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Ukraine Grain Sector Review and Policy Options Project

Perspectives and Options for EU Grain Trade with Ukraine

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The main finding and conclusions were presented during the 8th International Conference "Grain Forum & Grain Industry – 2009" on 21 May 2009 in Yalta, Ukraine.

Summary

> Mr Mandelson (the then EU Trade Commissioner) said EU farmers should not fear competition from Ukraine, which has a highly productive agricultural sector and is one of the world's largest wheat growers. "As far as wheat is concerned there is plenty of demand to go round at the moment," he said.[1]

In January 2008, the EU Trade Commissioner was saying that wheat should not be a problem in an EU-Ukraine Free Trade Agreement (FTA). As negotiations progress, it is yet to be seen whether these words will take precedence over the EU's need to ensure stable domestic markets and traditional sensitivity to liberalising agricultural imports from competitors.

The purpose of this report is to facilitate the understanding of the options and perspectives for Ukrainian grain exports to the EU through the EU-Ukraine FTA. A brief explanation of the EU decision making process (Section I) is followed by a description of EU grain policy and trade outlook (Section II) and EU grain tariffs (Section III). Section IV highlights some of the grain import preferences granted by the EU in other trade liberalisation agreements. Section V then presents four options for improving access to EU grain markets. Section VI briefly concludes.

Of the four options, a new grain Tariff Rate Quotas (TRQs) would appear to be the most interesting, with the standard approach to EU trade agreements suggesting that a quota of over one million tons of wheat should be requested by the Ukraine, though the final outcome of the FTA is difficult to predict. For maize, the same approach would be a TRQ exceeding 500,000t but just 100,000t for barley. A recent EU trade liberalisation with Moldova creating important zero duty TRQs for wheat, maize and barley based on recent trade flows, then doubling the TRQ volumes over the next five years is noted with interest, though unfortunately so is the clear indication in the agreement that this was possible due to Moldova's small size.

Options looking at a renegotiation of the 2002 WTO TRQs or a simple tariff cut would both have to overcome significant hurdles to be useful to the FTA's objective of increasing trade opportunities for Ukrainian grain exports. A final option reflects on whether some form of volume flexibility in addition to a base TRQ might help improve market access.

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[1] Financial Times, 17 January 2008.

PART I. EU ORGANISATION AND APPROACH FOR TRADE NEGOTIAITONS

1.1 Policy Making Process

The European Council (which is composed of EU Member States) gives the European Commission a mandate to negotiate through the '133 Committee' – EU Member State (MS) Trade Ministry Representatives. For the EU-Ukraine Free Trade Agreement (FTA), the European Council adopted the negotiating directives in January 2007 as part of an 'Enhanced Agreement' between the EU and Ukraine. The Enhanced Agreement will cover all aspects of EU-Ukraine relations with the goal of "creating a stable and prosperous European neighbourhood through closer economic ties"[2].

The FTA negotiations were officially launched on 18 February 2008 following Ukraine's accession to the World Trade Organisation (WTO). Six rounds of negotiations have already been held and the next round is scheduled to take place on 7-11 July 2009 in Kiev[3]. The European Commission describe the objectives of the FTA as:

> "...a deep and comprehensive FTA, going far beyond WTO rules, which will not only include significant reductions in tariffs but also a high degree of regulatory approximation. The removal of non-tariff barriers through regulatory alignment, including effective enforcement, will be the most important way in which the two markets can be integrated."[4]

The role of the Commission is to negotiate a solution that is acceptable to the Commission, Council and Ukraine. The Commission periodically reports to the 133 Committee on progress and also eventually for draft approval.

In order for the final FTA to be adopted, a Qualified Majority Vote (QMV) is needed in the European Council or 255 of 355 votes (or 91 votes are needed to block agreement). A country's number of votes are a function of its size. For example, Germany (58 votes), Poland (28) and Romania (16) could form a blocking minority.

In other words, unanimity is not needed from Member States to get an FTA approved, but it is important that there is neither significant opposition nor that countries start to coalesce around a blocking minority.

1.2 Key Actors

Within the European Commission, the Directorate General (DG) for Trade is responsible for the overall co-ordination of the FTA. DG Agri is responsible for agriculture. Within DG Agri, the international section is responsible for the agriculture component of the FTA negotiations. The Cereals Management Committee is a weekly meeting of MS grain officials who give their opinions on Commission proposals for management of cereals regime (e.g. fixing export subsidy levels) to ensure stable markets.

There are also important informal channels for MS and interested parties to communicate with the Commission, particularly through high level Commission officials and the country's EU Commissioner.

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[2] http://ec.europa.eu/enterprise/international_relations/facilitating_trade/free_trade/index_en.htm#ukraine
[3] http://ec.europa.eu/enterprise/international_relations/docs/fta/overview_ongoing_trade_negotiations_en.pdf
[4] http://ec.europa.eu/enterprise/international_relations/facilitating_trade/free_trade/index_en.htm#ukraine

National agriculture ministries play an important role, with the French Ministry believed to be the most influential. There is no formal role for farm groups, but the Commission will talk to them and be aware of their views. They are best able to defend their interests through their national agriculture ministry, with whom most farm groups co-operate very closely.

Key farm groups at the European level include the following organizations (provided in no particular priority):

1. Committee of Professional Agricultural Organisations - General Confederation of Agricultural Cooperatives in the European Union (COPA-COGECA, http://www.copa-cogeca.be);
2. COCERAL[5] representing European agricultural trade interests including cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agro supply trade;
3. ONIC[6] representing French cereal interests. As of 1 April 2009, ONIC and five other French agricultural organisations merged to form FranceAgriMer, a newly created organisation which will now represent French cereal growers and exporters and will have a key role in administering agricultural policy in France; and
4. European Feed Manufacturers' Federation (FEFAC, http://www.fefac.org/home.aspx) representing the European Compound Feed Industry at the level of the European Institutions.

The European farm and industry groups also often make their views known to policy makers through press-releases, position papers, market research publications and other tools. For instance, Copa-Cogeca announced in a press release dated 24 April 2009 that the organisation is extremely concerned about Morocco's request to revise the existing entry price system for fresh fruit and vegetables and to increase import quotas of fruit and vegetables entering the European Union[7]. Just because some farm groups oppose trade liberalisation doesn't mean they can block it completely, the same argument also applies to Member States, but both do have an important influence on the outcome of any trade negotiations.

The European compound feed industry (represented by FEFAC) seems to be a natural ally for the Ukrainian grain exporters. The feed industry views the future challenge as not so much the management of grain surpluses as in the past but how to cope with shortages. While they call for improved access to world markets (for example the elimination on quantitative restrictions on grain imports through the current system of Tariff Rate Quotas, TRQs) and would strongly support improved trade opening for Ukrainian grain, they recognise that this is a sensitive issue that cannot be separated from the broader context international trade agreements on market access.

1.3 Reflections

There is a need to develop support within the Council to prevent a blocking minority from forming. It therefore might be useful to:

- Develop links with the EU feed industry (particularly in key markets such as Spain) even though their weight in lobbying is realistically not large;

5 Comité du Commerce des céréales, aliments du bétail, oléagineux, huile d'olive, huiles et graisses et agrofournitures.

6 Office National Interprofessionnel des Grandes Cultures (http://www.onigc.fr)

7 Press release dated 24 April 2009 entitled "Copa-Cogeca is extremely concerned about the association agreement negotiations between Morocco and the EU" (http://www.copa-cogeca.be/Download.ashx?ID=509035&fmt=pdf –accessed on 25 May 2009)

- Explain to French wheat exporters that the FTA should not be seen as a threat. Ukrainian meat import concessions could be in meat producers interests which could help to influence the French Ministry of Agriculture's views when balancing their national interests. It could be argued that increased Ukrainian exports of grain would not affect French wheat export interests as effectively the grain is already marketed in an integrated Mediterranean Basin market, where additional Ukrainian exports to Spain mean less competition for French exports to large North African and Middle Eastern importers;
- Understand the views of Germany, for whom the industrial trade liberalisation of exports to Ukraine is important and may help to offset opposition from German farm interests and the Agriculture Ministry;
- Understand the views of the UK, a country with surplus feed wheat, but which is typically in favour of free trade, above and beyond farming interests, though their views are not yet clear on the Ukrainian FTA; and
- Establish contact with Sweden, which is also typically open to free trade, and they take over the next EU Council Presidency (chairing the Council) from July to December 2009. The Council Presidency can play an important role in relations between the Commission and other Member States; it would very useful to establish government levels links to ensure a smooth flow of information and ideas.

1.4 Free Trade Agreements

The General Agreement on Tariffs and Trade (GATT) of the WTO provides the definition of a Free Trade Area:

> "A free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV, and XX) are eliminated on *substantially all the trade* between the constituent territories in products originating in such territories (emphasis added)."[8]

What s*ubstantially all trade* means has not been formally defined though is generally recognised as liberalisation of 90% or 95% of all trade and remains a contentious point in determining the validity of some FTAs. Although the principle of free trade involves free movement of goods between countries, none of the free trade agreements cover 100 percent of the products traded between the EU and its trading partners.

There are also some exceptions permitted by the GATT. Exceptions are usually made under Article XX: General Exceptions and Article XXI: Security Exceptions, but the exceptions allowed by Article XI: General Elimination of Quantitative Restrictions relates more to trade in agricultural products. Article XI is reproduced for reference in Annex 1.

Past EU trade agreements sometimes left out agriculture (Turkey 1995) or only had reduced coverage (Morocco, 2000). For Morocco, 88% of Moroccan agricultural exports to the EU are covered by the agreement, but only 14% are fully liberalised (i.e. zero duties, no quotas or other restrictions). Early evidence from the EU-Morocco agreement suggests that EU import concessions did not lead to any significant increase in Moroccan exports. Key products such as tomatoes were unable to expand their share of Moroccan exports as they were restricted (EU minimum entry prices and seasonal tariff changes as well as TRQs) while the export of newly liberalised products did not significantly change[9].

[8] GATT, 1994, Article XXIV, paragraph 8 section (b)

[9] It should be noted that a subsequent revision to the agreement in 2003 provided expanded opportunity for Moroccan tomato exports to the EU.

The EU will often grant more import concessions than it receives to encourage development in the third country. The balance of EU Ukrainian trade favours the EU (particularly if Ukrainian energy shipments to the EU are factored out), in 2007 EU total exports' to the Ukraine were €22.4 billion (bn) compared to €12.4 bn in the reverse direction. The EU is also marginally a net agriculture exporter to the Ukraine, in 2007, EU agricultural exports totalled €1.228 bn compared to EU imports of €1.217 bn (Eurostat).

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PART II. OVERVIEW AND OUTLOOK OF EU GRAIN TRADE AND POLICY

EU Wheat Imports and Outlook

Ukraine has been playing increasingly important role as a supplier of wheat to the EU (Table 1)

Table 1 EU-27 Imports of Wheat and Meslin (CN 1001), '000s metric tonnes

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU27_EXTRA	3311	3855	5505	12215	6866	6946	7102	5613	6394	6847
KAZAKHSTAN	125	217	115	199	240	64	252	240	412	534
RUSSIA	45	2	572	3669	1865	722	786	778	1026	724
UKRAINE	54	28	1159	4556	241	673	1924	714	212	2759
Ukraine's share,%	2%	1%	21%	37%	4%	10%	27%	13%	3%	40%

EU-27 countries mostly import medium and low quality wheat[10] (CN 1001 90 99 20 and 1001 90 99 30 respectively, follow link[11] for EU CN for wheat) from Ukraine and Russia (Table 2).

Table 2 EU-27 Imports of Wheat (CN 1001 9099) '000s metric tonnes

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU27_EXTRA	2348	2503	4055	11032	5088	5158	5329	3592	4485	5529
KAZAKHSTAN	125	216	111	192	236	54	212	223	307	325
RUSSIA	40	0	561	3630	1809	715	771	770	998	708
UKRAINE	51	25	1157	4556	238	673	1924	711	212	2759
Ukraine's share,%	2%	1%	29%	41%	5%	13%	36%	20%	5%	50%

Source: Eurostat COMEXT

Feed use in EU-27 is currently forecast to increase and reach nearly 63 million tons in 2017 Table 3) creating some trade perspectives, especially in years of low grain production in the EU.

Table 3 OECD Estimates of EU-27 Wheat Imports and Feed Use, '000s metric tonnes

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
IMPORTS	7682	6447	5833	5790	6102	6178	6312	6447	6581	6716
FEED USE	54537	58451	58836	58923	58619	59681	60480	60992	61860	62849

Source: OECD

Medium and long term projections for EU grains point towards a continuously tight market situation, high levels of demand, high prices and little overproduction. EU imports of grain

[10] As defined in Annex I to Commission Regulation (EC) No 1249/96 of 28 June 1996.
[11] http://ec.europa.eu/taxation_customs/dds/cgi-bin/tarchap?Taric=1001909900&Download=0&Periodic=0&ProdLine=80&Lang=EN&SimDate=20090525&Country=----------&YesNo=1&Indent=3&Action=1#OK

are set to increase as shown by the above wheat data with feed use also projected to gradually increase over the next ten years by OECD.

Policy Outlook

In the medium term, there are several important possible policy changes for the EU. The EU has committed to a voluntary ending, by 2013, of the use of export subsidies. The role of intervention (public storage) is also being reduced. The recent revision to the EU Common Agricultural policy (CAP) known as the 'Health Check', agreed in November 2008, foresees the gradual dismantling of grain intervention, with maximum volume limits as well as the removal of some grains from the right to use intervention.

Both these measures will reduce the market management tools available to the European Commission in its role of ensuring stable agricultural markets. It may also increase the sensitivity of the EU grain trade to imports especially for those with few exporting options (e.g. no access to ports or with mostly feed grain).

At the same time, it gives the Commission more freedom to implement market based measures, as policy is being directed towards encouraging market signals to function effectively. The Commission argues that removing most intervention will help grain prices to better reflect market conditions. Trade liberalisation could be seen in this light.

While the status of the WTO Doha Development Agenda round of talks is unclear, over the medium term it is possible that an agreement could be reached requiring the EU to adopt minimum access quotas for grain and lower tariffs.

PART III. GRAIN TARIFFS

3.1 EU Import Tariffs and Trade Concessions for Grain

At present, EU applies the following tariffs and bound tariff rates (Table 4) and tariff-rate quotas (Table 5):

Table 4 Current EU Grain Import tariffs, €/ton

	Applied Tariff	Bound Tariff
Durum Wheat	0	148
Wheat, High Quality	0	95
Wheat, Medium/Low Quality	95	95
Barley	93	93
Rye	37.15	93
Sorghum	37.15	93
Maize (Corn)	18.95	94

Source: European Commission
Note: Applied tariffs at May 2009.
Note: The applied tariff is the rate currently used for imports. The bound tariff is the maximum level of tariff the EU can impose based on its WTO commitments.
Note: This does not take into account TRQs or other preferences, see below for more details.
Note: "High" quality (non-durum) wheat must have a minimum protein content of 14%, a minimum specific weight of 77 kg/hectolitre and a maximum impurity percentage (Schwarzbesatz) of 1.5%. All other wheat is considered medium/low quality.

Table 5 EU WTO Tariff Rate Quotas (TRQ) for Grains, €/t

	TRQ	Tariff
Durum Wheat	50,000	148
Quality Wheat	30,000	0
Wheat, Medium/Low Quality	2,989,240	12
Barley	306,215	16
Malting Barley	50,000	8
Maize (only to Portugal)	500,000	Up to 50
Maize	242,074	0
Maize and Sorghum (to Spain)	2,000,000 300,000	n.a.

Source: EU Common External Tariff,
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:291:0001:0894:EN:PDF
Note: The Medium/Low Quality wheat TRQ is available to the following countries:

United States	572,000t
Canada	38,853t
Other countries	2,371,600t
All countries	6,787t

Note: The maize and sorghum quota for imports into Spain (the so called abatamiento quota) is reduced by imports into Spain of non-grain feed ingredients and issued through a tender system; the tariff rate is not fixed.

There are further import preferences granted by the EU, through over 30 different Free Trade Agreements (FTAs) and other trade liberalisation agreements highlighted in Part IV of this report.

3.2 Ukraine Import Tariffs and Trade Concessions for Grain

Ukraine applies *ad valorem* import tariffs (a tariff rate charged as percentage of the price) in line with its WTO accession commitments, as opposed to the EU which, for grain, typically levies specific import tariffs in €/ton equivalents. The import tariffs currently applied in Ukraine are equal to Ukraine's bound tariff ceilings under WTO (Table 6).

Table 6 Current Ukraine Grain Import Tariffs, %

Ukr HS	**Product**	**Applied tariff,%**	**Max[12]. tariff, %**
1001 10 00 90	Hard Wheat (other):	10	10
1001 90 99 00	Soft wheat, spelt and meslin (other)	10	10
1002 00 00 00	Rye	20	20
1003 00 90 00	Barley (other)	5	5
1004 00 00 00	Oats	5	5
1005 90 00 00	Maize (other)	10	10

Source: The Law of Ukraine on Customs Tariff (as of 25 May 2009, www.rada.gov.ua) for applied tariffs and WTO (http://www.wto.org/english/thewto_e/countries_e/ukraine_e.htm) for bound tariff rates.

Depending on wheat prices, and in-quota vs. out of quota comparisons, the *ad valorem* equivalents of EU's import tariffs may be higher or lower than those applied in Ukraine. This calculation is sensitive to the import values used, for example, based on the average EU import price of medium/low quality wheat for the period 2006-8 (€150/ton) , **the EU's *ad valorem***

[12] Bound Concessions at the HS 6-digit subheading level for Ukraine as reported on Ukraine's WTO accession page (http://www.wto.org/english/thewto_e/countries_e/ukraine_e.htm)

equivalents are 8% in quota and 63% at the bound rate as compared with Ukraine's import tariff of 10%."

Ukraine largely liberalized trade[13] in food and agricultural products (including cereals) in its FTA concluded with the countries of the former Soviet Union (FSU) in mid-late 1990s. Although, the FTAs with Estonia, Latvia and Lithuania were denounced after the accession of these countries to the European Union in 2004. The following countries apply zero import tariffs and use no quantitative restrictions in grain trade with Ukraine: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan.

The only FTA concluded between Ukraine and a non-FSU country is with FYR Macedonia. Under this FTA, Macedonia established the following TRQs for grain imported from Ukraine: 5,000 ton of barley and 20,000 tons of maize.

PART IV. PREVIOUS EU TRADE AGREEMENTS AND GRAIN

4.1 EU WTO Wheat and Barley TRQs

Until the end of 2002, EU import tariff regime for cereal and rice was based on the Margin of Preference (MOP). Under the Margin of Preference (MOP), the import tariff on wheat and feed grains was the difference between the maximum duty-paid price (155% of the intervention price) and the landed Rotterdam price based on US market prices. In the case of wheat, there were three qualities: high, medium, and low-quality. This tariff system provided a high level of protection until in 2002, high US prices reduced tariff rates, whilst low prices following substantial grain harvests, particularly, in Russia and Ukraine, made EU imports from these highly competitive on EU markets.

The decision to abolish the MOP was driven by a number of factors including:

- protectionist calls from EU wheat producers in the face of record imports in 2002;
- longer term prospects of continued pressure from wheat imports from the Black Sea;
- the risk of the MOP system to WTO challenge[14]; and
- to separate the import duty from the intervention levels so that intervention could be lowered prior to EU accession of Central and Eastern European Countries (CEECs).

In July 2002, the EU notified the WTO of its intention to withdraw its MOP WTO concessions under GATT Article 28[15]. Article 28 allows WTO members to renegotiate prior WTO concessions and provides guidance on how such a negotiation would be structured. When an existing concession is replaced by a TRQ, Article 28 requires that the amount of compensation provided should exceed the level of trade affected and should be calculated considering future trade prospects. This calculation should be the greater of: (a) the average annual trade in the most recent representative three-year period, increased by the average annual growth rate in the same period, or by 10%, whichever is greater; or (b) trade in the most recent year increased by 10%. This language leaves quite a bit of room for negotiation

[13] Import tariffs are set at zero with the exception of certain sugar, confectionary, alcohol and tobacco products (Russian Federation); no quantitative restrictions are applied.
[14] The MOP was a variable tariff system that had some similarities with Chile's price band system that had been found WTO inconsistent (i.e. not permitted under WTO rules).
[15] See Annex 2 for the EU Notification.

over the determination of the "most recent representative period". From the EU Notification, it can be seen that the choice of base period was 1998/99, 1999/2000, and 2000/01. There were virtually no Ukrainian exports to the EU during this period.

The final agreement, in December 2002, resulted in TRQs replacing the MOP tariff system for medium/low quality wheat and barley. Part of the wheat TRQ is allocated to US and Canada, the rest is open to other countries. These are WTO commitments as they replace the previous MOP WTO concessions.

4.2 Recent EU Trade Agreements and Grain

While the EU has many FTA and trade liberalisation agreements, the most important grain concessions that are utilised are where political objectives were the driving force behind the agreement, for example liberalisation of EU agricultural imports to the Western Balkans in 2001. The following section is not an exhaustive listing of grain concessions in trade agreements, but is intended to give a representative selection of the type of concessions included in agreements.

Central and Eastern European Countries

The Central and Eastern European Countries (CEECs, for example, Hungary and Poland) first signed Association Agreements with the EU in the mid-1990s, though grain concessions were fairly limited (with for example, some Hungarian maize exports). In 2000, the so called "Double Zero" Agreements were negotiated, eliminating export duties and tariffs on a range of products though again grain was not extensively included. In 2002 the so called 'Double Profits' expanded the list of products for which export subsidies and tariffs were eliminated, this time including grain, although the impact was limited given these countries joined the EU in 2004.

Moldova

In 2008, the EU granted Moldova tariff free access for all industrial products as well as some trade concessions for agriculture[16]. TRQs at zero duty were granted for wheat (25,000t, rising to 50,000t by 2012; barley, 20,000t rising to 45,000t; and maize, 15,000t rising to 40,000t). The concessions run until 2012, but an EU-Moldova FTA has been launched, currently in the phase of preparing impact assessments. The quotas are similar to average Moldovan exports to the EU in the three years preceding the agreement.

From the Commission Regulation: "The general level of imports from Moldova is merely 0,03 % of all Community imports. Further market opening is expected to support the development of Moldova's economy through increased export performance while not creating negative effects for the Community."

The principle of offering trade based on the previous three years then increased by 100% for these three key grains is noted, though the disclaimer by the EU that Moldova is small is perhaps an indication that Ukraine should not expect comparably scaled TRQs for these products.

Morocco

[16] http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/180&format=HTML&aged=0&language=EN&guiLanguage=en

The EU-Morocco FTA[17] (2000, revised 2003) has a special arrangement for EU exports of wheat to Morocco. A TRQ is fixed based on the expected outcome of the domestic wheat harvest with the quota size rising in poor harvests. Morocco also agreed to match tariffs for EU imports if they should offer wheat import concessions to any other country.

Mercosur FTA

The EU attempted to negotiate an FTA with Mercosur (Argentina, Brazil, Paraguay and Uruguay) between 2000 and 2004 without success. Argentina and Brazil are both important agricultural exporters and demanded significant agricultural import concessions from the EU. The EU's offer[18] to Mercosur included full liberalisation (zero duties, no quotas) for durum and high quality wheat as well as barley. A 200,000 ton TRQ for low quality wheat 700,000t TRQ for maize were also offered.

Turkey

A Custom Union between the EU and Turkey (1995) excluded agricultural products. A subsequent revision (1998) granted a minor reduction in the EU import tariff for rye. A minor tariff reduction for rye, up to €11.68/t, provided Turkey applied an export tax of the same amount on the rye[19].

ACP

The African Caribbean and Pacific group of 77 countries mostly former colonies of European countries have been granted preferential access to EU markets. Economic Partnership Agreements (EPAs) are being negotiated with these countries to replace the existing trade preferences that date back to the 1970s. Tariff and quota free access is granted to grain, though in practice the ACP countries are not major producers of grain let alone exporters so there is little export of grain to the EU.

Least Developed Countries

The Least Developed Countries (49 of the poorest countries in the world) were granted tariff free access for all products (except weapons, bananas, rice and sugar) in 2001. In practice, as with the ACPs, there grain production is minor and exports even less.

Western Balkans

In 2001, the countries of former Yugoslavia (for example, Croatia) were granted full tariff free access to EU markets (except for 'baby beef', sour cherries and wine). This agreement was designed to assist the reconstruction of former Yugoslavia, as well as recognising that these countries would be virtually surrounded by the EU following the accession of the CEECs in the mid-2000s, with high level political interests over-riding agricultural protection.

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[17] http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=252

[18] Note the EU's offer was conditional on many conditions, for example accepting EU phytosanitary rules etc. The offer was never made public. This information is based on private communication with those involved in the negotiations.

[19] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:1998:086:0003:0008:EN:PDF

Albania

Albania did not benefit from the opening to the former Yugoslavian countries. A 2008 agreement[20] sees the progressive removal of many agricultural tariffs but not for grain, where a 20,000t tariff free quota for low quality wheat was granted.

[20] http://register.consilium.europa.eu/pdf/en/08/st07/st07998.en08.pdf

PART V. OPTIONS FOR GRAIN TRADE AGREEMENT WITH UKRAINE

The previous sections have highlighted that despite the existence of some EU trade concessions for grain, there have not been important import flows created in this area except were high level political objectives have predominated which may be an indication in part of the sensitivity of the grain sector in the EU.

With full liberalisation of EU grain import tariffs in the FTA being extremely unlikely, the aim of this section is to explore several scenarios that could offer enhanced grain export opportunities to Ukraine whilst taking into account the sensibilities in the EU that need to be at least partially addressed in finding a mutually agreeable solution in the FTA.

The first option to renegotiate the existing WTO TRQs has many difficulties and even if possible would give uncertain results. The second option, TRQs, presents the standard approach taken by the Commission in agricultural trade liberalisation negotiations and offers a baseline for Ukraine to evaluate any eventual EU offer for grain. The third option of preferential tariff reductions for Ukrainian grain exports risks creating fears in the EU of unlimited grain imports from Ukraine and from the viewpoint of EU grain producers, destabilising EU markets. It may also be difficult to negotiate a tariff that is sufficiently low to enable Ukrainian exports in all years. The fourth option is a more speculative concept for some element of volume variability based on EU domestic needs (beyond fixed quotas) to take into account likely variability in EU demand. However, this concept would need further reflection and development if it was to be considered.

5.1 Renegotiate WTO Quotas

This option is to request the EU to renegotiate the 2002 WTO TRQs for medium/low quality wheat and barley, to which Ukraine has no specific rights only access to the *erga omnes* (open to all countries) TRQs. The aim would be to ensure Ukraine has its own TRQs.

In brief, this option has many practical problems that make it very unlikely to be favoured by the EU and would, if followed, lead to uncertain results that might not be in Ukraine's interest.

In Section IV, the background to the WTO TRQs was explained. It is important to remember that **these are not preferential tariff quotas** but the bound commitment of the EU from the Uruguay Round Agreement in Agriculture in the mid-1990s. Given the status of these TRQs within the WTO, other third countries, notably Canada and the US would be likely to be strongly opposed to their renegotiation. It would also send a negative signal from the EU to the EU's WTO partners creating a precedent that the EU would probably like to avoid for fear other countries follow suit.

If the EU decided to change these commitments it must follow WTO rules (GATT Article 28) which require the EU to replace the withdrawn commitments with something that gives improved access. However, the Article 28 rules are often vague and give considerable power to the EU in any ensuing negotiations (for example, the EU would be able to choose the base period data, form of the new concession and does not have any obligation to successfully negotiate an agreement with key trade partners, only a requirement to attempt to find a solution, which in practice means that Ukraine would have little leverage over the eventual outcome).

It is worth stressing some points from the existing WTO TRQs. The EU **CANNOT** argue that they provide preferential access for Ukraine. Firstly, the quotas (yhat Ukraine can access) are open to all countries and secondly, because these TRQs represent the EU Uruguay Round commitments they are in a sense equivalent to their bound tariffs. I.e. there is a case for arguing that Ukrainian exports within these quotas (paying €12/t for wheat or €16/t for barley) should be viewed as paying the full bound tariff so that if there is a calculation of tariffs Ukrainian exports had faced during previous years, these numbers should be used. If the tariff rate is to be reduced in the FTA, the Commission would of course like to start from the €95/t or €93/t level (for wheat and barley respectively), but if the starting point was to be the average weighted tariff this would be significantly lower. In the next section, the average tariff paid for Ukrainian non-preferential medium/low quality wheat exports to the EU was €3/t (2006-08 base period). While the average tariff calculation can be disputed by the Commission (minor changes in the assumptions and calculation method can have an impact) the argument that tariff reductions should be based on the average tariff (including the EU's bound commitment at €12/t) not the full bound tariff should be made convincingly.

As an aside, if country specific quotas has been agreed in 2002, then the outcome would have been less favourable to Ukraine. See Annex 2 for the EU base period wheat data notified to the WTO for the 2002 negotiations. For barley and maize, Ukrainian exports to the EU in the Notification average less than 100 tonnes per year. In the base period chosen by EU, Ukrainian exports where less than 20,000 t/year, so would have meant at best only very limited access to EU markets.

5.2 New TRQs

This option seeks to investigate how the EU might respond to a request for additional tariff rate quotas for Ukrainian exports of grain to the EU. It uses the standard methodology applied to trade negotiations of using the average EU imports from the previous three years to establish what a TRQ might look like. However, this does not take into account how open the EU will be to grain imports and there is no certainty that they would accept the types of volumes presented below. It does however give a base line to measure how what sort of TRQs the Ukraine could expect based on the (admittedly unrealistic assumption) that grains were not sensitive in the EU.

Example TRQ Calculation for Wheat

The example presented below is for medium/low quality wheat, referred to as wheat in this section for simplicity.

Ukraine requests a **new quota** in the FTA for Ukraine for all grains. This quota is additional to the WTO TRQs highlighted above, and the quota would be specifically for Ukrainian exports.

Base Period

A **base period** of the past three years is usually used as a starting point. Typically this would be the last full three calendar years data, 2006-08. As EU wheat marketing years (MY) run from July to June, if the negotiation was only about wheat, there would be an argument to use marketing years, but that is not the case for the overall FTA. If MYs were used, the Commission could argue in the July 2009 round of negotiations that the 2008/09 data is not yet ready (which is true) which would exclude much of the substantial Ukrainian exports from

2008[21]. Occasionally different base periods are chosen due to exceptional circumstances, for example if there was no production in a country one year due to a drought, a different base period might be agreed upon to better reflect usual conditions.

In trade negotiations the standard protocol is to use each country's import data as it is usually more accurate than export data. However, there are only very minor differences between EU import and Ukrainian export data. (Annex 4, Tables 4.2 and 4.3). The example uses exclusively EU official data from the European Commission statistics division, Eurostat, COMEXT Database of EU trade.

Table 7 EU-27 Imports of Ukrainian Wheat, millions tonnes

	2001	2002	2003	2004	2005	2006	2007	2008
Wheat	1.16	4.56	0.24	0.67	1.92	0.71	0.21	2.76
Barley	0,32	0,53	0,10	0,19	0,07	0,04	0,02	0,21
Maize	0,17	0,07	0,13	0,43	0,34	0,38	0,08	1,18

Source: Eurostat Comext Database.

The 2006-08 annual average EU-27 import of common wheat from the Ukraine was **1.227 mt** (million tonnes)[22].

However, the Commission might argue that 2008 was an exceptional year due to the shortage of grain in the EU and the temporary suspension of most EU grain tariffs. They could argue that 2008 should not therefore be used in the base period as it was not a typical year.

The Olympic average, which takes five years of data and excludes the highest and lowest figures, is sometimes used to smooth out unusual fluctuations or give an average picture. If this was used here, the Olympic average import level form 2004-08 is only slightly less, **1.087 mt**.

Taking a longer term view the annual averages from 2001-08 is **1.75 mt** and for 2002-08 is **1.8 mt**. So Ukraine can strongly argue that is has consistently provided a high level of wheat that should serve as the starting point for the negotiations.

These different base periods highlight the importance of mastering the data to counter any arguments that the Commission might put forward as well as to reinforce the Ukraine's case for significant grain concessions.

Tariffs

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[21] By the time the FTA is completed, the 2008/09 data would have been long since available, so this argument is not very strong.

[22] EU-27 data is used. However, during the 2002-08 period there were two EU enlargements. A review of the data at EU-15, EU-25 and EU-27 shows that almost no difference needs to be accounted for as almost all exports were to the EU-15. To correct the table for this, 10,000 t should be removed from the 2004 figure as this was the volume of wheat exported from Ukraine to the countries of central and Eastern Europe who joined the EU in May 2004. A further 36,000 t was exported to these countries in 2005. These are the only adjustments needed, but have not been made due to the very minor effect it would have on the numbers.

It is also necessary to fix a tariff reduction for the quota (the 'in-quota tariff). Given the special status of common wheat tariffs due to the 2002 WTO TRQ negotiation, these TRQs are also effectively part of the EU's bound (maximum) tariff. If the EU is committed to liberalising Ukrainian trade, then the tariff reduction should be based on the tariff actually paid (i.e. taking account of trade within the WTO TRQs for which a duty of €12/t was paid[23]. Therefore, Ukraine should reject any possible Commission arguments that tariff reductions should be from the €95/t bound tariff and state that tariff reductions should be based on the non-preferential bound levels included in the TRQ.

Given the specific nature of the WTO TRQs in being a bound EU WTO commitment a new concept is introduced: the **average bound tariff**. Normally the bound tariff is fixed, so the Commission are unlikely to accept this concept easily, but in practice there are two bound tariffs: one in quota and the standard bound tariff, therefore the average bound tariff is a reflection of this and could be seen as a meeting point between the Ukraine who would prefer the €12/t rate was used and the Commission who will likely argue for €95/t. In practice the calculation is much closer to the €12/t level.

In 2008, wheat tariffs were zero and if all 2006-07 trade occurred inside the TRQ then the average tariff faced was €3/t. The Commission will want to negotiate from bound not applied tariffs and argue that in 2008 the bound tariff was still €95/t. To counter this, Ukraine could say that the 2008 trade would have occurred at the bound in-quota WTO TRQ rate of €12/t up to the maximum quantity (2.3 mt). In this case the average bound tariff 2006-08 would have been: just under €23/t[24].

While discussion of what the average tariff is may seem rather complex it would be very good to argue that the actual tariff (either bound or applied) was very much lower than €95/t (€23 for bound tariffs and €3 for applied tariffs) and liberalisation should be from this lower point, otherwise it cannot be considered as a liberalisation!

Therefore, there are good arguments for requesting a TRQ at zero duty, or as a less attractive alternative at €12/t (based on a roughly 50% reduction in the average bound tariff of 2006-08 of €23/t).

Quota Expansion

Often TRQs will be based on roughly the historical level of trade, then to acknowledge that the FTA is designed to increase trade opportunities the quota will be increased by 50% or 100% over the phase in period of the agreement. Sometimes a safeguard clause will be attached to the expansion component of the TRQ, care should be taken on the exact conditions of the safeguard clause (i.e. can the EU unilaterally withdraw the quota increase and are specific conditions needed to be met to use the clause?).

Ukraine could therefore argue for a 50% increase in the TRQs over a five year period. The EU-Moldova package offered close to base period trade at the start of the agreement with TRQs rising by 100% from 2008 to 2012. However, the safeguard clause can be implemented very easily and unilaterally should 'EU markets be disrupted'.

[23] The Commission has an internal database of which imports were in quota and which were not but the standard trade data does not include this information so some assumptions are needed to calculate which wheat was in quota. In practice it is probably fairly safe to assume all wheat exports from 2003-07 were in quota. In 2008, wheat tariffs had been suspended so the applied tariff was zero.

[24] 2006+2007+2.3 mt of 2008 imports at €12/t, 0.46 mt of 2008 at €95/t is just under €23/t

Discussion

The arguments presented above are for a standard calculation, there is no suggestion that the Commission will be prepared to liberalise wheat imports to this extent, however, the Moldova agreement (2008) creates an interesting precedent, even if the Commission will state that the volumes presented above would disrupt EU markets, even though there are below EU total wheat imports and it could also be argued that they would not disrupt EU markets simply displace current imports.

The example numbers (1.8mt or 1.2 mt TRQ with a duty of €0 or €12 and to increase by 50% in five years) perhaps represent a best case scenario and also as a benchmark against which to judge any EU offer, bearing in mind that these figures might be difficult for the Commission to sell to the Council to get agreement.

In arguing for TRQs, dynamic, forward looking arguments should be used, particularly were past volumes have been constrained by EU tariffs (e.g. barley). Concentrating on static, historical data will tend to just 'lock-in' the past trade level when imports were restricted.

An assessment also needs to be made of whether the tariff rate is 'useful' in all conditions for example, if Ukraine or EU has a large (or small) harvest will exports be possible? For example, 50% of the current bound low quality feed wheat tariff of €95/t is €47.5/t. In how many of the past years would Ukrainian grain have been able to be exported to the EU and for what volume? The answer is probably quite a low figure.

Taking a long term outlook, what if an agreement is reached for the WTO Doha agreement? If agreement was reached in say 2010, then the new WTO rules could be fully implemented by around 2015. A Doha agreement would be likely to include minimum access quotas (possibly based on domestic consumption). If the FTA TRQs could be used by the EU as part (or all) of its future minimum access commitments the EU may be more open to TRQs.

It can also be argued that Ukraine grain exports do not threaten EU markets as in practice operating in an integrated Mediterranean basin market. Higher Ukrainian feed wheat and barley exports to Spain would reduce the volume exported to the Middle East and North Africa and hence reduce competition for French exports. If the EU blocks Ukrainian access to EU markets, this means less EU exports to North Africa. Therefore, the EU should be encouraged to think in term of the whole Mediterranean Basin.

5.3 Lower tariffs

This option discusses how a tariff cut might be viewed. The tariff cut would likely be a reduction from the EU bound tariff rate, in the case of medium/low wheat, €95/t applicable to unlimited quantities. For this option, the tariff calculation arguments presented in the TRQ option also apply.

The potential of unlimited imports might threaten EU grain interests thus mobilises opposition to agreement. TRQs are much easier to 'sell' politically for the Commission to Member States. A straight tariff cut might encourage the Commission to introduce a strong safeguard clause so that even if the reduction looks good on paper, in the years when unlimited exports would be most valuable (as in 2002) the Commission might be forced to suspend the concession (as in 2002) to preserve domestic market stability, thus reducing its value to Ukraine.

A reduced bound tariff would also have no benefit when the EU reduces applied tariffs below this rate as in 2008.

There are few precedents for the EU granting simple tariff reductions for grain, except to South Africa (2003), for whom a wheat import tariff of €16/t was set. However, a brief review of trade data for 2006-08 reveals that there were no South African wheat exports to the EU during this period.

5.4 Flexibility

This option is a speculative idea that introduces the **importer of first preference** concept. A starting point is that EU grain supply varies every campaign, with dramatic swings seen in recent campaigns. EU feed demand is fairly constant, so with limited public storage, import requirements are often higher.

The Commission's role is to ensure 'stable markets' but the EU has fewer tools than before to manage markets as it is committed to stop using export subsidies by 2013 and grain intervention (public storage) is being reduced or stopped. Therefore EU grain markets are likely to become more volatile in terms of both prices and quantities.

The importer of first preference at its simplest would be that Ukrainian grain exports rise when EU needs increase. A satisfactory (for Ukraine) minimum level of access would also be included in this idea (i.e. a TRQ).

An example of this type of arrangement is the EU-Morocco FTA (2000 and 2003 revision) where Moroccan tariffs for EU wheat are based on the outcome of the harvest[25], with the EU guaranteed no other supplier country will get better access.

An open question is whether this type of flexibility would encourage long term development of the grain industry in Ukraine.

Additional levels could also be added to this idea such as the flexible component of access could be sold with a guarantee to provide the grain. This would require long term storage capacity in Ukraine, but this is cheaper than in the EU and could help smooth the impact of variable output in Ukraine. It is assumed that the additional costs of storage and risk for Ukraine are passed on to EU purchasers. It would also open up many possibilities such as multi-annual supply contracts with EU feed mills and that Ukraine could administer the TRQs to try to ensure the quota rents[26] stay in Ukraine.

However, there would be many issues to resolve with this idea for it to be workable. The rules and details would be hard to agree and small changes could have a large impact on the way it operates. How would EU calculate its needs? The Abatamiento quota showed that annual needs exercises can lead to tension in the way that rules are implemented unless they are set out in a very clear form. The idea is also complex and would require full support from both industry and the government to have a chance of being an effective policy.

[25] For more details see http://www.fas.usda.gov/gainfiles/200311/146085206.pdf

[26] Quota rent is the difference between the full tariff and the preferential tariff. The issue of who benefits the quota rent is complex depending on the form of the TRQ and market conditions.

PART VI. SUMMARY

Several options for the Ukrainian approach to liberalising grain exports to the EU in the current EU-Ukraine Free Trade Agreement negotiations are presented.

The TRQ approach would appear to have the most chance of being successful; however, the quantities that would be acceptable for the Commission are not known. Current Ukrainian exports of grain would support arguing for a **1.2 to 1.8 mt medium wheat quota with a zero or very low in-quota duty rate.** For maize, the figure would be around 550,000t and barley around 100,000 t (although to put this in context, the EU has granted Moldova a zero duty TRQ for barley of 50,000t).

Further, it is not clear what the Commission’s room for manoeuvre would be on grain trade liberalisation, so there is no certainty that these volumes would be acceptable to the EU (nor for the Ukraine, in terms of ambition), they do however set out a baseline to compare any eventual EU offer.

Past EU trade liberalisation agreements caution Ukraine to set realistic expectations, though there are several precedents opening grain preferences.

ANNEX I. GATT ARTICLE XI

Article XI: General Elimination of Quantitative Restrictions

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party.

2. The provisions of paragraph 1 of this Article shall not extend to the following:

(*a*) Export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party;

(*b*) Import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade;

(*c*) Import restrictions on any agricultural or fisheries product, imported in any form,* necessary to the enforcement of governmental measures which operate:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

Any contracting party applying restrictions on the importation of any product pursuant to subparagraph (*c*) of this paragraph shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value. Moreover, any restrictions applied under (i) above shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the contracting party shall pay due regard to the proportion prevailing during a previous representative period and to any special factors* which may have affected or may be affecting the trade in the product concerned.

Source: http://www.wto.org/english/docs_e/legal_e/legal_e.htm

ANNEX 2. EU NOTIFICATION TO THE WTO IN 2002

EU15 imports of spelt, common wheat and meslin (excl seed) (Code 10019095)
By country of origin - By campaign year (01.07-30.06)

	QUANTITY TON				VALUE 1000ECU/EURO			
	1998/1999	1999/2000	2000/2001	AVG 1998-2000	1998/1999	1999/2000	2000/2001	AVG 1998-2000
USA	983,271.8	1,098,469.1	963,340.9	1,015,027.3	153,809.5	175,601.9	174,187.1	167,866.1
Canada	864,147.6	1,084,450.8	1,027,352.4	991,983.6	148,117.1	188,404.8	193,783.6	176,768.5
Hungary	272,182.7	205,429.1	44,208.2	173,940.0	26,672.0	22,668.1	8,089.4	19,143.2
Kazakhstan	52,074.0	202,873.8	159,799.6	138,249.1	7,595.4	32,003.2	28,288.0	22,628.9
Australia	113,611.8	83,316.1	44,816.2	80,581.4	19,430.6	15,551.1	10,714.4	15,232.0
Romania	22,512.1	39,228.1	9,978.3	23,906.2	2,300.8	5,013.3	2,347.2	3,220.4
Ukraine	10,687.5	13,619.1	29,561.2	17,955.9	1,597.5	2,029.8	6,111.7	3,246.3
Argentina	2,044.3	2,490.4	21,833.7	8,789.5	286.9	463.3	3,603.9	1,451.4
Russia	8,496.6	12,953.6		7,150.1	900.7	1,728.1		876.3
Slovakia	4,508.6	6,932.2	9,224.1	6,888.3	668.7	1,078.0	1,713.9	1,153.5
Bulgaria	1,899.5	2,613.6	2,750.0	2,421.0	195.7	288.9	319.7	268.1
Czech Rep.	954.6	827.6	2,365.6	1,382.6	206.2	193.8	501.7	300.6
Estonia	2,596.8			865.6	371.1			123.7
Poland	75.0	1,604.1	604.1	761.1	8.8	178.8	85.0	90.8
Thailand	1,985.9			662.0	283.6			94.5
Croatia		821.0		273.7		122.9		41.0
Switzerland	0.3	587.0	7.1	198.1	0.2	142.2	7.7	50.0
New Zealand	252.6		301.2	184.6	149.1		99.0	82.7
Egypt	0.4		69.6	23.3	1.2		24.7	8.6
Turkey	15.8	30.2	17.6	21.2	8.0	14.4	15.5	12.6
Slovenia	26.1			8.7	4.0			1.3
Israel			2.6	0.9			9.2	3.1
Syria	2.1			0.7	0.6			0.2
Dominican R.		0.9	0.9	0.6		0.9	1.0	0.6
Norway	1.2		0.1	0.4	0.4		0.0	0.1
China	0.2		1.0	0.4	0.2		1.0	0.4
Lebanon		0.6	0.5	0.4		0.7	0.2	0.3
Chile	0.2			0.1	0.5			0.2
South Africa			0.0	0.0			0.0	0.0

Source: http://www.wtocenter.org.tw/SmartKMS/fileviewer?id=36625

ANNEX 3. EU-MOROCCO FREE TRADE AGREEMENT AND WHEAT

Agreement in the Form of an Exchange of Letters between the European Community and the Kingdom of Morocco Concerning Reciprocal Liberalisation Measures and the Replacement of the Agricultural Protocols to the EC-Morocco Association Agreement[27]

Protocol No 3 Concerning the Arrangements Applicable to Imports into Morocco of Agricultural Products Originating in the Community

ARTICLE 2

1. For cereals falling within CN code ex 1001 90 99, the tariff quota shall be fixed as stipulated in the footnote on page 2 of the Annex on the basis of Moroccan output during the current year, as estimated and published by the Moroccan authorities during May. The quota will be adapted if necessary at the end of July in the light of a communication from the Moroccan authorities fixing the definitive volume of Moroccan output. However, the result of any such adjustment must be adjusted by common accord between the Parties either upwards or downwards by 5% depending on the outcome of the consultations referred to in paragraph 2. The above tariff quota shall not apply during June and July. During the consultations provided for in the following paragraph, the Parties shall agree to consider whether to extend the timetable in the light of the forecasts for the Moroccan market. However, any extension may not go beyond 31 August.

2. For the purposes of managing the provisions set out in paragraph 1, and in order to ensure supplies to the Moroccan market as well as the stability and continuity of that market and to stabilise prices on the Moroccan market and preserve traditional trade flows, the following cooperation arrangements shall apply in the cereals sector.

Before the beginning of each marketing year, no later than the second half of May, the parties shall hold consultations. The purpose of these consultations will be to discuss the market situation for cereals including, in particular, production forecasts for Moroccan common wheat, the situation of stocks, consumption, producer and export prices and possible market development as well as possibilities of adapting supply to demand.

3. If, after the entry into force of this Agreement, Morocco grants a larger tariff reduction on cereals falling within CN code ex 1001 90 99 to a third country under an international agreement, Morocco undertakes to grant the same tariff reduction to the Community as an autonomous measure.

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[27] http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=252

ANNEX 4. TRADE DATA

Table 4.1 EU Grain Imports, 2008, metric tonnes

PARTNER	Wheat	Barley	Maize
EU27_Total Imports	6847447	542994	9734072
Ukraine	2759351	214320	1176847
Canada	1303883	542	7855
United States	1150924	622	46576
Russian Federation	723630	98770	49531
Kazakhstan	533941	38102	
Mexico	233545		46
Australia	54631		0
Moldova	27170	13282	7170
Tunisia	26206		
Turkey	10961	80	11440
Argentina	9039	175233	3731259
Croatia	3293	656	84875
Namibia	2977		
Uruguay	2205	174	11
Paraguay	1885		265380
Serbia	1072	160	128623
Syria	988		2
China	613	3	14754
Switzerland	444	439	213
Egypt	228		84
New Zealand	151	59	2
Brazil	141	0	4152367
Norway	50	65	19
Peru	24	1	5912
Chile	3	391	16162
India	0		32158
South Africa	0		575
Colombia			44
Ecuador		71	23
Madagascar			1773
F.Y.R. Macedonia			76
Thailand		1	184

Source: Eurostat, Comext Database
Note: Countries exporting less than 30t are removed from the list, so that 95t of wheat imports are not included in this table.

Table 4.2 EU-27 Imports and exports of wheat

Trade Flow	Commodity Description	Partner	2000	2001	2002	2003	2004	2005	2006	2007	2008
Export	Durum wheat	Ukraine	38	1	1	0	0	0	0	0	0
		World	421	356	921	708	1014	1104	927	809	1045
		Ukraine share,%	*9%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
	Wheat except durum wheat, and meslin	Ukraine	167	9	2	452	19	0	0	1	1
		World	11393	9743	9654	10696	7608	9535	13051	7631	17140
		Ukraine share,%	*1%*	*0%*	*0%*	*4%*	*0%*	*0%*	*0%*	*0%*	*0%*
Import	Durum wheat	Ukraine	2	0	1	2	0	0	3	0	0
		World	1288	1348	1065	1667	1778	1773	2021	1914	1317
		Ukraine share,%	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
	Wheat except durum wheat, and meslin	Ukraine	**27**	**1157**	**4556**	**238**	**673**	**1924**	**711**	**212**	**2759**
		World	2545	4091	11114	5135	5176	5329	3592	4484	5531
		Ukraine share,%	*1%*	*28%*	*41%*	*5%*	*13%*	*36%*	*20%*	*5%*	*50%*

Source: EU-27 imports as reported by UN Comtrade (www.comtrade.un.org)

Table 4.3 Ukraine exports and imports of wheat to/from EU-27 countries*

Trade Flow	Commodity Description	2001	2002	2003	2004	2005	2006	2007	2008
Export	Durum wheat	33	34	2	3				1
	Wheat except durum wheat, and meslin	1342	4547	230	895	2163	1110	192	2821
Export Total		1375	4581	232	898	2163	1110	192	2822
Import	Durum wheat	7	0	13	0	0	0	0	0
	Wheat except durum wheat, and meslin	4	0	456	20	0	0	1	1
Import Total		10	0	469	20	0	0	1	1

** as reported by Ukraine and appears in UN Comtrade*