

EASTERN EUROPE and CENTRAL ASIA

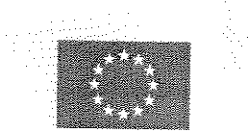
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Information Note to EU business operating and/or investing in Crimea/Sevastopol

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2014/265/CFSP, 2014/455/CFSP) and Council Regulation No. 269/2014, (amended 284/2014, 433/2014, 477/2014, 753/2014).

In addition, economic operators should note that an asset freeze has been imposed against 22 persons identified as being responsible for the misappropriation of Ukrainian state funds.

More details and lists can be found in Council Decision 2014/119/CFSP (amended on 14 April 2014), and Annex I to Council Regulations (EU) No 208/2014 and No. 381/2014.

The restrictive measures are kept under constant review. The Council may expand or reduce the number of natural or legal persons listed through the adoption of other Council Decisions and/or Regulations. Economic operators should therefore ensure that they are aware at all times of the current list of designated persons and entities.

It is prohibited making funds or economic resources available directly or indirectly to any person or entity that has been listed. Economic operators must determine based on the facts of each case whether engaging or continuing in business will breach this prohibition.

On 23 June 2014 the Council has adopted Council Decision 2014/386/CFSP and Council Regulation (EU) No 692/2014 prohibiting the import into the European Union of goods originating in Crimea or Sevastopol.

As of 25 June, goods originating in Crimea and Sevastopol may no longer be imported into the European Union, unless they are accompanied by a certificate of preferential origin granted by the Ukrainian authorities. Financial services, such as provision of financing, financial assistance, insurance and re-insurance services, related to the import of goods subject to the prohibition are equally forbidden.

More information is provided in [annex](#).

3. Situation on the ground

While non-recognition by the EU and its Member States of the illegal Russian annexation of Crimea/Sevastopol also means that the EU and its Member States do not recognise new Russian legislation on Crimean issues as valid, the fact remains that any businesses which desire to establish or continue business relations with Crimea/Sevastopol will have to do so bearing in mind that Russian legislation is *de facto* applied. The following paragraphs therefore seek to give some, necessarily incomplete, indication of what the *de facto* application of Russian legislation in Crimea/Sevastopol might entail for foreign businesses.

Traditional trade flows between Crimea/Sevastopol and the rest of Ukraine have been affected. The EU has prohibited the import of goods originating in Crimea or Sevastopol.

The regulatory framework is rapidly changing and remains unclear, adding risks for business operators. The Ukrainian law "On legal guarantees of people's rights and freedoms on the temporarily occupied territories of Ukraine" does not address economic

De facto prevalence of Russian law also implies that businesses exporting to Crimea/Sevastopol may be subject to the import tariffs and non-tariff barriers applied by Russia.³

Economic operators have also been faced with increased cost of haulage given increased waiting times at the border, increased transportation costs in Crimea as well as changes in transport routes. Furthermore, business is hampered by additional checks introduced at the "administrative line" between Crimea and the rest of Ukraine. Provision of supplies is generally becoming more difficult. Companies are often forced to switch from Ukrainian to Russian suppliers, but there is a lack of transportation capacities for deliveries out of Russia.

Ukrainian authorities have advised EU citizens not to visit Crimea and Sevastopol. Any EU citizen who wants to travel to this area will need to obtain a visa. ✓

As for physical persons present in Crimea, it should be noted that at this moment honorary consuls present in Crimea have suspended their activities. In cases of extreme urgency, some Member States might provide help through their consular services in neighbouring areas. ✓

4. Examples of affected sectors ✓

Banking

As a consequence of the illegal annexation, the Law of the Russian Federation "On Certain Aspects of the Functioning of the Financial System of Crimea and Sevastopol" that entered into force on 2 April 2014 requires banking activities in Crimea and Sevastopol to be brought under Russian supervision before 1 January 2015. Any operator that would fail to do so would then be forced to sell its assets to Russian supervised financial entities at that date. The Russian Central Bank has begun monitoring the Crimean banking sector, while on 6 May the National Bank of Ukraine ordered Ukrainian banks to cease operations in Crimea in view of its inability to perform banking regulation and monitoring on the Crimean peninsula. As a consequence only Russian supervised banking entities can perform banking activities in Crimea and Sevastopol. EU banks that were present in Crimea and Sevastopol before the illegal annexation decided to cease their activities. Generally, the payment system is in flux and transfers are impeded (payments in Ukrainian hryvnia from Crimea to continental Ukraine have been stopped). Companies have, thus, been or are likely to be forced to switch banks (e.g. to pay salaries) and to 'negotiate' with locally operating banks to receive cash. The Russian Central Bank has changed the currency from the Ukrainian hryvnia to the Russian rouble. Also, pensions are paid in Russian rouble.

³ For example, possible barriers faced by the automotive industry when entering Russia could include the application of Russia's WTO bound tariffs, the imposition of price references (through increasing the value of goods being exported), change of tariff codes to increase import duty rates, extortionate recycling fees and problems with customs procedures (e.g. several changes to the Russian certification logo to be placed on all products and packaging, effective retroactively).

ANNEX

Further information on restrictive measures

In general terms restrictive measures in force affect businesses operations in the following way:

- a) Due to the asset freezing measures, all funds and economic resources belonging to listed persons and entities should be frozen.

The terms 'funds', 'economic resources', 'freezing of funds', 'freezing of economic resources' are defined in Article 1 of Regulation (EU) No 269/2014. It should be noted that the freezing measures do not involve a change in ownership of the frozen funds and economic resources.

- b) Due to the prohibition on making funds or economic resources available directly or indirectly available to listed persons and entities, economic operators must not establish or maintain economic relations with listed persons or entities. In addition, economic operators are prohibited from making funds or economic resources available indirectly to listed persons or entities.

Specific guidelines on the implementation of the prohibition on making indirectly available of funds and economic resources to listed persons and entities can be found here: <http://register.consilium.europa.eu/pdf/en/13/st09/st09068.en13.pdf>.

- c) Due to restrictions on admission (travel ban), in principle no meetings with listed persons and entities can be held in the EU.

In certain cases derogations from the above restrictions (for example, in order to satisfy the basis needs of the listed persons) are allowed by the respective legal basis. Such derogations require prior authorisation by the competent authorities of the relevant Member State and a notification to the Commission and the Member States. The list of competent authorities of Member States can be found in Annex II to Council Regulation (EU) No 269/2014. The list of exemptions can be found in Council Regulation (EU) No 269/2014 (derogations from the asset freezing measures and the prohibition on making funds and economic resources available to listed persons and entities) and Council Decision 2014/145/CFSP (derogation from restrictions on admission to the EU).

On 23 June 2014 the Council has adopted Council Decision 2014/386/CFSP and Council Regulation (EU) No 692/2014 prohibiting the import into the European Union of goods originating in Crimea or Sevastopol. As of 25 June, goods originating in Crimea and Sevastopol may no longer be imported into the European Union. In addition, it will be prohibited to provide financial and insurance services related to the import of such goods. Goods originating in Crimea or Sevastopol having been granted by the Ukrainian authorities a certificate of preferential origin may, however, still be imported into the EU.

Goods from countries other than Ukraine are not affected by the import prohibition, even where they enter the European Union via Crimea or Sevastopol.

Further information on the implementation of restrictive measures can be found in the following documents: