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*Plenary sitting*

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**A9-0024/2019**

18.11.2019

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## **RECOMMENDATION**

on the draft Council decision on conclusion, on behalf of the Union, of the Agreement in the form of an exchange of letters between the European Union and Ukraine amending the trade preferences for poultry meat and poultry meat preparations provided for by 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  
(10720/2019 – C9-0105/2019 – 2019/0132(NLE))

Committee on International Trade

Rapporteur: Enikő GYÓRI

***Symbols for procedures***

- \* Consultation procedure
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the draft Council decision on the conclusion, on behalf of the Union, of the Agreement in the form of an exchange of letters between the European Union and Ukraine amending the trade preferences for poultry meat and poultry meat preparations provided for by 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  
(10720/2019 – C9-0105/2019 – 2019/0132(NLE))**

### **(Consent)**

*The European Parliament,*

- having regard to the draft Council decision (10720/2019),
  - having regard to the draft Agreement in the form of an exchange of letters between the European Union and Ukraine amending the trade preferences for poultry meat and poultry meat preparations provided for by 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<sup>1</sup>,
  - having regard to the request for consent submitted by the Council in accordance with Article 207(4), first subparagraph, and Article 218(6), second subparagraph, point (a)(v) of the Treaty on the Functioning of the European Union (C9-0105/2019),
  - having regard to Rule 105(1) and (4) and Rule 114(7) of its Rules of Procedure,
  - having regard to the opinion of the Committee on Agriculture and Rural Development,
  - having regard to the recommendation of the Committee on International Trade (A9-0024/2019),
1. Gives its consent to the conclusion of the agreement;
  2. Instructs its President to forward its position to the Council, the Commission and the governments and parliaments of the Member States and of Ukraine.

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<sup>1</sup> OJ L 206, 6.8.2019, p. 3-8.

## EXPLANATORY STATEMENT

### Context

Under a Deep and Comprehensive Free Trade Area (DCFTA), which is part of the Association Agreement between EU and Ukraine signed in 2014, most tariff lines are liberalised or are subject to specific tariff rate quotas. Poultry meat and poultry meat products are considered as sensitive items. Therefore, they are subject to a duty-free tariff rate quota (TRQ) under DCFTA.

However, the Ukrainian poultry imports of fresh or frozen “other” cuts under the tariff lines CN 0207 13 70 and 0207 14 70 are liberalised without any quantitative restrictions. Since 2016 the EU has been receiving exponentially increasing amounts of poultry cuts exactly under these two unprotected tariff lines, with imports rising from 3.700 tons in 2016 to more than 55.000 tons in 2018. This new type of poultry cut consists of a traditional breast cap with humerus bones of the wings attached. After a small transformation in the EU, they were sold at the EU market as poultry breast, which is considered a highly sensitive product subject to TRQ. This innovative poultry cut has been designed for the sole purpose of being classified as duty-free tariff lines under the DCFTA.

The value of imports into the EU under the two tariff lines CN 0207 13 70 and 0207 14 70 in 2016 and 2017 reached a combined import value of 43.9 million Euros, that represents 1.1% of total EU poultry meat imports from all third countries in those two calendar years.

In 20 December 2018, the Council authorised the Commission to start negotiations with Ukraine in order to eliminate the risk of distorting the EU market by the unlimited duty-free imports from Ukraine and to find a solution by amending the trade preferences for poultry meat and poultry meat preparations.

The negotiations were conducted from 29 January to 22 February 2019 and concluded on 19 March 2019. The agreement consists of an amendment of the Association Agreement integrating the two tariff lines CN 0207 13 70 and 0207 14 70 into the existing tariff rate quota (TRQ) of currently 18 400 tons and increasing to 20 000 tons in 2021 while the size of the TRQ will be increased by 50 000 tons. In case imports under tariff lines CN 0207 13 70 and 0207 14 70 exceed the TRQ, they would become subject to Most Favoured Nation duty rate of 100,8 €/100 kg net weight.

While standard procedure of consent applies to this dossier, it is remarkable that the negotiations were finalised within three weeks. The draft agreement included a provision that the agreement would be provisionally applied upon the ratification of the Ukrainian Parliament (from the first day of the month following the date of receipt of the notification of the completion of ratification). INTA committee was notified on 15 March 2019 when only two plenary sessions of Parliament were scheduled before the election break. This meant that in the case of prompt procedures in Ukraine, the Agreement might have been provisionally applied before the consent of the European Parliament.

INTA committee organised exchange of views on the dossier, and consequently, INTA Chair

sent a letter to Commissioners Cecilia Malmström and Phil Hogan taking note of the Commission's proposal to apply the Agreement provisionally, while reminding about the general rule that there should be no provisional application of any agreements or their amendments before the Parliament's consent.

On 30 July 2019, the EU and Ukraine signed the Agreement. On 26 August 2019, Council submitted the signed Agreement to Parliament with the request to grant consent.

### Key messages

Ukraine is an important geopolitical and geostrategic partner of the European Union. The EU has continuously acknowledged it on several grounds, also – among others – by providing Macro Financial Assistance to assist Ukraine in the road of political and economic transition. This proves the EU's commitment to achieve the objectives of the European neighbourhood policy, namely political and economic stability.

The EU is Ukraine's largest trading partner, amounting for more than 40% of its trade in 2016. Ukraine accounts for 0.9% of EU's total trade, with a turnover of 29.6 bn Euros in 2016. The EU-Ukraine trade in goods accounted for 40 bn Euros in 2018, out of which imports from Ukraine were 18 bn Euros and exports to Ukraine were 22.1 bn Euros, by which the EU accumulated a 4 bn Euros trade surplus. It has to be noted that due to the crisis as well as the political and economic turmoil in Ukraine, the present trade volume equals to the 2008 level. The Parliament welcomed the gradually intensifying commercial ties and the diversification of Ukrainian exports to the EU, as a positive consequence of the DCFTA. Nevertheless, the importance of the proper implementation of the DCFTA has to be emphasised. The atypical cut of poultry, even though being legal, without any doubt uses a loophole of the agreement. This approach clearly goes against the spirit of faithful cooperation. It is above discussion that all provisions of the agreement are to be fully respected and implemented.

In order to eliminate the risk of potentially unlimited duty-free imports of poultry meat, which is highly sensitive for the EU, the Commission conducted negotiations and concluded them by amending the trade of poultry meat and poultry meat preparations provided for by the Association Agreement. The amended text eliminates the loophole, and the poultry meat trade can return to be rule-based again.

### Recommendations

Your Rapporteur recommends giving consent to this agreement as it provides solution for the current situation caused by the excess import of Ukrainian poultry meat, namely:

- integrating the two tariff lines CN 0207 13 70 and 0207 14 70 into the existing TRQ,
- increasing the TRQ by 50 000 tons and
- subjecting all the excess imports of the above-mentioned tariff lines as well as other tariff lines to MFN duty rate.

This amended agreement aims at the protection of the interests of EU producers and will protect against the potential unlimited import of the poultry meat. Furthermore, the Rapporteur calls on the thorough, loyal and faithful implementation of the entire DCFTA, to which Ukraine committed itself. She also reminds the importance of the full engagement of the Ukrainian partner in the context of sanitary and phytosanitary conditions as they are non-negotiable. All imported agricultural food product must comply with the EU's stringent food safety and high quality standards. The EU's food safety and health standards shall apply to all products sold and consumed in the EU, independently of whether they were produced domestically or imported.

Furthermore, the Commission should carefully and regularly monitor the implementation and respect of this agreement. The Parliament will follow the monitoring and raise issues when deemed necessary.

The poultry meat trade is only a part of a large trade spectrum between EU and Ukraine. Ukraine remains a very important trade partner to the EU, thus the respect of the DCFTA and full implementation is of vital importance for good cooperation. Ukraine should conduct trade within DCFTA rules in a trustworthy and reliable way.

The Commission needs to look at the DCFTA in a larger spectrum and identify, if possible, the remaining gaps, loopholes, which could put EU producers in a disadvantaged position. Therefore, the Commission should immediately use all trading toolbox to overcome any problem.

Your Rapporteur recommends a quick implementation of the agreement concluded in the form of exchange of letters, modifying the trade preferences for poultry meat and poultry meat preparations, as this creates a stable and predictable trading environment by closing the existing gaps under the current provisions.



6.11.2019

## **OPINION OF THE COMMITTEE ON AGRICULTURE AND RURAL DEVELOPMENT**

for the Committee on International Trade

on the draft Council decision on the conclusion, on behalf of the Union, of the Agreement in the form of an exchange of letters between the European Union and Ukraine amending the trade preferences for poultry meat and poultry meat preparations provided for by 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 (10720/2019 – C9-0105/2019 – 2019/0132(NLE))

Rapporteur for opinion: Zbigniew Kuźmiuk

### **SHORT JUSTIFICATION**

The rapporteur supports the entry into force as soon as possible of the agreement with Ukraine in the form of an exchange of letters amending the trade preferences for poultry meat and poultry meat preparations provided for by the Association Agreement between the EU and Ukraine. This is necessary to limit the possibility of a further increase in imports from Ukraine of the so-called custom chicken cuts.

From mid-2016, a new type of poultry cut started to be imported from Ukraine to the Union in increasing quantities. This novel cut consists of a traditional breast cap with the humerus bones of the wings attached, the latter making up for a very small part of the total weight of the cut. After minimal transformation, this cut can be marketed in the Union as poultry breast. The exponential increase in duty free imports from around 3700 tonnes in 2016 to more than 55 000 tonnes in 2018 of this particular poultry cut, which was neither existent nor foreseeable during the negotiations of the Association Agreement, has raised great concern. It undermines the protection provided for poultry breast under the Association Agreement and has the potential to disrupt the sensitive balance in the poultry meat market of the EU.

If the agreement enters into force, the rapporteur proposes to split the tariff rate quotas allocated to Ukraine into individual tariff lines and to monthly periods.

The European Commission should consider proposing to Ukraine a modification of the Deep and Comprehensive Free Trade Agreement (DCFTA) to introduce bilateral safeguard measures for trade in agricultural commodities, which would allow for temporary suspension or reduction of tariff preferences in the event of disruption in sensitive sectors of the

agricultural market caused by products imported under preferential terms.

The rapporteur calls on the Commission to ensure the enforcement of the full commitment from our partners. In the case of Ukraine, this applies to, among others sanitary and phytosanitary issues, for which Ukraine has undertaken under the DCFTA to bring its legislation into line with Union legislation and to comply with animal welfare requirements.

The negotiated solution consists of increasing the existing quota for poultry meat and poultry meat products by an additional 50 000 tonnes, including the 'other cuts' tariff lines CN codes 0207 1370 and 0207 1470 within the scope of the existing tariff rate quota and reinstating the Most Favoured Nation duty rate of 100.8 EUR/100 kg/net for imports under the two 'other cuts' tariff lines concerned in excess of the volume of the tariff rate quota.

The rapporteur proposes that the Committee on Agriculture and Rural Development recommends giving consent to this Agreement, as it aims to protect the interests of Union stakeholders and to stop the potential unlimited duty free poultry imports which could undermine the conditions under which traditional poultry breast cuts may be imported into the Union under the DCFTA, in particular the quantitative restrictions in the form of a tariff rate quota.

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The Committee on Agriculture and Rural Development calls on the Committee on International Trade, as the committee responsible, to recommend approval of the draft Council decision on the conclusion, on behalf of the Union, of the Agreement in the form of an exchange of letters between the European Union and Ukraine amending the trade preferences for poultry meat and poultry meat preparations provided for by 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.

## PROCEDURE – COMMITTEE ASKED FOR OPINION

<b>Title</b>	Conclusion of the Agreement in the form of an exchange of letters between the European Union and Ukraine amending the trade preferences for poultry meat and poultry meat preparations provided for by 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
<b>References</b>	10720/2019 – C9-0105/2019 – 2019/0132(NLE)
<b>Committee responsible</b>	INTA
<b>Opinion by</b> Date announced in plenary	AGRI 16.9.2019
<b>Rapporteur</b> Date appointed	Zbigniew Kuźmiuk 4.9.2019
<b>Date adopted</b>	5.11.2019
<b>Result of final vote</b>	+: 34 –: 9 0: 2
<b>Members present for the final vote</b>	Mazaly Aguilar, Clara Aguilera, Álvaro Amaro, Attila Ara-Kovács, Carmen Avram, Adrian-draçoş Benea, Benoît Biteau, Daniel Buda, Isabel Carvalhais, Asger Christensen, Dacian Cioloş, Ivan David, Paolo De Castro, Jérémy Decerle, Herbert Dorfmann, Luke Ming Flanagan, Dino Giarrusso, Francisco Guerreiro, Martin Häusling, Martin Hlaváček, Krzysztof Jurgiel, Jarosław Kalinowski, Elsi Katainen, Gilles Lebreton, Norbert Lins, Mairead McGuinness, Marlene Mortler, Maria Noichl, Juozas Olekas, Pina Picierno, Sheila Ritchie, Bronis Ropė, Anne Sander, Annie Schreijer-Pierik, Veronika Vrecionová, Sarah Wiener, Juan Ignacio Zoido Álvarez
<b>Substitutes present for the final vote</b>	Atidzhe Alieva-Veli, Franc Bogovič, Anja Hazekamp, Ivo Hristov, Peter Jahr, Petros Kokkalis, Zbigniew Kuźmiuk, Michal Wiezik

## FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

34	+
ECR	Mazaly Aguilar, Krzysztof Jurgiel, Zbigniew Kuźmiuk, Veronika Vrecionová
NI	Dino Giarrusso
PPE	Álvaro Amaro, Franc Bogovič, Daniel Buda, Herbert Dorfmann, Peter Jahr, Jarosław Kalinowski, Norbert Lins, Mairead McGuinness, Marlene Mortler, Anne Sander, Annie Schreijer-Pierik, Michal Wiezik, Juan Ignacio Zoido Álvarez
Renew	Atidzhe Alieva-Veli, Asger Christensen, Dacian Cioloș, Jérémy Decerle, Martin Hlaváček, Elsi Katainen, Sheila Ritchie
S&D	Clara Aguilera, Attila Ara-Kovács, Carmen Avram, Adrian-dragoș Benea, Isabel Carvalhais, Paolo De Castro, Ivo Hristov, Juozas Olekas, Pina Picierno

9	-
GUE/NGL	Luke Ming Flanagan, Anja Hazekamp, Petros Kokkalis
ID	Ivan David, Gilles Lebreton
Verts/ALE	Benoît Biteau, Francisco Guerreiro, Martin Häusling, Sarah Wiener

2	0
S&D	Maria Noichl
Verts/ALE	Bronis Ropë

Key to symbols:

+ : in favour

- : against

0 : abstention

## PROCEDURE – COMMITTEE RESPONSIBLE

<b>Title</b>	Conclusion of the Agreement in the form of an exchange of letters between the European Union and Ukraine amending the trade preferences for poultry meat and poultry meat preparations provided for by 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	
<b>References</b>	10720/2019 – C9-0105/2019 – 2019/0132(NLE)	
<b>Date of consultation / request for consent</b>	26.8.2019	
<b>Committee responsible</b> Date announced in plenary	INTA 16.9.2019	
<b>Committees asked for opinions</b> Date announced in plenary	AGRI 16.9.2019	
<b>Rapporteurs</b> Date appointed	Enikő Győri 23.9.2019	
<b>Discussed in committee</b>	2.10.2019	6.11.2019
<b>Date adopted</b>	7.11.2019	
<b>Result of final vote</b>	+: 25	–: 3
	0: 7	
<b>Members present for the final vote</b>	Anna-Michelle Asimakopoulou, Geert Bourgeois, Jordi Cañas, Anna Cavazzini, Arnaud Danjean, Barbara Ann Gibson, Enikő Győri, Roman Haider, Christophe Hansen, Heidi Hautala, Danuta Maria Hübner, Karin Karlsbro, Bernd Lange, Emmanuel Maurel, Samira Rafaela, Luisa Regimenti, Inma Rodríguez-Piñero, Massimiliano Salini, Helmut Scholz, Sven Simon, Kathleen Van Brempt, Marie-Pierre Vedrenne, Jörgen Warborn, Iuliu Winkler, Jan Zahradil	
<b>Substitutes present for the final vote</b>	Mazaly Aguilar, Saskia Bricmont, Markus Buchheit, Marco Campomenosi, Nicola Danti, Jérémy Decerle, Laura Huhtasaari, Agnes Jongerius, Mihai Tudose, Angelika Winzig	
<b>Substitutes under Rule 209(7) present for the final vote</b>	Ivo Hristov	
<b>Date tabled</b>	18.11.2019	

## FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

25	+
ECR	Mazaly Aguilar, Geert Bourgeois, Jan Zahradil
PPE	Anna-Michelle Asimakopoulou, Arnaud Danjean, Enikő Győri, Christophe Hansen, Danuta Maria Hübner, Massimiliano Salini, Sven Simon, Jörgen Warborn, Angelika Winzig
RENEW	Jordi Cañas, Jérémy Decerle, Barbara Ann Gibson, Karin Karlsbro, Samira Rafaela, Marie-Pierre Vedrenne
S&D	Nicola Danti, Ivo Hristov, Agnes Jongerius, Bernd Lange, Inma Rodríguez-Piñero, Mihai Tudose, Kathleen Van Brempt

3	-
ID	Markus Buchheit, Marco Campomenosi, Luisa Regimenti

7	0
GUE/NGL	Emmanuel Maurel, Helmut Scholz
ID	Roman Haider, Laura Huhtasaari
VERTS/ALE	Saskia Bricmont, Anna Cavazzini, Heidi Hautala

Key to symbols:

+ : in favour

- : against

0 : abstention