

Trading With Ukraine Under the Deep and Comprehensive Free Trade Area

Creating a Free Trade Area between the EU and Ukraine

The political part of the EU-Ukraine Association Agreement (AA) was signed on 21 March 2014 with the remainder of the Agreement, including the Deep Comprehensive Free Trade Area (DCFTA) signed on 27 June 2014. The agreement sets out a comprehensive reform programme for Ukraine to align its business laws and procedures with those of the European Union. The

Deep and Comprehensive Free Trade Area goes far beyond a traditional free trade agreement of mutual reduction of tariffs, and commits Ukraine to adopting a large part of the business related *acquis* of the European Union over a 10 year period. The tariffs, rules and procedures for trading with Ukraine will change and Dutch traders need to examine these changes throughout the 10 year implementation period to see how and when their trade will be affected.

What does the agreement cover?

The DCFTA is much more than a tariff liberalisation agreement. The DCFTA consists of 15 Chapters, 14 annexes and 3 protocols. It covers a wide and complex range of topics:

- Elimination of tariffs: currently the simple average tariff on imports to the EU from Ukraine is 24% and 8% on imports to Ukraine from EU. These tariffs will be eliminated on the majority of import duties in force reducing the cost of these products in each country;
- Technical regulations: currently, Ukraine has different technical requirements to those of the EU requiring compliance and certification from each other's authorities. Ukraine will now gradually align to EU regulations and procedures so that certified products will be assumed to comply with EU requirements with no further checks. This will reduce the cost of compliance and certification to these two different sets of rules;
- Sanitary and phytosanitary measures: similarly, Ukraine's agriculture and food safety measures currently differ from those of the EU. Ukraine will now gradually align these with those of the EU so that certified products will be assumed to comply with EU requirements with no further checks;
- Trade in services: Ukrainian businesses will be able to sell selected services to EU Member States on better terms than any other country and in some cases, be accorded national treatment. The agreement provides for a right of establishment of Ukrainian services providers (subject to a number of reservations) and extends automatically to new services in the future;
- Public procurement: Ukraine will apply EU rules on public procurement allowing EU businesses to participate in Ukrainian government tenders and be treated exactly the same as Ukrainian companies. In return, Ukrainian businesses will be able to compete for government contracts in the EU on equal treatment;

- Safeguards: special regimes are in place to govern imports to Ukraine of second hand clothing and cars. These are designed to safeguard local industry in Ukraine from increased competition from European suppliers;
- Other issues include: intellectual property; trade-related energy issues; trade facilitation; competition policy; movement of capital; transparency and trade and sustainable development.

What does it mean for business?

As a result of Ukraine aligning its business laws, regulations and procedures, trading with Ukraine will be similar to trading with any other EU member state, thus reducing the costs of trade. Businesses that want to trade with Ukraine will no longer need to consider what rules they have to comply with, how they differ from those of the EU and how they can obtain certification as compliance and certification from either EU or Ukrainian authorities will confer compliance in the other's territory.

Elimination of the majority of tariffs on trade between the EU and Ukraine will further reduce the cost of trading and this will lead to greater trade. It has been estimated² that imports from Ukraine will increase by 6.3% as a result of implementation of the DCFTA and EU exports to Ukraine will increase by 5.8%.