temporary Trade Liberalisation Supplementing Trade Concessions Applicable to Ukrainian Products under the Association Agreement between the European Union and the European Atomic Energy Community and Their Member States, of the One Part, and Ukraine, of the Other Part. 23 Feb. 2024.