

16 November 2012

AmCham EU Letter on Ukraine's Proposal to Increase Duties

The American Chamber of Commerce to the European Union (AmCham EU) would like to express its deep concern over a recent proposal by the Ukrainian government to increase base import tariff rates for a list of some 500 tariff lines, and strongly calls upon the European Commission to stress to the Ukrainian authorities the importance of keeping commitments made to the standstill provision of the EU-Ukraine Deep and Comprehensive Free Trade Agreement (DCFTA), even prior to the DCFTA formally coming into force.

Ukraine is a priority country in the EU Neighbourhood Policy. The trade flows between the EU and Ukraine exceeded €36 billion in 2011, with the EU accounting for about one third of Ukraine's exports and representing one of its foremost trading partners. The EU was an unwavering proponent of Ukraine's WTO membership. Immediately following Ukraine's accession to WTO, the EU and Ukraine launched their Deep and Comprehensive Free Trade Area negotiations, aimed at deepening their trading and investment relationships. The DCFTA was initialled in March 2012 and now awaits signature and ratification conditional to the resolution of pending political questions. In the meantime, Ukraine's exports continue to enjoy preferential GSP treatment in the EU.

In parallel, Ukraine formally joined the Commonwealth of Independent States (CIS) Free Trade Area in September, heralding a new era of integration with its immediate eastern and southern neighbourhood.

Ukraine's recent announcement of a proposal to raise – to the level of WTO bound rates - the base import tariffs for a list of some 500 tariff lines targets imports from the EU and the rest of the world does not bode well for the future of EU-Ukraine trade and investment relations, with yet unclear consequences to the prospects of an eventual signature and ratification of the EU-Ukraine DCFTA. It is worth noting that those tariff increases will not apply to imports into Ukraine from CIS FTA countries. The proposed increase brings the average applied duties rate for the list of proposed tariff lines from about 2.2% to over 8%, a four-fold increase.

This motion from Ukraine appears not only to deviate from the spirit of commitments made under the DCFTA, but also to infringe upon some of its legal obligations. The dismantling of customs duties under the DCFTA is to start from base rates that existed on 16 May 2008, the date of Ukraine's accession to WTO. At the beginning of the EU-Ukraine DCFTA negotiations in 2008, an agreement was made to that effect on freezing the tariffs. In the interim, if Ukraine proceeds with increasing tariffs as per this proposal, EU exports will suffer unduly due to the four-fold increase in average applied tariff rates.

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POSITION STATEMENT



AmCham EU therefore strongly urges the European Commission to remind the Government of Ukraine of the merits of staying in keeping with the text – and spirit – of their commitments under DCFTA, and of the positive impact this can have on progress on the European Neighbourhood Policy toward Ukraine and on the conclusion of the DCFTA.

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AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate U.S. investment in Europe totaled \$2.2 trillion in 2010 and directly supports more than 4.2 million jobs in Europe.

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