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EUROPEAN COMMISSION

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Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**amending Council Regulation (EC) No 55/2008 introducing autonomous trade preferences for the Republic of Moldova**

## EXPLANATORY MEMORANDUM

### **1. CONTEXT OF THE PROPOSAL**

The Republic of Moldova (hereinafter "Moldova") is experiencing difficulties with its wine exports to some of its traditional markets, which threaten its economic recovery and the reform process that is vigorously pursued by the Moldovan government.

This has led Moldova to request the European Commission in July 2010 to increase the duty free tariff quota for wine under the Autonomous Trade Preferences, granted to Moldova by Council Regulation (EC) 55/2008 of 21 January 2008<sup>1</sup>. The agricultural sector represents around 40 per cent of Moldova's economy and the wine sector is an important part of it, providing employment to some 300,000 people (one fourth of the working population), who are mainly living in rural areas and cultivating medium to smaller family plots.

In order to support Moldova's economic recovery and provide a positive outlook to the people working in the wine industry in Moldova, it is proposed to increase the duty free tariff quota for wine for 2011 from 100,000 hectolitres (hl) to 150,000 hl, for 2012 from 120,000 hl to 180,000 hl, and from 2013 onwards to 240,000 hl per year. The level of the proposed increase is based on the fact that Moldova has systematically exhausted the existing quota and the potential of the sector to improve its niche markets in the EU, while at the same time the level of the increase does not destabilise the EU wine industry. It is expected that Moldova's wine sector will continue to improve the quality of its wines.

As Council Regulation (EC) No 55/2008 expires on 31 December 2012, and as it is important to ensure legal certainty for producers, exporters and importers, it is proposed to extend the validity of Council Regulation (EC) No 55/2008 for another three years to 31 December 2015. This is a reasonable amount of time, taking into account the perspectives for a future deep and comprehensive free trade area (DCFTA) between the EU and Moldova. Council Regulation (EC) No 55/2008 foresees preferential tariff quotas also on other products in addition to wine. Having assessed the situation in the different sectors covered by the quotas, it is proposed to continue the progressive increase of some of those other quotas for the levels indicated in table 1 annexed to this proposal.

### **2. LEGAL BASIS OF THE PROPOSAL**

The legal basis for the proposal is Article 207(2) of the Treaty on the Functioning of the European Union.

### **3. BUDGETARY IMPLICATIONS**

The proposed Regulation does not incur costs charged to the EU budget. As the general level of imports from Moldova is merely 0.04% of all EU imports further market opening is not expected to create negative effects for the EU. Currently around 90% of all imports from Moldova enter the EU free of duties.

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<sup>1</sup> OJ L 20, 24.1.2008, p. 1.

The additional duty free tariff quotas proposed for the years 2011 to 2015 will result in a small loss of tariff revenue only for the year 2011. For the years 2012 to 2015 there will not be any loss of tariff revenue since present export volumes from Moldova of all the products covered by duty free tariff quotas are covered by the 2012 level of these quotas. Hypothetical revenue that could have been generated by future exports is not considered as a loss of tariff revenue.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 207(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Council Regulation (EC) No 55/2008<sup>2</sup> entered into force on 31 January 2008 and is being applied as of 1 March 2008. That Regulation introduces a specific scheme of autonomous trade preferences (ATPs) to the Republic of Moldova (hereinafter 'Moldova'). It gives all products originating in Moldova free access to the European Union market, except for certain agricultural products listed in its Annex I for which limited concessions have been given either in the form of exemption from customs duties within the limit of tariff quotas or of reduction of customs duties.
- (2) In the framework of the European Neighbourhood Policy (ENP), the EU-Moldova ENP Action Plan, and the Eastern Partnership, Moldova has adopted an ambitious agenda for political association and further economic integration with the Union. Negotiations on a new Association Agreement started in January 2010. Moldova is also making strong progress on regulatory approximation leading to convergence with Union laws and standards in preparation of future negotiations of a deep and comprehensive free trade area (DCFTA) between the EU and Moldova, in the framework of the future Association Agreement.
- (3) Every year since the application of Regulation (EC) No 55/2008, the tariff quota for wine was fully used months before the end of the year.
- (4) Moldova's economy is strongly affected by the adverse effects of the global financial and economic crises. The wine sector employs some 300,000 workers, and exports of wine are an important source of export earnings.

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<sup>2</sup> OJ L 20, 24.1.2008, p. 1.

- (5) In order to support the efforts of Moldova in line with the ENP and the Eastern Partnership, and to provide an attractive and reliable market for its wine exports it is proposed to increase the existing tariff quota for wine for the year 2011 from 100,000 hl<sup>3</sup> to 150,000 hl, for the year 2012 from 120,000 hl to 180,000 hl, and from the year 2013 onwards to 240,000 hl per year.
- (6) Regulation (EC) No 55/2008 is applicable until 31 December 2012.
- (7) Negotiations on a future DCFTA between the Union and Moldova are a common objective for the Union and Moldova, once Moldova has demonstrated its preparedness to negotiate and sustain the effects of such an ambitious undertaking. In order to allow enough time for appropriate preparations and the negotiation of a DCFTA, it is necessary to extend Regulation (EC) No 55/2008 beyond 31 December 2012.
- (8) It is sound practice to decide on the renewal of Regulation (EC) No 55/2008 well in advance of its end date, so as to provide Moldovan economic operators in good time with a transparent and predictable trading regime for their exports to the Union beyond 31 December 2012. The validity of that Regulation should therefore now be extended until 31 December 2015.
- (9) In the light of the experience gained under the present ATP scheme, and in order to support further the development of Moldova's economy and the process of regulatory approximation leading to convergence with Union laws and standards in the context of the Eastern Partnership, it is appropriate to review the level of tariff quotas of some products covered by the present ATPs.
- (10) In order to ensure the respect of the Union's international obligations, the preferences contained in this Regulation should be made conditional on continuation or renewal of the existing waiver from WTO obligations obtained by the Union.
- (11) Regulation (EC) No 55/2008 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

#### *Article 1*

Regulation (EC) No 55/2008 is amended as follows:

1. In Article 16, the second subparagraph is replaced by the following:

"It shall apply until 31 December 2015.

The preferences provided for in this Regulation shall cease to apply, in whole or in part, should the preferences provided in this Regulation not be permitted in whole or in part by a waiver granted by the World Trade Organisation.

Such cessation of effects shall apply from the day on which the waiver is no longer in effect.

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<sup>3</sup> Hectolitres.

Sufficiently prior to that date, the Commission shall publish a notice in the *Official Journal of the European Union* to inform operators and the competent authorities. The notice shall specify which preferences provided for by this Regulation will no longer apply and the date from which the preferences will no longer apply."

2. Table 1 of Annex I is replaced by the text appearing in the Annex to this Regulation.

#### *Article 2*

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at [...],

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

**ANNEX**

**"ANNEX I**

**PRODUCTS SUBMITTED TO QUANTITATIVE LIMITS OR PRICE THRESHOLDS REFERRED TO IN ARTICLE 3**

Notwithstanding the rules for the interpretation of the Combined Nomenclature, the wording for the description of the products is to be considered as having no more than an indicative value, the preferential scheme being determined, within the context of this Annex, by the coverage of the CN codes. Where ex CN codes are indicated, the preferential scheme is to be determined by application of the CN code and corresponding description taken together.



## 1. Products subject to annual duty free tariff quotas

Order No	CN Code	Description	2008 <sup>(1)</sup>	2009 <sup>(1)</sup>	2010 <sup>(1)</sup>	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>
09.0504	0201 to 0204	Fresh, chilled and frozen meat of bovine animals, swine and sheep and goats	3 000 <sup>(2)</sup>	3 000 <sup>(2)</sup>	4 000 <sup>(2)</sup>	4 000 <sup>(2)</sup>	4 000 <sup>(2)</sup>	4 000 <sup>(2)</sup>	4 000 <sup>(2)</sup>	4 000 <sup>(2)</sup>
09.0505	ex 0207	Meat and edible offal of the poultry of heading 0105, fresh, chilled or frozen, other than fatty livers of subheading 0207 34	400 <sup>(2)</sup>	400 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>
09.0506	ex 0210	Meat and edible meat offal of swine and bovine animals, salted, in brine, dried or smoked; edible flours and meals of meat or meat offals of domestic swine and bovine animals	400 <sup>(2)</sup>	400 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>	500 <sup>(2)</sup>
09.4210	0401 to 0406	Dairy products	1 000 <sup>(2)</sup>	1 000 <sup>(2)</sup>	1 500 <sup>(2)</sup>	1 500 <sup>(2)</sup>	1 500 <sup>(2)</sup>	1 500 <sup>(2)</sup>	1 500 <sup>(2)</sup>	1 500 <sup>(2)</sup>
09.0507	0407.00	Birds' eggs, in shell	90 <sup>(3)</sup>	95 <sup>(3)</sup>	100 <sup>(3)</sup>	110 <sup>(3)</sup>	120 <sup>(3)</sup>	120 <sup>(3)</sup>	120 <sup>(3)</sup>	120 <sup>(3)</sup>
09.0508	ex 0408	Bird's eggs, not in shell and egg yolks, other than unfit for human consumption	200 <sup>(2)</sup>	200 <sup>(2)</sup>	300 <sup>(2)</sup>	300 <sup>(2)</sup>	300 <sup>(2)</sup>	300 <sup>(2)</sup>	300 <sup>(2)</sup>	300 <sup>(2)</sup>
09.0509	1001 90 91 1001 90 99	Other Spelt (other than spelt for sowing), common wheat and meslin	25 000 <sup>(2)</sup>	30 000 <sup>(2)</sup>	35 000 <sup>(2)</sup>	40 000 <sup>(2)</sup>	50 000 <sup>(2)</sup>	55 000 <sup>(2)</sup>	60 000 <sup>(2)</sup>	65 000 <sup>(2)</sup>
09.0510	1003 00 90	Barley	20 000 <sup>(2)</sup>	25 000 <sup>(2)</sup>	30 000 <sup>(2)</sup>	35 000 <sup>(2)</sup>	45 000 <sup>(2)</sup>	50 000 <sup>(2)</sup>	55 000 <sup>(2)</sup>	60 000 <sup>(2)</sup>
09.0511	1005 90	Maize	15 000 <sup>(2)</sup>	20 000 <sup>(2)</sup>	25 000 <sup>(2)</sup>	30 000 <sup>(2)</sup>	40 000 <sup>(2)</sup>	45 000 <sup>(2)</sup>	50 000 <sup>(2)</sup>	55 000 <sup>(2)</sup>
09.0512	1601 00 91 and 1601 00 99	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	500 <sup>(2)</sup>	500 <sup>(2)</sup>	600 <sup>(2)</sup>	600 <sup>(2)</sup>	600 <sup>(2)</sup>	600 <sup>(2)</sup>	600 <sup>(2)</sup>	600 <sup>(2)</sup>
	ex 1602	Other prepared or preserved meat, meat offal or blood: - of fowls of the species <i>Gallus domesticus</i> , uncooked, - of domestic swine, - of bovine animals, uncooked								
09.0513	1701.99.10	White Sugar	15 000 <sup>(2)</sup>	18 000 <sup>(2)</sup>	22 000 <sup>(2)</sup>	26 000 <sup>(2)</sup>	34 000 <sup>(2)</sup>	34 000 <sup>(2)</sup>	34 000 <sup>(2)</sup>	34 000 <sup>(2)</sup>
09.0514	2204 21 and 2204 29	Wine of fresh grapes other than sparkling wine	60 000 <sup>(4)</sup>	70 000 <sup>(4)</sup>	80 000 <sup>(4)</sup>	150 000 <sup>(4)</sup>	180 000 <sup>(4)</sup>	240 000 <sup>(4)</sup>	240 000 <sup>(4)</sup>	240 000 <sup>(4)</sup>

(1) From 1 January until 31 December, except for 2008 from the first day of application of the Regulation until 31 December. (2) tonnes (net weight), (3) million units, (4) hectolitres"

**LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS HAVING A BUDGETARY  
IMPACT EXCLUSIVELY LIMITED TO THE REVENUE SIDE**

**1. NAME OF THE PROPOSAL:**

Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 55/2008 introducing autonomous trade preferences for the Republic of Moldova.

**2. BUDGET LINES:**

Chapter and Article: **Article 120**

Amount budgeted for the year concerned: **14 079 700 000 (Draft general budget 2011)**

**3. FINANCIAL IMPACT**

- Proposal has no financial implications
- Proposal has no financial impact on expenditure but has a financial impact on revenue – the effect is as follows:

(€million to one decimal place)

Budget line	Revenue <sup>4</sup>	12 month period, starting dd/mm/aaaa	2011
Article 120	Impact on own resources (customs duties)		-0.1

Situation following action					
	2012	2013	2014	2015	
Article 120	-	-	-	-	

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<sup>4</sup> Regarding traditional own resources (agricultural duties, sugar levies, customs duties) the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % of collection costs.

#### 4. OTHER REMARKS

In 2008 the financial implications in terms of loss of tariff revenue of granting Moldova additional autonomous trade preferences were estimated to amount to a gross amount of approximately €1.500.000 (net amount 1.125.000).

The additional duty free tariff quotas proposed for the years 2011 to 2015 will result in a loss of tariff revenue only for the year 2011. For the years 2012 to 2015 there will not be any loss of tariff revenue since present export volumes from Moldova of all the products covered by duty free tariff quotas are covered by the 2012 level of these quotas. Hypothetical revenue that could have been generated by future exports is not considered as a loss of tariff revenue.

Total wine imports from Moldova in 2009 amounted to 111,082hl, which exceeds the present duty free tariff quota for 2011 by 11,082 hl, resulting in a potential loss of tariff revenue, based on an average duty of €13.1 per hl, of under €150,000.

$11,082 \text{ hl} * 13.1 \text{ €/hl} = 145\,174 \text{ €} (108\,881 \text{ € net on revenue}).$

The present duty free tariff quota for 2012 of 120,000 hl fully covers the present export level and will therefore not result in a loss of tariff revenue in 2012 and beyond.

Total imports of wheat from Moldova in 2009 amounted to 38,232 tonnes, which is fully within the present duty free tariff quota for 2012 of 50,000 tonnes, and therefore not resulting in loss of tariff revenue.

In the year 2009 the duty free tariff quotas for barley and maize had an unused balance of respectively 16.8 and 11.9 per cent, and remain therefore fully within the present duty free tariff quotas established for 2012, therefore also not resulting in any loss of tariff revenue.