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POLICY STUDY
UKRAINE

The expiration of EU Autonomous Trade Measures for Ukraine: What's next? - Four scenarios and implications -

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Summary

- » The EU-UKR free trade agreement (DCFTA) envisaged duty-free access with some exemptions, of which the TRQs applied by the EU on selected UKR agro-food products have been the most important
- » Since Jun-22, the EU lifted these restrictions on a temporary basis using autonomous trade measures (ATMs)
- » As a result, UKR exports to the EU of products subject to TRQs doubled to USD 4.7 bn; the increase in exports of maize, wheat, poultry and sugar was especially high
- » However, in Jun-25 ATMs expire and will not be prolonged; this poses the question on future trade regulation related to UKR products subject to TRQs
- » In this study, we construct four scenarios and estimate the trade and fiscal implications of each of them

Scenario	Annual change in UKR exports to the EU compared to 2024
S1: Return to DCFTA-TRQs	- USD 1,499 m
S2: Full liberalisation	+ USD 290 m
S3: Return to DCFTA-TRQs for sensitive products and elimination of other TRQs	- USD 1,196 m
S4: Higher TRQs for sensitive products and elimination of other TRQs	+ USD 77 m

Structure

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3. Scenarios after ATM's expiration
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Annexes:

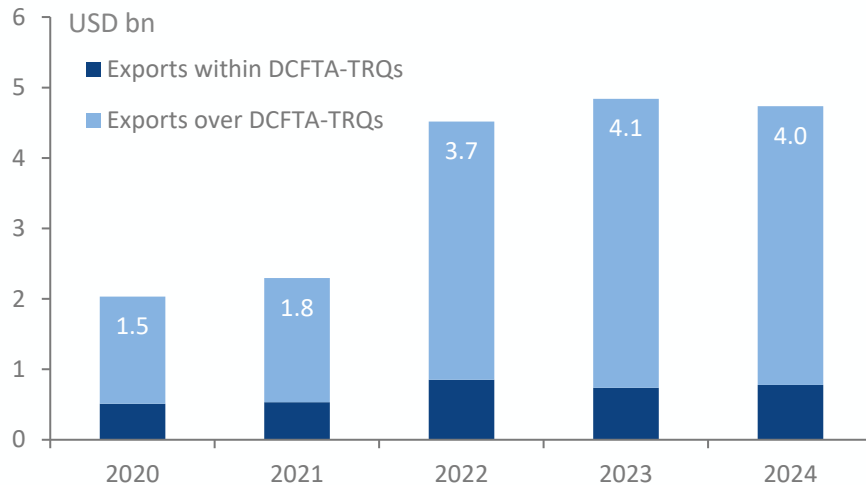
1. Methodology
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1. Motivation

- » Since Jun-22, the EU has applied autonomous trade measures (ATMs), temporarily providing UKR with full EU market access exceeding the DCFTA commitments
- » ATMs are unilateral measures by the EU, abolishing or suspending tariff barriers, most importantly TRQs, applied by the EU within the DCFTA
- » The ATMs achieved their purpose of providing lifeline support to the UKR economy by boosting exports to the EU
- » At the same, the ATMs exerted pressure on certain market segments of several EU member states
- » ATMs are set to expire in early Jun-25, posing the what-next question
- » This policy study aims to:
 - Estimating the trade and fiscal effects of different scenarios for UKR's access to the EU market after the ATMs' expiration for products subject to TRQs
- » The study focuses on the EU's TRQs on UKR products, as it would have the greatest impact on bilateral trade. As access to the UKR market is already more liberal, full tariff liberalisation would have only a minor effect

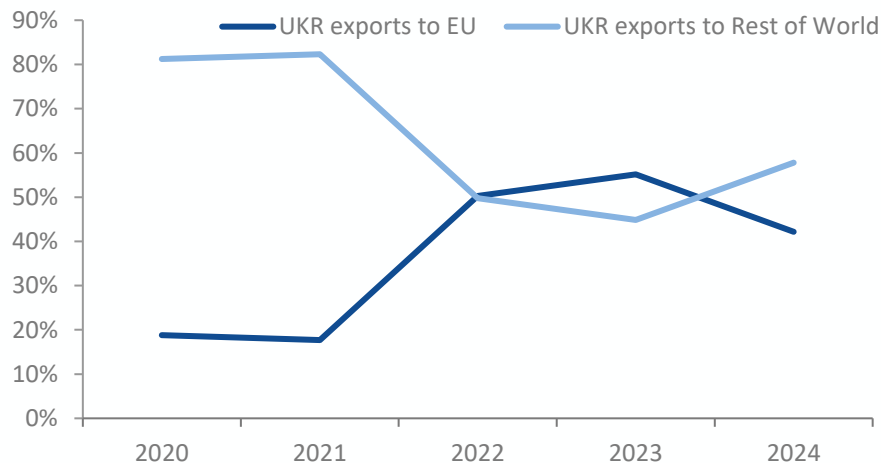
2. UKR exports to the EU subject to TRQs: pre vs under ATMs

UKR exports to the EU subject to DCFTA-TRQs



Sources: UKRSTAT, WITS, EUROSTAT, TARIC. Note: export value is estimated based on UKR unit value and volume of imports reported by the EU; see Annex 1.1 for the methodology

Geography of UKR exports of goods subject to DCFTA-TRQs



Sources: UKRSTAT, WITS, TARIC

- » ATMs boosted UKR exports to the EU subject to TRQs:
 - Exports doubled: USD 4.7 bn in 2024 vs USD 2.3 bn in 2021
 - In particular, exports over TRQs were at USD 4.0 bn in 2024 compared with USD 1.8 bn in 2021
 - For products subject to TRQs, the share of EU for UKR exports increased to 42% in 2024 (reorientation of exports)
- » The number of products featuring over-TRQ exports to the EU increased from 11 in 2021 to 18 in 2024 (based on EUROSTAT data)
- » Top export categories:
 - **Maize:** USD 2.3 bn (2024), featuring 1.9x volume compared to 2021
 - **Wheat:** USD 1.1 bn, 22x volume
 - **Poultry:** USD 392 m, 1.8x volume
 - **Sugar:** USD 204 m, 18x volume
- UKR exports subject to TRQs to EU doubled
- ATMs relaxed TRQ binding constraints for many products

3. Scenarios assuming the EU ATMs' expiration

- » Both the EU and UKR stated that the ATMs will expire in Jun-25
- » What are the possible next steps? We consider four scenarios

Scenario	Description
S1: Return to DCFTA-TRQs	Reinstating original TRQs as set in the DCFTA
S2: Full liberalisation	Abolishing all DCFTA TRQs
S3: Return to DCFTA-TRQs for sensitive products and elimination of other TRQs	Reinstating original TRQs for sensitive products, abolishing TRQs for the rest
S4: Higher TRQs for sensitive products and elimination of other TRQs	Setting TRQs at 2024 trade level for sensitive products, abolishing TRQs for the rest

- » S1 and S2 represent two extreme cases that frame the policy decision space
- » S1 entails the reinstatement of the original TRQs, thereby reintroducing duties on 85% of 2024 UKR exports subject to TRQs. It is the most harmful scenario for UKR
- » S2, on the other hand, entails abolishing TRQs. It is similar to the current status quo under EU ATMs. Moreover, it is the regime that the country has when joining the EU
- » However, under S2, existing problems for some EU member states related to UKR exports will not be resolved and may be exacerbated
- » Therefore, S3 and S4 consider two in-between policy options, while other configurations of TRQs revision can be estimated upon request

S1: Return to DCFTA-TRQs

The trade and fiscal effects, annual change compared to baseline (2024)

UKR exports to the EU	Fiscal effect for UKR	Fiscal effect for the EU
- USD 1,499 m	- USD 89 m	+ USD 34 m

Sources: own estimates, see Annex 1.1 for the detailed methodology

- » The return to the DCFTA provisions resulting in the reintroduction of TRQs would hurt UKR exports to the EU
- » UKR exports to the EU (estimated based on EU data on traded quantities and UKR data on prices) would decrease by USD 1,499 m compared to 2024, taken as a baseline. This loss would amount to ca. 3.6% of UKR total exports and 0.8% of UKR GDP (2024)
- » The fiscal effect would be slightly positive for the EU as the reinstated MFN duties for over-TRQ shipments generate an additional USD 34 m in revenues
- » UKR would face a fiscal loss of USD 89 m due to foregone corporate profit tax revenues on the back of lower company profits
- » Due to high import demand elasticity, trade in several products, namely wheat, sugar, grape and apple juices, and barley, could return to the volume within the TRQ limits

S2: Full liberalisation

The trade and fiscal effects, annual change compared to baseline (2024)

UKR exports to the EU	Fiscal effect for UKR	Fiscal effect for the EU
+ USD 290 m	+ USD 21 m	- USD 8 m

Sources: own estimates, see Annex 1.2 for the methodology

- » S2 envisages a full tariff liberalisation but no changes in non-tariff barriers to trade
- » S2 resembles the current situation (ATMs) in terms of market access but adds longer-term predictability lacking by the ATMs
- » In the long term, the EU market's openness is expected to stimulate investments in additional production
- » For the short term, we assume that UKR's exports of products subject to TRQs to the EU would remain within already existing capacities, proxied as the maximum of the physical exports to the EU over the last three years
- » The immediate effect of full liberalisation is estimated to be moderate
- » UKR exports to the EU would increase by USD 290 m, amounting to ca. 0.7% of UKR total exports and 0.2% of UKR GDP (2024)
- » Based on their previous performance, producers of poultry and sugar would be the primary UKR beneficiaries, with their export value growing

S3: Return to DCFTA-TRQs for sensitive products

The trade and fiscal effects, annual change compared to baseline (2024)

UKR exports to the EU	Fiscal effect for UKR	Fiscal effect for the EU
- USD 1,196 m	- USD 69 m	+ USD 10 m

Sources: own estimates, see Annex 1.3 for the detailed methodology

- » S3 envisages that for sensitive products, i.e. products raising the most concerns for affected EU member states, the TRQs would be reinstated at their original level, while for the rest of the products, TRQs would be eliminated
- » We consider wheat, maize, oats, poultry, sugar and honey as sensitive (see Annex 1.3 for detailed methodology)
- » The outcome of this scenario is very similar to the return to the DCFTA provisions (S1), entailing significant losses for UKR
- » UKR exports to the EU would decrease by USD 1,196 m, the loss amounting to ca. 2.9% of exports and 0.7% of UKR GDP (2024), while UKR fiscal loss of USD 69 m bn due to foregone corporate profit tax revenues
- » As in S1, trade in wheat and sugar could return within DCFTA-TRQ limits

S4: Higher TRQs for sensitive products

The trade and fiscal effects, annual change compared to baseline (2024)

UKR exports to the EU	Fiscal effect for UKR	Fiscal effect for the EU
+ USD 77 m	+ USD 5 m	- USD 8 m

Sources: own estimates, see Annex 1.3 for the detailed methodology

- » S4 envisages that for sensitive products (wheat, maize, oats, poultry, sugar and honey), the TRQs would be set at the level of UKR exports to the EU in 2024, while for the rest, TRQs would be eliminated
- » This scenario allows retaining the status quo, preserving support for UKR but establishing a cap on UKR export expansion before full access is granted with the membership
- » UKR exports to the EU would increase by a very moderate USD 77 m, amounting to ca. 0.19% of total exports and 0.04% of UKR GDP (2024)
- » The fiscal effects of this scenario would be minor
- » Results for S3 and S4, where each TRQ is set between its initial DCFTA level and full liberalisation, range between outcomes for S1 and S2 (see the next slide for the change in UKR exports by the product breakdown)

The effect of different scenarios, breakdown by TRQs

Change in UKR exports to the EU under different scenarios, USD m

TRQ	S1: Return to DCFTA-TRQs	S2: Full liberalisation	S3: Return to DCFTA-TRQs for sensitive products	S4: Higher TRQs for sensitive products
Wheat	-940	0	-940	0
Sugars	-191	106	-191	0
Poultry meat and preparations	-121	107	-121	0
Grape and apple juice	-119	0	0	0
Barley	-46	15	15	15
Milk powder	-25	0	0	0
Honey	-16	0	-16	0
Eggs and albumins	-11	0	0	0
Ethanol	-7	0	0	0
Processed tomatoes	-5	0	0	0
Barley groats	-4	4	4	4
Bran, shaps and residues	-4	7	7	7
Maize	-3	0	-3	0
Sugar processed products	-2	0	0	0
Oats	-1	0	-1	0
Malt and wheat gluten	-1	1	1	1
Starch processed	-1	3	3	3
Starches	-1	5	5	5
Butter and dairy spreads	0	39	39	39
Sweetcorn	0	3	3	3
Total	-1,499	290	-1,196	77

Sources: own estimates, TRQs with zero changes are not presented. Red marks product categories identified as sensitive

Annex 1.1 Methodology for assessing S1 (1/2)

Estimate of baseline data:

- » In the analysis, we rely on the constructed estimate of UKR exports to the EU subject to DCFTA-TRQs. While the information on prices (unit values) is sourced from UKR (exporter), the volume information is sourced from the EU (importer). That allows for avoiding mirror statistics biases caused by, e.g., discrepancies between the country of contract and the country of destination in UKR export data, differences in the date of the product leaving the UKR customs territory and entering the EU customs territory, as well as any misreporting or mistakes

Impact on UKR exports to the EU:

- » To estimate the effect related to the return to the DCFTA provisions, we used a partial equilibrium model, thereby assuming that the reinstalment of TRQs would increase UKR product prices on the EU market and EU buyers would respond by adjusting their demand
- » That should be considered an upper-bound estimate, as UKR exporters could instead forgo their profits to maintain their market share. The estimate is focused on the EU-UKR trade; no effects of reorientation to other markets are analysed

Annex 1.1 Methodology for assessing S1 (2/2)

- » The steps of the analysis:
 - Estimate of over-TRQ exports that are sensitive to ATMs
 - Estimate the change in exports in the case of returning to the DCFTA provision, using estimated exports over the TRQ in 2024, MFN import duties applied by the EU outside the TRQ amount, and the import demand elasticity of the EU, with a ceiling of -5. The reduction in exports resulting from returning to the DCFTA provision cannot exceed the total over-TRQ exports.

Fiscal effect on UKR: The fiscal impact is estimated as the foregone corporate profit tax revenue from additional profit due to ATMs, considered to be equal to the non-charged duty payments. We apply a normative corporate profit tax of 18%. As economic and accounting profits differ, the estimate should be considered upper-bound

Fiscal impact on the EU: The reintroduction of TRQs yields additional revenues from over-quota imports. The tax base is estimated as the new level of imports over the TRQs, using the EU import values. The estimates are adjusted for the revenues collected by the EU due to the reintroduction of DCFTA-TRQs within the emergency brake mechanism in 2024

Data sources: EUROSTAT for trade data, WITS for elasticities, Market Access Map for EU MFN duties, Association Agreement for the level of TRQs

Annex 1.2 Methodology for assessing S2

Impact on UKR exports to the EU:

- » The scenario envisions full access to the EU market, as is the case with ATMs, without any safeguards. For the short term, we model the expected volume as the maximum volume reported to have been imported by the EU from UKR in the last three years (2022-2024). The value of additional exports is estimated using the unit value for 2024

Fiscal impacts on UKR: the fiscal impact includes additional corporate profit tax, considered equivalent to the non-charged duty payments

Fiscal impacts on the EU: as the ATMs temporarily abolished TRQs, the EU customs duties revenues related to over-TRQ imports are zero, except for the revenues related to the emergency brake mechanism applied in 2024. Therefore, any additional foregone revenues are considered to have already been absorbed by the EU, except for the revenues from the emergency brake mechanism. These revenues set a cap for the fiscal impact on the EU

Data sources: EUROSTAT, WITS, UKRSTAT for trade data, WITS for elasticities, Market Access Map for EU MFN duties, Association Agreement for the level of TRQs and UKR duties

Annex 1.3 Methodology for assessing S3 and S4

- » For this policy study, we define sensitive products as products that cause the most concerns regarding their impact on the domestic markets of the EU member states
- » We use the following criteria to score and select high-priority products among those subject to EU TRQs:
 - The level of EU out-of-quota duty (1 if the ad valorem equivalent of the duty level is greater or equal to 15%, defined by the WTO as an international tariff peak, 0 if otherwise)
 - The ban on imports from UKR applied since 2023 (1 if the product appears in the restrictions imposed by the EC (May-23 till Sep-23) and continued by individual EU member states since Sep-23; 0 if not)
 - The introduction of the emergency brake mechanism (1 if yes, 0 if no)
- » The products with a score of two or more are considered sensitive
- » Wheat, maize, oats, poultry, sugar and honey were selected as sensitive
- » For trade and fiscal impacts, the same methodology as for S1 and S2 was used (see Annexes 1.1 and 1.2)

Annex 2 EU DCFTA-TRQs and exports volumes (1/2)

EU DCFTA-TRQs and exports volumes, tons

#	Description	DCFTA-TRQs	2021	2022	2023	2024
1	Beef meat*	12,000	2	40	0	0
2	Pork meat*	20,000	0	0	0	0
3	Sheep meat*	2,250	0	0	0	0
4	Poultry meat and poultry meat preparations	90,000	75,704	117,181	174,327	136,825
5	Milk, cream, condensed milk and yogurts	10,000	153	62	1,607	3,376
6	Milk powder	5,000	1,807	10,142	11,016	15,602
7	Butter and dairy spreads	3,000	92	6,945	356	1,428
8	Eggs and albumins	6,000	3,795	16,879	39,405	59,817
9	Honey	6,000	53,287	45,820	45,814	53,929
10	Garlic	500	335	50	17	284
11	Sugars	20,700	17,776	152,489	495,963	326,441
12	Other sugars	20,000	1,081	1,009	2,533	3,000
13	Sugar syrups	2,000	9	75	89	119
14	Common wheat, flours, and pellets	1,000,000	287,989	3,010,891	6,177,201	6,378,564
15	Barley, flour and pellets	350,000	50,700	725,169	693,825	632,962
16	Oats	4,000	3,302	2,899	1,822	7,640
17	Maize, flour and pellets	650,000	7,419,930	12,022,725	12,783,663	13,757,210
18	Barley groats and meal; cereal grains otherwise worked	7,800	13,485	25,445	32,525	25,633

Sources: Association Agreement for DCFTA-TRQs, EUROSTAT for volumes (see Annex 1.1. for methodology). Note: * No UKR meat-producing establishments were approved under the EU food safety regulations (<https://webgate.ec.europa.eu/tracesnt/directory/listing/establishment/publication/index#!/search>)

Annex 2 EU DCFTA-TRQs and exports volumes (2/2)

EU DCFTA-TRQs and exports volumes, tons

#	Description	DCFTA-TRQs	2021	2022	2023	2024
19	Malt and wheat gluten	7,000	1,999	3,952	17,431	15,075
20	Starches	10,000	10,119	24,351	19,056	17,058
21	Starch processed	2,000	16,008	6,787	7,942	4,913
22	Bran, shaps and residues	21,000	15,327	73,121	99,841	52,440
23	Mushrooms	1,000	0	1	2	
24	Processed tomatoes	10,000	47,074	19,488	9,449	24,889
25	Grape and Apple juice	20,000	23,150	73,098	54,546	77,848
26	Processed milk products	2,000	0	0	1	9
27	Processed oil products	250	0	0	0	15
28	Sweetcorn	1,500	1,283	3,484	1,465	1,294
29	Sugar processed products	3,000	4,943	4,266	5,147	7,839
30	Cereal processed products	2,000	2,022	551	470	832
31	Milk-cream processed products	500	205	157	194	53
32	Food preparations	2,000	64	111	112	264
33	Ethanol	27,000	27,491	21,638	64,503	79,733
34	Cigars and Cigarettes	2,500	2	1	1	1
35	Mannitol-sorbitol	100	0	0	0	0
36	Malt-starch processed products	2,000	2,010	0	0	0

Sources: Association Agreement for DCFTA-TRQs, EUROSTAT for volumes (see Annex 1.1. for methodology)

About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia* and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**Within the framework of project activities in Georgia, we are in contact solely with reform-oriented partners for the time being; in Belarus advisory activities are suspended.*

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