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Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

UKRAINE

This report, prepared for the first Trade Policy Review of Ukraine, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Ukraine on its trade policies and practices.

Any technical questions arising from this report may be addressed to Cato Adrian (tel: 022/739 5469); and Thomas Friedheim (tel: 022/739 5083).

Document WT/TPR/G/334 contains the policy statement submitted by Ukraine.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Ukraine. This report was drafted in English.

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SUMMARY

1. Ukraine is one of the largest and most populous countries in Europe, endowed with some of the world's most fertile soils which help make it an important agricultural producer and a major exporter of agricultural commodities, particularly grains and oilseeds. Ukraine also manufactures a broad range of industrial goods, mostly a legacy of its industrialization during the time of the Soviet Union. Industrial output has been shifting gradually from heavy to light industries and food processing, while Ukraine has maintained its significant aviation and aerospace sectors. Services sectors have expanded rapidly since the abandonment of central planning following independence in 1991.

2. Ukraine was hit exceptionally hard by the global financial crisis that started in 2008. A strong economic rebound in 2010-11 was subsequently dampened by political instability, developments in the Crimea and then followed by a severe economic contraction with the outbreak of conflict in Eastern Ukraine. Real GDP contracted by nearly 7% in 2014 and another 16% in 2015. The conflict and the withdrawal of capital from certain foreign investors reduced foreign direct investment, which fell from more than US$8 billion in 2012 to US$410 million in 2014. The repercussions on remittances from Ukrainians living abroad has been less pronounced though noticeable. Depleting reserves of foreign exchange and steady downward pressure on the value of the national currency (the hryvnia) led to a series of measures, including exchange rate liberalization, in early 2015. At that point, Ukraine's international reserves covered less than one month of import requirements. Measured in US dollars, current GDP per capita in 2015 was less than US$1,000, one quarter of the level in 2013. Nonetheless, some signs of stabilization of the economy have emerged in 2015 as Ukraine has begun to implement reforms, which are supported by a new IMF programme.

3. Ukraine acceded to the WTO in 2008 with wide-ranging commitments on market access for goods and services and few transitional arrangements vis-à-vis the WTO rulebook. Ukraine joined the Information Technology Agreement upon accession and the plurilateral Agreement on Trade in Civil Aircraft in 2010. The terms of Ukraine's accession to the plurilateral Agreement on Government Procurement were approved in November 2015, and Ukraine should deposit its instrument of ratification to the WTO by 11 May 2016. Ukraine's ratification of the WTO Agreement on Trade Facilitation was completed on 16 December 2015. Since 2010, Ukraine has been involved in four cases as a complainant and three as a defendant.

4. Ukraine reserved its rights to renegotiate its tariff bindings under GATT Article XXVIII:5 in October 2011, and submitted a reservation list comprising 371 tariff lines in August 2012. The request was not favourably received, no negotiations took place, and the list was withdrawn in October 2014. Like many other WTO Members, Ukraine has also reserved its rights under the GATT 1994 for the period 2015-17.

5. All Ukraine's tariff lines are bound. The simple average bound rate is 6.1%; 10.8% for agricultural products versus 4.9% for manufactures. Ukraine's applied MFN rates were slightly below the bound levels at 9.6% (agriculture) and 3.6% (industrial goods) in 2015. With the exception of beer, wines, and some tobacco products, import duties are levied at ad valorem rates. The average applied MFN tariffs on industrial products exceed 10% only for clothing, footwear, various accessories, and articles of animal gut. In agriculture, the ad valorem MFN rates do not exceed 20% on any item other than sugar (50%) and sunflower seed oil (30%). Imports of raw cane sugar are regulated by an MFN tariff quota of 267,800 tonnes per year. However, sugar imports have been insignificant over the last four years.

6. Ukraine introduced a 13% import surcharge on certain goods in March 2009. The surcharge was eliminated in two stages in May and September 2009. The WTO Committee on Balance-of-Payments (BOP) Restrictions concluded that Ukraine's BOP situation had not justified the imposition of the measure, which had also been applied inconsistently with WTO provisions. In December 2014, Ukraine's Parliament passed legislation introducing a temporary import surcharge of 10% on agricultural products and 5% on industrial goods. The legislation entered into force on 25 February 2015 and remained in place until the end of the year, when it was eliminated as Ukraine had indicated to the WTO. The surcharge raised Hrv 25 billion in government revenue according to the Ministry of Finance of Ukraine.

7. Excise taxes are levied on beer, wine and spirits; tobacco and tobacco products; petroleum products, denatured alcohol, and biodiesel; motor vehicles; and electricity. The rates are revised annually. Most rates are specific, stipulated in national currency for alcoholic beverages and tobacco, and in euro for other goods. Ukraine introduced an electronic VAT administration system on 1 July 2015. Value added tax is levied on domestically produced and imported goods and services at a general rate of 20% and, since 1 January 2014, a reduced rate (7%) on medicines registered in Ukraine, medical supplies, and equipment for clinical trials. Exports, international transportation services, the maintenance of aircraft flying international routes, and supplies for sea vessels are zero rated. Other activities not subject to VAT include banking, insurance and reinsurance, asset management services, and lotteries. Time-limited VAT (and import duty) exemptions are accorded to the development of certain industries and projects, although the use of such benefits has been variable. Special and rather complex VAT regimes apply to agriculture, forestry, and fisheries where VAT is assessed on the output of the domestic primary producers and placed. However, the resulting amounts are not remitted to the Treasury, but accumulated in special accounts which the producers may use to finance investment goods, inputs or services. The "VAT accumulation" regime is by far Ukraine's most important support scheme for agriculture.

8. Agriculture benefits from support and, for some products, relatively high import protection, but is taxed through trade-related policies. The Government has applied various measures such as export quotas and export duties, and enterprises have experienced problems with the reimbursement of VAT on exports. Overall, according to OECD estimates, agricultural producers in Ukraine were taxed in recent years, as the incidence of the taxation measures has outweighed support and protection _ which could distort agriculture by decreasing incentives to produce.

9. Ukraine has notified industrial subsidies in the form of sectoral programmes (coal mining, shipbuilding, aircraft and aerospace manufacturing, agricultural machinery, and publications) and horizontal support measures, essentially tax concessions, available to firms operating in special economic zones, priority territories, and technological parks. The coal industry has been the principal recipient of this support, although payments declined during 2014 as production was affected by the conflict in the east. In addition, the challenging economic environment in recent years has prompted transfers from the state budget, capital injections, or tax concessions. In response to a banking crisis that erupted in 2014, the Government and the National Bank of Ukraine have provided liquidity support to banks, recapitalized banks or withdrawn licences and liquidated insolvent banks. The Ukrainian government raised Hrv 52.3 billion from the issue of special bonds between 2008 and 2011, using the proceeds to acquire stocks in ailing banks.

10. State guarantees, concessional credits, direct financing and share capital are also used in the energy sector to encourage the construction or rehabilitation of power plants, power transmission lines, and to increase the reliability of the electricity supply. The registered capital of the State-owned "Naftogaz Ukraine" was raised by nearly Hrv 100 billion from 2010 to 2015 to cover losses from the sale of imported natural gas to the users, i.e. the general population and heating plants. Gas prices charged to households were increased by 285% on average in April 2015 and a further 67% in May 2015, although full cost recovery on gas and heating tariffs is not programmed until April 2017.

11. The production of biofuels is supported by VAT and duty exemptions on imported machinery and equipment, zero-rated excise duty on bioethanol, and exemptions from corporate income tax. The Law "On Electric Power Industry" was amended in June 2015, replacing earlier local content requirements with a premium payment on the feed-in tariff for "green" (i.e. alternative source) energy. The premium amounts to 5% when the local component ratio is at least 30%, rising to 10% for a local component ratio of 50% or more, and is applicable to equipment and plants commissioned between 1 July 2015 and 31 December 2024. Local content requirements for manufacturers of agricultural machinery have been in effect since May 2013.

12. The Law "On Foreign Economic Activities" provides the basic legal framework for the imposition of non-tariff measures. Activity licensing has not been required for the importation (or exportation) of any products since June 2015. However, alcoholic beverages and tobacco products are subject to import/export permits under separate legislation. Wine and spirits are also subject to minimum wholesale and retail prices, imposed only on domestic production in 2008, but extended to imports since 2014.

13. The Cabinet of Ministers is authorized to establish lists of goods subject to import or export licensing and import/export quotas. In 2015, automatic licensing was applied to ozone depleting substances and products containing such substances (Montreal Protocol), optical polycarbonates and machinery for the manufacture of disks for laser-reading systems. Import quotas were enforced on coking and bituminous coal, coke and semi-coke during a seven-month period in 2013. At present, import quotas (enforced through non-automatic licensing) are only applied in connection with safeguard measures on certain seamless steel pipes. Additional import duty, as a safeguard measure, is applied to tableware and kitchenware of porcelain. In response to a WTO panel's findings, a safeguard duty on certain motor vehicles was terminated on 30 September 2015. Ukraine imposes no countervailing measures, but one investigation is on-going. Anti-dumping measures in force affect imports of certain goods from Belarus, China, Kyrgyz Republic, and the Russian Federation.

14. As part of its WTO accession terms, Ukraine committed to reducing its export duties on live cattle, oilseeds, raw hides and skins, and scrap metal. Natural gas produced in Ukraine, and exported in liquefied or gaseous form, became subject to export duties in 2008. However, the tax was cancelled for exports to members of the Energy Community in 2014. Export duties were applied temporarily on certain cereals in the second half of 2011. A ten-year ban on the export of unprocessed timber came into force on 1 November 2015. For pine logs, the ban is applicable from 1 January 2017.

15. Ukraine has concluded free trade agreements with the EFTA States, the Former Yugoslav Republic of Macedonia, Montenegro, and Canada. The latter agreement is not yet in force. Within the Commonwealth of Independent States, Ukraine has ratified the Agreement on the CIS Free Trade Area and participated in some earlier common agreements, although de facto market access has largely been determined by the bilateral free trade agreements between the constituents of the former Soviet Union. As Ukrainian tariffs are generally low - nearly 38% of the tariff lines face no import duty on an MFN basis - the preferential margins offered through the FTAs are limited.

16. Regarding the European Union, relations based on a Partnership and Cooperation Agreement (1998) took a step further with the launch of negotiations to reach an Association Agreement, including a Deep and Comprehensive Free Trade Area (DCFTA), in 2007. Provisional application of parts of the Association Agreement began on 1 November 2014, followed by full application from 1 January 2016. The EU and Ukraine have agreed to establish a free trade area over a period of maximum 10 years. Import duties on industrial products are generally eliminated up front, while import duties on agricultural products are either eliminated immediately, gradually (over 10 years), or with the use of tariff quotas. Ukraine will terminate its export duties in trade with the EU by 1 January 2024. The parties have not foregone the right to apply trade remedy legislation in bilateral trade, but a public interest test may be required before the imposition of measures. Ukraine may maintain a safeguard measure on passenger cars imported from the EU for 15 years.

17. Ukraine will be aligning its technical regulations and standards to those of the EU. In the future, an Agreement on Conformity Assessment and Acceptance of Industrial Products is to be concluded, ensuring that Ukrainian goods may circulate on the same conditions as EU products in a single market for the products covered by the agreement. Ukraine has also committed to aligning its SPS and animal welfare legislation with the EU aquis communautaire.

18. The DCFTA provides for a mutual right of establishment in all sectors, including services, except for those recorded on a negative list. Ukraine is to implement the existing and future EU acquis in financial services, telecommunications, postal and courier services, and international maritime services. Once accomplished, Ukrainian services providers will have the same access to the internal market as EU suppliers. In government procurement (except defence-rated procurement), open and non-discriminatory mutual access is to be achieved though Ukraine's gradual adoption of the EU acquis. Enforcement of intellectual property rights is to be based on EU internal rules which, once effectively applied, should improve IP protection in Ukraine. Under the DCFTA, Ukraine is to implement the most relevant EU legislation governing electricity and gas. For industrial subsidies, Ukraine is to set up a system of independent control of state aids similar to that of the EU, and particularly distortive subsidies are to be eliminated. The DCFTA does not extend to agriculture and fisheries subsidies.

19. Although many privatizations have been carried out since 1992, some 3,500 enterprises remain in public ownership, of which about 1,400 are economically active. Objects of "national

importance" for reasons of national security, public health, environmental considerations, social development and the like have been excluded from privatization. The public sector, accounting for approximately 37% of Ukraine's GDP according to official estimates, dominates sectors relating inter alia to infrastructure, mining, and energy. The economic performance of many SOEs is poor, their combined operational losses weigh heavily on the state budget, and accumulated liabilities could be a long term threat to the financial stability of the economy. The present government has embarked on a reform agenda including objectives such as budgetary consolidation and better transparency of budgetary expenditures, strengthened corporate governance, corporate restructuring, and more transparent privatization. In the insurance sector, Ukraine has amended its legal framework in line with its WTO accession commitments and opened its market to branches of foreign insurance companies (effective since May 2013).

20. WTO Membership locked Ukraine into a generally liberal and non-discriminatory trade regime towards the rest of the world. Through implementation of the Association Agreement with the EU, Ukraine has chosen benchmarks for further development and modernization of the Ukrainian economy according to EU standards. Nonetheless, political and economic reforms may face challenges from vested interests and corruption. In the short to medium term, Ukraine's economic performance will be determined by the path for resolving the conflict affecting parts of the country. However, in the long run, consistent and determined implementation of reforms will help lift the Ukrainian economy from its present doldrums towards its true potential.

1 ECONOMIC ENVIRONMENT

1.1 Main Features

1.1. Ukraine was exceptionally hard hit by the global financial crisis and, following a short-lived economic rebound in 2010-11, successively challenged with political instability, developments in the Crimea, and armed conflict in Eastern Ukraine. Since 2008, several loans from international financial institutions and donors were necessary to help weather one economic crisis after another. Ukraine is facing tremendous challenges in catching up with income levels elsewhere in Europe. The average per capita income was US$3,560 in 2014 – roughly 10% of the EU level – down from US$3,760 in 2013.[1] Demographics in Ukraine have not been favourable for economic development. The population has shrunk to 45.43 million (January 2014), from 51.9 million at independence in 1991.

1.2. Richly endowed with fertile soils, agriculture has emerged as a key growth sector; this is also reflected in Ukraine's position as a major world exporter of grains and oilseeds. Agriculture's share in the Ukrainian economy has been increasing steadily, reaching about 10.3% of GDP[2] in 2014 (Table A1.1) – unlike many countries, where agriculture shows a secular decline. Far from being an agrarian economy, Ukraine has long been highly urbanized owing to "forced industrialization" during Soviet Union times. Steel is traditionally the number one export, but Ukraine has also inherited a number of high-tech industries in aviation, aerospace and other sectors. The food industry has overtaken the machine-building, metallurgical and chemical industries as the leading industry in terms of output. This shift reflects a restructuring of the economy from heavy to light industries benefitting from growing demand for consumer goods. The manufacturing sector contributed about 11.4% to GDP in 2014. In the services sector, there have been no major changes among the sub-sectors in terms of their contribution to GDP. In 2015, wholesale and retail trade and repair of automobiles represented 14.4% of GDP, and transport and storage 7.5% (Table A1.1).

1.3. The State continues to play a major role throughout the Ukrainian economy (Section 3.4.8)[3], the reform of which is hampered by vested interests and corruption. Ukraine scores poorly in international surveys on corruption.[4] A recent study by the Government of Ukraine concludes that "there is widespread agreement in Ukraine that corruption is pervasive and oppressive, that the business climate is severely hampered by an overbearing and opaque regulatory framework, and that the judiciary is ineffective in resolving commercial disputes in a consistent, timely and transparent manner".[5]

1.2 Economic Developments

1.4. Ukraine acceded to the WTO in May 2008 with extensive commitments on trade in goods and services, and limited flexibilities and transitions *vis-à-vis* the WTO rulebook. The ambitious trade reform package leading to WTO accession was completed amid a relatively benign external environment. The Ukrainian economy experienced a boom with real GDP growth averaging around 7% in 2000-08, driven by investment (FDI) and consumption, and high commodity prices for metals. However, with a growing current account deficit and bank credit risks rising from a credit boom, the overheating economy was vulnerable to a hard landing.

1.5. The global financial crisis in 2008-09 led to a deep recession in Ukraine (Table A1.1). Real GDP fell by 7.8% in the fourth quarter of 2008 (year-on-year), followed by a 20% drop in the first quarter of 2009. Foreign loans to cover a large current account deficit dried up and prompted a sharp devaluation in 2009 of the national currency, the hryvnia (UAH), from around Hrv 5.05/US$[6]

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[1] Ukraine is the second poorest country in Europe on a per capita PPP basis. World Bank online information. Viewed at: http://data.worldbank.org/country/ukraine and http://data.worldbank.org/country/EUU.

[2] Including forestry and fisheries.

[3] According to the IMF, Ukraine has 1,833 operational state-owned enterprises, with assets equivalent to about 50% of GDP, and contributing an estimated 10% to GDP. See IMF (2015b).

[4] See, for example: Transparency International online information. Viewed at https://www.transparency.org/country/#UKR; and IMF (2015b), page 32.

[5] Government of Ukraine (2014).

[6] The exchange rate regime had been a managed float since March 2005, according to the IMF.

to Hrv 8.0/US$. The financial squeeze was intensified by massive outflows of hryvnia deposits from the banks and currency flight.

1.6. Like in many other countries, the recession in Ukraine bottomed out in the first half of 2009 and growth resumed from a low base. Within the two-year period 2010-11, real GDP increased by about 10%[7], a recovery of more than a half of the recession drop. Export-oriented industries such as metallurgy and the chemical industry benefitted from the devaluation and more favourable economic conditions abroad. Over the two years, industrial output increased by 21.2%, offsetting more than two-thirds of the crisis drop.

1.7. The recovery was supported by a set of measures within the framework of the Programme of Economic Reforms of the President of Ukraine for 2010-14. The programme included public investments (such as infrastructure repair ahead of the European Football Championship 2012 co-hosted by Ukraine) and improvements in the business environment. A new Tax Code entered into force in 2010 lowering the corporate income tax and VAT rates (to the current standard rate of 20%), a new Customs Code was adopted in 2012 streamlining the customs procedures, and Ukraine's double-taxation agreement with Cyprus (the premier source of inward FDI) was amended in an effort to address tax evasion. A pension reform was passed aligning the legal retirement age for woman with that for men at 60, as well as increasing the number of contributory years for pension eligibility.

1.8. Some measure of stability was thus restored in public finances. The State Budget for 2011 was executed with a deficit of Hrv 23.6 billion (1.8% of GDP), compared with a deficit of 4.1% in 2009 (Table A1.1). By the end of 2011, the ratio of government and government-backed debt to GDP declined to 36.3% (down from 39.9% one year earlier).

1.9. By the second half of 2012, the Ukrainian economy had slipped back into recession, due to an unfavourable global economic environment and the completion of some large infrastructure projects. Overall, the economy posted 0.2% real GDP growth in 2012, with contractions notably in construction (down 8.3%), and agriculture (down 3.9%, albeit after a record grain harvest in the previous year). The current account deficit widened to 8.2% of GDP in 2012.

1.10. In spite of mounting civil unrest in late 2013 (Euromaidan), the Ukrainian economy grew again in the fourth quarter of 2013 (up 3.4% year-on-year), mainly owing to another record harvest and growing retail sales. The National Bank of Ukraine continued to peg the exchange rate of the hryvnia at Hrv 7.993/US$ (end of December), an overvalued rate according to the IMF, since the 2009 devaluation had been eroded by high real wage growth.[8] As a result, international reserves declined from US$24.5 billion on 1 January 2013 to US$20.4 billion by 1 January 2014.

1.11. The aggravation of the political and military conflict, and deteriorating trade relations with the Russian Federation, took a heavy toll on the Ukrainian economy in 2014. Annual GDP contracted by 6.8%[9] in 2014, with industrial output dropping by 10.1%, retail sales by 12.1% and construction by 20.4%. Most affected by the slump was the Donbass region (Donetsk and Luhansk oblasts) with severe disruptions in the coal, steel and manufacturing industries.[10] Tourism declined sharply after the crash of a Malaysian Airlines plane in July 2014. Furthermore, early in 2014, the economic and political situation led to a banking crisis with a large outflow of deposits, bank losses, and numerous banks not meeting regulatory requirements. A restructuring and recapitalization of the banking sector has since taken place (Section 4.5.2.1).

1.12. Starting from February 2014, the National Bank of Ukraine (NBU) announced a gradual transition to a flexible exchange rate mechanism, leading to a severe depreciation of the hryvnia against the US dollar in the course of 2014: the official exchange rate of hryvnia to the US dollar stood at Hrv 15.8/US$ at end-December 2014. By year end 2014, Ukraine's consolidated balance-of-payments deficit reached US$13.3 billion, financed mainly at the expense of a draw-down of international reserves (a reduction of US$12.4 billion within one year). In

[7] Data provided by the authorities, excluding the Crimea.

[8] In 2012, a requirement to surrender 50% of export earnings was introduced, amongst other administrative measures, to support the exchange rate (IMF, 2013, p. 11).

[9] Excluding the Crimea.

[10] In 2012, the Donbass contributed about 16% to GDP. See IMF (2014), p. 6.

December 2014, the Government approved a temporary import surcharge for balance-of-payments reasons, which was implemented from 25 February 2015 (Section 3.2.2).

1.13. By early 2015, Ukraine plunged deeper into financial crisis. The disruptions in production and trade, loss of confidence in the banking system and currency flight, amongst other factors, led to a further depletion of international reserves, as the NBU defended the exchange rate of the hryvnia. The NBU decided that from 5 February 2015, the exchange rate would be determined by market forces on the interbank foreign exchange market of Ukraine. The exchange rate liberalization led to a short spell of severe fluctuations in the hryvnia which fell to Hrv 30 against the US dollar on 26 February 2015. By 1 March 2015, international reserves had dwindled to US$5.6 billion, covering less than one month of import requirements.

1.14. The Ukrainian Government arranged a new financial stabilization programme with the IMF, which was approved in March 2015 and provides about US$17.5 billion in financing over four years. The hryvnia-US dollar exchange rate subsequently stabilized at around Hrv 21–23/US$ following monetary tightening by the NBU. The foreign exchange market remained relatively stable during April-October 2015, which enabled the NBU to launch foreign exchange purchase auctions in September 2015 to accumulate international reserves.

1.15. In October 2015, the NBU started to gradually relax currency and capital restrictions[11] that had been introduced in 2014 and early 2015 to prevent capital flight and further depreciation of the hryvnia.[12] Nonetheless, a number of restrictions on payments and transfers for current international transactions remain in place: (a) surrender requirements: 75% of foreign currency proceeds (effective from 23 September 2014); (b) completion of export and import transactions (delivery to payment) within 90 days (effective from 19 November 2012); (c) prohibition of repatriation of dividends and proceeds from the sale of securities, except sovereign bonds (effective from 3 December 2014); (d) limitation of foreign currency withdrawal from current and deposit accounts of clients at cash desks and ATMs to the equivalent of Hrv 20,000 per day per client (effective from 4 September 2015)[13]; and (e) limitation of foreign cash sales per person and per business day, not exceeding the equivalent of Hrv 3,000 per bank (effective from 3 September 2015).

1.16. Inflation was low during 2012-13, but started to pick up in 2014 along with the exchange rate depreciation of the hryvnia. In early 2015, the consumer price index surged temporarily (up 61% in April year-on-year) reflecting the major exchange rate depreciation in February, and increases in energy tariffs. The National Bank of Ukraine tightened its monetary policy, raising the policy interest rate from 19.5% to 30%, effective from 4 March 2015. Since May 2015, a disinflation trend and stabilization of the foreign exchange market have allowed the NBU to start easing its monetary policy stance. The discount rate was reduced to 27% on 28 August 2015 and then to 22% from 25 September 2015. According to the authorities, the inflation rate in the period January-September 2015 is estimated at 49.9%, compared with the same period in 2014.

1.17. The March 2015 IMF programme is being supplemented by a reform programme to restore economic stability and sustainable growth (letter of intent), which includes a number of fiscal measures to reduce the budget deficit and the public debt.[14]

1.18. The Government is in the process of tackling energy subsidies and the related Naftogaz losses and arrears, which significantly contributed to its rising fiscal deficit (Table A1.1). By 2014, the wider budget deficit of the Government, which includes Naftogaz, had reached over 10% of GDP. In April 2015, gas prices charged to households were raised by 285% on average, followed by a 67% increase in heating tariffs in May 2015 and cushioned by assistance for vulnerable households. Nonetheless, Ukrainian gas tariffs are among the lowest in the region and remain

[11] See NBU Board Resolutions No. 718 of 22 October 2015 "on Amendments to NBU Board Resolution No. 581" (effective from 23 October 2015) and No. 581 of 3 September 2015 "on Regulating the Situation on the Monetary and Currency Markets of Ukraine".

[12] Resolution No. 49 of 6 February 2014 "on Measures relating to Banks' Activities and the Conduct of Foreign Exchange Transactions".

[13] The limit was introduced at the equivalent of Hrv 15,000 by NBU Board Resolution No. 104 of 27 February 2014 (effective 28 February 2014), as amended by NBU Board Resolution No. 581 of 3 September 2015 "on Regulating the Situation on the Monetary and Currency Markets of Ukraine" (effective from 4 September 2015).

[14] This involves notably efforts to restructure the public debt.

significantly below international cost prices. The Government has announced further increases of gas and heating tariffs (towards 75% of cost recovery by April 2016 and 100% by April 2017).[15]

1.19. Taxes on international trade, including import duties and export taxes, contributed approximately Hrv 12.6 billion, or 2.0%, to total government revenues in 2014 (Chart 1.1).[16] In 2015, international trade taxes were projected to rise to about Hrv 35 billion.[17] This one-off increase reflects, for the most part, the import surcharge (Section 3.2.2). By the end of December 2015, the import surcharge had raised Hrv 25 billion (around US$1billion) in government revenue.

1.20. Further fiscal consolidation measures include an increase in the royalty rates for natural resources (subsoil use taxes) in 2014, initially on a temporary basis, but extended through the amended 2015 State Budget (Section 4.3.2). The Government has undertaken to align its royalty regime for natural resources with international best practice.[18] The Government has also undertaken to reform agricultural taxation and bring the preferential VAT regime for agriculture under the general VAT regime (Section 4.1.3).

1.21. Ukraine's real GDP is estimated to have contracted by 15.8% in the first three quarters of 2015 compared with the same period in 2014 (Table A1.1). The economic crisis has been accompanied by rising unemployment and declining real incomes. Nevertheless, "signs of stabilization are emerging", according to the IMF.[19] The government budget was virtually balanced over the first nine months of 2015 (albeit without taking into account the Naftogaz deficit). While the public debt was expected to increase to over 90% of GDP (mainly due to the exchange rate depreciation and bank recapitalization), it is considered sustainable by the IMF.

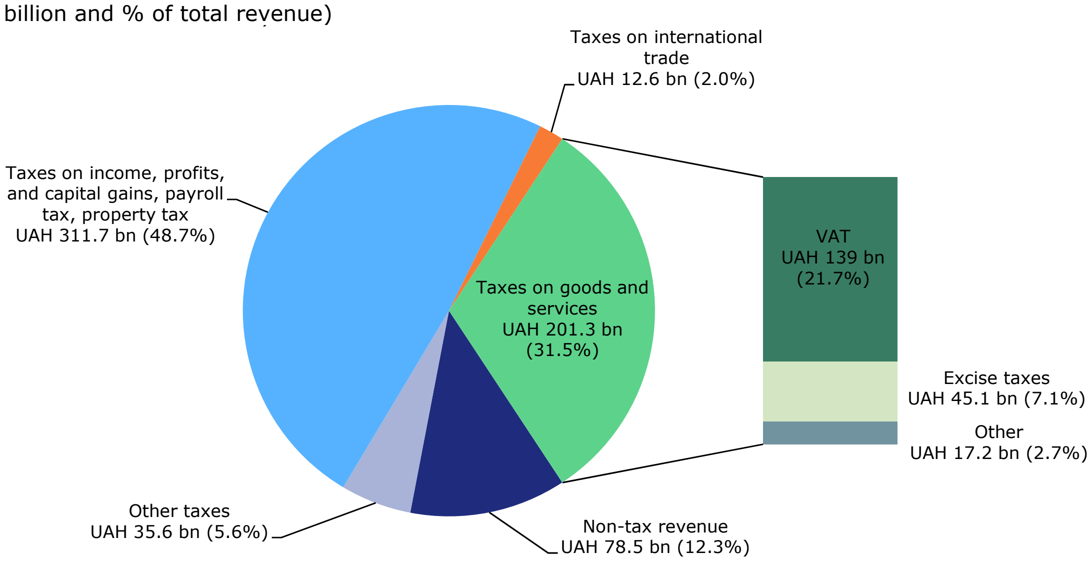
1.22. The current account deficit had already declined significantly in 2014 (US$4.6 billion or 3.5% of GDP, down from 9.0% of GDP in 2013). The deficit narrowed further in the first quarter of 2015 and moved into surplus in the second and third quarters: the accumulated deficit for the first nine months of 2015 was US$2 million.[20] The improvement was mainly due to lower imports, as exports remained weak. By October 2015, foreign exchange reserves had recovered to around US$13 billion (the equivalent of 2.8 months of imports), owing to the disbursement of IMF support, exchange rate depreciation, currency and capital restrictions, and the import surcharge. The import surcharge expired on 1 January 2016 (Section 3.2.2).

1.23. The IMF expects the economic decline to bottom out in 2015 and growth to reach about 2% in 2016, supported by returning consumer and investor confidence, better export performance, and a gradual easing of credit conditions. The IMF acknowledged that progress has been made regarding the rehabilitation of the banking system and that steps have been taken to improve the business environment to promote privatization and improve governance, but cautions that considerable further efforts in these areas remain critical for restoring robust and sustainable economic growth.[21]

[15] IMF (2015b), p.16.
[16] The Government recently launched a new internet portal with public finance data to improve the transparency of government spending. See Ministry of Finance online information.
[17] IMF (2015b), p. 48.
[18] IMF (2015a), p. 95.
[19] IMF (2015b).
[20] The current account posted a deficit of US$537 million in the first quarter of 2015, and a surplus of US$266 million and US$269 million in the second quarter and third quarter of 2015.
[21] See IMF online information. Viewed at: https://www.imf.org/external/np/sec/pr/2015/pr15457.htm.

Chart 1.1 Government revenue, 2014

(UAH billion and % of total revenue)



Source: IMF (2015b).

1.3 Developments in Trade

1.24. Ukraine's trade in goods and services since 2008 has shown large fluctuations from year to year because of shocks and disruptions of economic activity. The dollar value of the trade flows was also influenced by several sharp currency devaluations.

1.25. Iron and steel have traditionally been the main export products and continue to play a major role in Ukraine's trade, accounting for 25.6% of total exports in 2014 (Chart 1.2 and Table A1.2). However, iron and steel export volumes and values have declined significantly in recent years, particularly since 2012. Agricultural products, as a group, now occupy the first place in Ukraine's exports. Agricultural exports surged from US$11.3 billion in 2008 to US$17.5 billion in 2014, triggering a boom in Ukrainian agriculture, especially in the oilseeds, grains and poultry sectors.

1.26. The EU and the Russian Federation remained Ukraine's top export destinations during 2008-14. However, trade data show some redirection of exports away from the Russian Federation and other CIS countries towards the EU and Asia, notably China and India (Chart 1.3 and Table A1.4). Merchandise trade between Ukraine and the Russian Federation started declining in 2013 as these countries became engaged in trade sanctions, followed by a massive fall in bilateral trade in 2014.[22] Products most affected by the drop in bilateral trade between 2013 and 2014 include gas, oil and petroleum products; iron and steel; tubes, road vehicles and other transport equipment (including railway rolling stock); machinery, notably electric and power generating machines; and dairy products.

1.27. Ukraine had a trade deficit in goods during 2008-14, which reflected its high consumption and imports of fuel. Nevertheless, the fuel import bill was cut almost in half between 2011 and 2014 (from US$28.6 billion to US$15.1 billion), due to both volume and price savings. Nevertheless, well over half of Ukraine's demand for natural gas was met by imports in 2013, sourced almost exclusively from the Russian Federation. Gas imports from the Russian Federation were interrupted in June 2014 following a dispute over the price of natural gas between Gazprom and Naftogaz. The dispute has prompted a shift in Ukraine's supply sources towards EU countries (Chart 1.4). Ukraine also recorded a sharp drop in gas imports from Kazakhstan, Turkmenistan and Uzbekistan, which is the main reason behind the fall in the share of Ukraine's imports from "other CIS countries" (1.4% in 2014, down from 13.3% in 2008) (Chart 1.3 and Table A1.5).

[22] Imports from the Russian Federation fell from US$23.2 billion in 2013 to US$12.7 billion in 2014; exports to the Russian Federation dropped from US$15.1 billion in 2013 to US$9.8 billion in 2014.

1.28. Disruptions in production, falling global commodity prices and further deterioration of trade relations with the Russian Federation continued to weigh on Ukraine's export performance in 2015. Merchandise export values in the period January-September 2015 dropped by 33.5% compared with the same period in 2014, mainly reflecting reduced exports of metallurgical and mineral products, machinery and equipment. Although Ukraine's agricultural exports were also affected, they were supported by a good harvest and improved access to the EU market. Merchandise imports also declined sharply (by 36.2% during January-September 2015 compared with the same period in 2014), due to weak production activity, falling real household incomes, hryvnia devaluation, introduction of the import surcharge, and lower commodity prices. As a result, the deficit in Ukraine's merchandise trade continued to decline to US$2.0 billion in the January to September 2015 period (58.4% lower than in the corresponding period of 2014).

1.29. Ukraine is traditionally a net exporter of services, mainly owing to large surpluses in transportation; telecom, computer and information services; and other business services (Table A1.1). It is an important transit country for transporting natural gas and oil via Ukrainian pipelines. Its surplus for pipeline transport amounted to US$2.2 billion in 2014 (down from US$3.3 billion in 2013). The surplus for telecom, computer and information services increased from US$61 million in 2008 to US$1.46 billion in 2014. On the other hand, the surplus for travel in 2008 (US$1.75 billion) has turned negative from 2011 onwards and increased to a US$3.45 billion deficit by 2014, as incoming tourism to Ukraine collapsed.

1.30. The surplus of Ukraine's foreign trade in services narrowed to US$1.6 billion in January-September 2015, mainly on account of a lower surplus in transportation. The surplus for pipeline transport services decreased to US$1.6 billion but remained the principal contributor to the overall services surplus, as the Russian Federation revoked restrictions on gas transit through Ukraine in March 2015. But weak economic activity exerted a toll on exports of other transport services. The balance of travel services remained negative at US$2.5 billion during the January-September period of 2015, as incoming tourism remained weak and visitors' expenditures in dollar equivalents declined. However, the deficit for travel slightly narrowed compared with the corresponding period in 2014 amid subdued outward tourism, adversely affected by the hryvnia devaluation and falling real household incomes.

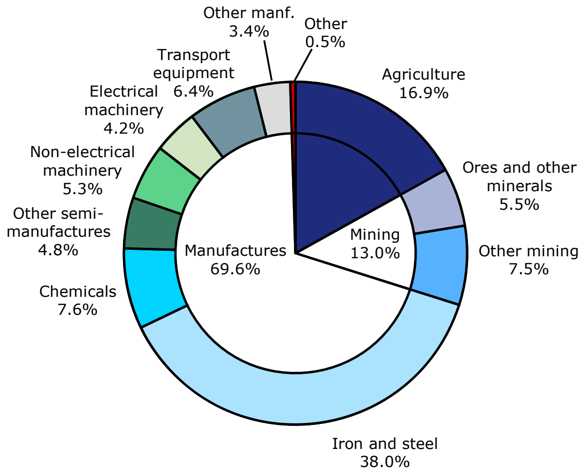
1.31. Remittances from Ukrainians living abroad are also an important contributor to the current account and a source of foreign currency. Remittances from abroad amounted to US$8.5 billion in 2013 (almost 5% of GDP), mainly from the Russian Federation, the United States and EU member States. In 2014, remittances dropped to US$6.5 billion (Table A1.1).

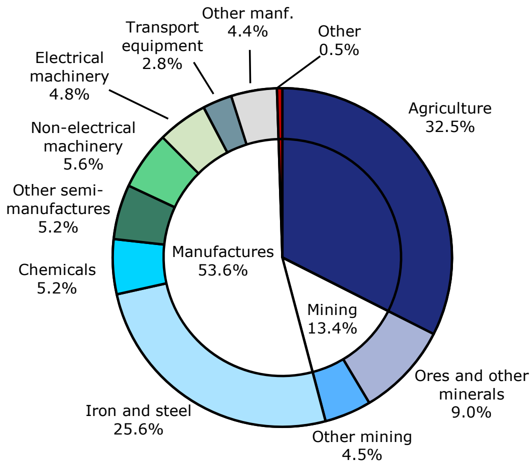
Chart 1.2 Composition of merchandise trade, 2008 and 2014

(%)

2008	**2014**

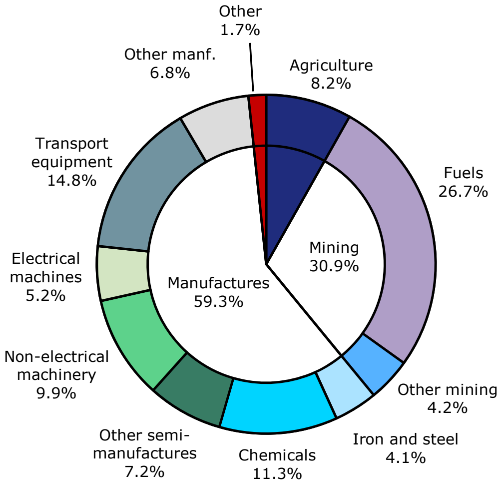
(a) Exports (f.o.b.)

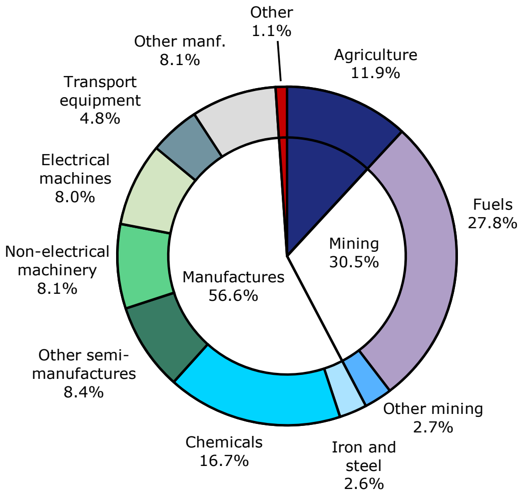




Total: US$67.0 billion | **Total: US$53.9 billion**

(b) Imports (c.i.f.)





Total: US$85.4 billion | **Total: US$54.4 billion**

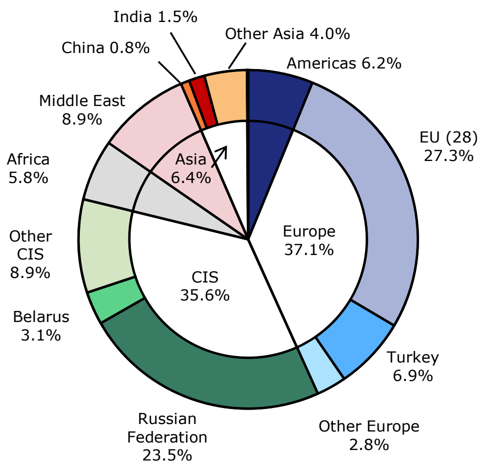
Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3).

Chart 1.3 Direction of merchandise trade, 2008 and 2014

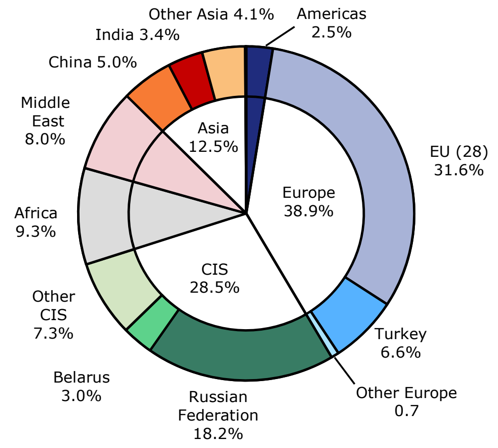
(%)

2008 **2014**

(a) Exports (f.o.b.)

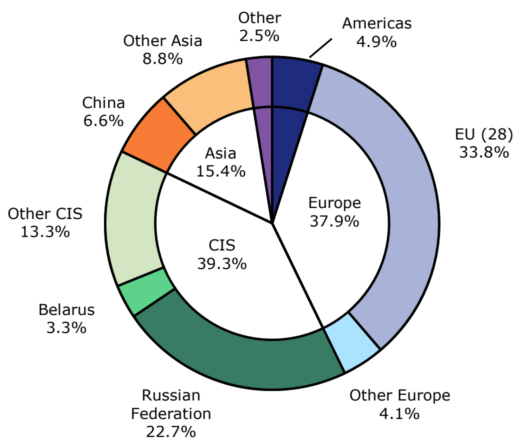


Total: US$67.0 billion

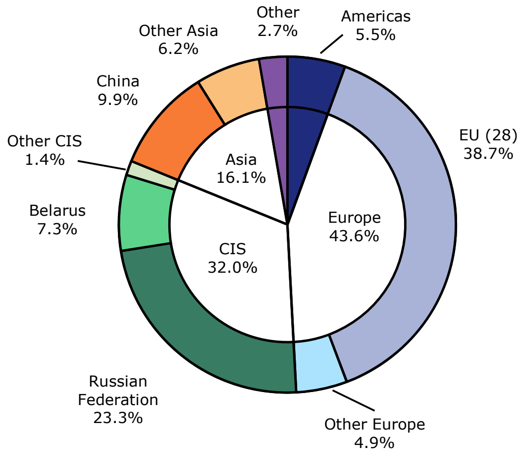


Total: US$53.9 billion

(b) Imports (c.i.f.)



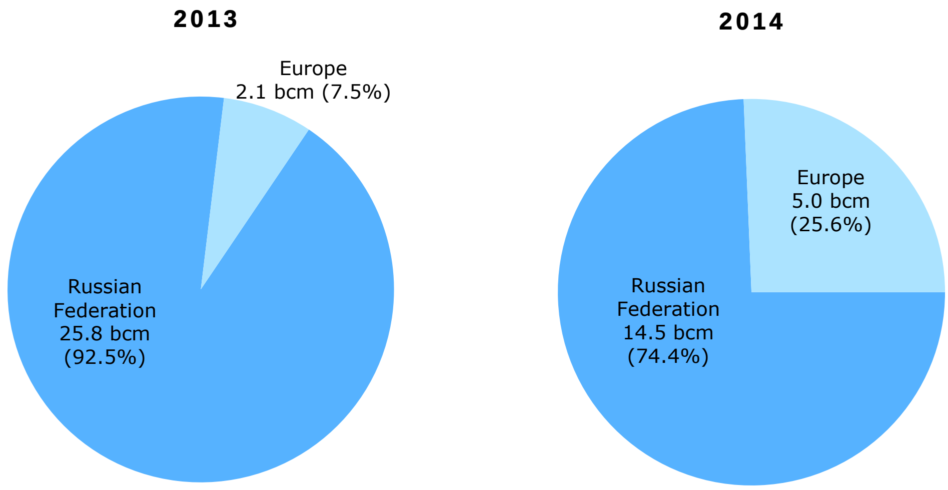
Total: US$85.4 billion



Total: US$54.4 billion

Source: WTO Secretariat calculations, based on UNSD, Comtrade database.

Chart 1.4 Gas imports of Ukraine, 2013-14



Note: Bcm refers to billion cubic meters.

Source: Naftogaz Europe. Viewed at: http://naftogaz-europe.com/article/en/Gasimports2014.

1.4 Foreign Direct Investment

1.32. Foreign direct investment (FDI) into Ukraine was modest until 2005. Thereafter, FDI averaged US$7.8 billion per year during 2005-07, and peaked at nearly US$11 billion in 2008 (Chart 1.5). Inward FDI flows fell by 90% from 2013 to 2014, hitting its lowest level in 15 years. The decline is attributed mainly to the withdrawal of capital by investors based in the Russian Federation and Cyprus.[23] The stock of FDI reached US$79 billion in 2013, and fell to US$64 billion at the end of 2014. However, this apparent reduction (in US dollar terms) could be ascribed principally to the depreciation of the hryvnia.[24] The European Union (principally Cyprus, Germany, and the Netherlands) accounts for around 78% of the FDI into Ukraine. According to UNCTAD, the investments are predominantly in services, notably in financial intermediation and trade, due to the quick returns to investors offered by these sectors.[25] FDI in Ukrainian manufacturing industries is concentrated in the production of metals, food and beverages.

1.33. Outward FDI reached US$1 billion in 2008 and US$1.2 billion in 2012, but despite substantial fluctuations year-to-year, the flows have generally been modest. At the end of 2014, the stock of outward investment from Ukraine stood at US$9.7 billion, practically unchanged from the year before.[26] Cyprus is the principal destination for outward FDI from Ukraine.[27] Outward investments are primarily in enterprises providing engineering or real estate consultancy services.

[23] UNCTAD (2015).

[24] Measured against Ukraine's gross domestic product, the FDI stock to GDP ratio jumped from 43.9% in 2013 to 48.8% in 2014.

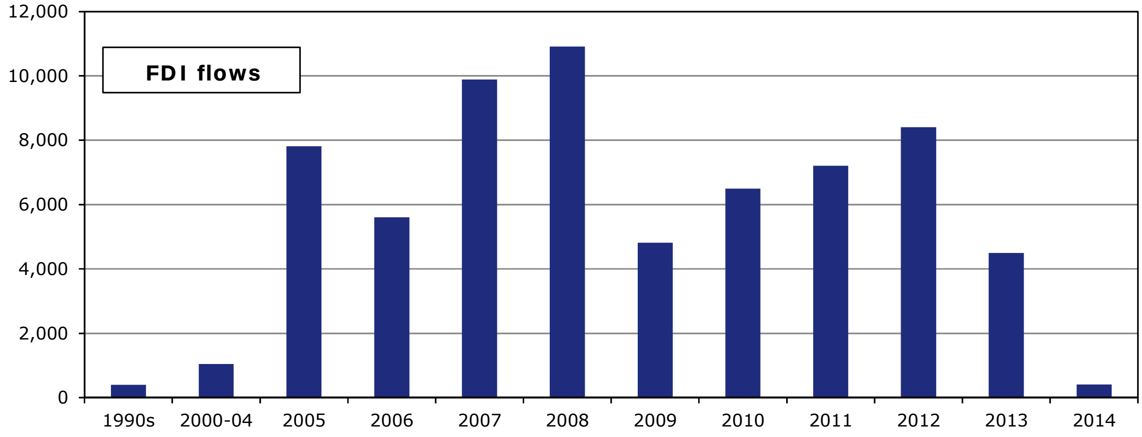
[25] UNCTAD (2012).

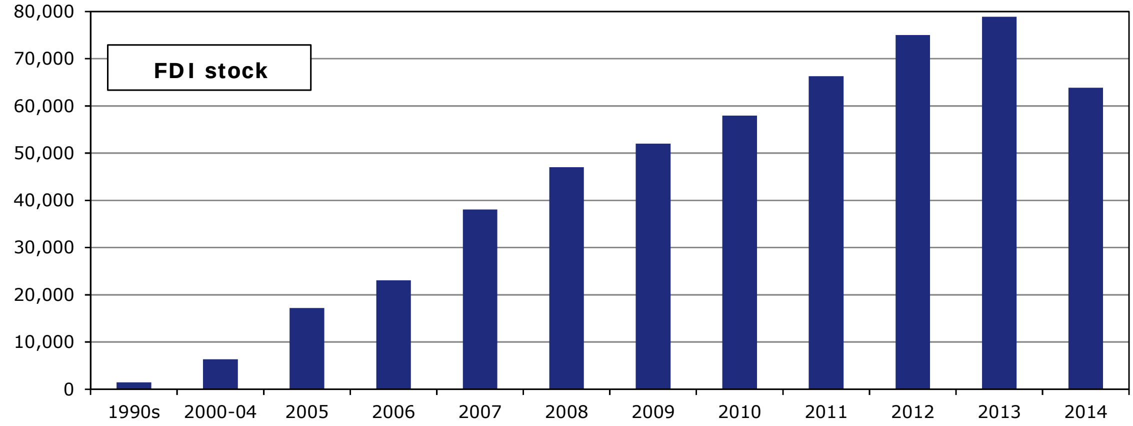
[26] All outward investment involving the use of foreign currency by Ukrainian residents is regulated according to the National Bank's Order No. 122 "on the Approval of the Instruction for the Delivery of Individual Licences to Carry out Investments Abroad" of 16 March 1999.

[27] The original bilateral agreement between Ukraine and Cyprus on the avoidance of double taxation allowed for 0% withholding tax on payments of dividends, interest, and royalties. A revised agreement in force since 1 January 2014 establishes withholding tax rates for interest payments (2%), dividends (5% or 15%), and for royalties (5% or 10%).

Chart 1.5 FDI in Ukraine, 1990s-2014

(US$ million)





Source: UNCTAD Stat., and UNCTAD, *World Investment Report 2015*.

2 TRADE AND INVESTMENT REGIME

2.1 General Framework

2.1. The Constitution of Ukraine of 28 June 1996, as amended and supplemented until 2014[1], proclaims Ukraine a democratic State with power divided between the legislative, executive and judicial branches of government (Article 6). Legislative power is vested in Ukraine's Parliament (the Verkhovna Rada of Ukraine), which consists of 450 People's Deputies elected by popular vote for five-year terms.[2] Parliamentary elections were last held on 26 October 2014.

2.2. The Verkhovna Rada promulgates legislation in the form of laws, resolutions and other legislative acts. The laws lay down the basic rules for, *inter alia*, the exploitation of natural resources; the organization and use of domestic energy, transportation, and communication networks; and the protection of property and entrepreneurship. In addition, the Verkhovna Rada approves the state budget including the budgeting procedure, the system of taxation, rules for Ukraine's financial and money markets, the level and composition of national debt, and the issue and circulation of state securities. The Verkhovna Rada determines the main directions of foreign and domestic policies, approves economic policy programmes, develops anti-monopoly and competition policy, establishes basic rules for the nationalization of property, and identifies state property not subject to privatization.

2.3. As Head of State, the President of Ukraine is the guarantor of state sovereignty, territorial indivisibility, and citizens' rights and freedoms. The President is elected directly by the people for a maximum of two consecutive five-year terms.[3] The President approves laws adopted by the Verkhovna Rada, and he may also issue decrees and directives in the areas of international relations, defence, and other issues (in accordance with Chapter V of the Constitution). He has the right to veto laws, return them to parliament for revision, or dissolve parliament under circumstances stipulated in Article 90 of the Constitution. The mandate of the President includes the negotiation and conclusion of international treaties, many of which are subsequently presented to the Verkhovna Rada for ratification.[4] The President has the authority to appoint (or dismiss) certain officials.[5]

2.4. The Cabinet of Ministers of Ukraine, headed by the Prime Minister, is formally proposed by the President and approved by the Verkhovna Rada. In addition to the Prime Minister, the Cabinet comprises a First Vice Prime Minister, Vice Prime Ministers, and Ministers that direct and coordinate the activities of 17 ministries and more than 40 state agencies, state services, and other central governmental bodies. Some of these entities report directly to the Cabinet of Ministers, while others are governed and coordinated by the Minister concerned (Table 2.1).[6]

Table 2.1 Trade-related state agencies, September 2015

Coordinating authority	Name of the state agency
Cabinet of Ministers	• Antimonopoly Committee • State Committee for Television and Radio Broadcasting • State Service for Food Safety and Consumer Protection
Ministry of Economic Development and Trade	• State Service of Export Control • State Intellectual Property Service • State Statistics Service • State Reserve Agency

[1] The 2004 Constitution was restored through a parliamentary resolution in February 2014.
[2] The Deputies' terms were changed from four to five years through Law No. 742-VII "On Restoring Certain Provisions of the Constitution of Ukraine" of 21 February 2014.
[3] The current President was elected on 25 May 2014.
[4] Article 13 of Law No. 1906-IV "On International Treaties" of 29 June 2004 regulates how international agreements become effective either through Presidential Decree or by law of the Verkhovna Rada.
[5] The President appoints (or may dismiss) the Head of the State Security Service, and one half of the members of the Council of the National Bank, and the National Council on Television and Radio Broadcasting in accordance with Article 106 of the Constitution. The President proposes candidates for Ministers of Defence and Foreign Affairs to the Verkhovna Rada.
[6] Cabinet of Ministers' Resolution No. 442 "On Optimization of Central Executive Bodies" of 10 September 2014 (with amendments implemented in July-August 2015).

Coordinating authority	Name of the state agency
Ministry of Infrastructure	• State Aviation Service • State Road Agency (Ukravtodor) • State Service for Transport Safety
Ministry of Agrarian Policy and Food	• State Agency for Fisheries • State Agency for Forest Resources
Ministry of Energy and Coal Industry	• State Inspectorate for Energy Supervision

Source: Cabinet of Ministers' Resolution No. 442 "on Optimization of Central Executive Bodies" of 10 September 2014, amended on 20 August 2015.

2.5. The Cabinet of Ministers implements economic and social development programmes, as well as policies with respect to foreign economic activity, customs, taxation, investment, prices, or financial regulation through the issuance of resolutions and orders. The Cabinet develops the draft law on the state budget and is responsible for the ultimate implementation of the budget.

2.6. The Ministry of Economic Development and Trade, together with its related agencies, is the principal institution responsible for the implementation of Ukraine's trade policy. However, Article 9 of the Law "on Foreign Economic Activity"[7] also assigns some trade-related responsibilities to other institutions and agencies, notably the National Bank of Ukraine, the State Fiscal Service, the Antimonopoly Committee, and the Intergovernmental Commission on International Trade (Table 2.2). Moreover, the Cabinet of Ministers decided in 2014 to set up the office of Trade Representative.[8] The role of the Trade Representative is to promote the economic interests of Ukraine in foreign markets and to coordinate trade missions within Ukraine's diplomatic representations abroad.

Table 2.2 The roles of state institutions and agencies in the implementation of trade policy

Name of institution	Trade-related responsibilities
Verkhovna Rada	• Adopts and amends laws on foreign economic activity; • Approves the main directions of Ukraine's foreign policy; • Considers, approves and adapts the structure of state authorities responsible for regulation of foreign economic activity; • Ratifies international agreements in accordance with the Law "on International Treaties of Ukraine" and brings legislation into compliance with the rules established by ratified agreements; • Establishes special regimes of foreign economic activity in accordance with Articles 24 and 25 of the Law "on Foreign Economic Activity"; • Approves lists of goods subject to export and import prohibition in accordance with Articles 16 and 17 of the Law "on Foreign Economic Activity"; • Decides on the implementation of measures in response to any discriminatory/unfriendly acts of Ukraine's trading partners by introducing a full or partial ban (trade embargo); or by suspending MFN or preferential treatment.
Cabinet of Ministers	• Determines measures to implement the foreign trade policy of Ukraine pursuant to its laws; • Coordinates trade-related activities of Ukraine's executive authorities and trade missions abroad; • Passes regulatory rules on foreign economic activity as foreseen in the laws of Ukraine; • Conducts negotiations and concludes intergovernmental agreements concerning foreign economic activity, and ensures the implementation of such agreements; • Decides on the adoption of measures (licensing) in response to discriminatory/unfriendly acts of Ukraine's trading partners.

[7] Law No. 959-XII of 16 April 1991; the most recent amendments entered into force on 28 June 2015.

[8] Cabinet of Ministers' Resolution No. 550 of 16 October 2014. The Trade Representative is appointed by the Cabinet upon a submission by the Prime Minister and proposal by the Minister of Economic Development and Trade.

Name of institution	Trade-related responsibilities
National Bank	• The custodian of gold and foreign exchange reserves, conducting transactions with these reserves and with investment metals; • Regulates Ukraine's payment and settlement systems, determining payment procedures and methods, including for interbank payments; • Establishes and publishes the exchange rate of the hryvnia against foreign currencies; • Sets the conditions and procedures for hryvnias to be converted into a foreign currency; • Entitled to participate in the capital and in the activities of international organizations, of which Ukraine is a member, as well as in accordance with agreements between the National Bank and foreign central banks; • Regulates imports and exports of capital, and may change transaction settlement periods for imported and exported goods.
Ministry of Economic Development and Trade	• Ensures the conduct of a consistent foreign economic policy when economic operators engage in markets abroad, coordinates entities' foreign economic activity consistent with international Agreements and treaties; • Oversees the compliance of entities engaged in foreign economic activity with Ukrainian laws and the terms and conditions of international Agreements; • Conducts anti-dumping, anti-subsidy and safeguard investigations as prescribed by the laws of Ukraine; • Performs other functions in accordance Ukrainian laws and Cabinet of Ministers' Resolution No. 459 "on Issues of the Ministry of Economic Development and Trade" of 20 September 2014, as amended in 2015.
Trade Representative	• Lays out priorities and directions in the development and formulation of Ukraine's trade policy, and ensures cooperation among institutions of executive power in trade matters; • Develops and implements a single foreign economic policy; • Represents Ukraine before the WTO, the Black Sea Trade and Development Bank, and other international economic institutions; • Analyses the compliance of legislation with WTO rules; • Monitors WTO Members' compliance with their obligations.
State Fiscal Service	• Implements the national tax policy and policy regarding customs matters in accordance with Ukrainian laws.
Antimonopoly Committee	• Monitors the compliance with relevant competition laws of entities engaged in foreign economic activity.
Intergovernmental Commission on International Trade	• Conducts effective state regulation over foreign economic activity; • Initiates anti-dumping, anti-subsidy or safeguard investigations and decides on the introduction of measures; • Decides on the introduction of measures in response to discriminatory/unfriendly acts of Ukraine's trading partners in line with its mandate.

Source: Article 9 of the Law "on Foreign Economic Activity" and Law No. 679 "on the National Bank of Ukraine" of 20 May 1999.

2.7. Regional programmes are implemented by local administrations at oblast, district or city (e.g. Kyiv) levels.[9] Border trade and coastal commerce are supervised by the local authorities, who also oversee the functioning and operations of customs offices within their territories. The local administrations operate with their own budgets, but are financially dependent on the central government as their revenue consists of transfers from the state budget or is derived from the collection of taxes whose nature and level are determined centrally. The heads of local administrations are appointed (or dismissed) by the President upon submissions of the Cabinet of Ministers. Legislation passed by local administrations may be revoked by the President, or the head of a higher-level local administration, if considered contrary to the Constitution or the laws of Ukraine. The hierarchy of legislation in Ukraine is presented in Table 2.3. All legal acts and ratified international treaties are registered with the Ministry of Justice.

[9] Law No. 280/97 "On Local Self-Government" of 21 May 1997, as amended in 2015, regulates in detail the functions of local institutions.

Table 2.3 Hierarchy of legislation in Ukraine

Legislative acts
Constitution of Ukraine
Constitutional Laws (laws amending the Constitution or laws adopted by nationwide referendum)
Laws and codes of Ukraine International treaties accepted by the Verkhovna Rada
Decrees and directives of the President Resolutions of the Verkhovna Rada
Resolutions and orders of the Cabinet of Ministers
Secondary legislation:
Resolutions, directives, regulations, instructions and orders issued by ministries, state agencies, or committees (within their competence)
Legal acts adopted by local referendum
Resolutions, orders and decisions of local state administrations or local government bodies

Source: The Constitution of Ukraine and letter of the Ministry of Justice No. H-35267-18 of 30 January 2009.

2.8. Laws, regulations, and administrative procedures are published in one of the official gazettes (e.g. the Official Bulletin of Ukraine, the Governmental Courier, or the Bulletin of the Verkhovna Rada) within 15 days of adoption and signature of the President. Legislative acts of the Verkhovna Rada or the President become effective within 15 days of publication, while regulations of the Cabinet of Ministers are effective upon adoption.[10]

2.9. Justice is administered by the courts, and their functions may not be delegated. The court system comprises a Constitutional Court, the Supreme Court of Ukraine, and courts of general and specialized jurisdiction according to territory, specialization, and level. A number of changes were introduced in 2010.[11] At present, the unified system of general courts includes (i) local courts of first instance (district, urban and town courts of general jurisdiction, and specialized commercial and administrative courts at the regional level); (ii) appellate courts for the consideration of criminal, commercial and administrative cases; (iii) the highest specialized courts (cassation courts); and (iv) the Supreme Court of Ukraine. A special procedure for the review of judges of courts of general jurisdiction was introduced in 2014.[12]

2.10. Domestic and foreign investors may refer their disputes with Ukrainian entities to the national commercial courts unless arbitration is stipulated to take place elsewhere according to an international agreement. A dispute is normally resolved within two months of the receipt of the claim.[13] Appeals must be filed through the commercial court passing the judgement within ten days of the decision. Decisions of the Highest Commercial Court may be appealed to the Supreme Court, whose decisions are final. Fees for the filing of lawsuits, appeals, cassation pleas, petitions, etc. are established pursuant to Cabinet of Ministers' Decree No. 7-93 "on State Duties" of 21 January 1993, as amended in 2014.

2.2 Trade Policy Objectives

2.11. After decades of centrally-planned industrial development within the Soviet Union, Ukraine as an independent nation favours market liberalization and economic reform as tools to raise living standards for its population and the further development of Ukraine's industrial, agricultural, scientific, technological, intellectual and cultural potential. Ukraine believes trade should be unhampered, based on transparent rules that are respected by all its trading partners. The period of accession to the WTO was used to push domestic reforms. Ukraine would like to be seen as a reliable, predictable partner for the entire international community. Its WTO Membership, followed by negotiations to forge a closer relationship with the European Union, has been pursued with a view to modernizing and harmonizing Ukraine's business legislation with best international practice, enhancing product standards and the compatibility of such norms across borders, and the creation of new, mutually profitable opportunities for trade.

[10] Presidential Decree No. 503/97 of 10 June 1997, as amended in 2007.
[11] Law No. 2453-VI "On the Court System and the Status of Judges" of 7 July 2010.
[12] Law No. 1188-VII "On Restoring Confidence in the Judicial System of Ukraine" of 8 April 2014.
[13] An extension may be granted, but only for 15 days.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.12. Ukraine became the WTO's 152nd Member on 16 May 2008. Ukraine's wide-ranging commitments on market access for goods and services include participation in the Information Technology Agreement (ITA) from the date of accession and the Agreement on Trade in Civil Aircraft (since 2010). Upon accession, Ukraine also initiated negotiations to join the WTO Agreement on Government Procurement and participate as an observer in the GPA Committee.[14] Ukraine's commitments regarding tariffs and trade in services are detailed in Sections 3 and 4. The domestic procedure for Ukraine's ratification of the WTO Agreement on Trade Facilitation began in autumn 2015. On 4 November 2015, the Verkhovna Rada approved the required legislation, which was subsequently forwarded to the President of Ukraine for signature.[15] Ukraine submitted its formal acceptance of the Agreement to the WTO on 16 December 2015. Ukraine expects implementation of the Agreement to stimulate its foreign trade and reduce trade costs, thereby improving the competitiveness of Ukrainian businesses, in particular for small and medium-sized enterprises.

2.13. Ukraine joined the WTO as the Doha Development Agenda was well under way. As a Member, Ukraine is part of the group of recently acceded Members (RAMs), and would like their commitments and unique position to be recognized by other WTO Members. Ukraine is of the view that the completion of the agricultural negotiations in the Doha Round should contribute to more predictable and equitable rules for trade in agricultural products, with due account taken of food security, poverty reduction, and famine relief considerations. Ukraine would support a WTO approach to regulatory and transparency disciplines in the area of energy security. Recognizing the legitimate needs of Members to pursue high health, environmental, developmental or welfare standards for their inhabitants, Ukraine is also concerned that these efforts could lead to the erection of new trade barriers. Ukraine sees a particular value in the WTO in enforcing and enhancing the transparency of trade measures and policy instruments.

2.14. Since joining the WTO (and until November 2015), Ukraine provided more than 460 notifications relevant to its WTO obligations. The notifications cover all aspects of its membership, although the majority of the communications concern TBT (173) and SPS (110) matters (Table A2.1). Ukraine agreed during the accession negotiations to provide periodic reports as a Member on progress in privatization and on other issues related to economic reforms[16], but it has not yet provided any such reports.[17] Referring to balance-of-payments difficulties, Ukraine imposed temporary surcharges on imports in 2009 and in 2015 (Section 3.2.2).

2.15. Ukraine has thus far been involved in seven cases under the WTO Dispute Settlement Mechanism; four as a complainant and three as a defendant (Table 2.4). Ukraine has also reserved its rights as a third party or joined the consultations in respect of 10 disputes involving other WTO Members.[18]

[14] The Committee on Government Procurement agreed to invite Ukraine to join the GPA on 11 November 2015.

[15] Law "On Ratification of Protocol on Amendments to the Marrakesh Agreement Establishing the World Trade Organization". Viewed at: http://iportal.rada.gov.ua/en/news/page/news/News/118172.html. The law entered into force on 5 December 2015.

[16] WTO document WT/ACC/UKR/152, paragraph 39, 25 January 2008.

[17] Ukraine has provided notifications on the trading activities of the state enterprise Ukrspyrt (e.g. WTO document G/STR/N/15/UKR, 17 July 2014).

[18] These disputes concern (i) Australia – tobacco plain packaging (DS435, DS441, DS458, DS467); (ii) Russian Federation – motor vehicles (DS462); (iii) United States – anti-dumping methodologies (DS471); (iv) European Union – cost adjustment methodologies (DS474); (v) Russian Federation – commercial vehicles (DS479); (vi) Russian Federation – tariff treatment (DS485); (vii) European Union – certain measures relating to the energy sector (DS476); (viii) European Union – anti-dumping measures on biodiesel from Indonesia (DS480); (ix) Indonesia – safeguard on certain iron or steel products (DS490); and (x) Brazil – certain measures concerning taxation and charges (DS497).

Table 2.4 WTO dispute settlement cases involving Ukraine as respondent or complainant, 2010-15

Dispute	Raised by / against	Actions	Status
Measures affecting importation and internal sale of cigarettes and alcoholic beverages	Ukraine/Armenia	Consultations requested on 20 July 2010 under GATT Articles II:1, III:1, III:2 and III:3 (WT/DS411/1)	Consultation stage
Environmental charge	Ukraine/Moldova	Consultations requested on 21 February 2011 under GATT Article III:1, III:2 and III:4 (WT/DS421/1)	Panel established, not yet composed
Taxation of distilled spirits	Moldova/Ukraine	Consultations requested on 2 March 2011 under GATT Article III:2 (WT/DS423/1)	Panel established, not yet composed
Tobacco plain packaging	Ukraine/Australia	Consultations requested on 13 March 2012 under Articles 1.1, 2.1, 3.1, 15, 15.1, 15.4, 16, 16.1, 16.3, 20, 1 and 27 of the TRIPS Agreement; Article 2.1 and 2.2 of the TBT Agreement, Articles I and III:4 of the GATT	Panel's work suspended on 29 May 2015 at the request of Ukraine (WT/DS434/16)
Safeguard measures on certain passenger cars	Japan/Ukraine	Consultations requested on 4 November 2013 under Articles 2.1, 3.1, 4.1 (a), 4.1 (b), 4.2 (a), 4.2 (b), 4.2 (c), 5.1, 7.1, 7.4, 8.1, 11.1 (a), 12.1, 12.2 and 12.3 of the Agreement on Safeguards and Articles II:1 (b) and XIX:I of the GATT	Report(s) adopted on 20 July 2015 with recommendation to bring measures into conformity (WT/DS468/R and WT/DS468/R/Add.1)
Anti-dumping measures on ammonium nitrate	Russian Federation/Ukraine	Consultations requested on 7 May 2015 under GATT Article VI and Articles 1, 2 (j), 2.2, 2.2.1, 2.2.1.1, 2.4, 5.8, 6.1, 6.2, 6.4, 6.5.1, 6.6, 6.8, 6.9, 9.2, 9.3, 11.1, 11.2, 11.3, 18.1 and Annex II of the Antidumping Agreement (WT/DS493/1)	Consultation stage
Measures affecting the importation of railway equipment and parts	Ukraine/Russian Federation	Consultations requested on 21 October 2015 under GATT Articles I:1, III:4, X:3(a), XI:1, and XIII:1 and Articles 2.1, 2.2, 2.5, 5.1.1, 5.2.2, 5.2.3, 5.2.5, and 5.2.6 of the TBT Agreement (WT/DS499/1)	Consultation stage

Source: WTO Secretariat.

2.3.2 Regional and preferential agreements

2.3.2.1 European Union (EU)

2.16. For the EU, Ukraine is defined as a priority partner within the European Neighbourhood Policy and the Eastern Partnership. From 1998 onwards, the Partnership and Cooperation Agreement between Ukraine and the EU provided an extensive framework for the bilateral relationship. Efforts to expand the cooperation took a further step with the launch of negotiations to reach an Association Agreement, including a Deep and Comprehensive Free Trade Area (DCFTA), in 2007. The negotiations were finalized in late 2011. The agreement was initialled by both sides in 2012, and ratified simultaneously by the Verkhovna Rada and the European Parliament on 16 September 2014.[19]

[19] Both parties signed the political provisions of the Association Agreement in March 2014, and the remaining provisions on 27 June 2014. The text of the Association Agreement has been published in the Official Journal of the European Union (Volume 57, L161, 29 May 2014).

2.17. Provisional application of parts of the Association Agreement began on 1 November 2014. However, provisional application of Title IV of the Association Agreement (establishing the Deep and Comprehensive Free Trade Area) has been postponed until 1 January 2016. In the interim, the EU is providing autonomous trade preferences to Ukraine in accordance with Regulation No. 374/2014 "on the Reduction or Elimination of Customs Duties on Goods Originating in Ukraine" of 16 April 2014. The preferences have been extended until the end of 2015.[20]

2.18. Title IV ("Trade and Trade-Related Matters") of the Association Agreement (which establishes a Deep and Comprehensive Free Trade Area – DCFTA) comprises 15 chapters, 25 annexes, and 2 protocols.[21] Through it, Ukraine and the EU have agreed to establish a free trade area during a transition period of a maximum of 10 years. Import duties on industrial products are generally eliminated as soon as the DCFTA enters into force. Limited transitions apply, notably for the automobile sector in Ukraine. In agriculture, Ukrainian exports to the EU of 36 items (cereals, pork, beef, poultry, etc.) will be subject to duty-free access through tariff quotas, and the EU will eliminate customs duties gradually (over 10 years) for many other agricultural goods. Ukraine will phase out its export duties on goods exported to the EU over 8 years (starting from 1 January 2016).

2.19. The DCFTA does not preclude the application of anti-dumping, countervailing, or safeguard measures on trade between Ukraine and the EU, but a public interest test may be carried out before the imposition of measures. Ukraine may maintain a safeguard measure on passenger cars imported from the EU for 15 years.

2.20. Ukraine will gradually align its technical regulations and standards with those of the EU.[22] The establishment of a future Agreement on Conformity Assessment and Acceptance of Industrial Products should ensure that, for the products covered by it, Ukrainian goods may circulate under the same conditions as goods between EU member States. Ukraine has agreed to align its legislation on SPS and animal welfare with the EU *acquis communautaire*. A subcommittee on SPS matters will monitor progress on this front and provide a forum for addressing concerns.

2.21. The DCFTA provides a mutual right of establishment for suppliers in all sectors, including services, except in accordance with the reservations recorded in a negative list. In the areas of financial services, telecommunications, postal and courier services, and international maritime services, Ukraine will implement the existing and future EU *acquis* and, once this has been accomplished, Ukrainian services providers will have the same access to the internal market as EU providers.

2.22. In the area of industrial subsidies, Ukraine is to set up a system of independent control of state aids similar to that of the EU. Particularly distortive subsidies are to be prohibited. Ukraine and the EU will exchange information annually on the amount, type, and sectoral distribution of subsidies, and will provide additional details on specific subsidies or schemes on request. Agricultural and fisheries subsidies fall outside the scope of these rules.

2.23. Ukraine will gradually adopt the EU *acquis* regulating government procurement. Once this work has been completed, mutual access for suppliers and services providers will be open and non-discriminatory, except in defence-related procurement. Ukraine's enforcement of intellectual property rights is to be based on EU internal rules. The DCFTA includes provisions on copyright, industrial designs, patents, and geographical indications (GIs) that are additional to the rights granted under the WTO TRIPS Agreement. All agricultural GIs are to be accorded the same high level of protection, and new products may be added to the list of protected GIs.

[20] Regulation (EU) No. 374/2014 initially applied until 1 November 2014 at the latest, but was extended through Regulation (EU) No. 1150/2014 of the European Parliament and of the Council of 29 October 2014. Tariff quotas for dairy products originating in Ukraine are applied in accordance with Commission Implementing Regulation (EU) No. 1165/2014 of 31 October 2014.

[21] In hard copy, the Association Agreement comprises some 2,100 pages, of which the text of the agreement itself is about 160 pages. The European Commission has summarized the key features of the DCFTA, established under Title IV of the Association Agreement, in a reading guide (see European Commission, 2013).

[22] By November 2015, Ukraine had adopted 24 of the 27 technical regulations defined in the annex to the TBT Chapter of the Association Agreement.

2.24. Ukraine has already joined the Energy Community Treaty, and is thus obliged to implement the most relevant EU legislation governing electricity and gas. The DCFTA includes a chapter on trade-related energy issues based on four pillars relating to (i) energy pricing (market pricing of electricity and gas, and no charging of higher prices for exports), (ii) transport and transit (interruption or siphoning-off of goods is not allowed), (iii) establishment of an independent regulator for the gas and electricity markets, and (iv) non-discriminatory access to the exploration and production of oil and gas.

2.25. The DCFTA includes provisions for dispute settlement (Chapter 14) and mediation (Chapter 15). Unsuccessful consultations would lead to the establishment of an arbitration panel, formed by three experts appointed by the parties. Panel decisions, delivered within 120 days or earlier in urgent cases, are binding on the parties. However, disputes involving the interpretation of EU legislation would not be decided by an arbitration panel. Instead, the panel would refer the matter to the Court of Justice of the European Union, who would issue the appropriate ruling.[23]

2.26. In a number of areas, the closest cooperation between EU member States takes the form of ad hoc programmes or participation in specialized agencies.[24] Ukraine has so far cooperated with EU agencies and programmes on the basis of bilateral agreements and memoranda of understanding. Protocol III of the Association Agreement sets out the core principles for Ukraine's participation in, and financial contributions to, such activities. An agreement for the association of Ukraine to Horizon 2020 (i.e. the EU framework programme for research and development) entered into force on 17 August 2015. Likewise, the agreement on Ukraine's participation in "Creative Europe", the framework for support to culture and audiovisual sectors in the EU, was signed on 19 November 2015.

2.27. A consultation mechanism has been set up between the EU, Ukraine and the Russian Federation for the purpose of addressing concerns on the Russian side regarding the possible negative impact of the Association Agreement on its economic interests. Issues raised in the course of the consultations include technical regulations, SPS matters, and customs co-operation. However, no common understanding has been reached so far, and the trilateral consultations continue.

2.3.2.2 European Free Trade Association (EFTA)

2.28. The free trade agreement between Ukraine and the EFTA States (Iceland, Liechtenstein, Norway, and Switzerland) was signed on 24 June 2010 and entered into force on 1 June 2012.[25] The agreement covers trade in goods and services, and includes provisions on investment, government procurement, competition, and the protection of intellectual property. Industrial goods originating in Ukraine, including fish and other marine products, have been granted duty-free treatment by the EFTA States since the agreement entered into force in 2012. Imports into Ukraine of such goods from EFTA States are also largely duty-free, while most remaining tariffs will be eliminated within 10 years. A protocol on rules of origin (with seven appendices) set out rules of origin based on the Pan2 Euro-Mediterranean model, allowing the cumulation of materials originating in Ukraine, EFTA States or other "Pan-Euro-Med" countries. Processed agricultural products are also covered under the agreement (Annex II). Tariff concessions on basic agricultural goods are accorded in agreements between Ukraine and the three individual EFTA member States, and these bilateral agreements form an integral part of the FTA.

2.29. "Sensitive products", such as second-hand motor vehicles, are not part of the free trade regime. Ukraine may continue to apply export duties to goods destined to EFTA States within the limits set by its WTO commitments. EFTA States have agreed not to apply anti-dumping measures to Ukrainian exports.

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[23] Article 322 of the Association Agreement.

[24] The EU has established more than 40 specialized agencies and operates programmes, for example, in research and technological development, consumer protection, trade facilitation, and statistics.

[25] The agreement has 10 chapters, 15 annexes, and a protocol on rules of origin. A factual presentation of the FTA prepared by the WTO Secretariat is available in WTO document WT/REG315/1/Rev.1, 26 September 2013. The full text of the agreement may be consulted at: http://www.efta.int/free-trade/free-trade-agreements/ukraine.

2.30. Ukraine's market access commitments in services are essentially identical to its commitments under the GATS, whereas the improvements accorded to Ukraine (relative to the MFN regimes provided under the GATS) vary from one EFTA member State to another.

2.31. The agreement includes provisions on dispute settlement. The parties have set up a Joint Committee to oversee the implementation of the agreement and to review any remaining barriers or other restrictive measures affecting mutual trade. The Joint Committee held its first meeting in May 2013. The agreement also establishes a sub-committee on rules of origin, customs procedures, and trade facilitation.

2.3.2.3 Commonwealth of Independent States (CIS)

2.32. The break-up of the Soviet Union in the early 1990s posed a tangible threat to extensive ties between the newly independent States in the areas of production and commerce within a pre-existing integrated market. Cooperation was particularly close in energy, metals, chemicals, and a range of semi-finished components for the production of final goods. However, relations were also complicated by a number of factors, including that trade had generally not been conducted on the basis of free-market transfer pricing.

2.33. Numerous initiatives were taken to preserve and, to the extent possible, build on a high level of integration within the CIS, including the Agreement on Establishing an Economic Union (1993), the Production Cooperation Agreement (1993), the Agreement on the Free Trade Area (2011), the Agreement on a Single Agricultural Market (1998), and the formation of a Common Economic Zone (2003). However, Ukraine did not accede to most of these initiatives. Ukraine signed bilateral free trade agreements with Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, the Russian Federation, Tajikistan, Turkmenistan, and Uzbekistan (Table 2.5). These agreements cover trade in goods and target the elimination of all tariffs. The agreements stipulate national treatment in the application of internal taxes; requirements in respect of warehousing, storage, transportation, and reshipment; and repayments and remittances. Bilateral protocols establish goods that would be exempt from the free trade provisions. Trade measures could also be introduced in situations mirroring the exceptions covered in Articles XX and XXI of the GATT 1994, or as a result of unilateral trade remedies (anti-dumping, countervailing duty, or safeguard measures). The rules of origin follow the Decision on Rules for the Determination of a Country of Origin of Goods, approved by the CIS countries on 20 November 2009.[26] "Direct purchase" and "direct shipment" rules are also applied, meaning that goods should be purchased from an enterprise resident in the country of origin and transported directly from the exporting to the importing country. The bilateral agreements do not cover services, investment or government procurement.

Table 2.5 Ukraine's free-trade agreements with constituents of the former Soviet Union

Partner	Agreement signed	Entry into force	Notification date	WTO document
Armenia	07.10.1994	18.12.1996	17.06.2004	WT/REG171/N/1
Azerbaijan	28.07.1995	02.09.1996	18.08.2008	WT/REG245/N/1
Belarus	17.12.1992	11.11.2006	18.08.2008	WT/REG246/N/1
Georgia	09.01.1995	04.06.1996	08.02.2001	WT/REG121/N/1
Kazakhstan	17.09.1994	19.10.1998	18.08.2008	WT/REG247/N/1
Kyrgyz Republic	26.05.1995	19.01.1998	15.06.1999	WT/REG74/N/1
Rep. of Moldova	13.11.2003	19.05.2005	18.08.2008	WT/REG249/N/1
Russian Federation	24.06.1993	21.02.1994	18.08.2008	WT/REG250/N/1
Tajikistan	06.06.2001	11.07.2002	18.08.2008	WT/REG251/N/1
Uzbekistan	29.12.1994	01.01.1996	18.08.2008	WT/REG253/N/1
Turkmenistan	05.11.1994	04.11.1995	18.08.2008	WT/REG252/N/1

Source: WTO Secretariat

[26] The agreements with Turkmenistan and Uzbekistan follow the "Rules for Identifying the Countries of the Commodities' Origin" of 24 September 1993.

2.34. Together with seven other leaders, Ukraine's Head of State signed the Agreement on the Free Trade Area on 15 April 1994.[27] The agreement aimed at the creation of a free trade area with harmonization of trade legislation and technical regulations, coordination of economic policy, sectoral cooperation, and mutual development of science. In October 2011, the same eight countries signed the Agreement on the CIS Free Trade Area (CISFTA) at the level of State leaders. Ukraine's Parliament ratified the agreement on 30 July 2012, and it entered into force between Belarus, Ukraine and the Russian Federation on 20 September 2012, as these were the first three countries to have ratified the agreement. The Agreement is currently also in force for Armenia, Kazakhstan, the Republic of Moldova, and the Kyrgyz Republic.[28] According to the parties, the agreement provides for the elimination of substantially all customs duties, and a common framework for rules of origin, sanitary and phytosanitary measures, technical regulations, trade remedies, government procurement, and dispute settlement.[29] The 1994 agreement has been terminated, but only for the countries that have ratified the new CIS Agreement.[30] Belarus, Kazakhstan, and the Russian Federation formed the Eurasian Economic Union (EAEU) in 2014, aiming to create a single economic market. The EAEU has subsequently been enlarged to include Armenia (on 2 January 2015) and the Kyrgyz Republic (ratification pending). These five countries participate in the CISFTA as a single entity.

2.35. Georgia withdrew from the Commonwealth of Independent States on 18 August 2009, but maintained its right to remain a member of the CIS free trade area arrangements and the bilateral agreements. Ukraine's trade relations with Georgia continue to be governed by the bilateral trade agreement in force since 1996. Trade between Ukraine and Georgia is generally duty-free and quota-free except for sugar, where Ukraine levies import duties ranging from 5% to 50%, and metal scrap, which is subject to Ukrainian export duties.

2.3.2.4 Former Yugoslav Republic of Macedonia (FYROM)

2.36. Ukraine's free trade agreement with FYROM was signed in January 2001 and entered into force on 5 July 2001. The agreement covers trade in goods, with separate chapters for (i) industrial goods and (ii) agriculture, agricultural and fishery products.[31] Trade in industrial products between the parties has been fully liberalized since 1 January 2009. For agricultural goods, Ukraine and FYROM have exchanged tariff quota concessions in the form of in-quota duty elimination (22 products imported into Ukraine and 16 into FYROM). The TRQs were scheduled for renegotiation in 2010. On 30 May 2009, the Joint Committee established by the parties proposed full liberalization of the bilateral trade in goods subject to TRQs, while other agricultural goods would be subject to the MFN regimes of FYROM and Ukraine. The Government of FYROM adopted this decision in October 2009. The decision of the Government of Ukraine is pending.

2.3.2.5 Montenegro

2.37. The free trade agreement with Montenegro was signed in November 2011 and entered into force on 1 January 2013.[32] The agreement, which has 5 chapters and 5 annexes, covers trade in goods and services. Provisions for consultations and dispute settlement are also included.[33]

2.38. As the agreement entered into force, Montenegro eliminated all duties on Ukrainian goods, whereas Ukraine has exempted certain sensitive agricultural products (live animals (34 tariff lines)

[27] Ukraine applied the Agreement temporarily until 1996, when Ukraine's new Constitution made the entry into force of international treaties conditional upon ratification by the Verkhovna Rada. Other signatories were Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, the Russian Federation, and Tajikistan. The Russian Federation did not ratify the Agreement, thus it never entered into force with respect to the Russian Federation.

[28] WTO document WT/REG343/N/2, 18 March 2015, submitted by the Kyrgyz Republic.

[29] Articles 8 and 9 of the CISFTA allow the parties to use anti-dumping, countervailing, or special safeguard measures on intra-CISFTA trade under certain circumstances. Export duties may be maintained, but their reduction or elimination is to be negotiated. Of significance to Ukraine is also that Kazakhstan's exemptions to the free trade regime will be reduced from 238 to 4 tariff lines.

[30] WTO document WT/REG82/N/3, 7 June 2013, submitted by the Russian Federation.

[31] A factual presentation of the FTA by the WTO Secretariat was circulated in document WT/REG248/1/Rev.1, 13 April 2010.

[32] The implementation period for the phasing-in of concessions ended on 31 December 2013.

[33] A factual presentation prepared by the WTO Secretariat was circulated in document WT/REG338/1/Rev.1, 2 July 2014.

and prepared foods (7 tariff lines)) from the free trade regime. Ukraine has also reserved the right to apply export duties within the limitations established through its WTO commitments, but only applies duties (at a rate of 18%) on exports of waste and scrap of cast iron and steel to preferential partners at present.

2.39. Trade in services under the agreement is governed by the GATS. According to Annex III of the agreement, which sets out the specific commitments, Ukraine retains its WTO commitments, while Montenegro provides additional market access for insurance services and road transport relative to its WTO schedule.

2.3.2.6 Canada

2.40. Canada and Ukraine launched negotiations in 2010 to reach a free trade agreement. The Canada-Ukraine Free Trade Agreement (CUFTA) was initialled by both parties on 14 July 2015. It is not yet in force.[34] The CUFTA addresses trade in goods, rules of origin and origin procedures, trade facilitation, TBT and SPS matters, government procurement, competition policy, monopolies and state enterprises, intellectual property protection, e-commerce, labour and environmental issues, and trade remedies and safeguards. The CUFTA also includes a framework for trade-related cooperation, exchange of information, and dispute settlement.

2.41. For industrial products, Ukraine will eliminate import duties on 75.2% of the tariff lines when the agreement enters into force.[35] The remaining industrial tariffs are to be eliminated over a maximum period of seven years. The removal of tariffs is immediate upon entry into force for fish and other marine products of Canadian origin. Import duties on agricultural goods are either eliminated upon entry into force of the agreement, phased out over seven years, or subject to tariff reductions (20%-50% below the MFN rate). A zero-duty tariff quota for frozen pork, certain pork offal and pork fat is set to increase from 10,000 tonnes per year to 20,000 tonnes after seven years. Tariffs on forestry products (5%) are to be eliminated over 5 years.

2.42. Immediately upon entry into force of the agreement, Canada will remove its tariffs on all industrial products, fish and other marine products, and most agricultural imports from Ukraine. Agricultural goods subject to Canada's supply management system (i.e. dairy, poultry and eggs) are excluded from the CUFTA.

2.43. Among the institutional arrangements under the CUFTA, the parties have agreed to establish a Committee on Trade in Goods and Rules of Origin, and subcommittees on agriculture and origin procedures.

2.3.2.7 Free trade agreements under negotiation

2.44. Ukraine is currently engaged in negotiations to conclude free trade agreements with Serbia, Israel, and Turkey.

2.3.3 Other agreements and arrangements

2.45. Ukraine is a beneficiary of the GSP schemes of Canada, the European Union, Japan, Turkey and the United States. The EU currently accords GSP treatment in accordance with EU Regulation No. 978/2012 of the European Parliament and of the Council of 25 October 2012.[36] The regulation entered into force on 1 January 2014. Ukrainian exporters need form A preference certificates to claim GSP benefits. The certificates are issued by the local offices of the Ukrainian Chamber of Commerce and Industry. In principle, the GSP arrangement is set to expire once Title IV of the Association Agreement establishing the Deep and Comprehensive Free Trade Area enters into force. Nevertheless it will co-exist with the DCFTA for two years, i.e. until the end of 2017.

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[34] The preparatory process for signature involves *inter alia* the legal alignment of provisions and translation of the agreement into Ukrainian and French.

[35] The information is drawn from a presentation prepared by Foreign Affairs, Trade and Development Canada (see Government of Canada, 2015).

[36] The overhaul of the EU GSP scheme resulted in the loss of preferences for some products, including railway and tramway cars. On the other hand, Ukraine's relative position improved as the GSP is no longer available to countries such as China, the Russian Federation, Brazil, and Kazakhstan.

2.46. Ukraine signed a Trade and Investment Cooperation Agreement with the United States in 2008. The agreement foresees the examination of bilateral commercial issues in a joint Trade and Investment Council covering, for example, market access, intellectual property protection, VAT issues, and specific business disputes. At the council's meeting in 2012, a trade experts working group was established to ensure regular government-to-government contact between council meetings. As for GSP, the US Trade Preferences Extension Act of 2015, Title II authorizes duty-free treatment of eligible GSP imports retroactively from 31 July 2013 and until 31 December 2017. Ukraine's exports to the United States within the GSP scheme amounted to US$24 million in 2014, or slightly less than 3% of its total exports to the United States during that year. Fully utilized, the scheme could have covered just over 10% of Ukraine's exports to the United States in 2014.

2.47. Ukraine participates in the GUAM Organization for Democracy and Economic Development together with Georgia, Azerbaijan, and Republic of Moldova. Turkey and Latvia are observers to the organization. The charter establishing the GUAM was signed in 2001. The trade-related components of the organizational framework include a business council as well as working groups on transport, trade and economics, power engineering, information science and telecommunications, and tourism. However, in practice the GUAM does not appear to involve the exchange of trade preferences among the participants beyond the market access granted through the bilateral free trade agreements between the participants.[37]

2.48. Ukraine is also among the signatories of the Black Sea Economic Cooperation (BSEC) declaration.[38] Despite the intent to establish a free trade area expressed in a 1997 declaration, no tariff preferences have been accorded within the BSEC framework so far. As noted in the 1997 declaration, the gradual establishment of a free trade area should take account of each member's existing and future links with the EU. The BSCE provides a forum for cooperation in various areas, including banking and finance, and the exchange of statistics and other economic data. The Black Sea Trade and Development Bank began operations in 1999.

2.4 Investment Regime

2.49. The establishment of a business in Ukraine requires registration with the State Registrar, an official located at the executive committee of the city council or with the district authorities, in accordance with the Law "on State Registration of Legal Entities and Natural Persons Engaged in Entrepreneurial Activity".[39] Registration as such is free of charge.[40] The 2004 Civil Code stipulates that a legal entity may take the form of a joint stock company, limited liability company, additional liability company, general partnership, or limited partnership.[41] In addition to the insertion in the Registry of Legal Entities and Natural Persons Entrepreneurs, a new business may need to register with the State Tax Authority (for payment of VAT) and the pension fund, open a permanent bank account, and notify the District Tax Inspectorate of the opening of the account. The World Bank notes that Ukraine has taken several steps in recent years to ease business start-ups, notably by reducing and eliminating minimum capital requirements[42], abolishing the requirement to have incorporation documents notarized, ending the need to register with the statistics office, and eliminating the initial registration fee for VAT taxpayers. Moreover, company seals are no longer mandated by law, although the use of such seals remains common practice. Incorporation should normally take three to four weeks from the time the process is initiated at the State Registrar.

[37] The "Agreement on Establishment of Free Trade Area among the GUUAM Participating States" of 10 December 2003 is included in the list of RTAs not notified to the WTO (see document WT/REG/W/97 of 10 November 2015).

[38] The other signatories of the 1992 declaration are Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, the Republic of Moldova, Romania, the Russian Federation, and Turkey.

[39] Law No. 755-IV of 15 May 2003, which entered into force on 1 July 2004. Viewed at (in Ukrainian): http://zakon4.rada.gov.ua/laws/show/755-15state.

[40] Registration of amendments to the statutory documents is subject to a fee of Hrv 17 for natural persons and Hrv 51 for legal entities. Earlier fees for the initial registration (Hrv 34 for individuals and Hrv 170 for legal entities) were cancelled effective 15 April 2014.

[41] The Commercial Code was also enacted in 2004, with the intention to regulate business relationship matters not dealt with in the Civil Code. However, there appears to be a certain overlap between the two codes.

[42] No minimum amount of charter capital must be provided to establish a limited liability company. For a joint-stock company, the minimum capital requirement amounts to 1,250 minimum salaries (monthly). As of 1 December 2015, the minimum monthly salary was fixed at Hrv 1,378.

2.50. The entrepreneur is generally free to choose the type of business he (or she) would like to engage in. However, the Law "on Natural Monopolies" defines certain activities as public monopolies, notably pipeline transportation (of crude oil, petroleum products, natural gas and other substances), transmission and distribution of electricity, usage of railway infrastructure, air traffic control, centralized water supply, and waste dumps.[43] In addition, 30 business activities are subject to licensing in accordance with Article 7 of the Law "on Licensing of Types of Economic Activity" (Table A2.2).[44] The licensing requirements affect, for example, banking and financial services; the market for securities; petroleum and natural gas; the generation, transmission, distribution and supply of electricity; the manufacture, distribution or trade in dangerous chemicals, medicines, or drugs; disposal of hazardous waste; encryption technologies; water supply; transportation of passengers, goods and hazardous waste; tour operator services; educational services; telecommunication services; and "foreign economic activity" (i.e. not foreign trade in general, but covering specific requirements that may be introduced for particular products[45]). Operations involving alcoholic beverages, tobacco, arms, and military equipment are regulated in further detail under separate legislation.[46] Unlike normal business registration certificates, which bear no time-limit, some activity licences may have limited validity (at least 5 years, but in principle renewable).

2.51. Ukraine's basic legal framework for investments dates back to the 1990s, but has undergone certain amendments since then. Law No. 1560-XII "on Investment Activities" of 18 January 1991 stipulates equal rights and conditions for domestic and foreign investors, and Law No. 93/96-BP "on the Regime of Foreign Investment" of 19 March 1996 regulates specific matters in relation to foreign investment such as the remittance of income and profits, repatriation of funds, and the protection of investors' rights.[47] Ukraine applies a "stabilization clause" in relation to foreign investment in the sense that less favourable conditions introduced through new or amended legislation may not be applied to existing investments for 10 years.

2.52. A company with foreign investment is defined as a legal structure set up under Ukraine's legislation with minimum 10% foreign participation in the entity's statutory fund.[48] In certain circumstances, foreign investors may opt for the establishment of a representative office for the conduct of commercial as well as non-commercial activities.[49] Except for banking and insurance, branches are generally not recognized under Ukrainian law.[50]

2.53. Ukraine's foreign exchange regulations (Section 1.2) pose a certain number of complications for foreign investors. Some of these concerns were addressed in 2010[51], as requirements to effect investments exclusively through accounts with Ukrainian banks were lifted, and early repayment of loans granted by non-residents became possible. The mandatory registration of investments was also eliminated. However, it should be noted that investment protection is only available to registered investments as per Article 12 of the Law "on the Regime of Foreign Investment". At present, investment registration is effected by regional or city administrations further to Resolution

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[43] Law No. 1682-III "On Natural Monopolies" of 20 April 2000 (as amended).

[44] Law No. 222-VIII of 2 March 2015, replacing Law No. 1775-III of 1 June 2000, as amended. The Law entered into force on 28 June 2015, and cancelled the licensing requirements for around 20 activities.

[45] Cabinet of Ministers' Resolution No. 1 "On Approval of Lists of Goods, which Exports and Imports are Subject to Licensing, and Quotas for 2015" of 14 January 2015.

[46] Law No. 481 "On State Regulation of the Manufacture and Sale of Ethyl Alcohol, Cognac and Fruit Alcohol, Alcoholic Beverages and Tobacco Products" of 19 December 1995 and Law No. 549-IV "On State Control over International Transfers of Products of Military Designation and Dual Use" of 20 February 2003.

[47] Other major laws relevant to investments include Law No. 1457-III "On Removal of Taxation Discrimination Against Business Entities Formed on the Basis of Property and Funds of Domestic Origin" of 17 February 2000; Law No. 697-XII "On Ownership of Property" of 7 February 1991; Law No. 40-IV "On Innovation" of 4 July 2002; Law No. 723/97-BP "On Financial Leasing" of 16 December 1997; and Law No. 997-XIV "On Concessions" of 16 July 1999.

[48] The provision facilitates the duty-free importation of machinery, equipment and other assets as part of the capital contribution of a foreign investor. However, the definition of a company with foreign investment does not extend to other legislation where the distinction between domestic and foreign ownership may be of importance, such as in the Law "On Stock Market".

[49] Representative offices are registered with the Ministry of Economic Development and Trade against a fee of US$2,500. A permit from the Ministry of Internal Affairs is needed for the office to use its official stamp. The representative office must also register with the tax authorities (if it intends to conduct any economic activity), the statistics office, and the pension fund, and hold a bank account (in hryvnias or foreign currency).

[50] *Setting up business in Ukraine*, guidelines prepared by Baker&McKezie, InvestUkraine.

[51] Law No. 2155-VI of 14 May 2010.

No. 139 of the Cabinet of Ministers "on Adoption of the Order of State Registration (Re-registration) of Foreign Investments and its Annulment" of 6 March 2013.

2.54. Investments in certain specific areas, such as the mining of mineral resources and the construction of infrastructure, are regulated under specialized legislation.[52] Moreover, public-private partnership contracts are concluded further to Law No. 2404-VI "on Public-Private Partnership" of 1 July 2010. Investments in special economic zones and industrial parks are described in further detail in Section 3.4.5.

2.55. Although Ukraine's legal framework generally treats domestic and foreign investors alike, some restrictions apply only to foreign investment. According to Article 117(2) of the Commercial Code[53], "foreign enterprises" (i.e. wholly-owned by foreign capital) may not be established in industries "of strategic importance for the national security under the law". No attempt has been made to draw up a precise or exhaustive list defining the sensitive and strategically-important industries. However, it would appear to apply to the nuclear power industry, generation and distribution of electricity, Ukraine's space industry, railway transportation, the printing of banknotes and securities, etc. (Section 4). Specific limitations on foreign ownership apply in certain sectors, notably in media, operators of gas transportation systems, and water supply.[54] Moreover, professional activity in the stock market must be carried out by a Ukrainian legal entity, and educational establishments (primary, secondary and higher education) must be headed by a citizen of Ukraine. Since 2014, investment restrictions apply to residents of the Russian Federation.

2.56. Ukraine's Schedule of Specific Commitments in Services under GATS stipulates that foreigners do not have the right to acquire agricultural land in Ukraine. At the moment, a moratorium is in place on the sale of all agricultural land or plots for agricultural use in Ukraine. However, foreigners may acquire non-agricultural land for the construction of business premises. Alternatively, land may be leased on long-term (up to 50 years) contracts. Articles 7 and 10 of the Forest Code prohibit foreign investors from owning forests in Ukraine.

2.57. Ukraine has signed numerous bilateral agreements on the avoidance of double taxation[55] and/or in respect of the promotion and protection of investments.[56] Although Ukraine does not

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[52] Law No. 1039-XIV "On Production-Sharing Agreements" of 14 September 1999 and Law No. 1286-XIV "On Concessions for Construction and Operation of Motorways" of 14 December 1999.

[53] Law No. 436-IV of 16 January 2003 (as amended in 2015). The Law entered into force on 1 January 2004.

[54] According to Ukraine's Services Schedule, foreign ownership in news agency services is limited to 35%. A limitation of 30% in wholesale trade of books, newspapers, and magazines expired 5 years after accession, i.e. in 2013. Law No. 3759-XII "On Television and Radio Broadcasting" of 21 December 1993 stipulates that only Ukrainian legal entities and residents may be founders of broadcasting organizations. According to Article 21 of the Gas Market Law (Law No. 329-VIII of 9 April 2015), an operator of a gas transportation system should either be a wholly state-owned enterprise or a joint venture between a state-owned enterprise (51%) and a foreign company controlled by residents of the United States of America or the European Energy Community (49%). For further details, see Section 4.

[55] As of November 2015, Ukraine had concluded double taxation agreements with Algeria, Austria, Azerbaijan, Belarus, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Egypt, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, India, Indonesia, Iran, Israel, Italy, Jordan, Kazakhstan, Republic of Korea, Kuwait, Kyrgyz Republic, Latvia, Lebanon, Libya, Lithuania, former Yugoslav Republic of Macedonia, Mexico, Republic of Moldova, Mongolia, Morocco, Myanmar, Netherlands, Norway, Pakistan, Poland, Portugal, Romania, Russian Federation, Saudi Arabia, Singapore, Slovak Republic, Slovenia, South Africa, Sweden, Switzerland, Syria, Tajikistan, Thailand, Turkey, Turkmenistan, United Arab Emirates, United Kingdom, United States, Uzbekistan, and Viet Nam. In addition, Serbia and Montenegro were covered under a tax convention signed with the Federal Republic of Yugoslavia in 2001, and double taxation agreements concluded by the USSR were still in effect for Japan, Malaysia, and Japan.

[56] Ukraine has signed bilateral agreements on the promotion and protection of investment with Argentina, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Brunei Darussalam, Bulgaria, Canada, Chile, China, Congo, Croatia, Cuba, Czech Republic, Denmark, Egypt, Equatorial Guinea, Estonia, Finland, France, the Gambia, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kazakhstan, Republic of Korea, Kuwait, Kyrgyz Republic, Latvia, Lebanon, Libya, Lithuania, former Yugoslav Republic of Macedonia, Republic of Moldova, Mongolia, Morocco, Myanmar, Netherlands, Panama, Poland, Russian Federation, San Marino, Saudi Arabia, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Syria, Tajikistan, Turkey, Turkmenistan, United Arab Emirates, United Kingdom, United States, Uzbekistan, Viet Nam, Yemen, and the Federal Republic of Yugoslavia.

utilize a model agreement, the bilateral treaties generally contain a most-favoured nation clause, protection against expropriation, and fair and equitable treatment. In the case of investment disputes, the agreements normally provide for recourse to the International Centre for Settlement of Investment Disputes (ICSID) or to an ad hoc tribunal constituted under the rules of UNCITRAL.[57] The ICSID Convention has been in force in Ukraine since 7 July 2010. In addition, Ukraine is a party to the 1994 Energy Charter Treaty, the 1958 New York Convention, and the 1961 European Convention on International Commercial Arbitration.

2.58. Domestic arbitral proceedings undertaken by the national commercial courts are governed by the provisions of Law No. 1701-IV "on Courts of Arbitration" of 11 May 2004. Law No. 4002-XII "on International Commercial Arbitration" of 24 February 1994 applies to disputes involving a foreign party and referred to international arbitration. The Law is complemented by the 2004 Civil Procedure Code regulating, *inter alia*, the procedure for recognition and enforcement of foreign court decisions and international awards, and by the 1991 Commercial Procedure Code, which limits the types of disputes that can be submitted to domestic or international arbitration proceedings. International arbitration in Ukraine is either conducted through the International Commercial Arbitration Court or through the Maritime Arbitration Commission. Both bodies are located at the Ukrainian Chamber of Commerce and Industry, but each body has its own arbitration rules.

2.59. In order to improve the investment image of Ukraine and attract investments for innovation and regional development, the President of Ukraine approved the establishment of a State Agency for Investment and National Projects in 2011.[58] A separate unit (InvestUkraine) was set up within the agency as a one-stop shop to provide information, legal advice, support, or consultancy services to prospective investors. The Cabinet of Ministers decided in 2014 to close the State Agency and to transfer its functions to the Ministry of Economic Development and Trade.[59] The Ministry has established a working group to formulate initiatives on ways to attract foreign investment into Ukraine.

2.60. Ukraine's recent efforts to improve its investment climate have been picked up by standard international indicators. Ukraine ranked 96th in the World Bank's Doing Business 2015 Report[60], up from 137th place two years earlier. The most notable improvements concern the payment of taxes, where Ukraine reduced the number of tax payments during a year from 28 to 5 in 2013, and in the registration of property, where Ukraine launched a new State Register of Property Rights to Immovable Property on 1 January 2013. However, in the area of "getting electricity" the World Bank report describes a complex system for a warehouse to be connected to the grid of the local distribution utility, and Ukraine ranks 185th out of the 189 economies surveyed. Despite the notable progress made, Ukraine still lags well behind many of its peers in the region.[61] In Transparency International's Corruption Perceptions Index 2014, Ukraine's score of 26 put it in (joint) 142nd place among the 175 economies in the sample.[62]

[57] *Investment Treaty Arbitration 2014*, published by Law Business Research Ltd. in association with Sayenko Kharenko law firm, London, 2013.

[58] A law aimed at streamlining investment approvals and associated documentation entered into force on 1 January 2012 (Law No. 2623-VI "On preparation and implementation of investment projects according to the 'Single Window' Principle" of 21 October 2010).

[59] Resolution No. 442 of the Cabinet of Ministers of 10 September 2014. The Cabinet of Ministers issued an order (No. 290-p) on 31 March 2015, setting up a commission to oversee the closing of the state agency. As of November 2015, the commission was continuing its work as some of the state agency's enterprises had yet to be liquidated.

[60] World Bank (2014).

[61] In the same survey, the World Bank ranked Ukraine well behind Poland (32nd), Belarus (57th), the Russian Federation (62nd), and the Republic of Moldova (63rd).

[62] See Transparency International (2014).

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Introduction

3.1. Ukraine's new Customs Code entered into force on 1 June 2012.[1] By late 2013, the Cabinet of Ministers had issued 46 decrees and the Ministry of Finance 51 orders to implement the code. The law incorporated a number of provisions based on international best practice to facilitate customs clearance. Overall, the number of permits required in connection with customs clearance fell from 69 to 26 with the new Customs Code.[2] Goods could henceforth be declared at any customs office, and the law stipulated that goods should be cleared through customs in no more than 4 hours.[3] According to the Ukrainian authorities, the average clearance time amounted to 1 hour and 38 minutes for imports, and 41 minutes for export declarations, in October/November 2013.

3.2. The law provides for the use of electronic systems and technological solutions. All users are permitted to file declarations electronically irrespective of the customs procedure to be applied. Most supporting documents may also be submitted in electronic form, or within three days of customs clearance. As electronic customs declarations are being processed immediately, users have been quick to adapt to the new paperless environment. The share of e-declarations in customs operations jumped from 12% in June 2012 to 83% before the end of 2013.

3.3. The Tax Code was also amended in 2012 to allow electronic confirmation of goods exported from Ukraine's customs territory. Other amendments eased the registration of motor vehicles and motorcycles processed electronically through customs and eliminated foreign exchange controls in connection with import and export operations.

3.4. Other tools to streamline customs operations included the application of risk management systems, resulting in a significant reduction in the incidence of cargos subject to inspection. In late 2013, less than 4% of all declarations were set aside for verification.[4] The 2012 Customs Code also simplified procedures with respect to customs valuation (Section 3.2.8.), the classification of goods, the determination of country of origin, and the establishment of customs warehouses, cargo terminals and duty-free shops. The law allows the customs authorities to issue rulings upon request. Penalties do not apply if entities adhere to rulings that are subsequently cancelled. The 2012 Customs Code also introduced a settlement procedure for customs violations.

3.5. The 2012 Customs Code envisages the introduction of the EU system of authorized economic operators (AEO), whereby traders are screened and certified for customs security purposes. The AEO scheme is voluntary, but authorized operators may benefit from streamlined controls. As of November 2015, the appropriate procedures for the screening and approval of AEOs were still being developed. No AEOs have thus been authorized in Ukraine so far.

3.2 Measures Directly Affecting Imports

3.2.1 Import procedures and requirements

3.6. Other than the 2012 Customs Code, key pieces of customs-related legislation include the Law "on Customs Tariffs of Ukraine" of 5 April 2001, Law No. 584-VI "on the Customs Tariff of Ukraine" of 13 September 2013, and the Tax Code of 2 December 2010.

3.7. The general procedures for the establishment of a business in Ukraine are outlined in Section 2.4. Until June 2015, activity licences were required to engage in importation (or exportation) of

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[1] Law No. 4495-VI "Customs Code of Ukraine" of 13 March 2012 (as amended). The law replaced Law No. 92-IV of 11 July 2002.

[2] Thereafter, the number of permits needed rose to 34 despite a Cabinet instruction to the executive agencies to reduce red tape.

[3] In the past, declarants needed permission from the customs administration to use an office other than the one at which they were registered.

[4] According to the Ukraine Chamber of Commerce, 70% of the goods cleared through customs in 2009 were subject to inspection. Viewed at: https://www.pwc.com/ua/en/publications/2013/assets/acc_customs_code.pdf.

certain goods, but such licences are no longer required.[5] Prior permission is needed to engage in trade in alcoholic beverages and tobacco products (Table 3.1).

Table 3.1 Goods requiring a permit for importing or exporting

HS	Product	Licensing body	Eligibility	Cost of licence
2207, 2208 202900, 2208 208900	Ethyl alcohol, cognac spirits, fruit spirits	Ministry of Economy	Only designated state enterprises	UAH 780
2204, 2205, 2206, 2208	Alcoholic beverages: Products obtained by alcoholic fermentation of materials containing sugar or produced on the basis of food alcohol with an ethyl alcohol content higher than 1.2% vol.	Ministry of Economy	All agents of economic activity	UAH 780
2402, 2403	Tobacco products: Cigarettes, cigarettes with a cardboard holder, cigars, cigarillos and also pipe tobacco, snuff, chewing tobacco and other products from tobacco or its substitutes, which influence the physiology of a person while consuming them.	Ministry of Economy	All agents of economic activity	UAH 780

Source: Ministry of Economic Development and Trade Order No. 42 of 14 February 2012, based on Article 16 of Law No. 959-XII "on Foreign Economic Activity" of 16 April 1991.

3.2.2 Ordinary customs duties

3.8. Ukraine bound all tariff lines upon accession to the WTO. Most tariffs were bound at *ad valorem* rates (96% of all tariff lines), with the incidence of *ad valorem* bindings increasing to well over 99% with full implementation of all tariff commitments (in 2013).[6] Beer, sparkling wine, and some tobacco products remain bound at specific rates (€ per unit). For two tariff lines (certain compound alcoholic preparations), the binding is expressed as an alternate (mixed) rate – specific duty or *ad valorem*, whichever is lower.

3.9. Ukraine has bound its tariffs at 6.1% on average; 10.8% in agriculture (WTO definition) and 4.9% for non-agricultural products (Table 3.2). Ukraine joined all the sectoral initiatives ("zero-for-zero" and "chemical harmonization") except for beer, and participates fully in the plurilateral Agreement on Trade in Civil Aircraft (since 2010) as well as in the Information Technology Agreement. As a result, nearly 30% of all Ukrainian tariff lines are bound at zero on an MFN basis. More than 99% of the agriculture tariff lines are bound at rates that do not exceed 20%, and 95% of the tariff lines in manufacturing are bound at 15% or less. Peak tariffs exist for a limited number of products, notably sugar (50%) and sunflower oil (30%).

3.10. In October 2011, Ukraine notified the WTO that it was reserving its rights under GATT Article XXVIII:5 to renegotiate its Goods Schedule during 2012-14.[7] A reservation list, comprising 371 tariff lines, was submitted in August 2012.[8] A large number of WTO Members did not respond favourably to this request. No negotiations took place, and Ukraine announced in the WTO General Council in October 2014 that it was withdrawing its reservation list.[9] Ukraine has also

[5] Law No. 222 "On Licensing of Economic Activities" of 2 March 2015 entered into force on 28 June 2015 and cancelled the activity licence requirements for laser-readable discs and matrices; holographic protection elements; narcotics, psychotropic substances and precursors; and cryptosystems and means for cryptographic protection.

[6] Spirits were bound at specific rates upon accession, but the bound rates were reduced to zero in 2011.

[7] WTO document G/MA/262, 9 November 2011.

[8] WTO document G/SECRET/34, 12 September 2012. Although Ukraine identified the tariff lines on which it was seeking changes in the bound rates, it never specifically proposed any new bound rates.

[9] WTO document WT/GC/M/153, 2 December 2014.

invoked its rights under GATT Article XXVIII:5 for the period 2015-17, but has not taken any further steps thus far.

Table 3.2 Structure of MFN tariffs in Ukraine, 2015

(%)

		Applied tariffs	Applied tariffs + 2015 import surcharge	Final bound[a]
1.	Bound tariff lines (% of all tariff lines)			100.0
2.	Simple average tariff rate	4.9	10.9	6.1
	Agricultural products (WTO definition)	9.6	19.3	10.8
	Non-agricultural products (WTO definition)	3.6	8.7	4.9
	Agriculture, hunting, forestry and fishing (ISIC 1)	5.3	14.9	8.0
	Mining and quarrying (ISIC 2)	3.4	8.1	6.7
	Manufacturing (ISIC 3)	4.9	10.7	6.0
3.	Duty-free tariff lines (% of all tariff lines)	37.9	2.0	28.4
4.	Simple average rate of dutiable lines only	7.8	11.2	8.6
5.	Tariff quotas (% of all tariff lines)	0.04	0.04	0.04
6.	Non-*ad valorem* tariffs (% of all tariff lines)	1.0	1.0	1.0[b]
7.	Non-*ad valorem* tariffs with no AVEs (% of all tariff lines)	0.2	0.2	0.2
8.	Domestic tariff peaks (% of all tariff lines)[c]	6.1	0.2	4.3
9.	International tariff peaks (% of all tariff lines)[d]	3.1	17.7	4.5
10.	Overall standard deviation of applied rates	6.0	7.2	6.1
11.	Nuisance applied rates (% of all tariff lines)[e]	7.6	0.1	3.5

a For the purpose of comparison between applied MFN 2015 and the final bound rates, the final bound rates (HS 2007 nomenclature) are aligned with the 2015 applied tariff schedule (HS 2012 nomenclature) by the Secretariat.
b The incidence of non-*ad valorem* tariff lines is 0.2% of all tariff lines according to the bound tariff schedule, drawn up in the HS 2007 nomenclature (see footnote 11).
c Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
d International tariff peaks are defined as those exceeding 15%.
e Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: The 2015 tariff is based on the HS 2012 nomenclature consisting of 10,460 tariff lines (at 10-digit tariff line level). Calculations include AVEs (based on 2014 imports), as available, provided by the Ukrainian authorities.

Source: WTO calculations, based on IDB data provided by the Ukrainian authorities and CTS databases.

3.11. At present, goods are subject to customs duties according to Law No. 584-VII "on Customs Tariff of Ukraine" of 19 September 2014. Imports from countries that are not Members of the WTO or that do not have a preferential trade agreement with Ukraine are assessed at the "full" rate of customs duty.[10] According to the Ukrainian authorities, the "full" rates exceed the MFN rates for 13-14% of the tariff lines, and are otherwise identical to the MFN rate of import duty. All applied MFN import duties are *ad valorem* except for beer, wine, cigarettes, and a few other tobacco products.[11] Compound (*ad valorem*/specific) duties are not used. Article 274 of the 2012 Customs Code authorizes the application of seasonal duties, but no seasonal duties are currently in place.

3.12. Ukraine reduced its applied MFN rates between 2008 and 2013 with the phasing-in of its WTO tariff commitments. However, as the applied rates were low from the outset, Ukraine's applied rates have generally not changed significantly since 2008. The simple average MFN import duty in Ukraine is currently 4.9%; 9.6% for agricultural products (WTO definition) and 3.6% for

[10] Some countries that are not members of the WTO are nevertheless granted MFN treatment by Ukraine, namely Algeria, Bosnia and Herzegovina, Iran, Iraq, Lebanon, Libya, San Marino, Serbia, and Syria.

[11] The customs tariff of Ukraine is aligned with the nomenclature of the integrated tariff (TARIC) of the European Union. As TARIC accords separate tariff lines to a considerable number of wines of protected geographical designation or appellation of origin, Ukraine's current tariff establishes specific rates of duty for sparkling wines (6 tariff lines) and other wines (96 lines). In Ukraine's Goods Schedule, which was drawn up in HS 2007 nomenclature, the same products are covered by a total of 6 tariff lines; 3 for sparkling wine and 3 for other wines.

manufactured goods (Table 3.3). Nearly 38% of the tariff lines are duty-free, and a further 28% are subject to rates of 5% or less (Chart 3.1). Except for sugar, which is subject to 50% import duty, and sunflower seed oil (30%) applied tariffs do not exceed 20% for agricultural products (Table A3.1).[12] For non-agricultural products, the average applied MFN tariff is 10% or higher only for clothing, footwear, various accessories (HS 65 to 67), and articles of animal gut (HS 42).

Table 3.3 Ukraine's applied MFN tariff summary, 2015

	Number of lines	Average (%)	Range (%)	Share of duty-free lines (%)	Share of non-*ad valorem* lines (%)	SD[a]	Averages with 2015 import surcharge
Total	10,460	4.9	0-283.2	37.9	1.0	6.0	10.9
HS 01-24	2,610	8.5	0-283.2	22.8	4.0	8.9	18.5
HS 25-97	7,850	3.7	0-25	42.9	0.0	4.1	8.4
By WTO category							
WTO agricultural products	2,193	9.6	0-283.2	14.9	4.8	9.1	19.3
Animals and products thereof	363	11.5	0-20	6.6	0.0	5.1	21.5
Dairy products	153	10.0	10-10	0.0	0.0	0.0	20.0
Fruit, vegetables, and plants	536	10.8	0-20	13.2	0.0	6.4	20.8
Coffee and tea	55	7.6	0-20	21.8	0.0	5.0	17.6
Cereals and preparations	234	11.8	0-20	3.4	0.0	6.1	21.8
Oils seeds, fats, oil and their products	199	8.6	0-30	17.6	0.0	7.0	18.4
Sugars and confectionary	44	15.8	5-50	0.0	0.0	17.5	25.8
Beverages, spirits and tobacco	334	6.7	0-283.2	21.6	31.4	16.9	16.7
Cotton	6	1.2	0-5	50.0	0.0	1.8	6.2
Other agricultural products, n.e.s.	269	6.0	0-20	37.9	0.0	6.8	13.9
WTO non-agricultural products	8,267	3.6	0-25	43.9	0.0	4.1	8.7
Fish and fishery products	541	2.9	0-20	57.1	0.0	4.2	12.9
Minerals and metals	1,588	2.9	0-20	51.8	0.0	3.9	7.9
Chemicals and photographic supplies	1,385	3.2	0-6.5	37.6	0.0	2.8	7.8
Wood, pulp, paper and furniture	447	0.6	0-12	93.5	0.0	2.2	5.5
Textiles	928	3.9	0-12.5	32.4	0.0	3.8	8.8
Clothing	348	11.4	0-12	0.9	0.0	1.7	16.4
Leather, rubber, footwear and travel goods	288	6.2	0-25	18.8	0.0	4.4	11.2
Non-electric machinery	991	2.2	0-10	50.2	0.0	2.7	7.0
Electric machinery	597	3.6	0-25	44.4	0.0	4.1	8.6
Transport equipment	336	5.3	0-20	32.7	0.0	4.6	10.2

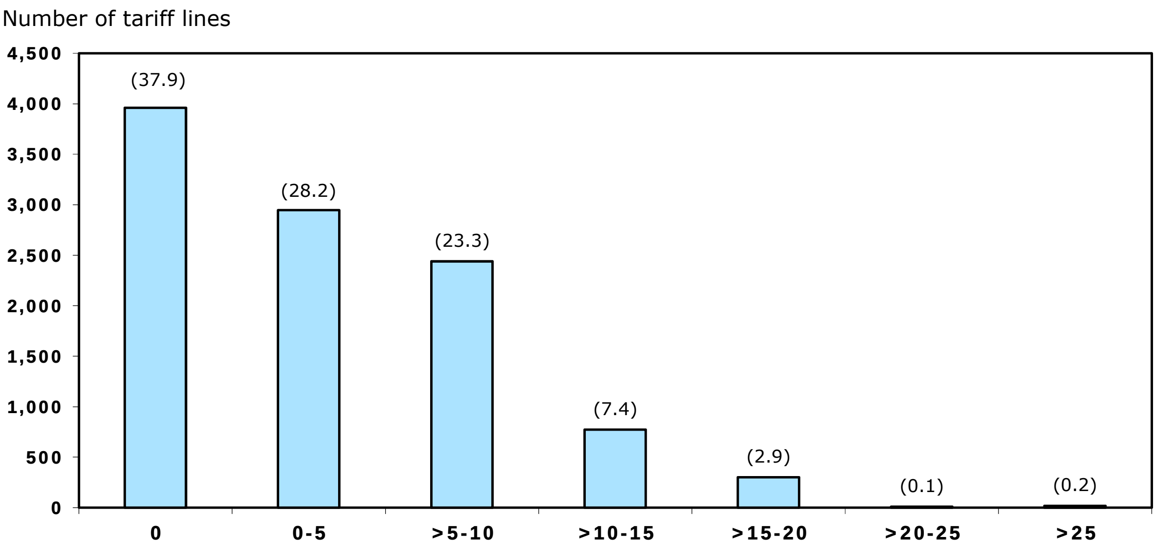
[12] For goods subject to specific duty rates (€ per litre for wines, per 1,000 cigarettes, or per kilogram for other tobacco products), the effective tariff depends on the import price and may be higher than 20%.

	Number of lines	Average (%)	Range (%)	Share of duty-free lines (%)	Share of non-*ad valorem* lines (%)	SD[a]	Averages with 2015 import surcharge
Non-agricultural products, n.e.s.	719	4.9	0-25	36.7	0.0	4.4	9.0
Petroleum	99	1.9	0-10	68.7	0.0	3.1	4.1

a Standard deviation.

Source: WTO calculations, based on IDB data provided by the Ukrainian authorities and CTS databases.

Chart 3.1 Breakdown of applied MFN tariffs, 2015



Note: Figures in parentheses indicate the share of total lines. Calculations include the non-*ad valorem* tariffs. AVEs are not available for some tariff lines (representing 0.2% of total tariff lines).

Source: WTO calculations, based on IDB data provided by the Ukrainian authorities.

3.13. As described in Section 2.3, Ukraine has concluded free trade agreements with the European Union, EFTA States, the Commonwealth of Independent States, Georgia, the former Yugoslav Republic of Macedonia, Montenegro, and Canada (Table 3.4). *Vis-à-vis* Ukraine's CIS partners, all goods enter free of duty except for white sugar (HS1701991000) from Belarus, Kazakhstan, and the Russian Federation, and exclusions for the Republic of Moldova concerning sugar beet seed (HS1209100000), lactose and lactose syrup (HS1702), and cane or beet sugar and chemically pure sucrose in solid form (HS1701).[13]

Table 3.4 Tariffs under preferential agreements, 2015

	Simple average tariff rate (%)			Duty-free rates as a percentage of total tariff lines in each category (%)		
	Overall	WTO agri.	WTO non-agr.	Overall	WTO agri.	WTO non-agr.
MFN	4.9	9.6	3.6	37.9	14.9	43.9
DCFTA (EU)	2.7	7.5	1.1	70.9	35.6	82.6
EFTA[a]						
Iceland	1.7	7.1	0.3	78.5	17.7	94.7
Norway	1.7	7.3	0.3	78.5	17.6	94.7
Switzerland	1.7	7.4	0.3	78.4	17.2	94.7
CIS						

[13] The imports excluded from the free trade regime are subject to MFN rates of import duty, i.e. 50% for white sugar and other sugar within HS1701, and 5% for sugar beet seed, lactose and lactose syrup.

	Simple average tariff rate (%)			Duty-free rates as a percentage of total tariff lines in each category (%)		
	Overall	WTO agri.	WTO non-agr.	Overall	WTO agri.	WTO non-agr.
CIS FTA						
Armenia[b]	0	0	0	100	100	100
Belarus	0.0[c]	0.0[c]	0	100.0[c]	100.0[c]	100
Kazakhstan	0.0[c]	0.0[c]	0	100.0[c]	100.0[c]	100
Kyrgyz Republic	0	0	0	100	100	100
Republic of Moldova	0.1	0.3	0	99.7	98.6	100
Russian Federation	0.0[c]	0.0[c]	0	100.0[c]	100.0[c]	100
Azerbaijan	0	0	0	100	100	100
Tajikistan	0	0	0	100	100	100
Turkmenistan	0	0	0	100	100	100
Uzbekistan	0	0	0	100	100	100
Other FTAs						
Macedonia (FYROM)	0.5	2.0	0.0[c]	94.6	19.8	74.8
Montenegro	0.1	0.4	0	99.6	98.0	100
Georgia[d]	0.0[c]	0.2	0	98.9	94.5	100

a AVEs are estimated based on the information (MFN AVEs) provided by the authorities.
b WTO document (WT/REG171/3), 1 July 2009.
c A very small number of dutiable items make averages of 0% or 100% due to rounding.
d WTO document (WT/REG121/6), 30 June 2009.

Note: FTA tariff schedules for EFTA and Montenegro (HS 2007 nomenclature) are aligned with the 2015 applied tariff schedule (HS12 nomenclature) by the Secretariat.

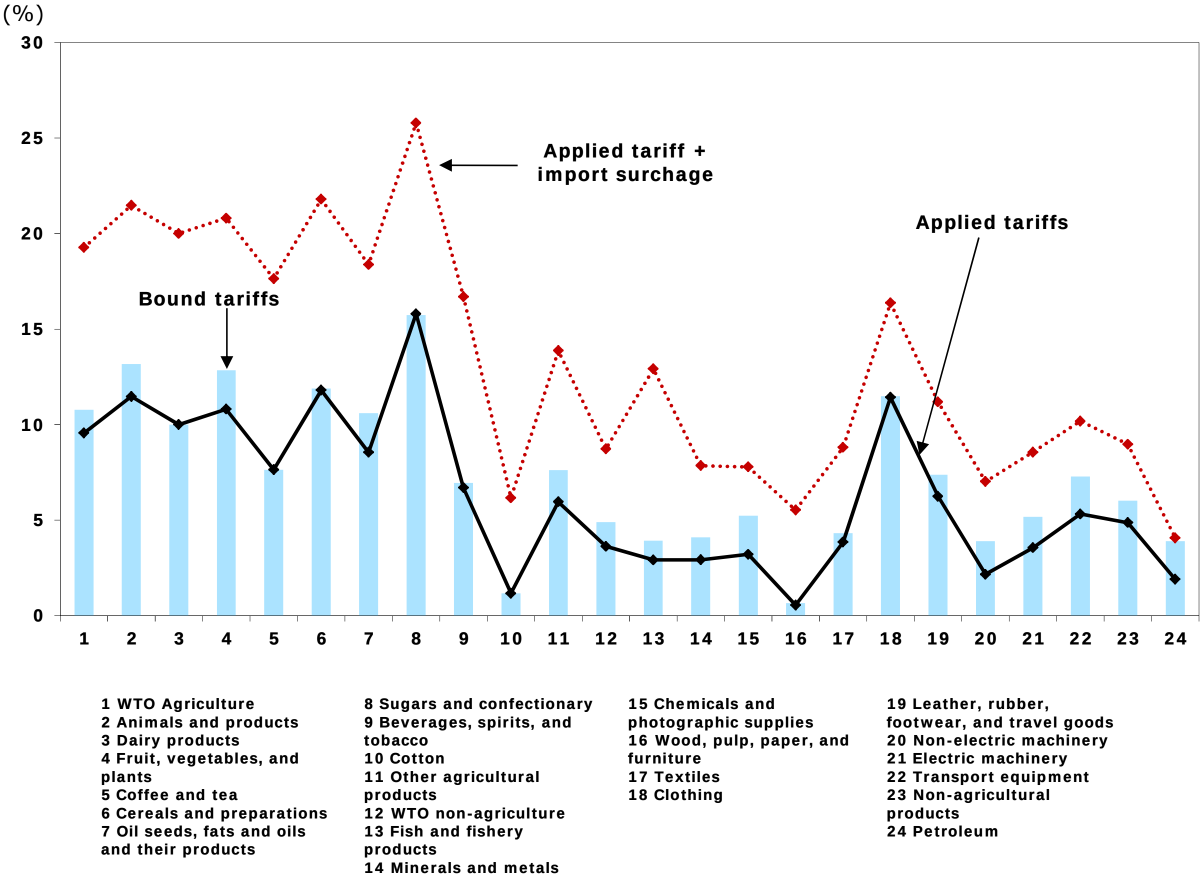
Source: WTO calculations, based on IDB and RTA data, and other information provided by the Ukrainian authorities.

3.14. In March 2009, Ukraine introduced a 13% import surcharge on certain goods. The surcharge was eliminated in May 2009 on all products[14] except refrigerators (HS8418) and motor vehicles (HS 8703), which remained subject to the measure until September 2009. Ukraine argued that the surcharge was necessary to strengthen its balance-of-payments position in the aftermath of the global financial crisis. The matter was discussed in the WTO Committee on Balance-of-Payments Restrictions. The Committee concluded that Ukraine's balance-of-payments situation had not justified the imposition of the measure, which had also been applied in a manner not consistent with the requirements of Article XII of the GATT 1994 and the Understanding.[15]

3.15. On 28 December 2014, the Verkhovna Rada passed a law introducing a temporary import surcharge.[16] The law entered into force on 25 February 2015. The surcharge amounted to 10% on agricultural products and 5% on industrial goods. Imports from all trading partners, including those with preferential trade agreements with Ukraine (and within tariff quotas), were subject to the measure. A certain number of essential items were exempt from the surcharge. The measure was put in place until 1 January 2016, and could be reduced gradually before the end of this period. Following consultations, the Committee on Balance-of-Payments Restrictions forwarded its report[17] to the WTO General Council, which adopted the report at its meeting on 27 July 2015.[18] By the end of December 2015, the import surcharge had raised Hrv 25 billion since its inception according to the Ministry of Finance. Towards the end of the year, the Verkhovna Rada adopted legislation to abolish the temporary import surcharge with effect from 1 January 2016.[19]

[14] Originally, the surcharge covered 24 HS 4-digit categories of goods.
[15] Report (2009) of the Committee on Balance-of-Payments Restrictions (WTO document WT/BOP/R/96, 30 October 2009).
[16] Law No. 73-VIII of 28 December 2014 "On Measures Concerning Stabilization of the Balance of Payments of Ukraine in Compliance with Article XII of the General Agreement on Tariffs and Trade 1994".
[17] WTO document WT/BOP/R/110, 22 June 2015.
[18] Although the Committee was not unanimous in its conclusion, most Members recognized Ukraine's difficulties and that the measure was applied consistently with WTO provisions. They noted that the surcharge was temporary, and encouraged Ukraine to remove it as soon as possible.
[19] Law No. 912-VIII "On Measures Concerning Stimulation of Foreign Economic Activity" of 24 December 2015.

Chart 3.2 Average tariff rates, by WTO product category, 2015



Note: Calculations include AVEs, as available, provided by the Ukrainian authorities.

Source: WTO calculations, based on IDB data provided by the Ukrainian authorities.

3.2.3 Other duties and charges

3.16. Ukraine has bound "other duties and charges" within the meaning of Article II.1(b) of the GATT at zero in its Goods Schedule.

3.2.4 Tariff quotas and tariff exemptions

3.17. As a result of its accession to the WTO, Ukraine undertook to open a tariff quota for imports of raw cane sugar (HS 17 01 11). The quota amounts to 267,800 tonnes annually at a tariff rate of 2% for in-quota imports.[20] Out-of-quota imports are to be subject to the regular MFN duty of 50%. The quota is allocated exclusively among WTO Members, of which 260 tonnes are reserved for Paraguay until 1 January 2019.[21] The remainder of the tariff quota is distributed on a first come, first served basis through import licences issued by the Ministry of Economic Development and Trade.[22]

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[20] In accordance with the terms of Ukraine's Goods Schedule, the initial annual quota of 260,000 tonnes upon accession was raised to 263,900 tonnes for 2009 and 267,800 tonnes per year from 2010 onwards.

[21] Administrative details are laid down in document WT/ACC/UKR/152, Table 14.

[22] Licence applications are approved by the State Agency of Reserve and the Ministry of Agrarian Policy and Food before the licence is issued by the Ministry of Economic Development and Trade. The tariff quota regime is governed by Law No. 404-V "On Establishing a Tariff Quota for Import of Raw Cane Sugar to Ukraine" of 30 November 2006, Cabinet of Ministers' Resolution No. 1002 "On Approving the Procedure for Allocation of the Tariff Quota for Import of Raw Cane Sugar to Ukraine" of 12 November 2008 (as amended), and the Ministry of Economic Development and Trade's Order No. 15 of 20 January 2009, amended by Order No. 239 of 17 March 2011.

3.18. The Ministry of Economic Development and Trade is to issue information on the quota utilization rates on its website on an annual basis. According to the Ministry, no applications for import licences were received in 2013 and 2014.[23] A significant productivity increase in the cultivation of sugar beet is said to have eliminated the interest in importing raw cane sugar, although domestic prices are considerably higher than import prices.[24]

3.19. Ukraine's free trade agreement with the former Yugoslav Republic of Macedonia includes provisions for the granting of market access within a system of tariff quotas for selected agricultural products. For imports into Ukraine, tariff quotas have been established for 22 product categories (HS 4-digit or 6-digit), notably for wine (40 million litres), fruit juices (3 million litres) and grape-based spirits (100,000 litres).[25] The in-quota tariff rate is 0%. According to the Ukrainian authorities, the quota utilization rates have been modest (around 10%), and Ukrainian exporters have never availed themselves of the preferential TRQs available to them. With the entry into force of the DCFTA, Ukraine will be regulating imports of pork meat, poultry meat and meat preparations, and sugar from the European Union under a tariff quota regime (Table 3.5). The quotas will be administered on a first come, first served basis.

Table 3.5 Indicative aggregate tariff quotas for imports from the European Union

Tariff classification	Product	Annual quota (net weight)
020311, 020312, 020319, 020321, 020322, 020329	Pork meat	10,000 tonnes, plus 10,000 tonnes for the following items: 02031110; 02031219; 02031911; 02031915; 02031959; 02032110; 02032219; 02032911; 02032915; 02032959
020712, 020714, 020726 (except 02072691), 020727, 02073531, 02073541, 02073561, 02073563, 02073579, 02073599, 02073631, 02073641, 02073661, 02073663, 02073971, 02073679, 02073689, 02073690	Poultry meat and poultry meat preparations	8,000 tonnes, increasing linearly to 10,000 tonnes in 5 years, plus 10,000 tonnes for HS 020712
170111, 170112, 170191, 170199	Sugars	30,000 tonnes, increasing linearly to 40,000 tonnes in 5 years

Source: Official Journal of the European Union L161/184, 29 May 2014; and information provided by the Ukrainian authorities.

3.20. Tariff exemptions are regulated in accordance with Articles 282 and 287 of the 2012 Customs Code and its final provisions.[26] Article 282 specifies 20 instances in which goods are exempt from customs duty upon importation and exportation, including diplomatic privileges; equipment and supplies to vessels and vehicles involved in international transportation of goods; temporary imports and re-exports; pharmaceuticals; goods paid for under programmes to fight AIDS, tuberculosis and malaria in Ukraine; foreign assistance to the decommissioning of the Chernobyl Nuclear Power Plant; equipment for the production of renewable or alternative sources of energy; and certain defence products. Article 287 deals specifically with (i) humanitarian aid; (ii) goods imported as part of foreign investments; (iii) imports of scientific, laboratory, and research equipment for scientific parks; (iv) goods destined for the Red Cross Society of Ukraine and its local branches; (v) imports of equipment and materials (not produced in Ukraine) for technological parks; and (vi) imports of machinery, equipment, and components (not manufactured in Ukraine) for use in technological parks. Finally, Section XXI stipulates temporary exemptions for specific industries or projects (Table 3.6). Conditions are often attached to these exemptions, notably that the goods to be imported (or close substitutes to them) are not manufactured in Ukraine.

[23] Imports amounted to less than 200 tonnes in 2012.
[24] OECD Producer and Consumer Support Estimates database. Viewed at: http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm.
[25] Details are provided in Annex Table AII.1 of the Secretariat's Factual Presentation of the FTA (document WT/REG248/1, 19 August 2009). Quota levels are also detailed in WTO document WT/ACC/UKR/152, Table 13 (a).
[26] The Ministry of Finance's Order No. 1011 "On Approval of Departmental Classifications of State Customs Information Used in the Processing of Customs Declarations" of 20 September 2012 details the classifications of exempted goods.

Table 3.6 Temporary tariff exemptions, 2012-15

Imports destined for	Products (by HS classification)	Exemption until
Publishing activities	32110000, 3212903100, 3212903800, 3215110000, 3215190000, 3505105000, 3505109000, 3701300000, 3702420000, 3702430000, 3702440091, 3702440099, 3907500000, 4008219000, 4703210000, 4703290000, 4704210000, 4707901000, 4707909000, 5901100000, 8439100000, 8439200000, 8439300000, 8440101000, 8440102000, 8440103000, 8440104000, 8440109000, 8441101000, 8441102000, 8441103000, 8441104000, 8441108000, 8443110000, 8443131000, 8443133100, 8443133500, 8443133900, 8443139000, 8443194000, 8443911000, 8443919110, 8443919910, 8443919990, 8443999010, 8443991000, 8443999090	01.01.2015
Aircraft industry	2707209000, 2707301000, 2707998000, 2710112100, 2710198100, 2710199900, 2712209000, 2805309000, 2818109000, 2827, 2835, 320490 0000, 3207403000, 3208, 3209, 32110000, 3214101010, 360300, 3604900000, 3703100000, 3703901000, 3824100090, 3824903500, 3824904000, 38249050, 3824906500, 3901, 3909, 3911, 3917, 3919, 3920, 3921, 4002, 4005, 40069000, 4008, 4009, 4011300030, 4016, 401700, 7003, 7007, 7019, 7202, 7205100000, 7205290000, 7207, 7208, 7209, 7211, 7212, 7213, 7214, 7215, 7217, 7218, 7219, 7220, 7221001000, 722300, 7224901800, 7225, 7226, 7227, 7228, 7229, 7304, 7311001000, 7312, 7315, 7318, 7326, 7407, 7409, 7411, 741300, 7419, 7502, 7504000000, 7505, 7506, 7507, 7508, 7601, 7603, 7604, 7605, 7606, 7607119000, 7607199900, 7607209100, 7608, 7609000000, 7616, 8101, 8102, 8104, 8105, 8108, 8111009000, 8112, 8307, 8409100000, 8411110000, 841112, 8411210000, 8411222000, 8411228000, 8411810000, 841182, 8411910000, 8411990000, 8412100010, 8412218010, 8412298910, 8412310091, 8412390010, 8412808010, 8412902010, 8412908010, 8413190000, 8413200000, 8413302000, 8413308000, 8413504000, 8413506900, 8413508000, 8413603900, 8413606900, 8413607000, 8413608000, 8413702100, 8413702900, 8413810000, 8413910090, 8414108910, 8414208010, 8414302010, 8414308110, 8414308910, 8414510010, 8414592091, 8414594010, 8414598010, 8414801110, 8414801910, 8414802291, 8414802810, 8414807391, 841490000, 8415810030, 8415820030, 8415830010, 8415900000, 8419500000, 8419812010, 8419818010, 8419908500, 8421197010, 8421210000, 8421230030, 8421290000, 8421310000, 8421392000, 8424, 8425110000, 8425198000, 8425310000, 8425393000, 8425399000, 8425420000, 8425490000, 8443321000, 8456, 8457, 8458, 8459, 8460, 8461, 8462, 8463, 8466, 8471300000, 8471410000, 8471490000, 8471500000, 8471606000, 8471607000, 847170, 847330, 8479899790, 8481, 8482, 8483, 8501200010, 8501310010, 8501322010, 8501328010, 8501330010, 8501349210, 8501349810, 8501402010, 8501408010, 8501510010, 8501522010, 8501523010, 8501529010, 8501538100, 8501612010, 8501618010, 8501620010, 8501630010, 8502112010, 8502118010, 8502120010, 8502132010, 8502134010, 8502138010, 8502202010, 8502204010, 8502206010, 8502208010, 8502392010, 8502398010, 8502400010, 8504102010, 8504108010, 8504318000, 8504322010, 8504328010, 8504330010, 8504409000, 8504502010, 8504509510, 8505, 8506, 8507104110, 8507104910, 8507109210, 8507109810, 8507204110, 8507204910, 8507209210, 8507209810, 8507308900, 8507400000, 8507808000, 8507909000, 8511100010, 8511200010, 8511300010, 8511400010, 8511500010, 8511800010, 8515, 8517701100, 8517701910, 8525500010, 8525600000, 8526100010, 85269120, 85269180, 8526920010, 8528410000, 8528510000, 8528599000,	01.01.2016

Imports destined for	Products (by HS classification)	Exemption until
	8528610000, 8529106910, 8529108010, 8529109510, 8529909710, 8531109510, 8531202010, 8531204010, 8531209510, 8531802010, 8531809510, 8532, 8533, 8535, 8536, 8537, 8538100000, 8538909900, 8541, 8542, 8543, 8544, 8545, 8546, 9014100010, 9014202010, 9014202090, 9014208010, 9014208090, 9014900090, 901720, 901730, 901780, 9020000000, 902300, 9024, 9025118010, 9025192010, 9025198098, 9025802010, 9025804010, 9025900095, 902610, 902620, 902680, 9026900000, 9027, 9029100010, 9029203810, 9030100000, 9030201000, 9030203000, 9030209100, 9030310000, 9030320000, 903033, 9030390000, 9030400000, 9030840000, 9030893000, 9030908500, 9031803400, 9031908500, 903210, 9032200000, 9032810000, 9032890000, 9033000000	
2012 UEFA European Championship	7326909890, 8405100000, 8414409000, 8428330000, 8428909500, 8429190000, 8429200000, 8429519900, 8430200000, 8504409000, 8530800000, 8704229100, 8704239100, 8705300090, 8705909090, 8709199000, 8716800000, 9015801100, 9024809900, 9405401000, 9405990090	01.09.2012
Spacecraft industry	281810, 2830908500, 2837, 2901, 2903, 2921, 2929, 2931009590, 320720, 3208, 3209, 3214, 3403, 3506, 3602000000, 360300, 3604, 3701, 3703, 3707, 3810, 381400, 3901, 3903, 3906, 3907, 3908900000, 3909, 3911, 3917, 3919, 3920, 3921, 3926, 4002, 4005, 4008, 4016, 4017001000, 4823400000, 4901, 4906000000, 5208, 5407, 5607, 5903, 5906, 59119090, 681510, 6902, 7002, 7007119000, 7019, 7202, 7211, 7214, 7215, 7217, 7219, 7220, 7222, 722300, 7224 - 7226, 7228, 7229, 7304, 7407, 7409 - 7411, 741300, 7505, 7506, 7508, 7601, 7604 - 7608, 7616, 8101, 8102, 8104, 8105, 8108, 8112, 8307, 8412, 8414, 8421, 8471, 8473, 8479, 8482, 84833080, 8501, 8504, 8506, 8507, 8517, 8523, 8526, 8529, 8532, 8533, 8536 - 8538, 8540 - 8544, 8547, 8803, 9014, 9015, 902300, 9026, 9027, 9030 - 9032, 9033000000, 9306901000	01.01.2018
Shipbuilding	List to be determined by Cabinet of Ministers	01.01.2016
Olympic and Paralympic games	List to be determined by separate laws	From one year before until each event
Machine-building enterprises	List to be determined by Cabinet of Ministers	01.01.2017
National project "Air Express"	6801000000, 6809110000, 6901000000, 7005108000, 7216401000, 7216409000, 7216911000, 7408110000, 7412200000, 8405100000, 8414409000, 8428102000, 8428400000, 8428909500, 8429110000, 8429190000, 8429200000, 8429300000, 8429409000, 8430100000, 8504409000, 8530800000, 8601100000, 8602900000, 8608001000, 8608003000, 8704229100, 8704239100, 8705300090, 8705909090, 8716800000, 9015401000, 9405990090, 8504108010	End of project
Priority industries	Goods and procedures to be determined by Cabinet of Ministers for each investment project	01.01.2018
G8 initiative "Global Partnership against Dissemination of Mass Destruction Weapons and Material"	List and procedures to be determined by the Cabinet of Ministers	End of programme

Source: Law No. 4495-VI "Customs Code of Ukraine" of 13 March 2012 (as amended).

3.2.5 Fees and charges for services rendered

3.21. Customs operations can be effected round the clock in Ukraine. Clearance through customs is in principle free of charge, but fees apply for customs formalities undertaken outside of normal working hours or for off-site controls, as stipulated in Article 247, paragraph 8 of the

2012 Customs Code (Table 3.7). For inspections of motor vehicles carrying passengers or cargo, Ukraine has applied a unified fee since it accession to the WTO (Table 3.8). Vehicles are also subject to a charge for the use of Ukrainian highways, collected at the border crossings.

Table 3.7 Customs clearance fees

Operation	Fee per hour of work (in euros)
Customs formalities carried out by the customs authorities on-site within regular working hours	Free
Customs formalities carried out by the customs authorities outside of their premises:	
- during working hours	20
- overtime, night time, and days off	40
- holidays and non-working days	50
Customs formalities carried out by the customs authorities on its premises, but outside of normal working hours:	
- overtime, night time, and days off	40
- holidays and non-working days	50

Note: The fees are fixed regardless of the number of customs officials taking part in the operations.

Source: Government of Ukraine.

Table 3.8 Unified fee for customs and other inspections, and for usage of Ukraine's highways

Type of motor vehicle	Capacity or weight of charged motor vehicle	Unified fee in €	
		For performance of border control, per motor vehicle	Supplement for use of Ukrainian highways to final destination, per kilometre
1. Buses	From 10 to 30 seats inclusive Over 30 seats	2 5	0.02 0.02
2. Trucks with or without trailers and tractors with or without semi-trailers	Under 20 tonnes inclusive Over 20 to 40 tonnes inclusive	5 10	0.02 0.02
3. Heavy-weight motor vehicles	Over 40 to 44 tonnes inclusive Over 44 to 52 tonnes inclusive From 52 to 60 tonnes Over 60 tonnes (per additional 10 tonne)	10 10 10 10	0.1 0.2 0.27 0.78
4. Large-size motor vehicles with axial load exceeding the limit by:	Under 5% inclusive Over 5% to 10% inclusive Over 10% to 20% inclusive Over 20% for each next 5%	- - - -	0.05 0.1 0.27 0.15
5. Large-size motor vehicles exceeding width, height, length parameters	For each parameter	-	0.03
6. Railway car, container		2	-

Source: Document WT/ACC/UKR/152, 25 January 2008, Table 15 (b).

3.2.6 Internal taxes

3.22. At present, Ukraine applies excise duties to beer, wine and spirits; tobacco and tobacco products; electricity; petroleum products, denatured alcohol, and biodiesel; and motor vehicles. Electricity was added to the list of excisable items with effect from 1 January 2015. The legal basis for excise duties on alcoholic beverages, tobacco, petroleum products, and motor vehicles was established in 1996.[27] Entities liable to pay excise taxes are defined in Article 2 of the Cabinet of Ministers' Decree No. 18-92 "on Excise Duty" of 26 December 1992.

3.23. The excise tax rates are stipulated in the Tax Code. The duties are currently set predominantly at specific rates, except for cigarettes (compound specific/*ad valorem* rate with specific minimum) and electricity (3.2% *ad valorem*). The rates are stipulated in national currency for alcoholic beverages and tobacco, and in euros for other goods (Table A3.2).

3.24. The tax rates are revised annually. The Cabinet of Ministers should forward its proposal to amend the rates to the Verkhovna Rada by 1 June. Once the Verkhovna Rada has taken its decision, the amended tax rates will enter into force from 1 January in the following year.

3.25. Among other recent changes in the tax regime, vans converted into passenger cars in Ukraine became excisable goods with effect from 1 January 2014, and excise duties have been levied on motor vehicles for public transportation of passengers (HS8702) since 1 January 2015. Tax rates for used motor vehicles are higher than for new cars, and rates may increase with the age of the vehicle. In the case of vehicles for public transportation of passengers, the tax increases 50-fold if the vehicle is more than eight years old. The tax is only collected once in the lifetime of a vehicle, and thus discourages the importation of old cars.

3.26. Value added tax (VAT) is levied on domestically produced or imported goods and services at the general rate of 20% according to the 2010 Tax Code. A reduced rate of 7% was introduced on 1 April 2014 for medicines registered in Ukraine (list approved by the Cabinet of Ministers) and medical supplies and equipment for clinical trials. Exports, international transportation services, the maintenance of aircraft flying international routes, and supplies for sea vessels are zero rated. For imports, VAT is calculated on the assessed import price inclusive of import duties and other applicable taxes.

3.27. Certain domestic sales may also be VAT exempt or fall outside the scope of the VAT regime. Among the VAT exempted items are the supply of Ukrainian periodicals, baby food, equipment utilized by the disabled, special-purpose supplies to municipal or state authorities, educational services, imported energy-saving equipment or equipment using renewable energy, natural gas imported by Naftogaz, and the sale of land. VAT exemptions may also be accorded on a temporary basis (Table 3.9). In addition, entities engaged in space engineering under international agreements (listed by the Cabinet of Ministers) are VAT-exempted for the duration of these agreements.

Table 3.9 Temporary VAT exemptions

Nature of activity	End of exemption
The performance, distribution and public screening of domestic or foreign films	1 January 2016
Imports for the aircraft and shipbuilding industries, provided identical domestic products are not available	1 January 2016
Grains and industrial crops	31 December 2017
Equipment enumerated in the Law "on Alternative Fuels" (Article 7)	1 January 2019
Goods and services of legal entities established by public organizations for the disabled	1 January 2020
Software, e.g. operating systems, computer programs, system administration, websites, and online services	1 January 2023

Source: 2010 Tax Code.

3.28. Activities not subject to VAT include banking, insurance and reinsurance services, issue and sale of securities, asset management services, foreign exchange operations, the reorganization of legal entities, and lotteries. Special VAT regimes have been established for agriculture, forestry, and fisheries (Section 4.1.3).

3.29. Registration as a VAT taxpayer is mandatory for individuals and legal entities when the turnover of goods and services exceeds Hrv 1 million for the previous 12 calendar months.

[27] Laws Nos. 178/96-BP "On Rates of Excise Tax and Import Duties on Ethyl Alcohol and Alcoholic Beverages" of 7 May 1996, 216/96-BP "On Rates of Excise Tax and Import Duties on Certain Categories of Vehicles" of 24 May 1996, and 313/96-BP "On Rates of Excise Tax and Import Duties On Certain Commodities" of 11 July 1996.

Voluntary registration is also possible. VAT taxpayers submit their VAT returns to the tax authorities within 20 calendar days of the end of each reporting month.[28]

3.30. Ukraine introduced an electronic VAT administration system on 1 July 2015. Henceforth, all tax invoices should be recorded in the Unified Register of Tax Invoices. As for VAT refunds, Articles 198 and 199 of 2010 Tax Code foresee an "automatic refund procedure for certain qualified taxpayers". Delays in the refund of Ukrainian VAT to foreign-invested exporters have been a matter of concern to some of Ukraine's trading partners for many years. Even with an automated reimbursement procedure, non-transparent criteria have apparently prevented many firms from receiving their dues. It has also been reported that past practices have been arbitrary, favouring companies connected to, or otherwise favoured by the government at that time.[29]

3.2.7 Import prohibitions, restrictions, and licensing

3.31. Law No. 959-XII "on Foreign Economic Activities" of 16 April 1991, as amended by Law No. 360-V of 16 November 2006, provides the basic legal framework for the imposition of non-tariff measures in Ukraine. Imports may be banned in exceptional cases as foreseen in Articles XX and XXI of the GATT 1994, e.g. for the protection of human, animal or plant life or health, or for the protection of the environment; to block goods or services propagating war, racism or racial discrimination, genocide, or other acts contradicting Ukraine's Constitution; or to enforce Ukraine's international obligations related to the maintenance of international peace and security. Goods violating intellectual property rights are also prohibited. Import restrictions maintained under the SPS regime are detailed in Section 3.4.3.

3.32. Article 16 of the Law "on Foreign Economic Activities" authorizes the Cabinet of Ministers to establish a list of goods subject to import and/or export licensing and the size of the import/export quotas. Licences may be required: (i) in response to a sharp deterioration in Ukraine's balance of payments and external payments, provided other measures are ineffective; (ii) in response to a sharp drop in gold and foreign currency reserves, or if these reserves have reached their minimum level; (iii) to protect human, animal or plant life and health, public morals, national treasures of artistic, historic or archaeological value, intellectual property rights, or for reasons of state security; (iv) to regulate imports of gold and silver (except metals held by banks); (v) to apply measures to protect domestic producers in case of increased imports resulting in significant damages, or likely significant damages, to national producers of similar or directly competitive products; (vi) to protect patents, trademarks, and copyright; (vii) to ensure execution of Ukraine's international treaties; or (viii) in response to discriminatory and/or unfriendly actions of other States, customs unions, or economic groupings. Goods may be subject to non-automatic or automatic licensing, but never both at the same time.

3.33. For goods subject to automatic licensing, a licence must be issued no later than 10 business days from the date of receipt of the application and other necessary documents meeting the established requirements; the deadline is 30 calendar days for the issue of non-automatic licences. The licensing fees amount to Hrv 220 for automatic licences and Hrv 780 for non-automatic licences.[30] Licences are valid until the end of the calendar year in which they have been issued.

3.34. Effective from 1 June 2013, Ukraine introduced an import quota on coking and bituminous coal (HS 2701121000, 2701129000, and 2701190000) of 10.2 million tonnes, and a quota of 210,000 tonnes of coke and semi-coke (HS 2704001100, 2704001900, 2704003000, and 2704009000).[31] The quotas were valid until the end of 2013 and enforced through non-automatic licensing. The initial quota of 10.2 million tonnes of coking and bituminous coal was later increased to 11.2 million tonnes. For coke and semi-coke, the initial quota of zero was later revised to 210,000 tonnes, and finally increased to 300,000 tonnes for the seven-month period.[32]

[28] Minor taxpayers may file VAT returns on a quarterly basis.

[29] United States Trade Representative, Foreign Trade Barriers 2015.

[30] Cabinet of Ministers' Resolution No. 362 "On Establishing the Amount of the Fee for the Issue of Export/Import Licenses" of 18 May 2005.

[31] Annex 8 of the Cabinet of Ministers' Resolution No. 1201 "On Adoption of the List of Commodities Export and Import of which is Subject to Licensing and Quotas for 2013", 19 December 2012.

[32] Ukraine described the measure in various notifications to the WTO Committee on Import Licensing (WTO documents G/LIC/N/1/UKR/2, 29 April 2013; G/LIC/N/1/UKR/3, 24 May 2013; G/LIC/N/1/UKR/3/Rev.1,

3.35. At present, import quotas (quantitative import restrictions) are only applied in connection with safeguard measures. The quotas are enforced through non-automatic licensing. The list of goods subject to automatic licensing is approved by the Cabinet of Ministers on an annual basis.[33] In 2015, automatic licensing was applied to abide by the requirements of the Montreal Protocol for ozone-depleting substances and goods containing such substances, and to prevent deceptive practices for optical polycarbonates and machinery for the manufacture of disks for laser-reading systems (Table 3.10).

Table 3.10 Goods subject to automatic import licensing

Product classification	Product description
3907400000	Optical polycarbonates for manufacture of disks for laser-reading systems
8477100000, 8480710090, 8523809100, 8523809900	Machinery for manufacture of disks for laser-reading systems: injection-moulding thermoforming machines for disk manufacture, press-moulds for thermoforming machines for injection moulding of disks matrixes or moulds containing data necessary to mould disks
Listed in document G/LIC/N/3/UKR/8, Appendix I	Ozone-depleting substances
Listed in document G/LIC/N/3/UKR/8, Appendix II	Products that may contain ozone-depleting substances

Source: WTO document G/LIC/N/3/UKR/8, 8 October 2015.

3.36. Certain goods are subject to prior approval before automatic licences may be issued. Thus, within the Ministry of Agrarian Policy and Food, the central government inspectorate for plant protection approves the importation of chemical substances for plant protection and the state technological centre for the protection of soil fertility authorizes imports of agrochemicals (plant growth regulators). The Ministry of Environmental Protection must issue prior approvals to importers before automatic licences can be issued for ozone-depleting substances.

3.37. Activity licences have not been required for importation (or exportation) since June 2015.[34] In the past, Cabinet of Ministers' Resolution No. 756 "on Approving the List of Documents to be Attached to the Application for Issuing a Licence for a Specific Type of Business Activities" of 4 July 2001 determined the documents to be submitted by the applicants.

3.38. The Law "on the State Regulation of Production and Circulation of Ethyl, Cognac and Fruit Alcohol, Alcoholic Beverages and Tobacco Products" stipulates that these products are subject to import (and export) licensing. The Ministry of Economic Development and Trade has been designated as the licensing authority as per the Cabinet of Ministers' Resolution No. 609 "on Approving the List of Licensing Authorities" of 5 August 2015. The Cabinet of Ministers' Resolution No. 493 "on the Temporary Procedure for Issuing Licences for the Right to Import and Export Ethyl, Cognac and Fruit Alcohol, Alcoholic Beverages and Tobacco Products and Retail Trade in Alcoholic Beverages and Tobacco Products" of 13 May 1996 establishes the licensing procedure. Licences are valid for 5 years and subject to an annual renewal fee of Hrv 780.

3.2.8 Customs valuation

3.39. In acceding to the WTO, Ukraine agreed to apply the WTO's customs valuation provisions, including the Agreement on the Implementation of Article VII of the GATT 1994 (Customs Valuation Agreement) and paragraph 2 of Decision 4.1 of the Customs Valuation Committee, from the date of accession. Ukraine undertook not to use any form of reference or minimum prices or fixed valuation schedules for the valuation of imports. At that time, Ukraine's customs valuation regime was governed by Articles 259-273 of the 2002 Customs Code and Cabinet of Ministers' Resolution No. 1375 of 28 August 2003.

14 August 2013; G/LIC/N/1/UKR/4, 10 December 2013; G/LIC/N/1/UKR/5, 10 December 2013; G/LIC/N/2/UKR/3, 18 April 2013; G/LIC/N/2/UKR/4, 24 May 2013; G/LIC/N/2/UKR/4/Rev.1, 13 August 2013; G/LIC/N/2/UKR/1; and G/LIC/N/2/UKR/5, 10 December 2013). The United States and the European Union raised written questions on the measure (WTO document G/LIC/Q/UKR/1, 11 April 2013), to which Ukraine responded in WTO document G/LIC/Q/UKR/2 of 30 April 2013.

[33] Meat and edible by-products of poultry (HS 0207); and lard without lenten parts, pork fat and poultry fat (HS 0209) were subject to automatic licensing in 2013.

[34] Until then, licences for disks for laser readout systems and matrices were issued by the Ministry of Economic Development and Trade.

3.40. At present, general provisions on customs value are contained in Section III of the 2012 Customs Code (Law No. 4495-VI of 13 March 2012).[35] The Code stipulates the transaction value as the principal method to determine customs value, and establishes the hierarchy of alternative valuation methods in sequential order as laid down in the Customs Valuation Agreement. The valuation methodology did not change relative to the 2002 Customs Code, but the control procedures have been simplified and verification processes are now completed after the release of goods for free circulation. Specifically, the Ukrainian authorities note that customs value declarations[36] are no longer needed for transactions valued at less than €5,000, and the declarations are only used above this threshold when the buyers and sellers are related, or when the customs value is determined by adjustments involving the value of components or parts. The right of the customs authorities to request additional documentation is now more limited and more clearly defined than in the past. The customs authorities may only adjust the declared value if (i) the value is factually incorrect (e.g. calculation mistakes or the application of a wrong exchange rate); (ii) the basic documentation (e.g. invoice) is missing; (iii) the selected valuation method is inconsistent with the Customs Code; or (iv) the customs authorities of other countries have advised that the declared value is unreliable. Any adjustments must be justified by the authorities and communicated to the declarant in writing.

3.41. The verification of customs value is carried out during customs control and customs clearance. Goods may be released for free circulation while disagreements persist regarding the correct valuation. In such cases, the declarant may pay duties and taxes according to the declared value and provide a payment guarantee for the additional disputed amounts. The declarant has 80 days to provide additional documentation in support of his claims. For authorized economic operators (AEOs), documentation requirements will be restricted to the customs value declaration, the contract, the invoice, bank payment documents, and proof of transportation and insurance costs. All verification exercises are to be performed after the goods have been released for free circulation.

3.42. According to the Ukrainian authorities, the principal effect of the revised procedures has been a significant reduction in the number of adjustment decisions, falling from 63,700 in the first half of 2012 to 14,300 during the first six months of 2013. The number of complaints diminished as well (by nearly 40%).[37] The Ukrainian authorities also maintain that the new regime involves a considerable streamlining of valuation procedures compared with the previous legislation. The customs classification process has been simplified as customs offices are now obliged to make provisional decisions binding upon all customs offices, and all decisions must be made public (Article 23). From January 2013 to September 2015, Ukrainian customs offices issued more than 1,900 provisional decisions and nearly 5,900 classification decisions within a much reduced timeframe. Decisions regarding customs value adjustments may be appealed to customs, to a higher authority, or brought before the courts.[38]

3.43. On 23 September 2015, the Cabinet of Ministers approved Resolution No. 724 "on the Use of Benchmarks for Customs Valuation of Goods in the System of Risk Management". The Resolution implies the use of unified benchmarks for the customs valuation of imported goods, monitored by the Ministry of Finance. According to the Resolution, benchmarks may be used only within the risk management system. Thus, the deviation from a benchmark serves only as an additional indicator for customs to inspect an imported good and check a standard list of supporting documents. A declared value below an established benchmark level does not in itself provide sufficient reason to request additional documents or statements, or to reject the declared value. The authorities stress that the State Fiscal Service does not apply a list of indicative prices in its analysis and assessment of risk related to customs valuation.

[35] Decisions 3.1 (interest charges) and 4.1 (software) of the WTO Customs Valuation Committee have been incorporated directly into the 2012 Customs Code (Article 51, paragraphs 4 and 5).

[36] A unified declaration form is now used whereas three different forms were required in the past.

[37] 89 complaints were lodged in the first quarter of 2013 compared with 144 in the corresponding period one year earlier. Statistics regarding the number of appeals is currently not being compiled according to the authorities.

[38] The decisions generated Hrv 108 million in additional revenue.

3.2.9 Rules of origin

3.44. Issues regarding the definition of the country of origin are regulated in Section 2, Chapters 6-7, Articles 36 to 48 of the 2012 Customs Code. Section 2 lays down the criteria for goods to be conferred MFN treatment. The changes that occurred in Ukraine's customs legislation in 2012 aligned it with requirements stipulated in Annex K to the Kyoto Convention (the International Convention on the Simplification and Harmonization of Customs Procedures) and in the WTO Agreement on Rules of Origin. The process to determine origin was simplified, notably by extending the list of certifying documents. Origin may henceforth be proven either through a certificate of origin issued by the competent authority of the exporting country, a certified declaration of origin (from the competent authority or a public organization), a declaration of origin (written statement by manufacturer, seller, or exporter), or a certificate of regional name of the product.[39] Proof of origin is mandatory when goods are eligible for preferential tariff treatment, subject to quantitative import restrictions or trade remedy measures, for the enforcement of public health and safety orders, as required under bilateral or multilateral treaties, or when the customs authorities have good reason to suspect that the indicated origin is incorrect.

3.45. The requirement to document the country of origin is waived in specific instances, for example when a written customs declaration is not needed, for goods taxed at the "full" duty rate, temporary importation exempt from taxation, goods in transit, or for samples of flora and fauna imported for scientific purposes. Among other changes brought about by the 2012 Customs Code, the list of goods considered fully produced in a country was extended, and the exact operations not meeting the criteria of sufficient processing are enumerated in Article 40. Procedures for the verification of origin documents are set out in Article 45.

3.46. As required in accordance with Annex II, paragraph 3(d), of the WTO Agreement on Rules of Origin, Article 23 of the Customs Code now authorizes customs offices to provide advance assessments of preferential origin, upon request, to declarants or their authorized representatives. These assessments remain valid for three years provided that the facts and conditions on which they are based remain comparable.

3.2.10 Anti-dumping, countervailing duty, and safeguard regimes

3.47. Ukraine conducts investigations and applies anti-dumping measures, countervailing duties, or safeguards in accordance with Laws Nos. 330-XIV "on Protection of National Producers from Dumped Imports", 331-XIV "on Protection of National Industry against Subsidized Imports", and 332-XIV "on the Application of Safeguard Measures against Imports to Ukraine". The laws were passed on 22 December 1998, and were amended in the course of Ukraine's negotiations to accede to the WTO.[40] The laws were also amended in 2012 and 2013 with the introduction of the new Customs Code and to take account of structural changes of State bodies.[41]

3.48. Anti-dumping actions may be initiated by domestic enterprises or their labour and trade unions through the filing of a complaint with the Ministry of Economic Development and Trade. The Ministry conducts investigations in cooperation with the central body in charge of tax and customs matters (i.e. at present the State Fiscal Service) and the Interdepartmental Commission on International Trade. Investigations that result in the imposition of measures are published in the "Uryadoviy Courier".

3.49. It is not uncommon for investigations to be terminated without the imposition of measures.[42] Although the five-year reviews regularly result in the extension of existing measures, seven measures expired in 2014 (without review investigations).[43] The definitive anti-dumping measures in force as of November 2015 affected certain imports from four trading partners

[39] The previous legislation only accepted certificates and declarations of origin.

[40] Unofficial translations of these laws and other relevant legislation were notified to the WTO upon Ukraine's accession (WTO documents G/ADP/N/1/UKR/1, G/SCM/N/1/UKR/1, G/SG/N/1/UKR/1, 25 June 2008).

[41] Supplement 1 to WTO documents G/ADP/N/1/UKR/1, G/SCM/N/1/UKR/1, G/SG/N/1/UKR/1, 26 February 2013, and Corrigendum 1 to Supplement 1 of 12 March 2013.

[42] For example, investigations into alleged dumped imports of rubber conveyor belts from the Russian Federation and PVC in suspension from the United States were terminated in 2014.

[43] The cases concerned certain syringes produced in China, Germany, Spain and the United Kingdom; pile fabrics from China and the Republic of Korea; and lactic acid produced in China. Anti-dumping duties on float glass from Belarus, Bulgaria, Poland and Turkey were cancelled in October/November 2015.

(Table 3.11). At the same time, investigations were in progress regarding caustic soda and certain nitrogen fertilizers produced in the Russian Federation. Ukraine's anti-dumping measure on ammonium nitrate is currently being examined by a panel under the WTO Dispute Settlement Mechanism (Section 2.3.1).

Table 3.11 Definitive anti-dumping measures in force, 19 November 2015

Exporter	Product description	Date of initiation	Imposition of measure since	Upcoming review date	AD duty/other
Belarus	Fibreboard	..	17.07.2002	July 2019	68.75%/undertaking
	Corrugated asbestos-cement sheets	..	05.11.2012	October 2017	33.19%/price obligations
	Float glass (3mm-12mm)	..	28.05.2012	May 2017	0%, 0%, 29.95%
China	Electric filament lamps		22.07.2006	October 2018	74.63%
	Citric acid (monohydrate)	January 2012	27.04.2013	May 2018	8.15%, n.a., n.a., 24.74%
	Iron and steel products (cables, ropes, wires, and similar articles)		29.08.2008	September 2019	123%
	Seamless steel pipes	July 2013	29.12.2014	December 2019	41.07%/undertaking
Russian Federation	Pointwork (track switches)		10.07.2002	November 2019	59.4%
	Medical glass containers	June 2012	29.05.2013	June 2018	13.08%, 27.9%
	Fibreboard		21.08.2006	February 2015	31.58%
	Corrugated asbestos-cement sheets		28.05.2007	May 2018	21.8%
	Ammonium nitrate		28.06.2008	June 2019	9.76%, 10.78%, 11.91%
	Methanol		26.02.2012	February 2017	9.4%, 0%, 57.91%
	Float glass		28.05.2012	May 2017	30.75%, 5.11%, 16.11%, 15.02%, 14.93%, 16.33%
Kyrgyz Republic	Electric filament lamps	June 2014	01.08.2015	August 2020	25.73%

n.a. Not applicable.

.. Not available.

Source: Semi-annual reports provided to the WTO Committee on Anti-Dumping Practices and Ministry of Economic Development and Trade online information. Viewed at: http://me.gov.ua/Documents/MoreDetails?lang=en-GB&id=64bfae7b-70b3-448f-838f-d2d32f00ece1&title=AntiDumping-Specific-AntisubsidizingAndAntidiscriminationMeasures or http://me.gov.ua/Documents/List?lang=uk-UA&tag=ZakhistInteresivNatsionalnikhTovarovirobnikivNaVnutrishnomuRinku.

3.50. As for countervailing measures, Ukraine launched an investigation into imports from the Russian Federation of cars (HS 8703) in September 2014. The investigation is ongoing.[44]

3.51. Investigations leading to the possible introduction of safeguard measures are conducted by the Ministry of Economic Development and Trade following petitions from the local industry. The Ministry must examine the seriousness of the injury and whether a causal link exists between the surge in imports and the injury inflicted on domestic producers. The final decision whether or not to impose measures, and the type of measure to be employed (quota or additional duty), is taken by the Interdepartmental Commission on International Trade. Imports may be subjected to surveillance (i.e. automatic licensing) if the investigation does not reveal injury to the domestic producer(s), but a threat of injury is deemed to persist.

[44] WTO document G/SCM/N/289/UKR, 3 September 2015.

3.52. When Ukraine acceded to the WTO (May 2008), two safeguard measures were in place and two investigations were ongoing. One of the investigations lead to the imposition of an import quota (Table 3.12), the other investigation was terminated without the introduction of measures (Table 3.13). With respect to casing and pump-compressor seamless steel pipes, the initial measure (import quota) was temporarily suspended in August and September 2013, followed by a period of non-automatic licensing[45] until the end of September 2014 when a new import quota came into force.

3.53. Since 2008, Ukraine has conducted a number of safeguard investigations. The majority of them have been concluded without measures taken. At present, Ukraine has 2 safeguard measures in force, and one investigation (launched in July 2015) is underway.[46] The safeguard measure on certain motor vehicles (HS 8703111000 and 8703231910) was challenged by Japan under the WTO Dispute Settlement Mechanism (Section 2.3.1). As a result of the WTO panel's findings, the safeguard duty was terminated on 30 September 2015.

Table 3.12 Definitive safeguard measures, 2008-31 October 2015

HS code	Product description	Investigation initiated	Imposition of safeguard from	Expiry/review by	Remarks
..	Abrasive instruments	08.04.3004	18.02.2005	18.02.2009	Duty 45.31%, minimum €0.51/kg (for products valued at US$2.34/kg or less)
..	Ingots of grey and super solid cast iron for the production of hydraulic transmission GST-90	08.04.2004	18.02.2005	18.02.2009	Annual quota of 683,313 kg
7304291100	Casing and pump-compressor seamless steel pipes	01.09.2007	01.10.2008	30.09.2016	Current 18-month quota 29,109 tonnes
3605000000	Matches	26.11.2008	06.11.2009	05.11.2015	Provisional duty/import/quota/measure cancelled from 22.11.2012
7005293500	Float-glass (3.5 to 4.5 mm)	27.08.2009	23.10.2010	02.11.2010	31.25%
8703221000, 8703231910	Certain motor cars and other motor vehicles	02.07.2011	13.04.2013	12.04.2016	Non-application for hybrid vehicles; terminated for all vehicles on 30 September 2015
6911100000	Tableware and kitchenware of porcelain	21.05.2013	22.05.2014	21.05.2017	Duty 1st year 35.6% Duty 2nd year 32% Duty 3rd year 28.8%

.. Not available.

Source: Notifications to the WTO (G/SG/N series), WTO document WT/ACC/UKR/152, Table 19.

[45] The non-automatic licences were valid for 90 days at a cost of Hrv 780 per licence.
[46] The ongoing investigation concerns flexible porous plates, blocks, and sheets of polyurethane foam (HS3921131019). The investigation was launched on 7 July 2015.

Table 3.13 Safeguard investigations terminated without the imposition of measures

HS code	Product description	Investigation initiated	Investigation terminated	Remarks
3916201090	PVC sections for windows and doors		09.09.2008	
2801100000	Liquid chlorine	17.03.2009	16.12.2009	
3105201000	Certain mineral or chemical fertilizers	03.02.2010	28.12.2010	
7202118000, 7202300000	Ferro-manganese	17.02.2010	25.12.2010	
Ex 8418	Cooling and refrigerating equipment	06.05.2010	06.04.2011	Investigation extended and terminated
Ex 271011	Processed crude oil products	29.01.2011	22.12.2011	

Source: Notifications to the WTO (G/SG/N series).

3.54. Article 29 of the Law "on Foreign Economic Activity" of 16 April 1991 authorizes Ukraine to retaliate against actions of other States, customs unions, or economic groupings that restrict the legitimate rights of Ukrainian entities engaged in foreign economic activity.[47] Retaliation may involve a full or partial trade embargo, suspension of MFN or preferential treatment, additional import duty, licensing, import quotas, or any other measures specified in Ukraine's legislation or in international treaties. The Ministry of Economic Development and Trade conducts the investigation, and the Interdepartmental Commission on International Trade examines the results of the investigation. On the basis of the authority under Article 29, the Cabinet of Ministers introduced an import quota, enforced through licensing, on passenger cars originating in Uzbekistan from 15 November 2011.[48] The measure was lifted on 22 February 2012.[49]

3.55. Article 37 of the Law "on Foreign Economic Activity" authorizes sanctions to be applied to entities engaged in foreign trade or foreign entities found to contravene Ukrainian legislation. Sanctions may either take the form of (i) fines imposed by Ukraine's judicial authorities; (ii) an individual licensing regime if the entity has violated laws establishing prohibitions, limitations, or specific procedures in the conduct of its foreign trade operations; or (iii) a temporary suspension (up to three months) of the right to conduct the foreign economic activity. The sanctions may be introduced within three years of the date the violation was disclosed. Entities that cease the violation or take other action to ensure the enforcement of legal requirements may petition the authorities to repeal the sanctions. Such petitions must be considered within 30 days.

3.3 Measures Directly Affecting Exports

3.3.1 Export procedures and requirements

3.56. As noted in Section 3.2.1, foreign economic activity, including exporting, is subject to licensing in accordance with Article 16 of the Law "on Foreign Economic Activity" of 16 April 1991. For goods enumerated in Table 3.1, i.e. alcoholic beverages and tobacco products, the permits required to engage in trade in these goods apply also to exporters.

3.57. Ukraine maintained an obligation for exporters to register their contracts until July 2005, when the measure was abolished.[50] Contract registration is not required at present, except for contracts for the exportation of scrap metal, which must be registered with the Ministry of Economic Development and Trade. An obligation introduced in February 2011 for certain export contracts to be registered with the Agrarian Exchange was abolished in 2013.

3.58. In the past, the Ministry of Economic Development and Trade was authorized to establish indicative prices for exported goods, primarily in connection with trade remedy measures implemented in overseas markets, i.e. either to inform Ukrainian exporters of estimated market

[47] If Ukraine and the other party are members of the same organization, the dispute should be resolved within the provisions for dispute settlement of such an institution.
[48] Cabinet of Ministers' Resolution No. 1073 of 12 October 2011.
[49] Cabinet of Ministers' Resolution No. 147 of 22 February 2012.
[50] Presidential Order No. 1003/2005 "On Considering Invalid Some Orders of the President of Ukraine".

prices to avoid the imposition of trade-restrictive measures or to assist in enforcing price undertakings concluded by Ukrainian enterprises in response to anti-dumping actions elsewhere. However, Presidential Decree No. 686/2008 of 5 August 2008 repealed all regulations regarding the establishment of indicative prices.[51]

3.3.2 Export taxes, fees, and charges for services rendered, and internal taxes on exports

3.59. Ukraine began levying export duties on live cattle and hides in 1996 and expanded the use of export duties to certain oilseeds in 1999 and waste and scrap of ferrous metals in 2002.[52] Some WTO Members included this trade measure in their market access negotiations with Ukraine, and struck an agreement that capped the rates on goods subject to export duties at that time as well as reduction commitments leading to substantial reductions in Ukraine's export duties (on an MFN basis).[53] According to the agreement reached, the duties on oilseeds, scrap metal, and live cattle may not exceed their present levels (as all reductions have been implemented), while the export duties should reach their final level (20%) on hides from 1 January 2018.

3.60. On 3 June 2008, the Verkhovna Rada passed a law that made natural gas produced in Ukraine subject to duties when exported in liquefied or gaseous form.[54] This export tax was cancelled for exports to members of the Energy Community on 1 May 2014.[55] Export duties were also applied temporarily in the second half of 2011 on wheat and meslin, emmer wheat, maize, and barley. The rates ranged from 9% to 14% subject to specific minimum amounts (€/tonne).[56] The export duties applicable as from 1 January 2016 are enumerated in Table 3.14. As noted in Section 2.3.2.1, Ukraine will be phasing out its export duties on trade with the European Union under the Deep and Comprehensive Free Trade Area.

Table 3.14 Export duties, 2013, 2014 and 2016

HS code	Product description	Export duty rate, 2013	Export duty rate, 2014	Export duty rate 2016
	Live cattle, except for purebred breeding animals			
0102291000	Live cattle weighing 80 kg or less	25%	20%	10%
0102292100	Live cattle weighing 80-160 kg for slaughter	25%	20%	10%

[51] Indicative prices could be determined in accordance with Presidential Decree No. 124/96 "On Measures to Improve the Market Pricing Policy in the Field of Foreign Economic Activity" of 10 February 1996, Article 189, clause 4 of the Commercial Code (Law No. 436-IV of 16 January 2003), and Article 29 of the Law "On Foreign Economic Activity".

[52] These export duties are applied in accordance with Laws Nos. 180/96-VR "On Export Duty on Live Cattle and Rawhide" of 7 May 1996, 1033-XIV "On Rates of Export Duty on Certain Types of Seed Oil Crops" of 10 September 1999, 216-IV "On Export Duty on Scrap Steel" of 24 October 2002, and 441-V "On Rates of Export duty on Scrap Alloyed Ferrous Metals, Scrap Non-Ferrous Metals and Semi-finished Goods made of Them" of 13 December 2006.

[53] The product coverage and the respective tariff reductions are detailed in Table 20(b) of WTO document WT/ACC/UKR/152, 25 January 2008.

[54] Law No. 309-VI "On Amendments to Certain Legislative Acts of Ukraine" of 3 June 2008.

[55] Law No. 2471a "On Amendments to Clause 9 of Sector II 'Final Provisions'" of the Law "On Amendments to Several Legislative Acts of Ukraine". The exempted trading partners are Bulgaria, Cyprus, Hungary, Italy, Malta, Montenegro, Romania, the Slovak Republic, Spain, and the United Kingdom. Global Trade Alert online information. Viewed at: http://www.globaltradealert.org/measure/ukraine-cancelled-35-duty-domestic-natural-gas-and-liquefied-gas-production-exports-energy-c.

[56] The legal basis for the export duties was Law No. 3387-VI "On Amending the Tax Code of Ukraine and the Rates of Export Duty on Certain Types of Cereal Crops" of 19 May 2011 and Law No. 3906-VI (same title) of 7 November 2011. The duty amounted to 9% (minimum €17/tonne) on wheat, meslin and emmer wheat, and 12% (minimum €20/tonne) on maize from 1 July until 31 October 2011. For barley, an export duty of 14% (minimum €23/tonne) was in place from 1 July 2011 until 1 January 2012.

HS code	Product description	Export duty rate, 2013	Export duty rate, 2014	Export duty rate 2016
0102292900	Live cattle weighing 80-160 kg not for slaughter	25%	20%	10%
0102294100	Live cattle weighing 160-300 kg for slaughter	25%	20%	10%
0102294900	Live cattle weighing 160-300 kg not for slaughter	25%	20%	10%
0102295100	Heifers (female cattle that have never calved) weighing above 300 kg for slaughter	25%	20%	10%
0102295900	Heifers (female cattle that have never calved) weighing above 300 kg not for slaughter	25%	20%	10%
0102296100	Cows weighing above 300 kg for slaughter	25%	20%	10%
0102296900	Cows weighing above 300 kg not for slaughter	25%	20%	10%
0102299100	Cattle, except for heifers and cows above 300 kg for slaughter	25%	20%	10%
0102299900	Cattle, except for heifers and cows above 300 kg not for slaughter	25%	20%	10%
0102391000, 0102399000, ex0102909100, ex0102909900	Live undomesticated cattle	25%	20%	10%
	Live sheep	25%	20%	10%
0104101000	Purebred sheep	25%	20%	10%
	Breeding animals	25%	20%	10%
0104103000	Lambs (under one year old)	25%	20%	10%
0104108000	Other live sheep, except purebred breeding animals and lambs (under one year old)	25%	20%	10%
120400	Flax seeds, shattered or non-shattered	10%	10%	10%
120600	Sunflower seeds, shattered or non-shattered	10%	10%	10%
1207999600, ex1207100000, ex1207300000, ex1207600000, ex1207700000	False flax seeds	10%	10%	10%
2711110000	Natural gas in liquefied state	35 %, but not less than Hrv 400 per tonne	35 %, but not less than Hrv 400 per tonne	35 %, but not less than Hrv 400 per tonne
2711210000	Natural gas in gaseous state	35 %, but not less than Hrv 400 per tonne	35 %, but not less than Hrv 400 per tonne	35 %, but not less than Hrv 400 per tonne

HS code	Product description	Export duty rate, 2013	Export duty rate, 2014	Export duty rate 2016
2711290000	Gas (other than natural) in gaseous state	35 %, but not less than Hrv 400 per tonne	35 %, but not less than Hrv 400 per tonne	35 %, but not less than Hrv 400 per tonne
4101	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, salted, dried, limed, pickled or otherwise preserved, but not tanned, not produced for parchment and not undergone further processing), with or without scalp hair, split or not split	25%	24%	22%
4102	Raw hides and skins of sheep or lambs (fresh, salted, dried, limed, pickled or otherwise preserved, but not tanned, not produced for parchment and not undergone further processing), with or without wool, split or not split	25%	24%	22%
4103300000, 4103900000	Other raw hides (fresh, salted, dried, limed, pickled or otherwise preserved, but not tanned, not produced for parchment and not undergone further processing), with or without scalp hair, split or not split, except goats and reptiles	25%	24%	22%
7204100000	Waste and scrap of cast iron	11.6 €/t	10 €/t	10 €/t
7204300000	Waste and scrap of tinned iron or steel	11.6 €/t	10 €/t	10 €/t
7204411000	Turning, shavings, debris, milling waste production and sawdust of ferrous metals	11.6 €/t	10 €/t	10 €/t
7204419100	Crop or punching residues, packaged from ferrous metals	11.6 €/t	10 €/t	10 €/t
7204419900	Crop or punching residues, non-packaged from ferrous metals	11.6 €/t	10 €/t	10 €/t
7204491000	Waste and scrap of ferrous metals, shredded	11.6 €/t	10 €/t	10 €/t
7204493000	Waste and scrap of ferrous metals, packaged	11.6 €/t	10 €/t	10 €/t
7204499000	Waste and scrap of ferrous metals, sorted and non-sorted	11.6 €/t	10 €/t	10 €/t
7204500000	Waste in steel ingots for re-melting (charge bars), except for alloy steel	11.6 €/t	10 €/t	10 €/t
7202998000	Ferrous chrome-nickel and other ferroalloys	18%	15%	15%
720421	Waste and scrap of alloy steel, corrosion-resistant (stainless) steel	18%	15%	15%
7204290000	Other waste and scrap of alloy steel	18%	15%	15%
7204500000	Waste in charge bars from alloy steel for remelting	18%	15%	15%
7218100000	Corrosion-resistant (stainless) steel in ingots and other primary forms	18%	15%	15%
7401000000	Copper mattes; cementing (precipitated) copper	18%	15%	15%
7402000000	Unrefined copper, copper anodes for electrolytic refining	18%	15%	15%

HS code	Product description	Export duty rate, 2013	Export duty rate, 2014	Export duty rate 2016
7403120000	Cast work pieces of refined copper for production of wire	18%	15%	15%
7403130000	Tickets (metal work pieces with square or circular cross-section) of refined copper	18%	15%	15%
7403190000	Other refined copper	18%	15%	15%
7403210000	Alloys on copper and zinc (brass) basis	18%	15%	15%
7403220000	Alloys on copper and tin (bronze) basis	18%	15%	15%
7403290000	Copper alloys (other than master alloys of group 7405)	18%	15%	15%
740400	Waste and scrap of copper	18%	15%	15%
7405000000	Master alloys on copper basis	18%	15%	15%
7406	Powders and flakes of copper	18%	15%	15%
7419991000	Gratings and wire mesh of copper wire	18%	15%	15%
7415290000	Other articles of copper without carving, except for washers (including elastic washers)	18%	15%	15%
7415390000	Copper produce with carving (except for wood screws, other screws, bolts and nuts)	18%	15%	15%
7418109000	Copper table, kitchen or other household articles of and their parts	18%	15%	15%
7419	Other copper articles	18%	15%	15%
750300	Waste and scrap of nickel	18%	15%	15%
760200	Waste and scrap of aluminium	18%	15%	15%
7802000000	Waste and scrap of lead	18%	15%	15%
7902000000	Waste and scrap of zinc	18%	15%	15%
8002000000	Waste and scrap of tin	18%	15%	15%
8101970000	Waste and scrap of tungsten	18%	15%	15%
8105300000	Waste and scrap of cobalt	18%	15%	15%
8108300000	Waste and scrap of titanium	18%	15%	15%
8113004000	Cermets and articles of cermets, including waste and scrap	18%	15%	15%

Source: Ministry of Revenues and Taxes online information. Viewed at: http://minrd.gov.ua/baneryi/mitne-oformlennya/subektam-zed/stavki-vviznogo-ta-viviznogo-mita/vivizne-mito/stavki-mita/, http://zakon2.rada.gov.ua/laws/show/584-18 (Customs Duties of Ukraine), and http://zakon2.rada.gov.ua/laws/show/584%D0%B0-18/paran3#n3 (Tariff Codes Log).

3.3.3 Export restrictions

3.61. Article 17 of the Law "on Foreign Economic Activity" prohibits exports of (i) items belonging to Ukraine's national, historical, archaeological or cultural heritage; (ii) limited natural resources (with a corresponding restriction applicable to domestic consumption or production); (iii) goods violating intellectual property rights; or (iv) for the enforcement of trade embargos within the framework of decisions of the UN Security Council.

3.62. Exports may be restricted to ensure the supply of domestic raw materials for processing industries when the domestic price of such materials is lower than the world market price. In such cases, the restrictions should be accompanied by a Stabilization Plan from the Cabinet of Ministers. Restrictions are designed to be temporary.[57] Since 1 November 2015, a ten-year export ban has been in place for unprocessed timber.[58] According to the authorities, Ukraine is facing a shortage of oak logs, and the available volume of timber is insufficient to satisfy the needs of local processing enterprises.

3.63. Licensing may be applied in a number of instances, notably in the face of a significant imbalance in the supply of essential goods (food and other vital consumer goods) to the domestic market. In such cases, licensing is applied temporarily until the balance has been restored. Export licensing may also be employed to protect human, animal or plant life and health; to protect intellectual property rights; to protect objects of the national patrimony; to enforce Ukraine's international obligations; or for reasons of national security. Gold and silver are also subject to export licensing.

3.64. The Cabinet of Ministers approves the list of goods subject to export (and import) restrictions and licensing on an annual basis. Cabinet of Ministers' Resolution No. 1 of 14 January 2015 detailed the goods affected during the year. Licensing was applied to ozone-depleting substances and goods containing such substances; optical polycarbonate and equipment for the manufacturing of disks for laser reading systems; gold and silver; natural gas; zinc and copper containing slags (export quotas); and goods containing alloyed ferrous metals, non-ferrous metals and their alloys, and anthracite.

3.3.4 Export subsidies, finance, and guarantees

3.65. Ukraine provides no export subsidies for agricultural or non-agricultural products, and has no classic export credit or export guarantee agency.

3.66. The State Export-Import Bank of Ukraine (UkrEximBank) was established in 1992.[59] The bank's traditional focus is the servicing of import and export transactions. UkrEximBank is an active player in the trade finance market, and participates in trade finance programmes of the European Bank for Reconstruction and Development and the International Finance Corporation. Acting as sole agent for the Ukrainian Government, one of the bank's principal activities is to facilitate the administration of loan agreements between the Government and foreign financial institutions.

3.3.5 Export promotion and marketing assistance

3.67. In 2011, the Cabinet of Ministers passed a resolution with the objective of assisting Ukrainian enterprises in expanding the markets for their products abroad.[60] The resolution calls on central and local authorities to implement an action plan for the development and employment of Ukraine's export potential. According to the Ukrainian authorities, the action plan introduces effective mechanisms of government support to national producers.

3.68. The Cabinet of Ministers introduced a system of government support to Ukrainian exporters in August 2013.[61] The stated purpose of the legislation is to develop export-oriented industries, improve the quality and competitiveness of exported goods, improve Ukrainian exporters' positions in promising markets and increase the volume of foreign trade.

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[57] Cabinet of Ministers' Resolution No. 938 of 4 October 2010 established export quotas for five cereal crops (wheat, maize, barley, rye, and buckwheat). The overall export volume for these grains was fixed at 6.2 million tonnes for the period October 2010 to May 2011 (inclusive).

[58] The ban enters into force on 1 January 2017 for pine logs. The legal basis for the export ban is Law No. 325-VIII of 9 April 2015.

[59] Originally organized as a state-owned enterprise, UkrEximBank was transformed into a public joint stock company in 2009. However, all its shares are owned by the Cabinet of Ministers on behalf of the Ukrainian State.

[60] Cabinet of Ministers' Resolution No. 1206 of 16 November 2011.

[61] Cabinet of Ministers' Resolution No. 586-r "On Approval of the Concept of Government Support System for Ukraine's Exports" of 1 August 2013.

3.4 Measures Affecting Production and Trade

3.4.1 Subsidies

3.69. As a Member of the WTO, Ukraine has been notifying support measures without prejudice to their legal status under the GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures.[62] The latest notification, circulated in July 2015, details measures applied in 2013 and 2014.[63] The notifications cover sectoral programmes (i.e. support to shipbuilding; the manufacturing of aircraft, spacecraft, and agricultural machinery; the coal industry; and publications) as well as horizontal support measures (essentially tax concessions) made available to firms operating in special economic zones, priority territories, and technological parks.[64] The horizontal support measures applicable in special economic zones are presented in further detail in Section 3.4.5.

3.70. The legal basis for sectoral support measures comprises enabling legislation for each sector eligible for assistance, the tax laws authorizing specific exemptions under certain conditions, and the annual state budget laws determining the scope and level of exemptions for each budget year.[65] The estimated level of support was on a rising trend from 2010 to 2013, but declined in 2014 due to a substantial drop in the assistance to coal mining (Table 3.15). On the basis of the notified information, the coal industry is the recipient of nearly 80% of the sectoral support in Ukraine.

Table 3.15 Sectoral support programmes, 2008-14

Sector	2008	2009	2010	2011	2012	2013	2014	SUM (UAH million)
Shipbuilding	1.7	8,597.8	452.6	18.5	37.4	117.8	23.4	9,249.2
Aircraft	22.4	260.0	188.4	1,148.6	1,241.6	737.8	1,058.5	4,657.3
Agricultural machinery	0	0	0	..	..	52.4	50.7	103.1
Space industry	66.5	57.6	106.5	275.4	251.6	87.1	85.4	930.1
Coal mining	6,460.8	6,144.1	7,236.6	10,049.9	12,558.4	14,823.1	9,114.8	66,387.7
Publications	730.3	61.2	307.2	4.4	0.0	889.5	646.6	2,639.2
TOTAL (UAH million)	7,281.7	15,120.7	8,291.3	11,496.8	14,089.0	16,707.7	10,979.4	83,966.6

.. Not available.

Source: WTO Secretariat, based on Ukraine's notifications, and data provided by the Ukrainian authorities.

3.71. At present, assistance to coal mining is primarily provided in the form of partial reimbursement of the production costs to loss-making state-owned coal producers. The Ministry of Energy and Mines determines the list of eligible enterprises based on their economic performance and their production plans. Funds are also made available for restructuring, i.e. either to accelerate the closure of unprofitable mines or to support construction projects enhancing the efficiency of certain coal and peat producing state-owned enterprises.

3.72. Support to the Ukrainian shipbuilding industry was introduced in 1999.[66] The stated purpose of the assistance is to promote research and development, improve production, and stimulate new and more efficient investments. The nature of the tax advantages accorded to the industry has

[62] WTO documents G/SCM/N/155/UKR, 26 May 2008; G/SCM/N/186/UKR, 3 July 2009; G/SCM/N/220/UKR, 7 July 2011; and G/SCM/N/253/UKR, 11 July 2013 cover the years from 2005 to 2012 (inclusive).

[63] WTO document G/SCM/N/284/UKR, 20 July 2015.

[64] Programmes have also been designed to aid small and medium-sized enterprises, the development of energy-saving measures and technologies, alternative fuels and for "innovative investment projects in the real sector". However, none of these programmes have been active since 2010.

[65] For example, Law No. 1624-IV "On Development of the Motorcar Industry in Ukraine" of 18 March 2004 remained in force until the end of 2008. However, all tax privileges (exemptions from corporate income tax, import duties, VAT, land tax, and excise taxes on domestic sales) had been withdrawn before then, and no revenue foregone was recorded in 2008.

[66] Law No. 1242-XIV "On Measures of State Support for the Shipbuilding Industry in Ukraine" of 18 November 1999, amended by Law No. 1766-IV in 2004. Cabinet of Ministers' Decree No. 1256 of 21 December 2005 sets out the list of enterprises eligible for support.

varied somewhat over time. The particularly large subsidy recorded in 2009 resulted from a provision allowing the deferral of corporate income taxes on advance payments from clients until the actual delivery of the finished vessels. At present, support may be granted in the form of subsidized credit (2013 through 2016), import duty and land tax exemptions[67] (until the end of 2015), deferral of VAT payments, and exemption from corporate income tax (until the end of 2020). However, no allocations for subsidized credits were included in the State Budgets for 2013 and 2014, no imports of duty-exempt equipment and components[68] were claimed in 2013 or 2014, and the deferral of VAT was not applied in 2014.

3.73. The aircraft industry, i.e. the development, production and repair of aircraft and aircraft engines, became eligible for state support in 2001.[69] The Cabinet of Ministers determines the list of beneficiaries.[70] The most significant assistance provided in recent years has been in the form of exemption from corporate income tax (for 10 years starting 1 January 2011), and the exemption from VAT on goods imported by these enterprises. The aircraft industry is also exempt from payment of land tax, sales of research-related output are exempt from VAT, and specific items are exempt from import duty until 1 January 2016 (Table 3.6). However, the revenue foregone from the import duty exemption is relatively modest, amounting to Hrv 6.2 million in 2013 and Hrv 5.6 million in 2014.

3.74. Support for the production of agricultural machinery is geared toward increasing the production of domestically-made farming equipment as well as machinery for the food processing industry.[71] In 2013 and 2014, assistance was provided exclusively through exemption from corporate income tax. This measure expired at the end of 2014.[72] None of the eligible enterprises availed themselves of the import duty exemptions (valid until 1 January 2017) in 2013 and 2014. In principle, the producers could also benefit from subsidized credits and partial reimbursement to the end users of the cost of machinery. However, no allocations were made for such support in the State Budgets for 2013 and 2014.

3.75. State support to Ukraine's space industry was introduced in 2000, in accordance with international treaties concluded by Ukraine and ratified by the Verkhovna Rada.[73] The assistance to the enterprises is in the form of tax exemptions (i.e. land tax, import duty (Table 3.6), and VAT), including on imports under the "Cyclone-4" project, until 1 January 2018. In addition, publicly-funded research programmes finance projects related to the development of satellite communications and navigation systems, remote sensing, and the development and testing of equipment and technologies in space, etc. In all, Hrv 1,084.6 million was allocated through the Space Agency of Ukraine, in compliance with the National Space Targeted R&D Space Programmes, from 2008 to 2014. Moreover, in accordance with decisions of the Government of Ukraine, large-scale projects have been implemented with loans and state guarantees channelled through the Space Agency. Funded by the state budget, some Hrv 3.5 billion was made available during 2008 to 2014.

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[67] The land tax exemption initially expired at the end of 2007, but the exemption has been re-introduced.

[68] In accordance with Cabinet of Ministers' Resolution No. 466 "On approval of the list of equipment and components that are not produced in Ukraine and imported to the customs territory of Ukraine by domestic enterprises of shipbuilding industry for use in economic activities, that are temporarily exempt from import duty when imported into the customs territory of Ukraine and placed into the customs regime of import" of 28 May 2012.

[69] Law No. 2660-III "On State Support of Aircraft Construction Industry in Ukraine" of 12 July 2001 expired on 1 January 2007. At present, assistance is provided in accordance with the Law "On Support of Aircraft Building in Ukraine", Law No. 1814-VI "On Amendments to Some of the Laws of Ukraine Concerning State Support to Aircraft Industry in Ukraine" of 20 January 2010, and Law No. 4884-VI "On Amendments to the Law of Ukraine on the Development of the Aircraft Industry" of 5 June 2012. Cabinet of Ministers' Decree No. 680 "On Import on the Customs Territory of Ukraine of Goods by Aircraft Enterprises" of 21 July 2010 (as amended) stipulates the import volume and end-use requirements for tariff exempt items.

[70] Cabinet of Ministers' Resolutions Nos. 405 of 9 June 2010 and 56 of 12 February 2014.

[71] The enabling legislation for the support to the sector is Law No. 3023-III "On the Promotion of Domestic Machinery for Agriculture" of 7 February 2002 and Cabinet of Ministers' Resolution No. 785 "On Approval of the Purpose State Program of the Technology Policy Realization in Agriculture for the Period Until 2015" of 30 May 2007.

[72] The 2011 Tax Code exempted agricultural machinery producers from corporate income tax until the end of 2020. However, Law No. 41-VIII of 28 December 2014 cancelled this provision.

[73] Law No. 1559-III "On State Support of Space Activity" of 16 March 2000.

3.76. In response to sectoral problems and with a view to developing the publication of books in Ukrainian language, legislation to grant subsidies was introduced in 2003.[74] In the beginning, the support was only for the production of schoolbooks, textbooks, and copybooks. Current beneficiaries, i.e. publishing houses and organizations and polygraphic enterprises, are exempt from corporate income tax, import duties on specific items (Table 3.6), and VAT (on imports as well as on domestic sales).

3.77. In addition to these programmes notified to the WTO, other sectors also benefit from transfers, capital injections, or tax concessions. Notably, the state budget allocated nearly Hrv 20 billion to the National Joint Stock Company "Naftogaz Ukraine" from 2008 through 2012 to cover the price difference between imported natural gas and the (lower) price paid by the users, i.e. the general population and the heating plants of Teplokommunergo.[75] Furthermore, the Government raised Hrv 99.4 billion through the issue of bonds to increase the registered capital of "Naftogaz Ukraine" between 2010 and 2015. Other state-owned enterprises have also received fresh funds augmenting their authorized capital, e.g. the Public Youth Housing Assistance Fund, NJSC Ukragroleasing (UAH 888 million), enterprises in arms and munitions (Ukroboronprom – Hrv 100 million, and Ukrspetstorh – Hrv 5 Million), and in the aviation industry (Hrv 739 million). Eight state-owned enterprises implementing 12 "national projects" also had their authorized capital increased by Hrv 687 million from 2010 to 2013.

3.78. Difficulties in the financial sector have prompted share capital increases in the State Mortgage Institution, Ukreximbank, and Oschadbank. Moreover, the Government raised Hrv 52.3 billion from special issues of bonds between 2008 and 2011. The proceeds were exchanged for stocks in several banks (Ukreximbank, Oschadbank, Ukrgazbank, Rodovid bank, and Bank Kyiv).

3.79. The Ukrainian authorities also note that direct budget support and state guarantees are major supporting instruments in the transport sector. Road works are financed by toll fees and by the import and excise duties on petroleum products, motor vehicles, and tyres. Loans contracted by Ukravtodor are underpinned by state guarantees. State guarantees, concessional credits, direct financing and share capital are also used in the energy sector to further the construction of nuclear power units, pumped-power storage and other power plants, the construction or reconstruction of power transmission lines and substations, the rehabilitation of hydroelectric power plants, as well as for measures to increase the reliability of the electricity supply. The estimated support totalled Hrv 1.8 billion between 2010 and the first seven months of 2013. In addition, the Tax Code provides for imported goods used in the production or development of energy-saving technologies to be exempt from import duty and VAT, power stations producing electricity from renewable energy sources are exempt from corporate income tax, and enterprises making energy-efficient goods can claim an 80% reduction in their corporate income tax. Measures to support the production of biofuel include import duty and VAT exemption for machinery and equipment used in the construction or rehabilitation of plants producing biofuels, zero-rated excise duty on bio-ethanol used in the production of biofuel or mixed petrol, and exemption from corporate income tax for enterprises manufacturing biofuel, users of biofuel in energy production, and suppliers of equipment utilizing biofuels.

3.80. Tax exemptions are also granted to other industries than those mentioned above. Thus, the chemical industry is exempt from excise duty on imports of light and heavy distillates, and the use of industrial alcohol as raw material is zero rated. Light industry businesses are exempt from corporate income tax. Law No. 71-VIII of 28 December 2014 cancelled a preferential income tax regime for fuel and energy enterprises with effect from 1 January 2015.

3.81. The Ukrainian construction industry benefits indirectly from programmes to provide affordable housing to targeted segments of the population. Cultural programmes provide support to theatres, art groups, concerts, circuses, the development and distribution of national films, creative unions, and art and film events. In addition, some funds are made available under horizontal job schemes, either to encourage first-time hiring of young workers or to support the employment of disabled persons.

[74] Law No. 601-IV "On State Support of Book Publishing in Ukraine" of 6 March 2003 (as amended).

[75] No funds were allocated in 2011 or from 2013 to 2015.

3.4.2 Standards, technical requirements, and conformity assessment

3.82. Ukraine inherited from the Soviet Union a rigid system of technical requirements based on prior controls and widespread adherence to compulsory standards. The process of transforming Ukraine's TBT regime to a WTO-compatible mixture of mandatory technical regulations and standards, by definition voluntary, began during Ukraine's process of accession to the WTO. The basic laws "on standardization" and "on conformity assessment" from 2001 were supplemented with, but not superseded by, Law No. 3164-IV "on Standards, Technical Regulations and Conformity Assessment Procedures" of 1 December 2005.[76] The three laws thus had to be read together. The 2005 law clarified that only the Cabinet of Ministers had the authority to adopt technical regulations. The law was amended in 2007 to state that relevant international standards should be given priority consideration as Ukraine was developing its standards, technical regulations and conformity assessment procedures. In April 2006, the Ukrainian authorities estimated that Ukraine had some 3,100 harmonized national standards while another 8,000 standards remained to be harmonized with international standards. As this task was unlikely to be accomplished prior to Ukraine's accession to the WTO, priority areas for follow-up were products remaining subject to mandatory certification, cumbersome multiple testing requirements by different public authorities due to overlapping responsibilities, accreditation procedures for conformity assessment bodies and the possibilities for mutual recognition, the use of manufacturers' declarations, and compliance with the transparency obligations of the TBT Agreement.[77]

3.83. On the institutional side, the Derzhspozhyvstandart (the State Committee for Technical Regulation and Consumer Policy) was the central authority responsible for all work related to the formulation and implementation of standards, technical regulations, and conformity assessment procedures until 2011, when the functions were transferred to the Ministry of Economic Development and Trade as part of the administrative reform of Ukraine. Draft texts and approved standards, technical regulations and related procedures are published in the official gazette "Ofitsiyniy Visnyk Ukrajiny" or in the journal "Standards". The Ministry of Economic Development and Trade also serves as Ukraine's WTO National Enquiry Point and Information Processing Centre.

3.84. The Law "on Standardization" was revised in 2014 to clarify the terminology used, avoid any compulsory application of standards, and to create a national standardization body fully equipped to promulgate standards while not being a state authority.[78] In November 2014, the Cabinet of Ministers designated the Ukrainian Scientific-Research and Training Centre of Standardization, Certification and Quality Problems to serve as the new national standardization body.[79] Within this body, an information centre (ISONET) has been established to provide information about the institution's work. According to the Ukrainian authorities, 11,662 Ukrainian standards had been harmonized with international or European standards by January 2016, leading to the cancellation of 15,773 interstate (GOST) standards developed before 1992.

3.85. Simultaneously with the revision of the standardization law, a new version of the Law "on Metrology and Metrology Activity" was also adopted to separate the regulatory, supervisory and economic functions in this area in alignment with the International Organization of Legal Metrology (OIML) and the EU framework.[80]

3.86. Law No. 124-VIII "on Technical Regulations and Conformity Assessment" of 15 January 2015 aims at establishing a legal and institutional framework for the development, adoption and application of technical regulations and conformity assessment procedures that

[76] In 2008, Ukraine's basic TBT framework comprised Law No. 2408-III "On Standardization" of 17 May 2001, Law No. 2406-III "On Conformity Assessment" of 17 May 2001, Law "On Accreditation of Conformity Assessment Bodies" of 17 May 2001, and Law No. 113/98 "On Metrology and Metrology Activity" of 11 February 1998.

[77] The accession working party report (document WT/ACC/UKR/152) lists products subject to mandatory certification, products where conformity could be verified in a less trade-restrictive manner, and recommended certification schemes in Ukraine in late 2007 (Tables 25(a), (b), and (c)).

[78] Law No. 1315-VII "On Standardization" of 5 June 2014.

[79] Cabinet of Ministers' Order No. 1163 "On Designating the State-Owned Enterprise to Execute the Functions of the National Standardization Body as developed by the Ministry of Economic Development and Trade" of 26 November 2014. The institution remains wholly state-owned. Its website (www.ukrndnc.org.ua) provides information (in Ukrainian) about ongoing work.

[80] Law No. 1314-VII "On Metrology and Metrology Activity" of 5 June 2014.

follows the system applied by the European Union.[81] The current compulsory product certification regime is to be fully abolished by 2018 and is being replaced by conformity assessment.[82] The process of removing low-risk goods from mandatory certification requirements began more than 10 years ago, and the list has been reduced progressively over the years.[83] On 6 May 2015, The Ministry of Economic Development and Trade adopted Orders No. 451 and 452, cancelling *inter alia* the mandatory certification of detergents, welding equipment, bicycles and baby carriages, various items of kitchenware, light-industry products, various types of infant food or dietary nutrition mixtures, pipes and bulbs (tanks), chemical sources of electric current, and piping fittings. For small tractors, new motor vehicles (including parts and tools), petrol, diesel and marine fuel, the mandatory requirements cease as of 1 January 2016.[84]

3.87. For goods subject to mandatory certification, Ukraine operates a State certification system (UkrSEPRO) that allows certification of either single products, groups of products or articles, serially manufactured goods, or products requiring examination or inspection of the manufacturing process, attestation of the process, or assessment or certification of a quality system. UkrSEPRO certificates of conformity can be issued for single shipments and would in such cases be valid only for one shipment or, for serially manufactured goods, certificates may be of 1-3 years' validity.[85] Five-year certificates may be obtained for mass-produced goods, but the inspection process is complex and costly as it requires production systems certification (ISO-9000), sample testing, and annual control and auditing.

3.88. The procedures for recognition of equivalence of conformity assessment undertaken outside of Ukraine are laid down in Articles 26 and 30 of the Law "on Standards, Technical Regulations and Conformity Assessment Procedures". Foreign certificates of conformity may be accepted on the basis of signed agreements with the corresponding authorities of other WTO Members. As of 1 September 2013, Ukraine had concluded 12 such agreements with the conformity assessment bodies of the Czech Republic, Slovak Republic, Poland, China, Republic of Korea, Germany, and the Russian Federation. Ukraine may also accept the results of international commodity testing and certification systems of which Ukraine is a member, i.e. the Worldwide System for Conformity Testing and Certification of Electrotechnical Equipment and Components (IECEE-CB) scheme. In November 2011, the General Assembly of the European Cooperation for Accreditation (EA) decided to admit the National Accreditation Agency of Ukraine (NAAU) as an associate member, and a document was signed at the EA General Assembly in May 2012 confirming the NAAU's recognition for the areas of accreditation of personnel certification authorities and expanding the NAAU's recognition to the accreditation of calibration laboratories, accreditation of testing laboratories, and accreditation of management systems certification authorities. The NAAU became a full member of the International Laboratory Accreditation Cooperation (ILAC) in 2014, having been an affiliate member since 2004. The NAAU has been recognized as an ILAC Mutual Recognition Arrangement (ILAC MRA) signatory in the area of inspection (in accordance with ISO/IEC 17020) since December 2014, and in October 2015 the NAAU obtained signatory status among the Accreditation

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[81] The Law enters into force on 10 February 2016.

[82] Cabinet of Ministers' Decree No. 46-93 "On Standardization and Certification" of 10 May 1993 stipulates state certification with centralized registration of (mandatory) certificates of conformity. The requirements have been regulated through individual laws, i.e. Laws Nos. 3682-XII "On Protection of Consumer Rights" of 15 December 1993, 468/97-BP "On State Regulation of Imports of Agricultural Products" of 17 July 1997, 2694-XII "On Labour Protection" of 14 October 1992, 771/97-BP "On Quality and Safety of Foodstuffs and Raw Food" of 23 December 1997, 2657-XII "On Communication" of 2 October 1992, 3353-XII "On Highway Traffic" of 30 June 1993, 232/94-BP "On Transport" of 10 November 1994, 1370-XIV "On Permissible Activity in the Area of Nuclear Energy Use" of 11 January 2000, and 324/95-BP "On Tourism" of 15 September 1995.

[83] Derzhspozhyvstandart Order No. 28 of 1 February 2005 has been supplemented by Orders Nos. 171 of 14 July 2005, 6 of 29 January 2007, 221 of 13 September 2007, 425 and 426 of 22 September 2010, and the Ministry of Economic Development and Trade's Orders Nos. 162 and 163 of 25 October 2011, and 1308 of 6 November 2013.

[84] Mandatory certification remains for aviation fuel, alternative fuel and biofuel (when the share of biodiesel exceeds 7%). Sayenko Kharenko online information. Viewed at: http://www.sk.ua/news/2910; and Unian information agency online information. Viewed at: http://www.unian.info/economics/1084533-ukraine-to-cancel-compulsory-certification-of-transport-from-2016.html. A full list of products subject to mandatory certification can be consulted (in Ukrainian) at: http://zakon0.rada.gov.ua/laws/show/z0466-05.

[85] According to the United States Trade Representative (USTR 2015), US distillers have found that certificates of conformity of 2 to 3 years' duration normally involve costly on-site inspections by Ukrainian officials.

of Products Certification Bodies at a meeting of the Multilateral Agreement Council of the European Cooperation for Accreditation.

3.89. Although Ukraine has been undertaking efforts for many years to adapt to internationally recognized, and in particular EU, procedures for the elaboration of standards, technical regulations and conformity assessment procedures, the work has taken on a new dimension with the conclusion of the Association Agreement, including the Deep and Comprehensive Free Trade Area. The revision of Ukraine's basic legal framework during 2014 and 2015 forms part of a progressive adaptation of Ukraine's TBT regime to the EU principles of market supervision and consumer rights protection, including an overhaul of the technical regulations framework. At a later stage, an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) is to be negotiated and added as an individual protocol to the existing Association Agreement.

3.90. For the ACAA to be finalized, Ukraine will need to fully harmonize its legislation with EU legislation, including the adoption of technical regulations based on all relevant EU directives, ensuring that its institutions (national standardization and conformity assessment bodies, accreditation agency, and market surveillance authorities) are acting in line with EU practice, and adopting harmonized standards evidencing product conformity with requirements set forth in technical regulations. Once in place, the ACAA will provide Ukrainian and EU manufacturers free access to a joint market for certain types of industrial products based on mutual recognition of certificates of conformity. Four priority industrial sectors have been identified for mutual free access, namely low-voltage equipment, electromagnetic compatibility, machinery, and ordinary pressure vessels.

3.91. Ukraine's commitments to bring its technical regulations legislation in line with the EU *acquis communautaire* are laid down in Section IV, Chapter 3, Articles 53-58 of the Association Agreement, and involve the adoption of technical regulations for 27 product categories. As of November 2015, Ukraine had adopted 24 technical regulations while the remaining three were in preparation.

3.92. Labelling provisions are to be kept to a minimum to ensure non-discrimination. The European Commission estimates that the harmonization and/or mutual recognition facilities under the ACAA should eliminate 50% of the identified trade barriers in the agro-food sector and 35% in other industrial sectors compared with the situation in 2004.[86]

3.93. Ukraine has provided around 250 TBT notifications since it joined the WTO, of which more than 100 are notifications of draft technical regulations. Members have raised two specific trade concerns in the TBT Committee. The first concern related to a draft technical regulation on the labelling of foodstuff, which appeared to differ from the Codex Alimentarius and involved additional costs and burdens for affected operators.[87] In 2012, another Member questioned amendments to Ukraine's Law "on Advertising" introducing restrictions on the marketing of alcohol and tobacco products.[88] Ukraine, in turn, has raised 15 specific trade concerns relating to measures maintained by other WTO Members.[89]

3.4.3 Sanitary and phytosanitary measures

3.94. Ukraine is a member of the World Organisation for Animal Health (OIE), the International Plant Protection Convention (IPPC), the European and Mediterranean Plant Protection Organization (EPPO), and the Codex Alimentarius Commission. The national Codex Alimentarius Commission that normally assists in developing food safety control methods, MRLs, and HACCP procedures, amongst others, is currently inactive.[90] The national Codex Contact Point remains operational and continues its dissemination of Codex standards in Ukraine.

[86] European Commission (2013).
[87] See WTO document G/TBT/M/53, 26 May 2011.
[88] Law No. 3778-VI of 16 March 2012. See WTO document G/TBT/M/59, 8 May 2013.
[89] Most of Ukraine's specific trade concerns have been in relation to plain packaging of tobacco products or measures maintained by the Russian Federation.
[90] The Cabinet of Ministers' Resolution that established the national Codex Alimentarius Commission in 1998 was cancelled (Cabinet of Ministers' Resolution No. 692 of 8 September 2015).

3.95. Since its accession, Ukraine has submitted just over 100 SPS notifications, mainly emergency notifications, but also covering some recent reforms of the SPS regime. WTO Members have raised two specific trade concerns in the SPS Committee regarding Ukraine's SPS measures.[91]

3.96. Recent developments include the establishment of a new State Service for Food Safety and Consumer Safety on 10 September 2014 with the aim to consolidate SPS-related responsibilities spread over several agencies.[92] However, the new agency is not yet operational (as of December 2015). Under the planned reorganization, the State Veterinary and Phytosanitary Service is to be merged with some or all of the functions of the State Sanitary and Epidemiological Service, the State Inspection for Consumer Rights Protection, the State Agricultural Inspection Service, and the State Assay Service.[93] The new agency will be accountable to the Cabinet of Ministers and function as the central executive body responsible for SPS measures, including the safety and quality of food products, sanitary legislation, veterinary measures, animal identification and registration, plant protection and quarantine, certification of seeds and planting material, and tobacco control.[94]

3.97. The regulatory framework for food safety is based on the Law "on the Safety and Quality of Food Products" (Food Safety Law), as amended.[95] According to the Law, sanitary measures should be based on scientific evidence in line with international standards, guidelines and recommendations, and should not be more restrictive than necessary.[96] In practice, Ukraine still maintains numerous food safety and nutritional standards that were first established by the Soviet Union, for example, the standards on "Medico-biological Requirements and Sanitary Norms of Quality of Alimentary Raw Materials and Food Products" No. 5061-89 of 1 August 1989 are still in force in Ukraine.[97] Nevertheless, a number of food safety requirements were recently revised, including:

- Ministry of Health Order No. 368 of 13 May 2013 "on Approval of the State Sanitary Rules and Norms 'Regulations of Maximum Levels for Certain Contaminants in Foodstuffs'", which provides for a list of food products and the maximum allowed levels of certain contaminants (such as nitrates, mycotoxins, metals, 3-MCDP, dioxins, polycyclic aromatic hydrocarbons, melamine); and establishes some special requirements for peanuts, nuts, or other oil containing seeds, dried fruit, rice and maize. Furthermore, the new Order lists provisions contained in the "Medico-biological Requirements and Sanitary Norms of Quality of Alimentary Raw Materials and Food Products" No. 5061-89 of 1 August 1989 that will no longer apply when the new Order enters into force on 14 June 2016;

- Ministry of Health Order No. 695 of 6 August 2013 "on Approval of the Safety Parameters for Meat and Poultry" which establishes the permitted levels of toxins, pesticides and antibiotics in poultry meat, based on Codex Alimentarius standards and EU requirements[98]; and

[91] "Ukraine import measures on animals and animal products", see WTO document G/SPS/R/56, 28 January 2010; and "Ukraine import restrictions on poultry and poultry products", see WTO document G/SPS/R/62, 27 May 2011.

[92] Resolution of the Cabinet of Ministers No. 442 of 10 September 2014 "On Optimization of Central Executive Bodies".

[93] Under the Cabinet of Ministers' Resolution No. 442, the State Agricultural Inspection Service is to be dissolved and its functions are to be reassigned to the new State Service for Food Safety and Consumer Protection, the State Transportation Safety Service, and the State Ecological Inspection Service.

[94] In addition, the State Service for Food Safety and Consumer Safety will have responsibilities in the areas of metrological supervision, market surveillance, protection of plant variety rights, and protection of consumer rights. Resolution of the Cabinet of Ministers No. 667 of 2 September 2015 "On Approval of the Regulation on the State Service for Safety of Foodstuffs and Consumer Protection".

[95] No. 771/97-BP of 23 December 1997 with the latest amendments entering into force on 20 September 2015. The law does not apply to "non-food products", including tobacco and tobacco products, feed, live animals unless designated for human consumption, plants (before harvesting), medicines, cosmetic products, narcotic and psychotropic substances, residues and contaminants.

[96] Article 15, Food Safety Law.

[97] The document provides for nutritional standards (content of protein, energy, carbohydrates, vitamins, and micro-elements) and safety standards for each product category (MRLs for heavy metals, micro-toxins, antibiotics, hormones, and pesticides, and microbiological limits).

[98] See SPS notification G/SPS/N/UKR/92, 25 September 2013.

- Ministry of Health Order No. 694 of 8 August 2013 "on Approval of Hygienic Requirements for Poultry Meat and Particular Indicators of its Quality" to harmonize the marketing standards for poultry meat with those of the EU.[99] The new sanitary requirements for poultry meat are scheduled to come into force on 6 August 2016.

3.98. A major reform of the food safety regime entered into force on 20 September 2015 with the enactment of Law No. 1602-VII of 22 July 2014 "on Amendments to Several Laws with respect to Food Safety". The law aims to align Ukrainian food safety legislation with international standards and the EU *acquis* ("farm-to-fork approach").[100] Under the new food safety approach, the food chain will be monitored through the gradual introduction of HACCP procedures. Mandatory traceability of food products is to be introduced and importers will be required to keep relevant documentation for six months after product expiry. Responsibility for compliance with food safety legislation will rest mainly on market operators subject to fines for non-compliance.[101] A new chapter on general food hygiene requirements was included in the Food Safety Law, with the objective to replace outdated sanitary and veterinary requirements, some of which date back to the 1980s.

3.99. The amendments require that imports of food products (except products of animal origin) and raw materials for the food industry must be accompanied by an "international certificate" or other documents issued by the competent authority of the country of origin.[102] The requirement for importers to obtain a sanitary-hygiene certificate was repealed, effective 20 September 2015, although imported food consignments may be subject to state border control. The frequency of physical inspections and laboratory testing of shipments depends on the risk posed to human health.[103] An import risk analysis may be initiated by the competent authorities, authorizing accredited laboratories to perform the assessment.[104] The results of a risk analysis must be published on the agency's website within three days. Laboratories can be accredited by the National Accreditation Agency of Ukraine and/or an international accreditation body.

3.100. According to the authorities, there are currently no procedures in place for the registration of food additives and flavouring matters.[105] It appears that food additives recognized by the European Union to be safe for human consumption are deemed to be approved in Ukraine. The adoption of the relevant regulation governing the approval procedure for state registration of food additives, flavourings and enzymes on the basis of EU Regulation No. 1331/2008 of 16 December 2008 is still pending.[106] According to the Law of Ukraine No. 1602-VII of 22 July 2014, the central executive body will be responsible for registration of food additives and administration of a state register.

3.101. A list of services provided by the SPS authorities was established in 2011, and the respective fees in 2013.[107] Administrative services provided by the competent authorities in the field of food safety are subject to fees that should not exceed the actual cost of the service.[108] A draft law on administrative services and fees is pending, according to the authorities.

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[99] See SPS notification G/SPS/N/UKR/91, 20 September 2013

[100] See SPS notification G/SPS/N/UKR/80/Rev.1, 22 March 2013.

[101] Article 64, Food Safety Law.

[102] Article 53, Food Safety Law.

[103] Article 55, Food Safety Law. Resolution of the Cabinet of Ministers No. 667 of 2 September 2015 "On Approval of the Regulation on the State Service for Safety of Foodstuffs and Consumer Protection".

[104] Article 11, Food Safety Law; Article 17, Law on Plant Quarantine; and Article 23, Law on Veterinary Medicine. See also the Resolution of the Cabinet of Ministers "On Approval of the Regulation on the State Service for Safety of Foodstuffs and Consumer Protection" No. 667 of 2 September 2015.

[105] The Resolution of the Cabinet of Ministers No. 12 of 4 January 1999, which specified the list of food additives authorized to be used in Ukraine, is no longer in force.

[106] Action Plan of the Ministry of Health (MoH), online information. Viewed at: https://www.moz.gov.ua/ua/portal/pl_zahodiv_moz_2015_03.html.

[107] Cabinet of Ministers' Order No. 1348 of 28 December 2011 "On Some Issues of Services provided by SVPS and by agencies and institutions within the scope of its control"; and Ministry of Agrarian Policy and Food Order No. 96 of 13 February 2013.

[108] According to Article 62 of the Food Safety Law, such administrative services include state registration; issuance of operating permits; assessment of the operators' compliance to eliminate identified violations; etc.

3.102. The national certification system, administered by the State Inspection for Consumer Rights Protection was introduced in 1993.[109] In line with WTO accession commitments, the list of food products subject to mandatory certification was gradually reduced and from 2015 mandatory certification of food products, with the exception of tobacco and some alcoholic products, is no longer in place.[110] Most of the provisions of the Decree on Standardization and Certification have been cancelled and the decree is to lose its validity by 1 January 2018, in accordance with amendments under the Law No. 124-VIII of 15 January 2015 "on Technical Regulations and Conformity Assessment", in force as of 10 February 2016.

3.103. Pending its reorganization, the State Veterinary and Phytosanitary Service of the Ministry of Agrarian Policy and Food remains the competent authority for the implementation of veterinary and phytosanitary measures. Veterinary requirements are governed principally by the Law "on Veterinary Medicine" and the Food Safety Law.[111] According to the Food Safety Law, the importation of meat and meat products is conducted either on the basis of an international veterinary certificate or another relevant document issued by the competent authority of the home country. With the creation of a new institution, Ukraine will develop its own form of the international certificate. Currently, on the official website of the Veterinary Service, forms of veterinary certificates agreed with some foreign partners for export and import can be viewed in Ukrainian (http://old.vet.gov.ua/law/sert#grp_4). The requirements for products subject to veterinary surveillance and control are set out in Order No. 71 of the Ministry of Agrarian Policy and Food.[112] Activity licensing for imports of animals and animal products, and food additives, amongst others, was abolished in 2014.[113] In the context of a broader deregulation policy, the requirement to obtain a veterinary permit for imports of meat, meat products, and live animals has been eliminated.[114]

3.104. Since April 2014, the Ministry of Agrarian Policy and Food recognizes the EU production and control systems for products of animal origin and raw materials as equivalent to Ukraine's system of food safety and quality.[115] Products from approved EU-facilities are allowed for import into Ukraine. The legal framework provides for mandatory identification and registration of farm animals.[116] Recent amendments aim to improve the monitoring of animal health and veterinary-sanitary conditions.[117] Imports of meat and meat products treated with growth promoting hormones are permitted, according to the authorities. According to the Law "on veterinary medicine", veterinary medicines must be registered; at end-2015 no growth-promoting veterinary drugs had been registered.

3.105. Phytosanitary measures are based mainly on the framework Law "on Plant Quarantine".[118] The law was recently amended with the aim of aligning it with IPPC standards and requirements.[119] According to the amendments, two lists of subjects of phytosanitary regulation will be developed: one for imports, exports and re-exports; the other for controlling transit through Ukraine. However, the authorities have advised that some regulatory changes may not be

[109] Decree of the Cabinet of Ministers No. 46-93 of 10 May 1993 "On Standardization and Certification".

[110] DSSU Order No. 28 of 1 February 2005 "On Adopting the List of Goods Subject to Mandatory Certification", with relevant amendments: Order of the Cabinet of Ministers No. 1689 of 23 December 2009 "On the Cancellation of Certain Points of the List of Goods Subject to Mandatory Certification in Ukraine" and MEDT's Order No. 451 of 6 May 2015 "On Amendments to the List of Goods Subject to Mandatory Certification", in force as of 1 January 2016.

[111] No. 2498-XII of 25 June 1992, with the latest amendments coming into force on 9 May 2016.

[112] "On Approving Veterinary Requirements on Import to Ukraine of Objects subject to State Veterinary Control and Surveillance" of 14 June 2004 (amended in 2013).

[113] WTO document G/SPS/N/UKR/95, 5 June 2014.

[114] Law No. 191-VIII " on Amendments to Certain Legislative Acts of Ukraine on Simplification of the Conduct of Business (Deregulation)" of 12 February 2015, and amending the Law No. 2498-XII "On Veterinary Medicine".

[115] Order No. 118 "On the Recognition of Equivalency of the EU Control System for Manufacture and Circulation of Animal Origin Products and Raw Materials", notified as WTO document G/SPS/N/UKR/102, 16 December 2014.

[116] Law No. 1445-VI of 4 June 2009 "On the Identification and Registration of Animals".

[117] Law No. 1648–VII of 14 August 2014 "On Amendments to Certain Legislative Acts of Ukraine Regarding the Identification and Registration of Animals".

[118] No. 3348-XII of 30 June 1993, as amended.

[119] Law No. 617-VIII of 15 July 2015 "On introduction of amendments into the Law of Ukraine 'On plant quarantine' as to reduction of the administrative burden" amending the Resolution of the Cabinet of Ministers No. 705 of 12 May 2007.

in conformity with the relevant international standards (notably ISPM No. 32 and ISPM No. 5).[120] Phytosanitary certification is carried out in accordance with ISPM No. 12 ("phytosanitary certificates") and with shortened timelines (24 hours, instead of 5 days).[121]

3.106. Seeds and propagating material for importation must be listed in the Register of Plant Varieties[122] maintained by the SVPS or in the Register of the OECD Seed Scheme (Ukraine is a member). Seeds listed in the OECD Seed Scheme may be imported in accordance with the procedure established by the Order of the Ministry of Agrarian Policy and Food No. 216 of 25 March 2013 for propagation purposes and subsequent export.[123]

3.107. The use of officially registered pesticides and their application procedures are controlled by the Ministry of Ecology and Natural Resources (MENRU) using the norms established by the Ministry of Health. The MENRU publishes a catalogue, once a year, of pesticides and agricultural chemicals allowed for use in Ukraine (brand name, group, owner, country of origin, active ingredients, and duration of registration). The importation of pesticides is no longer subject to activity licensing.[124]

3.108. The main legislation governing biotechnology is the Law "on the State System of Biosafety in Creating, Testing, Transporting and Using Genetically Modified Organisms" (Law on GMOs)[125], and Ministry of Health Order No. 971 of 9 November 2010 "on the List of Food Products Subject to Control of GMO Content". Ukraine is a party to the Cartagena Protocol on Biosafety to the Convention on Biological Diversity. Within the framework of the Association Agreement with the EU, Ukraine has undertaken to align its GMO-legislation with the EU *acquis* (including EU Regulation No. 1830/2003 of 22 September 2003 concerning GMO traceability and labelling). Recent amendments introduced by the Law No. 1602-VII of 22 July 2014 provide for the implementation of EU principles for GMO regulation, notably the registration of GMO sources rather than products made from them. Ukraine has no GMO registry at the moment. In future, only crop varieties and animal breeds that are based on GMOs, GMOs for food products, and GMOs for feed use will be subject to registration.[126]

3.109. The general labelling requirements in the Food Safety Law are further developed in the Resolution of the Cabinet of Ministers No. 468 of 13 May 2009 "on Approval of the Labelling Procedures for Foodstuffs that Contain or Were Produced with the Use of GMOs and Are to be Placed on the Market".[127] Any food product with more than 0.9% of GMOs by weight must be labelled as "Contains GMOs". A food product containing less than 0.9% of GMOs may be labelled as "No GMOs".

3.4.4 Trade-related investment measures

3.110. Prior to Ukraine's accession to the WTO in 2008, schemes had been in place for the automobile sector and the sugar industry that, in the view of some WTO Members, could have been construed as including local content and export requirements incompatible with the WTO Agreement on Trade-Related Investment Measures. However, these arrangements were eliminated prior to Ukraine's WTO membership.[128]

[120] See also WTO document G/SPS/N/UKR/104, 8 April 2015.
[121] Cabinet of Ministers' Resolution No. 42 of 28 January 2015.
[122] Cabinet of Ministers' Resolution No. 686 of 15 May 2003 on "Regulation on the State Register of Plant Varieties Eligible for Dissemination in Ukraine". The catalogue of plant varieties eligible for dissemination is issued annually.
[123] Article 20, Law No. 411-IV of 26 December 2002 "On Seeds and Propagating Material". Non-registered seeds and propagating material require a permit from the State Agricultural Inspection based on the procedure established in the Order of the Ministry of Agrarian Policy and Food No. 116 of 20 February 2013.
[124] Laws No. 222-VIII of 2 March 2015 and No. 247-VIII of 5 March 2015.
[125] No. 1103-V of 31 May 2007, as amended in 2015. See also WTO document G/SPS/N/UKR/29, 9 November 2010.
[126] Law No. 1602-VII of 22 July 2014 "On Amendments to Several Laws with Respect to Food Safety".
[127] As amended by the Cabinet of Ministers' Resolutions No. 661 of 1 July 2009 and No. 1408 of 26 December 2011.
[128] WTO document WT/ACC/UKR/152, 25 January 2008, paragraphs 328-331, and 380.

3.111. In June 2015, the Verkhovna Rada adopted a law amending Article 17 of the Law "on the Electric Power Industry".[129] Earlier local content requirements were cancelled and replaced by a premium payment on the "green" feed-in tariff. The premium amounts to 5% of the feed-in tariff when the ratio of local components is at least 30%, and rises to 10% with a local component ratio of 50% or more. The new regime applies to equipment put into operation and plants commissioned between 1 July 2015 and 31 December 2024 producing electricity from alternative sources of energy (except blast furnace and coking gases) (Section 4.3.1).[130]

3.112. Using its authority laid down in Article 6 of the Law "on Promotion of Domestic Machine Building for Agriculture", the Cabinet of Ministers introduced local content requirements for manufacturers of agricultural machinery in May 2013.[131] The applicable ratios are 25% for propelled sprayers, 20% for tractors with an engine capacity of up to 89 kW, and 35% for larger tractors, special purpose agricultural vehicles, and harvesters.

3.4.5 Free zones and special economic areas

3.113. Ukraine has nine "special economic zones" and eight "priority development areas". They were established to encourage investment in regions characterized by high unemployment or fundamental structural changes, e.g. due to the decommissioning of uneconomic coal mines, termination of armaments production, sulphur contamination, or the Chernobyl nuclear disaster. In addition, technological parks, science parks and industrial parks are seen as tools to stimulate investment, and to promote research, job creation, and the development of modern production infrastructures. Article 92 of the Constitution stipulates that each zone with an economic regime that differs from the general regime must be regulated by separate legislation. Special economic zones and priority development areas can be created by the Verkhovna Rada at the initiative of the President, the Cabinet of Ministers, or local authorities.

3.114. In general, the nine special economic zones are regulated by Law No. 2673-12 "on General Principles of Creation and Functioning of the Special (Free) Economic Zones" of 13 October 1992 (as amended).[132] However, each zone is governed by its own legislation (Table 3.16). The priority development areas have been established for a period of 30 years.[133] The assistance programmes available in a special economic zone or a priority development area are particular to that zone or area. In principle, tax advantages could take the form of exemption from corporate income tax, customs duties, and land tax, as well as deferral of VAT payments. However, as the state budget law for 2005 cancelled all tax privileges for special economic zones and priority development areas, benefits currently accorded are confined to the conditions applicable under the general tax regime of Ukraine.[134] Support has been negligible in the priority development areas since 2008. In the special economic zones, exemptions from the land tax amounted to Hrv 38.8 million in 2011 and 2012, but otherwise this incentive has not been used. However, the possibility for enterprises to defer their payments of value added tax on imports through the issue of promissory notes has been a measure of growing economic importance in the special economic zones.[135] The estimated value of this assistance has risen from an estimated Hrv 36 million in 2008 to Hrv 294 million in

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[129] Law No. 2010-d "On Amendments to Some Laws of Ukraine to Ensure Competitive Conditions for the Production of Electricity from Alternative Energy Sources" of 4 June 2015.

[130] For hydroelectric energy, the premium is only applied to micro, mini, and small hydroelectric power plants.

[131] Cabinet of Ministers' Resolution No. 369 of 27 May 2013.

[132] Other relevant provisions are Articles 401-405 of the Civil Code No. 436-IV of 16 January 2003 (as amended in 2015), and Cabinet of Ministers' Resolution No. 1199 "On Adoption of a Sample Contract for the Implementation of the Project on the TPD of a Special (Free) Economic Zone" of 5 July 1999 (also as amended in 2015). Chapter 63 of the 2012 Customs Code foresees the opening and operation of free customs zones (commercial, service and industrial). However, the creation of industrial zones may only take place within a special economic zone and requires a special law for this purpose. No such laws have been passed so far.

[133] Ukraine provided details about the territorial definition and legal basis for each priority development area in document G/SCM/N/155/UKR of 26 May 2008. A draft Law "On Priority Development Territories" that aimed at clarifying the special regime, guarantees and support to these areas was registered for examination by the Verkhovna Rada in 2010. However, no such law has been promulgated. The regime for the Zakarpatska Oblast was established for 15 years, and expired on 29 January 2014.

[134] Some enterprises in the province of Donetsk have been able to retain their tax privileges through court judgements.

[135] The Cabinet of Ministers' Act No. 450 "Issues relating to the application of customs declarations" of 5 May 2012 cancelled the compensation mechanism provided through Act No. 1119 "Some issues of import (transfer) of goods in special (free) economic zones and export of goods beyond them" of 30 November 2005.

2014.[136] Exemptions from corporate income tax or import duty have been nil or negligible during the same period.

Table 3.16 Special economic zones

Donetsk SEZ	Donetsk, Donetsk Oblast	60 years from 21 July 1998	Law of Ukraine No. 356 dated 24 December 1998 "on the Special Economic Zone and Special Regime of investment activities in Donetsk Oblast".
Azov SEZ	Mariupol, Donetsk Oblast	60 years from 21 July 1998	Law of Ukraine No. 356 dated 24 December 1998 "on the Special Economic Zone and Special Regime of investment activities in Donetsk Oblast".
Zakarpattia SEZ	Uzhgorodskiy and Mukachevskiy raions, Zakarpatska Oblast	30 years from 9 January 1999	Law of Ukraine No. 2322 dated 22 March 2001 "on the Special Economic Zone 'Zakarpattia'"
Yavoriv SEZ	Yavorivskiy Raion, Lviv Oblast	Until 1 January 2020	Law of Ukraine No. 402 dated 15 January 1999 "on the Special Economic Zone 'Yavoriv'"
Interport Kovel SEZ	Kovel, Volyn Oblast	20 years from 1 January 2000	President of Ukraine Decree No. 702 dated 22 June 1999 "on the Special Economic Zone 'Interport-Kovel'"
Mykolaiv SEZ	Mykolaiv (on the territory of ship-building enterprises)	30 years from 1 January 2000	Law of Ukraine No. 1909 dated 13 July 2000 "on the Special Economic Zone 'Mykolaiv'"
Porto Franco on the territory of the Odessa Sea Trade Port SEZ (FEZ)	Odesa	25 years from 1 January 2000	Law of Ukraine No. 1607 dated 23 March 2000 "on the Special (Free) Economic Zone 'Porto Franco' on the Territory of the Odessa Sea Trade Port"
Slavutych SEZ	Slavutych, Kyiv Oblast	Until 1 January 2020	Law of Ukraine No. 721 dated 3 June 1999 "on the Special Economic Zone 'Slavutych'"
Korortopolis Truskavets Tourism and Recreation SEZ	Truskavets, Lviv Oblast	20 years from 1 January 2000	Law of Ukraine No. 514 dated 18 March 1999 "on the Special Economic Zone for Tourism and Recreation 'Kurortopolis Truskavets'"

Source: WTO document WT/ACC/UKR/110/Add.1, Annex 9 (updated).

3.115. Technology parks may be created according to Law No. 991-XIV "on Special Regime for Innovation Activity of Technological Parks" of 16 July 1999 and Cabinet of Ministers' Decree No. 2311 of 17 December 1999.[137] The benefits provided to technological parks include accrual of income tax and import duty payments in special accounts; and zero interest loans, or interest compensation on loans contracted for techno-park projects. However, the state budget has not included allocations for credit support in recent years, and enterprises have not availed themselves of the special account facilities since 2010. The regime for technological parks was valid for 15 years starting from 4 June 2000. In June 2015, the Cabinet of Ministers approved a draft law aimed at simplifying the procedure for the establishment and registration of technology parks and projects in them.[138]

3.116. Law No. 1563-VI "on Science Parks" of 25 June 2009 provides for the establishment of science parks in consultation with the Ministry of Education and Science. The stated objective of science parks is to promote science, technology and innovation at universities and research institutions, and to promote the commercialization of research results. Seventeen research parks have been registered thus far. Equipment and components for science, research or laboratory

[136] Information provided by Ukraine in its subsidy notifications (documents G/SCM/N/155/UKR, G/SCM/N/186/UKR, G/SCM/N/220/UKR, G/SCM/N/253/UKR, and G/SCM/N/284/UKR). The estimate for 2014 (Hrv 294 million) has been provided by the State Statistics Service.

[137] Many basic legislative acts cover the establishment and functioning of technological parks. The laws and decrees are listed in WTO document G/SCM/N/284/UKR, 20 July 2015.

[138] Ministry of Education and Science of Ukraine online information. Viewed at: http://mon.gov.ua/usi-novivni/povidomlennya/2015/06/07/uryadom-sxvaleno-proekt-zakon/.

work, imported by the science parks themselves or by their partners, are exempt from the payment of customs duties in accordance with procedures prescribed in the Customs Code.

3.117. Law No. 5018-VI "on Industrial Parks" of 21 June 2012 allows local authorities to establish industrial parks on state or municipal land, or on land in private ownership or under tenure for a minimum of 30 years. The Interdepartmental Commission at the Ministry of Economic Development and Trade maintains a register of industrial parks. The first five such parks were registered in April 2014, and the registry currently comprises 12 industrial parks.[139] In addition to easier access to land for investors, the law foresees other advantages, including lower start-up costs and exemption from customs duties on certain equipment and components not manufactured in Ukraine.

3.4.6 Transit

3.118. Transit, i.e. the movement of goods from the point of entry to the exit point of the customs territory of Ukraine or internal transit (cabotage), is regulated according to Chapter 18, Articles 90-102 of the Customs Code. For commercial consignments, the transit procedure involves the presentation of a customs declaration, a permit to transit, and the payment of customs charges where required by law. The customs declaration can be replaced by other documentation depending on the means of transport and the nature of the goods (Article 94). The maximum terms of transit carriage vary according to the means of transport, ranging from 5 days for air transport to 31 days for transport by pipeline.[140]

3.119. The Convention on a Common Transit Procedure of 20 May 1987 establishes common rules and procedures for customs transit operations among EU and EFTA member States.[141] The transit procedure is primarily applicable to road transport and regulates, for example, the transit of goods subject to customs duties and other charges in the country of final destination or goods traded between two signatory states but passing in transit through a third country. Ukraine is not a signatory to the Convention, but its Association Agreement with the EU foresees Ukraine's eventual membership.[142]

3.120. The transit system operates electronically, replacing the hard copy single administrative document (SAD) with an electronic declaration classifying goods either as T1 ("non-EU status") or T2 ("EU status"). An action plan for Ukraine's accession to the New Computerized Transit System (NCTS) was approved by the Cabinet of Ministers in May 2015. Ukraine's integration into the NCTS is expected to speed up transit customs procedures significantly and reduce the scope for smuggling.

3.4.7 Government procurement

3.121. According to the Ministry of Economic Development and Trade, the annual volume of public procurement in Ukraine corresponds to approximately 13% of GDP. Public procurement of goods, services and works is regulated according to Law No. 1197-VII "on Public Procurement" of 10 April 2014 (as amended).[143] The law entered into force on 20 April 2014. The law applies to procurements exceeding Hrv 200,000 for goods and services and Hrv 1.5 million for public works. The procurement of utilities is additionally covered by Law No. 4851-VI "on Peculiarities of Public Procurement in Certain Spheres of Entrepreneurial Activities" of 24 May 2012. Moreover, the Verkhovna Rada adopted legislation to implement e-procurement in Ukraine on 24 December 2015.

3.122. Procurement may be either carried out using open tender, two-stage tender, request for price quotations, pre-qualification of bidders, or a negotiated procurement procedure (Article 12).

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[139] The first five parks were opened in the regions of Lviv, Ivano-Frankivsk (Dolyna), Zhytomyr (Korosten), Khmelnitsky (Slavuta), and Poltava (Kremenchug).

[140] The maximum transit term is 90 days for pipeline transport involving reloading to other means of transport.

[141] The Convention has been extended to Turkey and the former Yugoslav Republic of Macedonia.

[142] Ukraine is a signatory to the TIR (Transports Internationaux Routiers) Convention.

[143] The 2014 law repealed Law No. 2289-VI "On Public Procurement" of 1 June 2010, a law on government contracts from 1996, and a 1996 resolution of the Verkhovna Rada concerning the supply of goods for state needs.

Open tender is the principal procurement procedure. Procurement under framework agreements must either follow the open-tender, two-stage tender or pre-qualification procedures. Each procuring entity must establish a tender committee to plan and implement the procurement procedures, including the evaluation of bids and the decisions to award contracts. The Ministry of Economic Development and Trade functions as the authorized agency foreseen in Article 8 of the Law as it develops legislation in the area; monitors procurements; formulates annual procurement plans; and elaborates and approves standard documentation, information dissemination procedures, etc. The Anti-Monopoly Committee is designated as the complaint review authority.

3.123. According to Article 5 of the 2014 law, the procuring entities are to provide free access to the information required by the law to all bidders, and domestic and foreign bidders participate in the procedures on an equal basis. In 2008, the Ministry of Economic Development and Trade established an official national web portal (https://tender.me.gov.ua/EDZFrontOffice/menu/uk/) for the dissemination of information related to publically-funded procurement of goods, services and works. User registration, which is free of charge, allows access to tender announcements and results (Table 3.17). As of October/November 2015, the website counted more than 25,000 registered users.[144] Invitations to tender are no longer published in hard copy.

Table 3.17 Published procurement contracts, 2014-15

Period	Procurement procedures			Cost of concluded contracts (UAH million)		
	Total	Exceeding SDR 133,000	% (of total)	Total	Exceeding SDR 133,000	% (of value)
First half 2014	59,959	4,554	7.6	81,650.9	62,384.2	76.4
Second half 2014	28,854	2,748	9.5	45,084.4	38,526.9	85.4
First half 2015	62,266	7,028	11.3	113,076.1	85,406.4	75.5

Source: Information provided by the Department of State Procurement Regulation at the Ministry of Economic Development and Trade of Ukraine.

3.124. A new procurement platform (ProZorro), developed with the assistance of businesses, public activists, non-governmental organizations, and international experts, was launched on a pilot basis in February 2015. ProZorro (http://prozorro.org/) is designed to deal with purchases below the thresholds established in the Law "on Public Procurement", but can also be used for larger procurements. The system allows suppliers to submit their bids electronically, and is currently used by key government bodies such as the Ministries of Economic Development and Trade, Finance, Defence, Infrastructure, Justice and Healthcare; the State Management of Affairs; the State Financial Inspection; the National Bank; the National Nuclear Energy Generating Company; the Kyiv City State Administration; and the Lviv City Council.

3.125. *Vis-à-vis* the European Union, the Partnership and Cooperation Agreement (1998) included provisions regarding the gradual approximation of Ukraine's government procurement legislation to EU law and cooperation towards the development of conditions for open and competitive procurement of goods and services. The Association Agenda and the Association Agreement (2014) confirm the target of aligning Ukraine's legislation and practices with EU standards in the area of government procurement. However, while the earlier agreement allowed some discretion in the extent and timing of the alignment, the Association Agreement (Article 152) requires Ukraine to present a detailed roadmap with timelines for the legislative approximation and its institutional capacity building. Five implementation phases have been identified, starting with Ukraine's adoption of the EU's basic legal standards and institutions within six months of the entry into force of the Association Agreement, and followed by Ukraine's stepwise (but eventually full) transposition of the relevant EU directives over a period of eight years.[145]

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[144] Since its inception, the web portal has apparently made available more than 530,000 tender announcements and more than 518,000 tender results. Although the web portal provides information in Ukrainian, Russian, or English, the Ukrainian version of the webpages is by far the most complete. The web portal is operated by the state enterprise "Vneshtorgizdat Ukraine".

[145] At present, the relevant EU directives are Directives 2004/17/EC (the Utilities Sector Directive), 2004/18/EC (the Public Sector Directive), 89/665/EEC (remedies in public sector procurements), 92/13/EEC (remedies in utilities sectors), and 2009/81/EC (Defence Procurement). During the period 2016 to 2018, the EU member States will be implementing four new directives; Directives 2014/24/EU and 2014/25/EU, replacing the 2004 directives for utilities and public sector procurements, as well as Directives 2014/13/EU (award of concessions) and 2014/55/EU (e-invoicing in public procurement).

3.126. Ukraine's terms of accession to the WTO included a commitment to initiate negotiations to join the plurilateral WTO Agreement on Government Procurement (GPA). Ukraine became an observer to the WTO Committee on Government Procurement in 2009. Ukraine submitted its application to accede to the GPA in 2011 and its initial offer in December 2012.[146] After the promulgation of the new Law on Public Procurement in April 2014, Ukraine informed the Committee in June 2014 that it considered its legislation open, transparent, non-discriminatory and fully compliant with the GPA. Ukraine's final offer was circulated in June 2015.[147] The Committee adopted the draft decision on Ukraine's accession to the GPA on 11 November 2015.[148] Ukraine's instrument of accession is thus to be deposited with the WTO by 11 May 2016.

3.127. GPA accession is expected to address at least some of the external criticism. For example, although the 2010 procurement law was largely considered consistent with international standards, it was frequently amended to exempt contracts from the scope of the law. The 2014 procurement law reduced significantly the exemptions from its scope. Nevertheless, pressure to amend the law to reintroduce exemptions appears to have resurfaced soon after the law was adopted.[149] Participation in the GPA may help in stemming the pressure in this regard.

3.128. Moreover, while Ukraine's legislation generally does not prohibit foreign enterprises from participating in the bidding for contracts, awards to foreign enterprises have been few in the past. The difficulties have been attributed to various factors, including a lack of publically available information on the tender rules and requirements, non-transparent preferences, conditions added to the original tender requirements, and ineffective grievance and dispute settlement mechanisms.[150] As part of its GPA accession negotiations, and as described above, Ukraine has created a modern e-procurement system and undertaken extensive reforms to address such issues.

3.4.8 State trading, state-owned enterprises, and privatization

3.129. As an independent nation, Ukraine inherited from the centrally-planned Soviet Union an economy largely in collective ownership. The Verkhovna Rada passed a law on privatization in 1992 and adopted a number of successive State Privatization Programmes starting from 1992.[151] By the end of 2006, nearly 110,000 entities had changed ownership since the privatization process begun; 26% of them had been state owned, while the other enterprises had been held by the municipalities. Larger enterprises were often split into smaller independent units which were subsequently privatized. The proceeds from privatization totalled nearly Hrv 40 billion over this period, of which most was channelled into a general fund for addressing social issues. The privatization of more than 1,200 objects raised an additional Hrv 22 billion between 2008 and 2013.

3.130. The State Property Fund (SPF) was established in 1991 to manage state properties.[152] The SPF oversees the privatization processes of enterprises slated for privatization since 1992. In spite of the many privatizations that have taken place, some 3,500 enterprises remain in public ownership. Among them, around 40% are economically active. The Ukrainian authorities estimate that the public sector accounts for approximately 37% of Ukraine's GDP. State-owned enterprises continue to dominate in some sectors of the Ukrainian economy, notably in areas related to infrastructure, mining, and energy.

[146] WTO documents GPA/ACC/UKR/1 and GPA/107, 9 February 2011 and GPA/ACC/UKR/3, 13 December 2012.

[147] WTO document GPA/ACC/UKR/25 of 29 June 2015.

[148] WTO document GPA/133, 16 November 2015.

[149] See European Union (2014).

[150] USTR (2015), *National Trade Barriers*.

[151] Law No. 2163-XII "On State Property Privatization" of 4 March 1992. Other legislation for privatizations include the Commercial Code, the Civil Code, the Laws "On State Program of Privatization", "On Specifics of Privatization in Agricultural Sector", "On Assessment of Property, Property Rights and Professional Activity in Ukraine", "On Specifics of Privatization of the Objects of Unfinished Construction" and "On the Rent of State and Municipal Property".

[152] The SPF is not the only agency managing state assets. Other supervisory bodies include the Ministries of Energy and Coal Industry; Infrastructure; Culture; and Healthcare; the State Space Agency; Ukrtrmontazhspetsbud (State Construction Corporation); UkrResources; Ukroboronprom; the State Highways Agency; and the National Academy of Sciences.

3.131. The corporate governance structure is generally weak in Ukraine's state-owned enterprises. The appointment procedure for senior management has often been opaque, many entities lack effective supervisory boards, and independently audited accounts appear to be exceptions to the general rule. The economic performance of many SOEs is also poor; about 40% of them operated at a loss in 2014. While the operational losses of some SOEs are a strain to the annual State Budgets, the accumulation of liabilities can also be a threat to the financial stability of the Ukrainian economy.[153] In principle, public assets have been sold through competitive processes involving domestic and foreign investors, thus awarding the sale to the contestant offering the most attractive economic terms. However, pre-selection criteria could favour certain bidders or purposely restrict the playing field.[154]

3.132. Objects of "national importance" for reasons of national security, public health, environmental considerations, social development, and the like have been excluded from privatization. In 1999, the Verkhovna Rada approved a list of state assets not to be privatized.[155] The list has been amended several times over the years, opening up for privatization of additional entities held in public ownership. The Government announced the intended privatization of 169 enterprises in July 2014. However, the armed conflict in parts of Ukraine disrupted some of these intended sales. Larger privatizations are currently carried out according to the Cabinet of Ministers' Resolution No. 271 "on Conducting a Transparent and Competitive Privatization in 2015" of 12 May 2015.[156] Nevertheless, the disposal of state assets can be difficult in Ukraine. The privatization processes for certain fuel and energy enterprises were halted in August 2015 as the conditions for the sale, including the starting price for the tendering of shares, are to be re-examined.[157] Moreover, the sale of the Research Institute of Electromechanical Devices in September 2015 has been blocked by Ukraine's Deputy Prosecutor General.[158]

3.133. The present government has embarked on a reform agenda targeting *inter alia* improved budgetary oversight, strengthened corporate governance, corporate restructuring, and more transparent privatization. A dedicated SOE website has been launched to provide information on policy issues, including privatization, and to present consolidated financial information as well as individual company profiles (www.soereload.com.ua).The Ministry of Economic Development and Trade began the publication of consolidated information on Ukraine's Top-100 state-owned enterprises on a regular basis during 2015 to enhance the public accountability of SOEs.[159] The reports also present the strategy for ongoing reforms. Some major state-owned enterprises are presented in Table A3.3.

3.134. During Ukraine's process of accession to the WTO, the authorities provided information about a number of state-owned enterprises without prejudice as to their possible status as state trading entities according to Article XVII of the GATT 1994 and the Understanding on the interpretation of that article. In response to requests for information, details were provided concerning enterprises such as "Khlib Ukrainy", "Ukragroleasing", and Ukrtransleasing". Eight enterprises were considered potential state trading entities within the WTO definition, namely (i) "Ukrspyrt", a manufacturer of alcoholic beverages; (ii) "UkrGasEnergo", a 50/50 joint venture between "Naftogaz of Ukraine" and "RosUkrEnergo", holding a monopoly on imports of natural gas; (iii) "Ukrspetsexport", the only authorized importer and exporter of military equipment; and (iv) the state or municipal pharmaceutical enterprises "Liky Ukrainy", "Zdorov'ya Narodu", "InterChem", "InterChem-1", and "Pharmacia". The businesses "Ukrspetsexport", "Naftogaz of

[153] Naftogaz alone has accumulated liabilities equivalent to 10% of Ukraine's GDP.

[154] For example, requiring the bidders for Donbasenergo, an electricity generator, to have mined certain quantities of coal in Ukraine prior to the purchase reduced the list of potential suitors. This privatization has not been concluded.

[155] Law No. 847-XIV "On the List of State Property Assets not Subject to Privatizations" of 7 July 1999. Draft legislation providing for a substantial reduction of the list has been presented to the Verkhovna Rada.

[156] The entire list comprises more than 300 enterprises. The Cabinet of Ministers approved a resolution "On Amendments to Property Assessment Procedure" on 28 October 2015.

[157] Press release of the State Property Fund dated 31 August 2015.

[158] Ukraine Crisis Media Center online information. Viewed at: http://uacrisis.org/35351-sprobi-prozorogo-prodazhu-derzhavnogo-majna.

[159] The first consolidated report covered the results during 2013 and the first nine months of 2014 (see Ministry of Economic Development and Trade of Ukraine, 2014). The second report dealt with full-year results for 2014 (see Ministry of Economic Development and Trade of Ukraine, 2015). The ambition is to prepare quarterly reports in Ukrainian and annual reports in Ukrainian and English.

Ukraine" and "Energorynok" (wholesale and transmission of electricity) were enterprises trading in accordance with international contracts on behalf of the State.

3.135. As a WTO Member, Ukraine has provided notifications regularly to the Working Party on State Trading Enterprises, but only in respect of the state enterprise "Ukrspyrt". This entity, which comprises 85 enterprises with state ownership and 9 regional state associations engaged in the production and marketing of alcohol (including vodka and liqueurs) and bioethanol, is the only business authorized by the Cabinet of Ministers to import, export or engage in wholesale trade of ethyl alcohol, ethyl rectified grape alcohol, and ethyl rectified fruit alcohol. In 2013, Ukraine's exports of denatured and undenatured alcohol amounted to 201.7 million litres from a total production of nearly 18.2 billion litres.[160] Wholesale trade in ethyl alcohol for medical or veterinary purposes can be carried out by any licensed operator, and the Cabinet of Ministers maintains a register of such enterprises.

3.136. Article 258 of Ukraine's Association Agreement with the EU requires the parties to adjust their state monopolies of a commercial character to ensure non-discrimination within five years of entry into force of the agreement.

3.4.9 Countertrade and barter

3.137. Barter transactions are regulated in accordance with Law No. 351-XVI "on the Regulation of Trade (Barter) Transactions in Foreign Trade" of 23 December 1998. Ukraine's legislation does not prohibit any Ukrainian enterprise from engaging in barter transactions with foreign partners, whereby they exchange goods, services, or works without payment in cash or via bank transfer. Goods imported under a barter agreement must be imported into the customs territory of Ukraine no later than 180 days following their customs clearance. Provisions allowing individual extensions of this time limit through the issuance of a one-off permit were cancelled in 2012.[161]

3.138. Article 8 of the Law "on the National Defense Procurement" stipulates that public contracts involving the importation of military equipment or related services worth more than €5 million must be balanced with a compensation (offset) agreement for the purchase of Ukrainian goods or services. The procedures and types of possible compensation are outlined in Cabinet of Ministers' Resolution No. 432 of 20 April 2011.

3.4.10 Competition policy

3.139. The basic principles that the State should encourage competition, prevent the abuse of monopolist positions, and combat unfair or illegal restrictions on competition are laid down in the Constitution, Law No. 3659-XII "on the Antimonopoly Committee of Ukraine" of 26 November 1993, Law 236/96-VR "on the Protection from Unfair Competition" of 7 June 1996, and Law No. 2210-III "on the Protection of Economic Competition" of 11 December 2001.[162] The Anti-Monopoly Committee of Ukraine has been designated as the competition authority.[163] The Laws "on Natural Monopolies" and "on Telecommunications" have been amended to differentiate the powers of the Antimonopoly Committee and the national regulators of communications, the electricity market, and the markets for housing and communal services.

3.140. The work of the Antimonopoly Committee involves the development of legislation, i.e. the elaboration of draft laws forwarded to the Cabinet of Ministers for approval and adoption, as well as instructions and other legal acts promulgated within its own powers. The Committee also approves draft legal acts developed by other branches of government that could affect competition. In addition, the tasks of the Antimonopoly Committee include the classic responsibilities of an antitrust enforcement agency, i.e. investigating and resolving complaints in relation to abuse of dominant position, acts of unfair competition, non-competitive actions of

[160] WTO document G/STR/N/15/UKR, 17 July 2014. The other notifications concerning the activities of "Ukrspyrt" are contained in documents G/STR/N/14/UKR, 30 July 2012; G/STR/N/13/UKR, 8 July 2010; and G/STR/N/12/UKR, 20 June 2008.

[161] Law No. 5061-VI "On Amendments to the Law of Ukraine 'On the Regulation of Trade (Barter) Transactions in Foreign Trade'" of 5 July 2012.

[162] The presence of offshore corporations unwilling to disclose the identity of the real owners is a persistent problem in merger control in Ukraine.

[163] Law No. 3659-XII "On the Antimonopoly Committee of Ukraine" of 26 November 1993.

public authorities, non-competitive concerted actions of commercial entities, as well as acquisition and merger control.[164] Article 10 of the Law "on the Protection of Economic Competition" provides for the authorization of coordinated actions of commercial entities if the participants demonstrate that these actions contribute to certain specific objectives outlined in Part I of the Article. However, such coordinated actions may not be allowed if competition is significantly restricted in the relevant market (or a substantial part of it). The Antimonopoly Committee has so far not permitted any such agreements or arrangements.

3.141. In 2014, the Antimonopoly Committee operated with a budget of Hrv 51.2 million and employed a total staff of 649 (mostly economists and lawyers) at its head Office in Kyiv as well as in regional offices throughout Ukraine.[165] The number of cases considered by the Antimonopoly Committee decreased compared with 2013.[166] Abuse of dominant position accounted for 42% of the 5,341 infringements subject to intervention by the Committee in 2014. Of the Hrv 99.3 million in fines imposed on violators of the competition rules in 2014, the penalties for abuse of dominant position amounted to Hrv 60.9 million (61% of the total). In value, nearly 26% of the fines was imposed for anticompetitive concerted actions, primarily bid rigging at tenders and auctions. Intervention by the Antimonopoly Committee also covers anticompetitive behaviour of public bodies and local authorities.

3.142. The 2014 budget of the Antimonopoly Committee represented a reduction of approximately 30% compared with the preceding year, and the number of staff was cut by nearly 20%. The reduction was in part due to the necessity to close two regional territory branch offices and the temporary closure of an additional two offices, but also an effect of a moratorium on the inspection of business enterprises introduced in August 2014.

3.143. As noted in Section 3.4.7, the Antimonopoly Committee handles appeals in relation to government procurement decisions. Complaints are considered by a permanent administrative board comprised of three state commissioners. Board decisions enter into force on the date of adoption, and may be appealed to a court within one month of notification of the adopted decision. The Antimonopoly Committee received 930 complaints relating to violations of government procurement procedures during 2014, of which 766 were accepted for consideration.[167] In that year, the board decided to satisfy 380 claims, in part or fully, and rejected 241 appeals. A further 15 complaints were returned without consideration, and proceedings were terminated in 145 instances as either the complaints were withdrawn, the disputed tender decisions were nullified by the procuring entity, or for other reasons.[168] Among the 66 board decisions challenged before the courts, 59 were upheld without any change.

3.4.11 Price controls

3.144. Although Ukraine's Commercial Code stipulates that prices are generally determined by the economic agents in a free market, price controls may be applied in accordance with specific legal acts. Law No. 5007-VI "on Prices and Pricing" of 21 June 2012 also distinguishes between "free" prices and "state regulated" prices.[169] Prices may be regulated by the Cabinet of Ministers, by executive bodies, or local governments. The State Inspectorate of Ukraine for Price Control monitors the prices of goods and services in the retail market, including for items subject to price

[164] Specific aspects of competition policy are regulated in more than 140 laws in effect in Ukraine (see UNCTAD, 2013).

[165] Ukraine files an annual report on the activities of the Antimonopoly Committee with the OECD Competition Committee. The annual reports for 2013 and 2014 were circulated in documents DAF/COMP/AR(2014)50, 28 November 2014 and DAF/COMP/AR(2015)53, 21 October 2015 (see OECD, 2014 and 2015).

[166] The Antimonopoly Committee gives priority to markets of primary importance to the social welfare of the population such as communal services, agriculture, the energy sector, administrative services, health care, and funeral services.

[167] 63 complaints were not accompanied by the statutory payment for the appeals procedure, while other complaints were dismissed as inconsistent with Article 18 of the Law "On Public Procurement".

[168] The Law "On Public Procurement" (Article 18, paragraph 6, sections 2-5) identifies circumstances that may occur after the appeals body has taken up a complaint for consideration.

[169] The law entered into force on 3 August 2012. The law was amended through Law No. 5496-VI of 20 November 2012. The 2012 law replaced Law No. 507-XII "On Prices and Pricing" of 5 December 1990.

regulation by central bodies or local authorities.[170] In 2002, the Cabinet of Ministers passed a resolution listing socially-important goods and services subject to continuous price monitoring.[171]

3.145. Price controls may take the form of fixed prices; minimum or maximum prices; caps on margins or mark-ups, profits, sales commissions, bonuses, or rebates; declarations of price changes; or price registration. The measures are implemented according to the Cabinet of Ministers' Resolution No. 1548 "on Establishment of Powers of the Executive Power Authorities and Executive Authorities of City Councils Regarding Price (Tariff) Regulations" of 25 December 1996. As Ukraine has regularly experienced bouts of inflation, the maintenance of price stability has frequently been regarded as a major task of the government and the regional administrations. Tables A3.4 and A3.5 enumerate goods and services subject to price control measures in the energy sector.

3.146. Specifically, in respect of price control measures on pharmaceuticals, the Cabinet of Ministers has established a National List of Essential Drugs satisfying the basic health needs of the population and included *inter alia* due to their "cost effectiveness".[172] The Ministry of Health has elaborated a second list of socially oriented pharmaceuticals and medical products.[173] The prices for these goods are indicated in separate legislation.[174] The purchasing procedures for drugs by publically funded healthcare institutions are regulated under legislation dating from 1996.[175] For drugs included in these lists, mark-ups are capped at 10% at the wholesale level and 10%-25% for pharmacies.

3.147. In 2008, the Cabinet of Ministers introduced minimum prices for vodka and other spirits.[176] The stated purpose was to fight illegal production and trade in these goods. The minimum prices, set for sales at the wholesale and retail level, originally applied only to domestically produced beverages. However, the system has been extended to imported alcoholic beverages since June 2014. The minimum prices were adjusted upward with effect from 1 September 2015, but retain a substantial differential between whiskeys, rum, gin and geneva (UAH 545, retail), cognacs (UAH 420 to 470), and vodkas, liqueurs, cordials, and other spirits (UAH 274.5).[177] The regulations thus allow vodka, of which there is substantial domestic production, to be sold at lower prices than many other (primarily or exclusively imported) spirits.[178]

3.4.12 Trade-related intellectual property regime

3.148. Ukraine has been a member of the World Intellectual Property Organization since 1970. In addition to the WIPO Convention, Ukraine is party to a number of WIPO-administered treaties (Table 3.18). Since acceding to the WTO in 2008, Ukraine has joined the WIPO Singapore Treaty, the Strasbourg Agreement, the Locarno Agreement, and the Vienna Agreement. Ukraine has not acceded to the Brussels Convention Relating to the Distribution of Programme-Carrying Signals by Satellite, although Ukraine stated during its WTO accession negotiations that it would study the

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[170] The functions of the State Inspectorate of Ukraine for Price Control are outlined in Presidential Decree No. 19 "On State Inspectorate of Ukraine for Price Control" of 19 January 2012. Before that, the price control functions of the Derzhtsininspectsia, which was dissolved in 2011, were established in Cabinet of Ministers' Resolution No. 1819 of 13 December 2000.

[171] Cabinet of Ministers' Resolution No. 803 "On Measures for the Monitoring of Prices and Tariffs for the Consumer Market" of 13 June 2002.

[172] Cabinet of Ministers' Resolution No. 333 of 25 March 2009. The list comprised 2,682 drugs in 2009.

[173] Ministry of Health Order No. 1000 "On Mandatory Minimum Assortment (Socially Oriented) Pharmaceuticals and Medical Products to Pharmacies" of 29 December 2011.

[174] Cabinet of Ministers' Resolution No. 955 "On Measures concerning Stabilization of Prices for Medicines and Medical Products" of 17 October 2008, amended through Resolution No. 639 of 12 November 2014 extending price controls to medicines valued at less than Hrv 12.

[175] Cabinet of Ministers' Resolution No. 1071 of 5 September 1996.

[176] Cabinet of Ministers' Resolution No. 957 of 30 October 2008. The resolution has been amended ten times, most recently through Resolution No. 426 of 17 June 2015.

[177] For spirits, the minimum prices are calculated per litre of pure alcohol and the system also covers fermented beverages (HS 2206). For wine in glass bottles, minimum prices apply only at the retail level (27 to Hrv 49.9). Viewed at: http://zakon5.rada.gov.ua/laws/show/957-2008-%D0%BF (in Ukrainian).

[178] According to USTR (2015), the minimum prices applied from June 2014 resulted in a 50% drop in the sales of US whisky in Ukraine.

requirements of the convention and the possibilities of joining it.[179] Ukraine is also not a signatory to the Beijing Treaty on Audiovisual Performances.

Table 3.18 WIPO treaties (+ UPOV Convention) in force for Ukraine

Treaty	Subject-matter (non-exhaustive list of elements)	Date of accession or ratification	Date of entry into force
WIPO treaties			
WIPO Convention	Constituent instrument of WIPO	12 February 1969	26 April 1970
WIPO Copyright Treaty	Protection of works and authors' rights in the digital environment	29 November 2001	6 March 2002
WIPO Performances and Phonograms Treaty	Rights of performers and producers of phonograms in the digital environment	29 November 2001	20 May 2002
Berne Convention	Copyright (artistic, literary, etc. works)	25 July 1995	25 October 1995
Rome Convention	Related rights (performers, producers of phonograms and broadcasting organizations)	12 March 2002	12 June 2002
Phonograms Convention	Protection of producers of phonograms against unauthorized duplication of their phonograms	18 November 1999	18 February 2000
Paris Convention, 1883 - Stockholm Act, 1967	Industrial property (patents, trademarks, utility models, trade names, industrial designs, geographical indications and appellations of origin, unfair competition, enforcement, etc.)	21 September 1992 (Declaration of Continued Application)	25 December 1991
Patent Cooperation Treaty (PCT), 1970	International patent applications	21 September 1992 (Declaration of Continued Application)	25 December 1991
Patent Law Treaty	Harmonizing and streamlining national and regional patent application procedures	31 March 2003	28 April 2005
Strasbourg Agreement	International patent classification	7 April 2009	7 April 2010
Budapest Treaty	International recognition of the deposit of microorganisms for the purposes of patent procedure	2 April 1997	2 July 1997
Hague Agreement	International registration of industrial designs	28 May 2002	28 August 2002
Locarno Agreement	International classification for industrial designs	7 April 2009	7 July 2009
Madrid Agreement (Marks) - Stockholm Act, 1967	International registration of marks	21 September 1992 (Declaration of Continued Application)	25 December 1991
Protocol relating to the Madrid Agreement (Marks)	International registration of marks	29 September 2000	29 December 2000
Trademark Law Treaty	Standardizing and streamlining national and regional trademark registration procedures	30 January 1996	1 August 1996
Singapore Treaty	Harmonization of administrative trademark registration procedures	24 February 2010	24 May 2010
Nice Agreement	International classification of goods and services for the purposes of marks registration	29 September 2000	29 December 2000

[179] The Ukrainian authorities believe that all modern aspects of copyright and related rights in the context of satellite broadcasting should be adjusted in a new international treaty on the protection of the rights of broadcasting organizations. Meanwhile the IP authorities have developed draft legislation and an action plan, approved by the Cabinet of Ministers on 17 September 2014 (Resolution No. 847), for reaching compliance with EU directives on copyright and related rights, including Directive No. 93/83/EC of 27 September 1993 "On the Coordination of Certain Rules concerning Copyright and Rights Related to Copyright Applicable to Satellite Broadcasting and Cable Retransmission" (OJ L248, 6 October 1993).

Treaty	Subject-matter (non-exhaustive list of elements)	Date of accession or ratification	Date of entry into force
Vienna Agreement	International classification of the figurative elements of marks	29 April 2009	29 July 2009
Nairobi Treaty	Protection of the Olympic symbol	20 November 1998	20 December 1998
UPOV Convention 1961 - 1991 Act	*Sui generis* system of protection of plant varieties	3 October 1995	3 November 1995

Source: WTO Secretariat, on the basis of WIPO information on treaties. Viewed at: www.wipo.int/treaties/en/.

3.149. Ukraine is also a signatory to a number of regional treaties with European and Eurasian partners in the area of intellectual property protection. Bilaterally, Ukraine has signed agreements regulating the protection of various aspects of intellectual property with Argentina, Azerbaijan, Belarus, Canada, Chile, China, EFTA States, Georgia, Russian Federation, Switzerland, United States, and Uzbekistan. The Deep and Comprehensive Free Trade Area within the Association Agreement with the European Union contains an entire chapter (Chapter 9, Articles 157-252) addressing in detail mutual standards of protection and the enforcement of intellectual property rights. The Ukrainian authorities cooperate with various international and regional organizations engaged in the protection of intellectual property rights, notably the NIS Interstate Intellectual Property Protection Council and the European Patent Organization.

3.150. Ukraine's intellectual property legislation comprises ten specific laws (Table 3.19). In addition, around 100 pieces of complementary and secondary legislation have been issued to complement or implement the principal laws.[180] Ukraine's IP legislation was reviewed by the WTO Council for TRIPS in March 2009.[181] At the meeting, Ukraine highlighted revisions of its Civil and Criminal Codes to raise the effectiveness of enforcement, in particular amendments to allow the destruction of counterfeit goods, as well as materials and instruments used for producing such goods.[182] Provisions had been added in the relevant legislation to allow for the coexistence of trademarks and geographical indications.[183] Ukraine had revised its intellectual property fees, introducing a unique scale of fees irrespective of citizenship, place of residence, or location of the right holder.[184] In 2012, Ukraine notified the State Customs Service as its contact point for law enforcement.[185]

[180] Aspects of intellectual property are included, for example, in the Laws "On Cinematography" and "On Architectural Activity".

[181] WTO document IP/C/M/59, 25 May 2009 contains the minutes of the meeting. Ukraine notified its laws and regulations under Article 63.2 of the TRIPS Agreement in WTO document IP/N/1/UKR/1, 5 August 2008, and responded to the checklist of issues on enforcement in WTO document IP/N/6/UKR/1, 11 August 2008. Questions raised by Canada and Switzerland, and Ukraine's responses thereto, were circulated in documents IP/W/527 to 530.

[182] Additional provisions were inserted in Article 432 of the Civil Code and in Articles 176, 177, and 229 of the Criminal Code.

[183] The Law "On Amending Certain Laws of Ukraine on Intellectual Property in terms of Meeting the Requirements Associated with Ukraine's Accession to the WTO" revised the provisions of the Laws "On the Protection of Rights to Indication of Origin of Goods" and "On the Protection of Rights to Marks for Goods and Services".

[184] The scale of applicable fees, payable in Ukrainian hryvnias can be viewed at: http://sips.gov.ua/i_upload/file/Fees-annex.pdf.

[185] WTO document IP/N/3/UKR/1, 7 November 2012. The State Fiscal Service is currently in charge of tax and customs matters.

Table 3.19 Principal IP laws in Ukraine

Subject matter	Legislation	Amendments (until)
Main dedicated intellectual property laws		
Copyright and related rights	Law No. 3792-XII "on Copyright and Related Rights" of 23 December 1993	5 December 2012
	Law No. 1587-III "on Distribution of Copies of Audiovisual Works, Phonograms, Videograms, Computer Programs, Databases" of 23 March 2000	2 March 2015
	Law No. 2953-III "on Particular Aspects of Government Regulation of Activities of Business Entities Relating to Production, Exports and Imports of Disks for Laser-Reading Systems" of 17 January 2003	28 June 2015
Trademarks	Law No. 3689-XII "on Protection of Marks for Goods and Services" of 15 December 1993	21 May 2015
Geographical indications, appellations of origin	Law No. 752-XIV "on Protection of Rights to Indications of Origin of Goods" of 16 June 1999	5 December 2012
Industrial designs	Law No. 3688-XII "on Protection of Rights to Industrial Designs" of 15 December 1993	5 December 2012
Patents	Law No. 3687-XII "on Protection of Rights to Inventions and Utility Models" of 15 December 1993	5 December 2012
Plant variety protection	Law No. 3116-XII "on Protection of Rights to Plant Varieties" of 21 April 1993	2 March 2014
Layout designs of integrated circuits	Law No. 621/97-VR "on Protection of Rights to Integrated Circuits" of 5 November 1997	5 December 2012
Requirements on undisclosed information	Law No. 236/96-VR "on Protection Against Unfair Competition" of 7 June 1996	13 January 2009
Enforcement		
Civil judicial procedures and remedies	Code of Administrative Judicial Proceedings of Ukraine Code of Civil Proceedings of Ukraine Commercial Procedural Code of Ukraine Civil Code of Ukraine (Book 4) Law "on Copyright and Related Rights"	
Provisional measures	Code of Civil Proceedings of Ukraine Commercial Procedure Code of Ukraine	
Administrative procedures and remedies	Code of Administrative Judicial Proceedings of Ukraine Law "on Particular Aspects of Government Regulation of Activities of Business Entities Relating to Production, Exports and Imports of Disks for Laser-Reading Systems"	
Special border measures	Customs Code of Ukraine	
Criminal procedures	Code of Criminal Procedure of Ukraine Criminal Code of Ukraine Code of Ukraine on Administrative Offences	

Source: WTO Secretariat and WIPO online information.

3.151. The State Intellectual Property Service of Ukraine (SIPSU), registered as a legal entity of public law on 21 February 2011, is the agency in charge of the formulation and implementation of Ukraine's IP policy.[186] The tasks of this institution, laid down in Cabinet of Ministers' Resolution No. 658 of 19 November 2014, are manifold and include examination of applications for protection or designating entities responsible for such examinations[187]; maintaining a registry of intellectual property, including assignment and licensing agreements; the authorization, administration and control of collective management associations[188]; licensing of discs for laser reading systems or matrices and the assignation of special identification codes for such devices; the issuance and registration of control marks; international cooperation; training; dissemination of information; and publications. Two official publications are issued: the Official Journal "Avtorske Pravo i Sumizhni Prava" (Copyright and Related Rights) and the Official Bulletin "Promyslova Vlasnist" (Industrial Property). Authorized to develop proposals with regard to policy and legislation, SIPSU reports to the Minister of Economic Development and Trade.[189] SIPSU has signed a cooperation

[186] Prior to the creation of SIPSU, the functions were carried out by the State Department for Intellectual Property (established in May 2000).
[187] All examinations are conducted by the Institute of Intellectual Property.
[188] The State Intellectual Property Service has registered 19 collective management organizations at present.
[189] Prior to the issuance of Presidential Decree No. 549 of 8 October 2013, SIPSU reported to the Minister of Science and Education.

agreement with WIPO for 2014-16, has an ongoing Twinning project with the EU on "Strengthening the Protection of Intellectual Property Rights in Ukraine", and a Commercial Law Development Program with the U.S. Department of Commerce.

3.152. As per 1 October 2015, SIPSU had registered 114,636 patents for inventions, 101,840 patents for utility models, and 30,469 industrial designs. In total, 204,572 certificates had been issued for trademarks and service marks, there were 20 registrations of qualified indications of origin of goods, 26 certificates issued for the right of use of registered qualified indications of origin, and 13 titles for integrated circuit topographies. For the monitoring of compliance with protected rights, a special unit (the Division of State Inspectors for Intellectual Property) conducts scheduled and un-scheduled visits of business entities. Depending on the nature of any violations detected, the inspectors may either file administrative offence reports (which are referred to the court system) or notify a relevant pre-trial investigation body of possible criminal offences (Table 3.20).[190] Nevertheless, despite these efforts, the black market for counterfeit and pirated goods remains significant in Ukraine. The Ukraine Alliance Against Counterfeiting and Piracy estimates that sales of fake goods represent a turnover of US$1.3 billion in Ukraine each year.[191] Most of such goods are imported.

Table 3.20 Actions by the State Intellectual Property Service, 2010-14

Year	Number of conducted inspections	Number of administrative protocols
2010	480	303
2011	629	282
2012	396	96
2013	400	259
2014[a]	219	30

a In August 2014, legislation introduced a moratorium on further inspections.

Source: Information of the State Intellectual Property Service of Ukraine (SIPSU).

3.153. According to the Ukrainian authorities, the 2012 Customs Code improved the protection of intellectual property rights by incorporating EU practices that make it easier for owners of trademarks, utility models, etc. to protect their rights at the border.[192] The State Fiscal Service of Ukraine maintains a register of intellectual property, listing some 2,850 registrations as per November 2015 and reporting a steady increase in the use of the register. The number of reported cases of suspended customs clearance on suspicion of violation of IP rights rose by 60% in the first half of 2013 compared with the same period of the previous year. During the first nine months of 2015, customs clearance was suspended in 2,070 instances on suspicion of violation of intellectual property rights, resulting either in the destruction of goods or further investigation. Nearly 700 criminal proceedings were initiated, resulting in 101 indictments during the same period. The detection of clandestine production sites led to the seizure of counterfeit goods worth an estimated US$54 million.

3.154. A United States-Ukraine IPR Action Plan was formalized in 2010. The plan addressed the passage of legislation, enforcement, enhancement of public awareness, violation of protected data, pharmaceutical patents, and the use of unlicensed software in public administration. In 2013, the United States Trade Representative (USTR) designated Ukraine a "Priority Foreign Country" in its Special 301 Report, signalling significant problems in the area of intellectual property rights enforcement.[193] Issues of particular concern were (i) the administration of collection societies, a

[190] Investigation of alleged criminal activity in the area of intellectual property may fall within the responsibility of the Ministry of Internal Affairs, the Security Service, the State Fiscal Service, or the Antimonopoly Committee of Ukraine.

[191] International Chamber of Commerce (BASCAP).

Another estimate mentioned in this study puts the estimated losses to legitimate owners of trademarks at US$710 million per annum and the combined losses from music, film and software piracy at US$720 million per year.

[192] Provisions were modelled on Council Regulation (EC) No. 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights. Work is under way to adapt to the provisions of Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003.

[193] State Intellectual Property Service of Ukraine (2015). Ukraine was put in the same category from 2001 to 2005.

system described as unfair and non-transparent; (ii) the widespread (and admitted) use of illegal software by government agencies; and (iii) the failure to combat effectively widespread online infringement of copyright and related rights. Although USTR has noted active engagement on legislative reform to improve the administration of collection societies, law enforcement training on online infringement, and a general willingness of the side of Ukraine to address deficiencies in enforcement, Ukraine remains on the Priority Watch List of USTR.[194] The 2015 Notorious Market List specifically mentioned the Seventh Kilometer Market in Odessa and the Barabashova Market in Kharkiv as places where the sale of counterfeit and pirated products continued unabated.[195] Moreover, Ukraine continues to host some of the largest pirate sites in the world according to the USTR. It is nevertheless acknowledged that cybercrime and cybersecurity represent a complicated challenge for Ukrainian officials.

3.155. Ukraine has for many years looked towards the European Union for the development of legislation in the area of intellectual property. A "National Program of Adaptation of the National Legislation to the EU Legislation", adopted in 2004, identified intellectual property as one of the priority areas for harmonization with the *acquis communautaire*. EU legislation thus usually served as a model as Ukraine sought to meet the requirements of the TRIPS Agreement during 2004 to 2008. Since then, a draft law amending provisions on copyright and related rights was developed further to the national programme and presented to the Verkhovna Rada in February 2011.[196] The bill passed in the first reading, but was not included for the second reading in April 2013, and was therefore considered rejected. Another draft law amending IP provisions was in principle adopted in 2010 and further refined by the Committee on Science and Education of the Verkhovna Rada.[197] However, the bill was not included in the agenda of the Verkhovna Rada in April 2014, and was therefore also considered rejected.[198] Subsequently, the State Intellectual Property Service has developed a new draft law "on Amendments to Certain Legislative Acts of Ukraine on Regulation of Copyright and Related Rights Issues" which, with due regard to the implementation of the Association Agreement with the EU, gives consideration to the provisions of six related EU Directives.[199]

3.156. Ukraine's Cabinet of Ministers approved an action plan covering 2014-17 for implementing measures under the Association Agreement with the EU in September 2014.[200] The Ukrainian authorities expect that the harmonization with EU Council Directives and Regulations regarding intellectual property through Ukraine's implementation of Chapter 9 of Title IV (establishing the DCFTA) of the Association Agreement will raise the standards of intellectual property protection also in relation to Part III of the TRIPS Agreement (civil and administrative proceedings, remedies, preventive measures, and criminal proceedings). In the area of geographical indications, Ukraine has committed itself to provide a higher level of protection than required under the TRIPS Agreement. In introducing such protection, Chapter 9 (Article 208) of the Association Agreement accords Ukraine seven- and ten-year transition periods to eliminate certain geographical

[194] State Intellectual Property Service of Ukraine (2015). Ukraine was set apart in the 2014 Special 301 Report due to the difficult political situation in the country. The measures corresponding to the Priority Foreign Country status were thus waived, but Ukraine was still considered a "rogue" country with the lowest ranking on its protection and enforcement of intellectual property rights.

[195] USTR (2015). Noting positive enforcement efforts by Ukrainian officials, the Petrivka Market in Kyiv is no longer listed.

[196] Draft law "On Amending Certain Legislative Acts on Copyright and Related Rights", Reg. No. 0902, 12 December 2012.

[197] Draft law "On Amending Certain Legislative Acts on Intellectual Property", Reg. No. 0903, 12 December 2012.

[198] The bill was included in the agenda of the Verkhovna Rada in February 2014.

[199] Directive 93/83/EC of the European Parliament and of the Council of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission (OJ L248, 6 October 1993); Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases (OJ L77, 27 March 1996); Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society (OJ L167, 22 June 2001); Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art (OJ L272, 13 October 2001); Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (codified version) (OJ L376, 27 December 2006); and Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (OJ L111, 5 May 2009).

[200] Cabinet of Ministers' Order No. 847 of 17 September 2014.

indications currently designating and presenting comparable products originating in Ukraine.[201] In return, the EU may provide a compensation package to Ukrainian producers affected negatively by these provisions of the Association Agreement.

[201] The transition period is seven years for the cheeses Parmigiano Reggiano, Roquefort, and Feta, and ten years for certain wines and spirits (Champagne, Cognac, Madeira, Porto, Jerez/Xérès/Sherry, Calvados, Grappa, Anis Português, Armagnac, Marsala, Malaga, and Tokaj).

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1.1 Main features

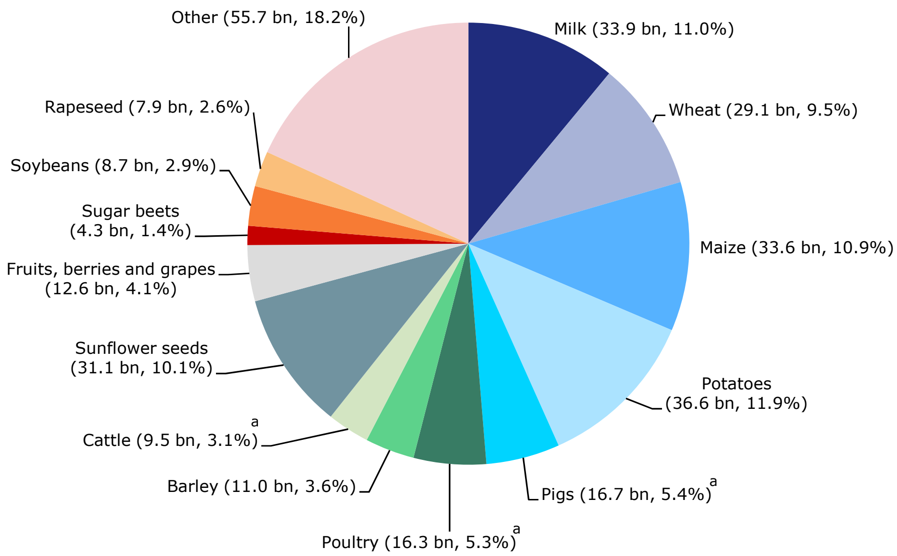
4.1. Agriculture has become one of the key drivers of growth in Ukraine. The contribution of agriculture to GDP has increased steadily in recent years, reaching 10.3% in 2014 (including forestry and fisheries), up from 6.5% of GDP in 2008 (Table A1.1). The sector employed about 17% of the workforce in 2014. Ukraine is endowed with some of the world's most fertile soils (chernozem), which cover about half of the 33 million hectares of arable land. Field crops, particularly grains and oilseeds, dominate agricultural production (Chart 4.1).

4.2. Ukraine's exports of agricultural products increased from US$10.9 billion in 2008 to US$16.8 billion in 2014, while imports remained at around US$5-6 billion each year (Tables A4.1 and A4.2). The large agricultural trade surplus was driven primarily by exports of grains and oilseeds, owing also to several record harvests in recent years. Sunflower seed oil, followed by maize and wheat were the leading agricultural export commodities in 2014 (Chart 4.2). Ukraine ranks among the world's top exporters of coarse grains (mainly maize and barley); wheat (mainly feed wheat); and oilseeds, oil of oilseeds, and oilcakes.[1] In the livestock sector, poultry meat production and exports have grown strongly. Cheese exports have declined sharply (Table A4.1).

Chart 4.1 Structure of agricultural production in Ukraine, 2013

(UAH billion, % of total agricultural value)

Total value: UAH 307 billion



a In live weight.

Source: Derzhstat (State Statistics Service of Ukraine).

4.3. Privatization of the collective farms began in 1994. By 2014, 36 million ha of the total agricultural land area (41.5 million hectares[2]) were privately-owned and 5.5 million ha belonged to the State (State Agency of Land Resources). Land sales have been subject to a moratorium since 2000 with the aim, according the authorities, of protecting the property rights of small landholders and allowing time for the development of an appropriate land tenure regime. A new Law "on land registry" entered into force on 1 January 2013. As of April 2015, about 4.8 million lease contracts were registered covering approximately 17.2 million ha of agricultural land; 82% of the contracts

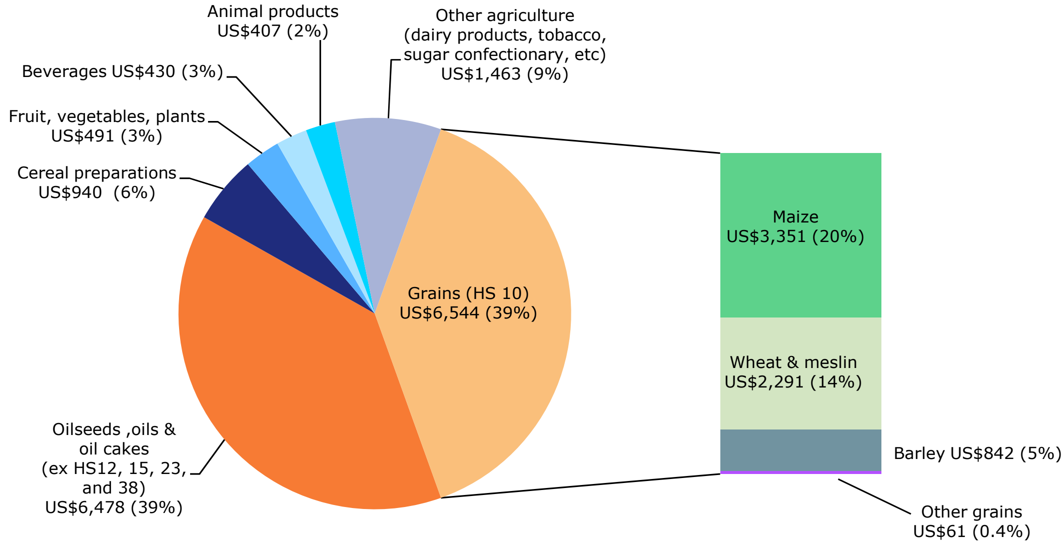
[1] WTO document G/AG/W/32/Rev.14, 12 September 2013.
[2] Including arable land, fallow, permanent crops, hayfields and pastures.

had a lease duration of 4-10 years (the maximum term is 50 years).[3] The land lease market is open to foreign investors.

4.4. The farm structure in 2013 was composed of 40,752 family farms with an average size of 109 ha; 14,878 agricultural enterprises with average agricultural land holdings of 1,163 ha; and about 5 million households, with an average size of 1.2 ha and producing primarily for own consumption. In addition, there are currently about 270 state-owned enterprises (a fraction of which are operational) covering a range of activities in the agricultural sector – from market intervention as a regulatory agency, to production, storage, processing, marketing, input supply, and international trade. Major agricultural SOEs include the Agrarian Fund, and the State Food and Grain Corporation of Ukraine.

Chart 4.2 Exports of agricultural products, 2014

(US$ million, % of total value of agricultural exports)



Note: Agriculture based on WTO definition.

Source: WTO Secretariat's calculations, based on UNSD Comtrade.

4.1.2 Market access

4.5. Tariffs are the main instrument of border protection. The MFN tariff regime is complemented by a WTO tariff quota for raw cane sugar (Section 3.2.4 and 4.1.6) and preferential tariff quotas implemented within the framework of Ukraine's FTAs with the EU and FYROM (Section 3.2.4). MFN tariffs on agricultural products (WTO definition) averaged 9.6% in 2015, with a range from zero to 50% (Section 3.2.2). The highest rates, on average, were applied on sugars and confectionary (15.8%) with tariff peaks of 50%. As part of its accession commitments, Ukraine has undertaken not to take recourse to the special agricultural safeguard (SSG).[4] However, agricultural imports were subject to an import surcharge of 10%, compared to 5% on other products, to address the balance-of-payments situation (Section 3.2.2).

4.1.3 Domestic support

4.6. The Ministry of Agrarian Policy and Food (Minagropolityky) is responsible for agricultural, fishery and forestry policies.

4.7. The Law No. 2982-IV of 16 November 2005 on "Basic Principles of the State Agrarian Policy up to 2015" describes the main agricultural policy objectives, including food security, efficiency and international competitiveness, and rural development. The "State Targeted Programme for the

[3] Ministry of Economic Development and Trade (2015).
[4] WTO document WT/ACC/UKR/152, 25 January 2008, para. 391.

Development of the Ukrainian Countryside until 2015" was aimed at translating these objectives into specific policies, including financing requirements.[5]

4.8. The Law No. 1877-IV of 24 June 2004 "on State Support of Ukraine's Agricultural Sector"[6] provides the basic legal framework for market interventions, price regulation and support with respect to regulated agricultural commodities ("objects of state price regulation").[7] The annual list of commodities subject to price regulation must be published by Cabinet at least 30 days prior to the beginning of the new marketing year. Its product coverage changes from year to year, depending, *inter alia*, on the market situation and the availability of funds. The 2015/16 list of commodities subject to price regulation covers soft wheat, winter rye, wheat and rye flour, buckwheat, and white sugar.[8] Policy instruments provided for in the law include market intervention, grain pledge loans, subsidized loans, livestock subsidies and other support, including direct payments to producers, and some Green Box-type general services, such as marketing and promotion services.

4.9. In 2005, the Agrarian Fund was established as a specialized government agency subordinate to the Ministry of Agrarian Policy and Food, to carry out market interventions for commodities subject to price regulation and stabilize producer prices over the marketing year.[9] According to the regulatory framework, purchases and sales by the Agrarian Fund may be executed at spot or forward prices on the Agrarian Exchange[10] and are subject to minimum and maximum intervention prices (with a 5% margin). The provisions with respect to the Agrarian Exchange in the Law "on state support of Ukraine's agricultural sectors" were cancelled in 2015 (Law No. 191-VIII of 12 February 2015). The Agrarian Fund has also been involved in regulating the prices, as well as wholesale and retail margins, of a number of basic food items (e.g. wheat bread, meat, butter, sunflower oil, sugar, and baby food).[11] In 2014, the Agrarian Fund processed 440,000 tonnes of grains into flour, 314,000 tonnes of which was delivered to bakeries at regulated prices to control food price inflation (see also Section 4.1.6).[12] In 2013, the Agrarian Fund was corporatized as a state-owned enterprise (PJSC Agrarian Fund).[13] However, the specialized government agency (Agrarian Fund) and the PJSC Agrarian Fund currently exist in parallel, apparently for legal reasons which prohibit the transfer of assets to a corporation.

4.10. The State Reserve Agency under the Ministry of Economic Development and Trade is responsible for maintaining emergency stocks and operates independently from the Agrarian Fund.

4.11. Ukraine has notified its expenditure on public stockholding for food security purposes in the Green Box. Outlays for food reserve stocks (including seeds) increased from Hrv 109 million in 2009 to Hrv 237.5 million in 2011.[14]

4.12. Ukraine's largest domestic support scheme by far is the "VAT accumulation" regime, which was already in place during the accession negotiations.[15] According to Article 209 of the Tax Code, agricultural producers are entitled to deposit the VAT received from the sale of agricultural goods and services into a separate account established in commercial banks or by the state treasury service. The accumulated VAT funds may be used by the agricultural producers for purchases of agricultural inputs, agricultural machinery and equipment, services and fixed assets

[5] Cabinet of Ministers' Resolution No. 1158 of 19 September 2007.

[6] For an unofficial translation of the Law, see USAID online information. Viewed at: http://www.finrep.kiev.ua/download/library_english/law1877iv_24jun2004_en.pdf.

[7] The following agricultural products are eligible "objects of state price regulation": hard/soft wheat and wheat flour, wheat and rye mixture (meslin) grain, corn, barley, winter/spring rye and rye flour, peas, buckwheat, millets, oats, soya beans, sunflower seeds, turnip seeds, flax seeds, hop cones, beet sugar, meats and by-products of animals and birds, milk powder, butter, and sunflower oil.

[8] Cabinet of Ministers' Decree No.771 of 30 September 2015.

[9] Cabinet of Ministers' Decree No. 543 of 6 July 2005 "on Creation of the State Agrarian Fund".

[10] The Agrarian Exchange is a non-profit legal entity.

[11] OECD (2015), p.179.

[12] Ministry of Economic Development and Trade of Ukraine (2015).

[13] Cabinet of Ministers' Resolution No. 364 of 22 April 2013 "on Establishment of the Public Joint Stock Company Agrarian Fund".

[14] WTO documents G/AG/N/UKR/9, 27 May 2011 and G/AG/N/UKR/18, 6 February 2014. Ukraine maintains a seed reserve under the Law on Seeds and Plants, which is managed by the State Seed Reserve Fund of Ukraine. The Fund is one of the largest SOEs in the agricultural sector with assets of Hrv 249 million in 2014. See Ministry of Economic Development and Trade (2015).

[15] WTO document WT/ACC/UKR/152, 25 January 2008, paras. 161-162.

(Article 209.15.1). In case of a residual balance, the amount may be used for "other production purposes" (Article 209.2). In case of a negative VAT balance on the special account, the negative amount may be credited against a farmer's tax obligation in the next tax reporting period. To be eligible for the VAT accumulation regime, agricultural enterprises must be registered for special tax treatment and report annual revenues of agricultural goods and services of at least 75% of their total revenues. Forestry and fishery activities are also eligible for special VAT treatment. Ukraine has notified the VAT accumulation scheme for agricultural producers in terms of non-product-specific support (UAH 11.1 billion in 2011).[16] The Government has also notified the support from a separate VAT accumulation scheme for livestock and dairy producers (Table 4.2 and Section 4.1.6). The VAT subsidies from the special accounts amounted to about Hrv 9 billion in 2014, according to the State Statistics Service of Ukraine (Table 4.1).[17] According to the Law No. 909-VIII of 24 December 2015 "on the Introduction of Amendments to the Tax Code of Ukraine and Some Legislative Acts of Ukraine with regard to Ensuring the Balance of Budgetary Revenues in 2016", a new VAT accumulation regime will be established, including for livestock production.

4.13. In its domestic support notifications, the Government has listed subsidies for the development of hops, fruit and berry growing, and vineyards. The fruit and berry payments, which were based on regional costs of production per hectare, amounted to Hrv 306.6 million in 2011.[18] Since 2013, the programme is no longer funded, according to the authorities.

4.14. The Government also provided subsidies for the purchase of domestically-manufactured agricultural machinery and equipment. The reimbursements covered up to 30% of the machinery costs and were notified as non-product-specific support (UAH 10 million in 2011, down from Hrv 30 million in 2010).[19] The programme is no longer funded, according to the authorities. The Government has in the past supported investments in agricultural machinery and equipment through a leasing scheme (Ukragroleasing).[20] There was no funding in 2015 for the agricultural leasing programme, according to the authorities.

4.15. According to the authorities, the support programmes administered by the Ministry of Agrarian Policy and Food in 2015 were mainly in the form of interest rate support to small farmers, as well as small and mid-sized livestock farmers (with relatively small funding).

Table 4.1 Government support of Ukrainian agriculture, 2009-14

(UAH million)

	2009	2010	2011	2012	2013	2014
Support through VAT accumulation, of which:	2,539.6	3,292.1	3,598.6	6,232.1	7,096.1	8,970.7
Support for crop production	1,547.2	1,790.2	2,780.5	4,321.4	4,519.2	6,709.6
Support for livestock production	992.4	1,501.9	818.1	1,910.7	2,576.9	2,261.1
Subsidies for crop production	211.7	465.5	230.7	184.2	56.7	35.3
Subsidies for the development of livestock production	204.5	269.5	101.1	437.0	241.7	132.8
Other types of government support	322.3	581.0	397.5	120.8	83.5	38.5

Source: State Statistics Service of Ukraine (2015), *Agriculture of Ukraine – Statistical Yearbook 2014*, Kyiv; and State Statistics Service of Ukraine (2013), *Agriculture of Ukraine – Statistical Yearbook 2012*, Kyiv.

[16] WTO document G/AG/N/UKR/18, 6 February 2014, see Supporting Table DS:9.

[17] According to the OECD (PSE database), the subsidies based on VAT accumulation reached Hrv 11.2 billion in 2012, Hrv 12.4 billion in 2013 and Hrv 14.0 billion in 2014.

[18] WTO document G/AG/W/126, 16 May 2014. It was noted in the Committee on Agriculture that the hop payments appear to be relatively generous, since the subsidies (Hrv 17.9 million in 2011) were greater than the gross value of hop production.

[19] WTO document G/AG/N/UKR/18, 6 February 2014.

[20] See WTO document WT/ACC/UKR/152, 25 January 2008, para. 46.

4.1.4 Export measures

4.16. Ukraine has bound agricultural export subsidies at zero in its Goods Schedule. In line with its commitments, the Government notified the Committee on Agriculture that it has not provided any agricultural export subsidies since accession.[21]

4.17. The Government currently levies export duties on certain oilseeds, live animals, and hides and skins (Section 3.3.2).

4.18. Ukraine currently lacks a functioning mechanism for refunding VAT to exporters of agricultural products, which is viewed as the equivalent of an export tax. Clearing VAT refund arrears has been a long-standing concern for exporters.

4.19. Since February 2011, export contracts have had to be registered with the Agrarian Exchange, involving an increase in transaction costs.[22] The mandatory registration was abolished in 2013, according to the authorities.

4.1.5 Level of support

4.20. Notifications by Ukraine to the WTO Committee on Agriculture cover domestic support up to and including calendar year 2011.[23] Total domestic support to agriculture was Hrv 20,400.6 million, a 17% increase over 2010, largely because of higher Green Box expenditures and higher Amber Box support (Table 4.2). The Current Total AMS remained well below the Hrv 3,043.4 million limit set by Ukraine's Total Bound AMS commitment. However, a number of Members have raised concern in the Committee on Agriculture about Ukraine's Current AMS calculation for sugar, in which the fixed external reference price was adjusted for inflation (Section 4.1.6). Market price support for sugar accounted for almost all of the Current Total AMS (99% in 2011). In addition, the notification specifies Hrv 12,656.6 million of Amber Box support below the *de minimis* limits, a large part of which is for the special VAT accumulation regimes.

Table 4.2 Composition of Ukraine's domestic support, as notified for 2010 and 2011

(UAH million)

	Calendar year 2010	Calendar year 2011
Green Box	3,526.9	5,508.4
Training service	1,561.1	2,662.6
Inspection services	1,202.6	2,013.0
Public stockholding for food security purposes	199.3	237.7
Blue Box	0	0
Current Total AMS	2,180.5	2,235.6
Market price support for sugar	2,047.7	2,215.1
Per hectare payments for hops	26.0	20.5
De minimis	10,358.8	12,656.6
Special VAT regime (non-product-specific support)	7,099.3	11,115.6
Subsidy for construction in the livestock and animal feed sectors	373.0	347.5
Subsidy for fruit and berry producers	250.0	306.6
Special VAT regime (milk, cattle, pigs, poultry)	1,828.5	0
Total domestic support	**16,066.2**	**20,400.6**

Source: WTO documents G/AG/N/UKR/13, 19 October 2012 and G/AG/N/UKR/18, 6 February 2014.

4.21. According to OECD estimates, Ukraine's support to agricultural producers (Producer Support Estimate – PSE) is low, and was even negative in some years.[24] Agricultural producers in Ukraine benefit from support and import protection, on the one hand, and are taxed through export restrictions and the non-refunding of VAT for exports, on the other hand. On balance, the

[21] See WTO document WT/ACC/UKR/152, 25 January 2008, para. 391. The most recent export subsidy notification is for calendar year 2014, WTO document G/AG/N/UKR/19, 21 January 2015.

[22] Cabinet of Ministers' Resolution No. 1254 of 13 December 2010 on "Some Aspects of Conclusion and Registration of Foreign Trade Contracts".

[23] WTO document G/AG/N/UKR/18, 6 February 2014.

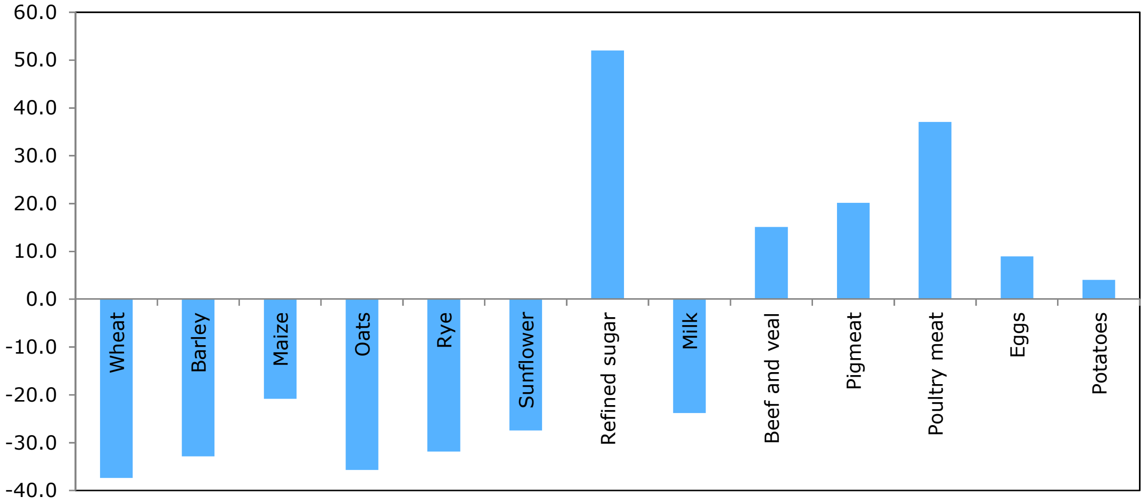
[24] PSE: total annual monetary transfers to farmers individually (not agriculture generally) from market price support, mainly through border measures but also food aid, export subsidies (calculated by the price gap between domestic and border price), payments to farmers, and tax/fee reductions (revenue forgone).

incidence of the taxation measures has outweighed the support and protection in 2011, 2013 and 2014.[25] In 2014, for example, the percentage PSE (i.e. the support to producers as a share of gross farm revenues) was -8%, which could distort agriculture by decreasing incentives to produce – in the opposite way to a positive PSE that could increase incentives to produce.[26] Furthermore, the negative PSE could also distort the agricultural processing sector if it is the result of policies that depress prices for raw materials.

4.22. Ukraine's export restrictions and taxation of grains and oilseeds had the effect of pushing the domestic prices of the major grains and oilseeds below world market price levels, as reflected by the negative single commodity transfers (SCT) for these commodities (Chart 4.3). The SCT is an estimate of the product-specific support as a percentage of the commodity's farm receipts.[27] The OECD's estimates show that sugar benefited from the highest level of product-specific support among the major commodities, mainly because of high tariff protection. Livestock products, except milk, also benefited from positive support, while the major grains and oilseeds were taxed (negative percentage SCT).

Chart 4.3 Transfers to specific commodities (SCT), 2012-14 average

(% of commodity gross farm receipts for each commodity)



Source: OECD, PSE database.

4.1.6 Selected agricultural products

Grains

4.23. Ukraine's production of grains was in the range of 60-65 million tonnes in recent years (2013/14-2015/16), about half of which was exported each year (Chart 4.4).[28] Ukraine ranks among the major exporters of maize, feed wheat and barley. Minor grains grown in Ukraine include oats, rye, and buckwheat.

4.24. The Law "on Grains and Grain Market in Ukraine" (N37-IV, 4 July 2002) provides the legal framework for regulation in the areas of food security, market stabilization, conditions of investment, credit/tax and customs policies, and development of the country's export potential of

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[25] The PSE was Hrv -5,938.23 million in 2011, Hrv -11,156.77 million in 2013, and Hrv -34,293.72 million in 2014. The increase of the negative support in 2014 was mainly due to the exchange rate depreciation of the hryvnia. Whilst farm gate prices recovered in 2014 thanks to the currency depreciation, world market prices in hryvnias of some agricultural commodities (import parity prices at farm gate) increased even more – as a result, domestic prices were pushed even further below world market prices.

[26] The percentage PSE is a useful indicator for comparisons over time and among countries, *inter alia*, because it eliminates the effect of inflation.

[27] SCT: annual monetary value of gross transfers to farmers from policies linked to the production of a single commodity such that the producer must produce the designated commodity in order to receive the transfer (e.g. market price support, payments, and taxes).

[28] See also Kobuta, Sikachyna, and Zhygadlo (2012).

grains. The law provides, *inter alia*, for minimum guaranteed grain prices, and grain pledge purchases.

4.25. The principal instruments applied in the grains sector include tariffs, intervention purchases, grain pledge loans, and export measures. MFN tariffs on cereals averaged 6.9% in 2015, ranging from zero to 20% (Table A3.1). Direct payments (per hectare), in place during the base period (2004-06)[29], were cancelled in 2009.

4.26. The information available to the WTO Secretariat regarding intervention purchases by the Agrarian Fund is limited. It appears that the Agrarian Fund has carried out intervention purchases of grains in most marketing years since accession. For the marketing year 2013/14, the Cabinet of Ministers approved the following purchase targets for public intervention: wheat (1,052 million tonnes); rye (90,000 tonnes); barley (20,000 tonnes); sugar (355,600 tonnes); maize (40,000 tonnes), milk powder (6,000 tonnes); butter (18,000 tonnes); buckwheat (34,600 tonnes); oats (22,400 tonnes); millets (20,000 tonnes); and peas (15,000 tonnes).[30] According to the Ministry of Economic Development and Trade, the purchases by the Agrarian Fund in 2014 amounted to 850,000 tonnes of grains.[31] According to the OECD, grain purchases totalled about 2.1 million tonnes in 2013 and 1.45 million tonnes in 2014.[32]

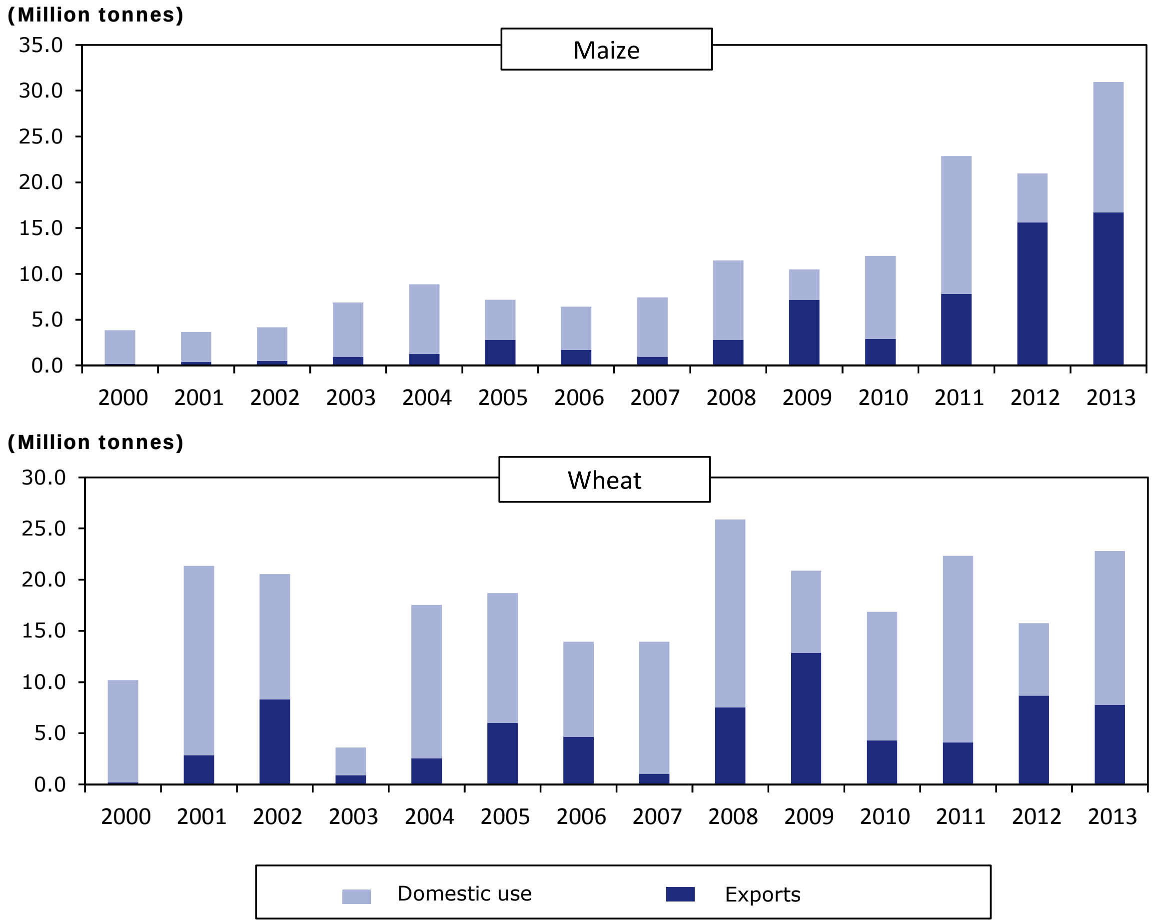
4.27. Since the early 2000s, Ukraine has resorted to "grain pledge purchases" to stabilize prices over the marketing season. A pledged purchase of grain is a credit agreement between a producer and the Agrarian Fund that is secured by the pledge of grains. A producer can thus obtain 80% of the minimum intervention price of the commodity concerned (wheat, barley, rye, maize, and oats). The loan must be repaid at a concessional rate of interest (pledge loan interest rate) but it allows farmers to delay the sale of the commodity until prices have recovered from the traditional harvest-time lows.[33]

4.28. The State Food and Grain Corporation of Ukraine (SFGCU) was established in 2010 as the successor to the state-owned company Khlib Ukrainy (Bread of Ukraine). The 100% state-owned enterprise is one of the main operators on the grain market, whose activities include the storage, processing, shipping, and export of grains. The SFGCU purchases grain and oilseeds from farmers on a spot or forward basis. In 2012, the corporation secured a US$3.0 billion loan from the Export-Import Bank of China for financing, *inter alia*, Ukrainian maize exports to China.[34]

4.29. Ukraine has recurrently implemented export restrictions in recent years. For most of the 2006/07 and 2007/08 marketing years, the Government imposed quantitative export restrictions on selected grains in an effort to contain food price inflation in a period of escalating food prices on the world markets. Ukraine undertook to eliminate export quotas for grains prior to WTO accession.[35] The last incident of grain export restrictions was the period from 4 October 2010 to 30 June 2011.[36] Quota allocation and export licensing were administered by the Ministry of Economic Development and Trade based on Regulation No. 991 of 9 September 2009 "on Commodities Export Licensing Procedure". Licences were issued to eligible applicants on a pro-rata basis.

[29] WTO document WT/ACC/SPEC/UKR/1/Rev.12, 26 November 2007.
[30] Cabinet Decree No. 514 dd. of 17 July 2013. Viewed at: http://uga-port.org.ua/en/news/ukraine/ukraine-cabinet-ministers-approved-planned-volumes-public-intervention-fund-201314-my.
[31] See Ministry of Economic Development and Trade of Ukraine (2015).
[32] OECD (2015), p. 177.
[33] Grain pledge purchases were notified as "other product-specific support" as in Ukraine's AGST Tables, see WTO document WT/ACC/SPEC/UKR/1/Rev.12, 26 November 2007.
[34] See Ministry of Economic Development and Trade of Ukraine (2015).
[35] WTO document WT/ACC/UKR/152, 25 January 2008, para. 370.
[36] WTO document, G/AG/N/UKR/5, 28 October 2010 and addenda 1 to 4. Quotas were applied on exports of wheat, meslin and spelt; corn; barley; rye; and buckwheat. The quota volumes, product coverage and duration of the measure were amended several times.

Chart 4.4 Domestic use and exports of maize and wheat, 2000-13



Source: WTO Secretariat's estimates, based on FAO stat; and UNSD Comtrade.

4.30. The quantitative export restrictions were replaced by temporary export taxes, in force from 1 July 2011 to 1 January 2012.[37] Export duties were levied on wheat, meslin and spelt (HS 1001 10 00 90 and HS 1001 90 99 00) at a rate of 9% but not less than €17/t; barley (HS 1003 00 90 00) at a rate of 14% but not less than €23/t; and corn (HS 1005 90 00 00) at a rate of 12%, but not less than €20/t.

4.31. Since the 2012/13 marketing year, the export policy for grains has been governed by a memorandum of understanding signed before the beginning of each marketing year between the Ministry of Agrarian Policy and Food and representatives of grain exporters and producers. If exports of any type of grain reach 80% of the agreed level, the Ministry could review the conditions of trade. According to the authorities, exceeding the "agreed" export volumes does not necessarily trigger the introduction of export restrictions. The "agreed" export volumes for the marketing year 2015/16 are 16.6 million tonnes of wheat, 16 million tonnes of maize, 3.9 million tonnes of barley, and 8,000 tonnes of rye.[38]

Sugar

4.32. Sugar is traditionally a sensitive and heavily regulated product in Ukraine, with the highest *ad valorem* tariff binding (50%) and applied MFN tariffs (50% on HS1701 tariff lines). Market access is provided primarily through a WTO tariff quota commitment. Sugar is excluded from the

[37] Law of 19 June 2011 "on Amendments to the Tax Code of Ukraine and adoption of export duties rates on certain grain products".

[38] Viewed at: http://uga-port.org.ua/en/news/ukraine/201516-my-ukraine-export-166-mln-tonnes-wheat-and-16-mln-tonnes-corn-memorandum.

preferential trade regime within the CIS.[39] Ukraine's commitments under the Association Agreement with the EU include a tariff quota for imports of 30,000 tonnes of sugar, increasing to 40,000 tonnes within 5 years of the entry into force of the agreement (Table 3.5).

4.33. The basic structure of Ukraine's sugar regime remains unchanged since accession, with a domestic production quota, price support and public intervention[40], and a tariff quota.

4.34. The WTO tariff quota commitment for imports exclusively from WTO Members limits in-quota imports to 267,800 tonnes[41] of raw cane sugar (HS 1701.11) with a country-specific allocation reserved for Paraguay (260 tonnes) until 1 January 2019[42], subject to applied in-quota and out-of-quota tariffs of 2% and 50%, respectively. The tariff quota is opened annually (before 1 October) by Cabinet Resolution (published on the government website). The quota allocation method was modified to a first come, first served system with licensing, effective January 2011. The administration method is complex with a two-stage approval process involving three ministries/agencies.[43] Before submitting a licence application to the Ministry of Economic Development and Trade, applicants must seek prior approval from the Ministry of Agrarian Policy and Food, as well as the State Agency on Material Reserve. The Ministry of Agrarian Policy and Food considers the capability of operators to import and process raw cane sugar. Import licences are valid for 90 days but expire after 31 December. There are no penalties for non-use of licences. The tariff quota had a 100% fill rate in 2011[44]; imports under tariff quota were insignificant in 2012 (less than 200 tonnes[45]), and zero in 2013 and 2014.[46] Sugar imports in 2015 amounted to about 900 tonnes, according to the authorities. Ukraine was a net importer in 2008-11, and a net exporter of sugar in 2012-14.

4.35. A quota regime for the domestic production of refined sugar (A-, B- and C-quota) was introduced in 2000.[47] The export-designated B- and C-quotas were eliminated prior to accession.[48] The size of the A-quota for refined sugar is fixed annually by a commission (1.72 million tonnes for the marketing year 2015/16).[49] Over-quota production of sugar must be exported, stored or processed into non-food uses (about 100,000 tonnes). There are no farm-level quotas for sugar beet production.

4.36. The quota regime is coupled with price support in the form of minimum prices for refined sugar and sugar beets. The minimum prices established by the Cabinet of Ministers for the 2015/16 marketing year are Hrv 6,454.73/t for refined sugar and Hrv 445.85/t for sugar beets (without VAT). The evolution of the actual market prices for refined sugar compared with the minimum prices is shown in Chart 4.5. The market prices touched the floor set by the minimum price only in 2012/13. A number of Members have raised concerns in the WTO Committee on Agriculture about Ukraine's Current AMS notification for sugar, in which the fixed external reference price of its price support calculation was adjusted for inflation. According to the authorities, the inflation adjustment was warranted in order to reflect the true level of support.[50]

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[39] WTO document WT/ACC/UKR/152, 25 January 2008, para. 383.

[40] The Agrarian Fund has in the past carried out intervention purchases of sugar into the state food reserve.

[41] The final bound tariff quota volume as per WT/ACC/UKR/152, 25 January 2008, para. 134.

[42] The authorities advised that the country-specific allocation was agreed in accordance with Article 35 of the Doha Declaration and the arrangements reached during multilateral negotiations on Ukraine's accession to the WTO concerning the fuller integration of small, vulnerable economies into the multilateral trading system.

[43] The TRQ allocation procedure is specified in Cabinet of Ministers' Resolution No. 1002 of 12 November 2008, as amended by Cabinet of Ministers Resolution No. 204 of 28 February 2011. The TRQ licensing procedures are specified in the Order of the Ministry of Economy No. 15 of 20 January 2009 (as amended by Order No. 239 of 17 March 2011). See also WTO document G/AG/N/UKR/8/Rev.2, 19 July 2011.

[44] WTO document G/AG/N/UKR/12, 1 February 2012.

[45] WTO document G/AG/N/UKR/15, 13 February 2013.

[46] WTO document G/AG/N/UKR/16, 24 January 2014, and G/AG/N/UKR/20, 21 January 2015.

[47] Law No. 758-XIV of 17 June 1999 "on State Regulation of Production and Sale of Sugar".

[48] WTO document WT/ACC/UKR/152, 25 January 2008, para. 249.

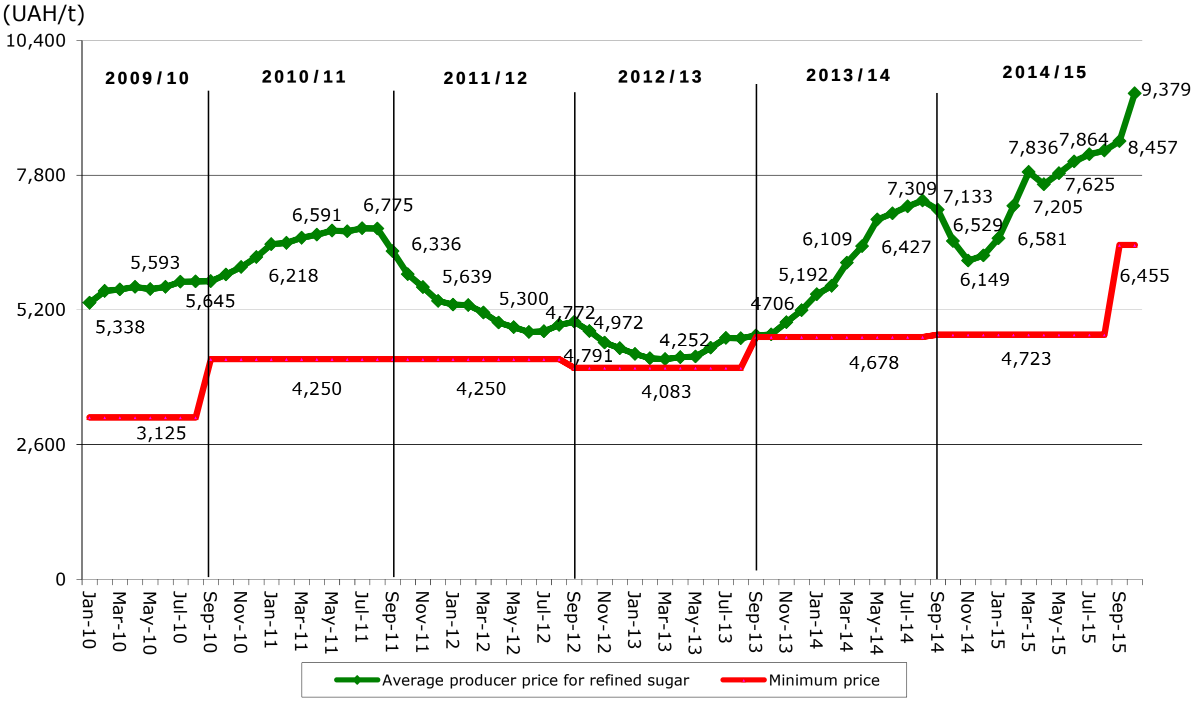
[49] The quota was 1.826 million tonnes in MY 2013/14 and 1.811 million tonnes in MY 2014/15.

[50] WTO document G/AG/W/126, 16 May 2014.

Legislation drafted by the Ministry of Agrarian Policy and Food is pending that would remove the administered prices for sugar and the A-quota for sugar.[51]

4.37. Direct payments to sugar beet producers (per hectare under quota) are dependent on the availability of public funds; payments were last made in 2010.[52]

Chart 4.5 Producer prices for refined sugar, 2009/10-2014/15



Note: Price excluding VAT.

Source: Information provided by the authorities of Ukraine.

Meat and dairy products

4.38. Poultry meat production, dominated by large vertically-integrated agricultural enterprises, has expanded rapidly in recent years, increasing the competitive pressures on pork and leading to a decline in beef production. Exports of poultry meat, negligible in 2007, increased to US$276.1 million in 2014, with Iraq, the EU, and Kazakhstan as the main export destinations (Table A4.1).

4.39. Livestock producers have benefited from a separate VAT accumulation regime. Dairy and meat processing companies were allowed to accumulate the VAT balance that would have been payable to the state budget in separate bank accounts, and these funds were transferred to livestock farmers in the form of price top-ups for cattle, milk, eggs, pigs, poultry, and sheep.[53] In the past, Ukraine has notified these "subsidies using VAT" in terms of non-exempt product-specific support.[54] Official statistics indicate that support for livestock through the regime was Hrv 2,261 million in 2014 (Table 4.1).

4.40. Ukraine's notifications for the calendar years 2011 and 2012 show support in the form of "partial reimbursement of the cost of livestock farms and feed producing enterprises".[55] The

[51] Draft Law No. 2856 of 18 April 2013 "on Amending the Law of Ukraine 'On State Regulation of Production and Sale of Sugar' (the production and supply of sugar to the domestic market)". See also WTO document G/AG/W/126, 16 May 2014.
[52] WTO document G/AG/N/UKR/13, 19 October 2012, p.8.
[53] Article 11.21 of the Law of Ukraine "on Value Added Tax" No. 168 of 3 April 1997. WTO document WT/ACC/SPEC/UKR/1/Rev.12, 26 November 2007, footnote 30.
[54] WTO document G/AG/N/UKR/13, 19 October 2012.
[55] WTO document G/AG/N/UKR/18, 6 February 2014, see Supporting Table DS:9.

subsidies reached up to 50% of the cost of construction and repair for farms with at least 500 cows, 1,200 sows, or 1 million heads of poultry. A similar compensation scheme for livestock producers existed in 2015. Hrv 250 million was allocated in the State Budget for 2015 and the procedure for the disbursement of funds to livestock producers was approved by the Cabinet of Ministers (Resolution No. 884 of 28 October 2015), but the funds were not transferred, according to the authorities.

4.2 Fisheries

4.41. The fishery sector is regulated by the State Agency for Fisheries under the Ministry of Agrarian Policy and Food, based on the Law No. 3677-VI of 8 July 2011 "on Fishery, Commercial Fishing and Aquatic Biological Resources Protection", the Law No. 486-IV of 6 February 2003 "on Fish and Other Live Water Resources, and Food Products Produced from them", and the Regulation on the State Agency for Fisheries (Presidential Order No. 484 of 16 April 2011). The regional bodies of the State Agency for Fisheries (Presidential Decree No. 484/2011 of 16 April 2011) have powers to apply sanctions for violations of fishery regulations. Penalties for illegal fishing were increased in 2011 (Cabinet of Ministers' Resolution No. 1209 of 21 November 2011), resulting in a decrease in the number of detected violations. Fishing restrictions and bans, as determined by the State Agency for Fisheries, may be applied for certain periods, areas or species, or for certain types of fishing gear and methods of fishing.[56]

4.42. As of the beginning of 2015, the State Agency for Fisheries issued 1,013 commercial fishing licences.[57] Commercial offshore fishing is subject to annual catch quotas, as approved by the Ministry of Agrarian Policy and Food on the basis of scientific and biological evidence. Each year more than 500 users receive catch quotas. The commercial capture of fish and seafood amounted to 91,252 tonnes in 2014 (excluding the Crimea), of which 29,432 tonnes were from companies flying the flag of Ukraine and operating outside its EEZ, principally 9,200 tonnes of krill (Table 4.3).

4.43. The State Agency for Fisheries maintains the Register of Fishing Vessels (as part of the State Register of Ships). The commercial fishing fleet in the oceans and the Azov and Black Sea consists of 75 vessels, 10 of which are located in exclusive economic zones of other States. Ukraine has bilateral fishery agreements with Georgia, Mauritania, Morocco, the Russian Federation, and Turkey. On average 16 vessels catch fish in the Azov and Black Sea basin on a daily basis. In addition, 2,400 fishing vessels operate in inland waters. State qualifying commissions conduct certification of fishing vessels personnel (officers and ratings).

4.44. Trade-related measures aimed at preventing and combating illegal, unreported and unregulated fishing are implemented in line with the provisions of CITES and CCAMLR (Convention of the Conservation of Antarctic Marine Living Resources), according to the authorities. Ukraine has adopted a CCAMLR document on catching toothfish (prohibiting gill-netting) and issues CITES certificates for trade in sturgeon species and products. In 2012, Ukraine implemented the Confirmation of Legality of Removal of Aquatic Biological Resources from their Habitats and Fishing Products Processing (an equivalent to the EU's catch certification scheme) to minimize IUU fishing.[58]

4.45. Ukraine is largely dependent on imports of fish and seafood (415,310 tonnes in 2013 and 308,160 tonnes in 2014), mainly from Norway, the United States, Estonia and Iceland. Exports amounted to 35,000 tonnes in 2014 and are mainly destined for the CIS countries, a large share of which consists of imported raw material.[59]

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[56] The legal framework for fishing restrictions includes the Rules for Commercial Fishing in the Black Sea basin (Order No. 164 of 8 December 1999 of the State Committee for Fishery); Rules for Commercial Fishing in Fishery Water Bodies of Ukraine (inland waters) (Order No. 33 of 18 March 1999 of the State Committee for Fisheries). There is also an Order of Ministry of Agrarian Policy No. 509 of 30 December 2014 "on Adopting Regimes for Fishing in 2015" that provides for rules of commercial fishing in the Black and Azov Seas, as well as the Dnieper water basins.

[57] Order of the Ministry of Agrarian Policy and Food No. 341 of 31 May 2013 on "Approval of Licence Conditions for Engaging in Business Activities related to Commercial Fishing".

[58] Cabinet of Ministers' Resolution No. 596 of 4 July 2012.

[59] At the beginning of 2015, there were 148 fish processing companies registered by the State Agency of Fisheries, all privately-owned.

4.46. MFN tariffs averaged 2.1% in 2015 for fish and other seafood (HS chapter 3) with tariff peaks of 15%; and averaged 8.9% for fish and other seafood products (HS chapter 16) with tariff peaks of 20% (Table A3.1). On the other hand, the fishery sector benefits from tariff and tax exemptions. The following items are exempt from VAT and import duties: imported products of deep sea fishing (cooled, salted, frozen, and canned fish, mammals, shells, crustaceans, aquatic plants, etc., or processed into flour, or other products), produced (caught, manufactured) by registered vessels. Fishermen and fishing enterprises are treated as single tax payers in the Tax Code and are exempt from income tax (corporate profit tax), VAT (except for VAT by legal entities that have chosen the 6% tax rate); and rental fees for special water use. The VAT accumulation regime applies to fishing activities (breeding, catching, processing and canning of fish and other marine species).

4.47. In the past, the Government has supported the fishery stock breeding (in 2014 and 2015 no funds were allocated) and the State continues to play an important role in the restocking of valuable fish species, particularly sturgeon species.[60]

Table 4.3 Fishery catch, 2009-14

(1,000 tonnes)

Year	Total catch	Inland waters	Azov and Black Sea basin	Outside EEZ
2009	256.9	42.2	67.3	147.3
2010	218.7	38.4	69.7	110.6
2011	211.2	37.6	74.9	98.7
2012	203.9	41.6	63.5	98.9
2013	225.8	45.7	78.8	101.3
2013[a]	83.5	44.9	25.1	13.6
2014	91.3	39.6	22.2	29.4

a Excluding the Crimea from 2013.

Source: State Agency for Fisheries of Ukraine.

4.3 Mining and energy

4.48. Ukraine's consumption of primary energy is based largely on coal (36%) and natural gas (34%), followed by nuclear power (19%), oil and petroleum products (8%), and hydropower and renewables (3% of total consumption in 2013).[61] The country is highly dependent on imports of natural gas, crude oil, coal and other fuel, reflecting its low energy efficiency and economic structure with energy-intensive industries such as mining and metallurgy. Ukraine's sources of supply of natural gas have changed significantly since 2012-13 (Section 1.3 and Table A4.3). It is a net exporter of electricity (Table 4.4). The Government's long-term energy strategy relies mainly on the development of nuclear power, renewable energy, and hydrocarbon deposits, to reduce energy import dependence.[62]

4.49. Ukraine acceded to the Treaty establishing the Energy Community in 2011, which requires implementation of the EU *acquis* on electricity and gas, notably the Third Energy Package.[63] The DCFTA (established under Title IV of the Association Agreement) with the EU, which includes provisions regarding "trade-related energy" (Chapter 11), commits Ukraine to market-determined pricing for energy and freedom of transit. The agreement prohibits customs duties and quantitative restrictions on energy imports and exports, as well as dual pricing, i.e. prices that are artificially higher for exports than comparable domestic products (see Section 3.3.2).

4.50. Natural gas (in gaseous condition of Ukrainian origin) is included in the 2015 list of goods subject to quota restrictions. According to the Cabinet of Ministers' Resolution of 14 January 2015, the quota for exports of natural gas is established in accordance with the annual "Prognostic Balance of the Natural Gas Input and Output". In recent years, export volumes were small (about 90 million cm^3 exported to Poland). Oil was removed from the list of goods subject to export quotas (2014).

[60] There are four national fish hatcheries financed by the state budget (Hrv 129.2 million in 2010-14).
[61] See Ministry of Economic Development and Trade of Ukraine (2015).
[62] Energy Strategy of Ukraine up to 2030, adopted in July 2013.
[63] Energy Community Secretariat (2014), p. 16-18.

Table 4.4 Trade in energy, 2008-14

(US$ million)

	2008	2009	2010	2011	2012	2013	2014
Imports							
Coal	2,134.2	795.3	1,781.7	2,761.4	2,637.4	1,980.9	1,793.1
Electric energy	72.5	1.3	1.1	1.3	5.7	1.7	4.1
Gas	9,438.8	7,979.4	9,392.9	14,046.0	14,025.1	11,538.2	5,694.6
Oil (crude)	4,513.7	2,989.6	4,171.3	4,272.4	1,235.9	630.3	146.5
Exports							
Coal	554.4	347.1	563.1	775.7	609.4	737.0	520.5
Electric energy	468.9	229.3	200.3	430.5	623.7	580.2	485.9
Gas	2.1	1.8	2.0	0	0	0	0
Oil (crude)	7.6	2.4	0	0.0	0	0	27.4

Note: HS codes are the following: coal (HS 2701 and 2702); electric energy (HS 2716); gas (HS 271121); and oil (HS 2709).

Source: UNSD Comtrade and information provided by the authorities.

4.51. Ukraine has large mineral reserves, including iron ore, manganese, uranium ore, sulphur, graphite, titanium (ilmenite), and coal.[64] Sales of coal are realized either by direct contracts between mining companies and consumers, or through the state-owned enterprise "Coal of Ukraine", which acts as operator of the wholesale coal market. Coal of Ukraine distributes coal at fixed prices, which leads to cross-subsidization of unprofitable mines. The State allocated Hrv 13.3 billion in 2013 to Coal of Ukraine to compensate for its losses; Hrv 8.7 billion in 2014, and Hrv 900 million during the first nine months of 2015.

4.3.1 Electricity

4.52. The key (central government) authorities involved in policy-making and regulation of the electricity sector are the President, the Cabinet of Ministers, the Ministry of Energy and Coal Industry (MECI), the State Nuclear Regulatory Committee, the State Agency on Energy Efficiency and Energy Savings (SAEE), and the National Energy and Utilities Regulatory Commission (NEURC). The NEURC is the regulator of energy markets and utility services (electricity, gas, oil, heat, water services and waste).[65] The Commission is subordinate to the President, reports to Parliament, and is financed through the state budget. The legal framework comprises the Law "on Electric Power Industry"[66] (Law on Electricity), the Law "on Basic Principles of the Electricity Market Operation" (Electricity Market Law)[67], and the Law "on natural monopolies".

4.53. The basic structure of Ukraine's electricity system is shown in Chart 4.6. There are: 1 state-owned hydro-power operator (Ukrhydroenergo); 1 nuclear power operator (Energoatom)[68]; 5 thermal power generating companies; 25 regional distribution companies (oblenergos); 1 transmission system operator (Ukrenergo); 1 wholesale market operator (Energorynok); and importers and exporters ("independent suppliers"). Ukraine's four operational nuclear power plants (Zaporizhzhia, Rivne, Khmelnytskyi, and South Ukraine) are operated by Energoatom. Thermal power generation is dominated by five large companies, all privately-owned, except majority state-owned Centrenergo. In late 2014, the Ukrainian energy system faced a crisis with black-outs across the country, due to shortages in coal-fired power plants. New generation capacity is tendered by the MECI. Ukraine has some 0.8 GW electricity generation capacity from (non-hydro) renewable sources (about 1.5% of total capacity), mainly solar and wind power.[69] The largest industrial consumers by far are the metallurgical and mining industries (25% of total consumption in 2014).

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[64] The main deposits are located in the Donetsk, Lviv-Volyn and Dnipro coal basins, as well as in the Dnipro-Donets and Zakarpattia coal depressions.

[65] NEURC online information. Viewed at: http://www.nerc.gov.ua/?id=11889. The NEURC replaces the National Commission of Ukraine for Energy Regulation (NERC) and the National Commission of Ukraine for State Regulation of Utility Services that were dissolved by Presidential Decrees No. 692/2014 and No. 693/2014 of 27 August 2014. The charter of NEURC was approved on 10 September 2014.

[66] Law No. 575/97-BP of 16 October 1997.

[67] Law No. 663 of 24 October 2013, in force since 1 January 2014.

[68] In December 2013, the first phase of Dniester Hydroelectric Pumped Storage Power Plant was launched. The hydropower plant, the largest in Europe once completed, is expected to make a significant contribution (2,268 MW) to the Energy Strategy 2030 goals. Viewed at: http://uge.gov.ua/.

[69] See Ministry of Economic Development and Trade of Ukraine (2015).

4.54. Virtually all electricity generated in the country is supplied to the wholesale electricity market (WEM), organized by the state-owned enterprise Energorynok (established in 2000). Energorynok has the mandate of purchasing all electricity produced or imported, and selling it to suppliers under regulated tariffs, and to independent suppliers. Wholesale electricity prices are determined by Energorynok taking into account, *inter alia*, tariffs paid to generators, transmission, excise tax, and below-cost supplies to households. The WEM membership comprises business entities regardless of organizational or legal form of ownership and licensed by the NEURC to engage in generation, transmission, distribution, and supply of electricity (except under non-regulated tariffs). Exceptions to the single-buyer regime include power plants with an established capacity of less than 20 MW. According to the Electricity Market Law, Ukraine intends to make a transition from Energorynok's monopoly towards a competitive wholesale market by July 2017.[70]

4.55. State-owned national energy company Ukrenergo is a monopolist in the transmission of electricity from generating facilities to the regional distribution companies. Part of the Ukrainian grid (Burshtyn "Island") is connected to the power system of Slovakia, Hungary, Poland and Romania through the European network of transmission (ENTSO-E). The rest of the grid is connected to Belarus, Moldova and the Russian Federation. Transmission tariffs are regulated by the NEURC. Third-party access to the interstate transmission facilities for export/import of electricity is provided through auctions carried out by Ukrenergo. Auctions are held at least once a month, provided capacity is available. Auction bidders must be licensed as an electricity supplier, be a WEM member and have no overdue debt for purchased electricity.[71] The auction procedures are approved by NEURC in cooperation with the Antimonopoly Committee.

4.56. Among electricity exporters, there is a state-owned foreign trade company (Ukrinterenergo). The activities of Ukrinterenergo cover project management in the electricity sector; production of electrical and heat energy for regional needs; and export and transit of electricity. According to the authorities, Ukrinterenergo does not have an import nor export monopoly of electricity.[72] According to the Law on Electricity, the right to export or import electricity is granted to suppliers under non-regulated tariffs ("independent suppliers").

4.57. Two pricing regimes apply for retail tariffs. The tariffs of the local distribution network operators that distribute electricity purchased at the WEM in their regions are regulated. There are 37 companies operating under this system, including the *oblenergos*, which account for about 80% of the total supply. Retail prices are regulated under the NEURC Resolution of 26 February 2015.[73] NEURC has approved five biannual tariff increases of 25% from April 2015 to April 2017, to align electricity tariffs for households with market prices. The average household tariff is to be increased from Hrv 0.35/kWh in early 2015 to Hrv 1.22/kWh by April 2017.[74] Suppliers under non-regulated tariffs (independent suppliers) buy electricity at hourly WEM prices for supply to consumers based on private contracts. They use the local networks owned by distribution network operators and pay for the delivery and loss of electricity. This group includes large industrial consumers that buy electricity for their own needs, as well as companies that buy electricity for sale or export.

[70] Chapters V and VI of the Electricity Market Law regulate activities on the market during the transition period.

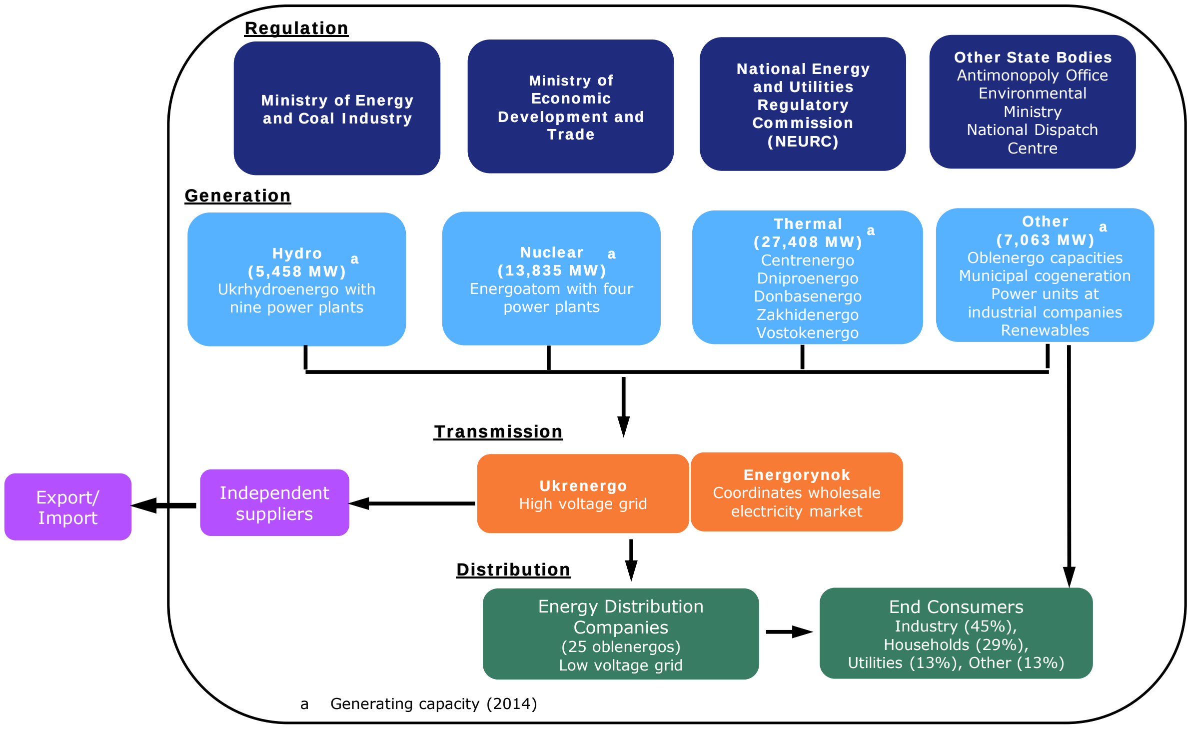
[71] Article 30 of the Law on Electricity; and Article 10 of the Electricity Market Law.

[72] To this effect, the Cabinet of Ministers' Decision No. 1188 of 5 December 2014 "on Temporary Measures for Balancing the Electricity Market of Ukraine", whereby Ukrinterenergo was identified as a single importer of electricity, was amended on 19 December 2014.

[73] NEURC Resolution No. 220 of 26 February 2015 "on the Establishment of Tariffs for Electricity Sold to the Public" (effective as of 1 April 2015).

[74] See Ministry of Economic Development and Trade of Ukraine (2015).

Chart 4.6 Regulatory structure of the electricity sector



Source: Ministry of Economic Development and Trade of Ukraine (2015).

4.58. On 1 October 2014, the Cabinet of Ministers adopted a National Renewable Energy Action Plan (up to 2020). In line with EU commitments (Directive 2009/28/EC), the plan sets a target for renewable energy generation equivalent to 11% of gross final energy consumption by 2020 (up from 5.5% in 2009).[75]

4.59. The Law "on the Alternative Energy Sources" was amended in 2014 to eliminate unnecessary administrative barriers by reducing the number of permits for production, transmission and distribution of electricity, heat and mechanical energy from alternative sources; production of geothermal energy; installation of solar, wind or hydro-power equipment; construction or reconstruction of hydro-electric power facilities that use the energy of small rivers; and establishment of transportation networks for energy produced from alternative sources.[76]

4.60. Generally, incentives included a subsidized feed-in tariff, certain corporate tax preferences, and exemption from VAT and customs duties for imported technology for power generation from renewable energy sources (Article 282 of the Customs Code). VAT and customs duty incentives were provided if the goods in question were used by the taxpayer for its own production and no identical goods of equivalent quality were produced in Ukraine. The Cabinet of Ministers' Resolution No. 719 of 29 December 2014 cancelled the Decree with the list of eligible equipment, and therefore the incentive is no longer applied. The corporate income tax exemption for sales of electricity from renewable energy sources was also cancelled[77], as were provisions for a partial corporate income tax exemption for manufacturing of renewable energy equipment, and a preferential land tax.

4.61. Ukraine has had a feed-in ("green") tariff regime since 2008 for various types of alternative energy installations (wind, solar, biomass, biogas, small hydropower, and geothermal power).

[75] Energy Community Secretariat (2014), p. 181.
[76] Articles 5 and 6, Law No. 1193-VII of 9 April 2014 on "on the Alternative Energy Sources", as amended by the Law of Ukraine "on Amendments to Certain Legislative Acts of Ukraine on reducing the number of permits".
[77] Law No. 1621-VII of 31 July 2014 "on Amendments to the Tax Code of Ukraine and Other Legislative Acts (on improvement of certain provisions)".

Feed-in tariffs are determined by the NEURC for each facility[78], and are guaranteed by law until 1 January 2030.[79] The wholesale market operator Energorynok is required to purchase the electricity generated from alternative/renewable sources at the green tariff established for the renewable energy producer (Chart 4.6).[80] The cost of grid connection was split 50/50 between producer and the grid operator, but this incentive has been cancelled.[81] Since 2014, renewable electricity generators have the option to sell under direct power purchase agreements. The Electricity Market Law envisages the establishment of a Cost Imbalance Allocation Fund to compensate Energorynok for losses related to renewable energy purchases at feed-in tariffs, but this matter is still under discussion in the context of the elaboration of a new draft Electricity Market Law, aimed at aligning the legislation with the Third Energy Package of the Energy Community.

4.62. The benefit of the green tariff was tied to local content requirements (Section 3.4.4). The local content requirement was first linked to the value of a construction project, and then from April 2013 as fixed proportions of local component elements for each type of facility producing renewable energy.[82] Law No. 514-VIII of 16 July 2015 "on Amendments to Several Laws on Ensuring Competitive conditions for electricity production from Alternative Energy Sources" cancelled the mandatory local content requirement and replaced it with a premium payment (in addition to the green tariff) for the use of equipment of Ukrainian origin.[83] The premium is set at 5% of the green tariff for a local content level of at least 30% or 10% for at least 50% local content. Services and works provided by Ukrainian companies in the construction of facilities that generate electricity from renewable energy sources are excluded. Premiums are not available to household projects. The new scheme applies to facilities commissioned from 1 July 2015 to 31 December 2024 that produce electricity from alternative energy sources (except blast furnace and coking gases, and small and micro hydro-power projects). The NEURC will determine the level of locally-produced equipment based on certificates from the Chamber of Commerce and other confirming documents. The regulator is expected to approve an order concerning the implementation of the new scheme. The procedure for local content determination of 27 June 2013 remains applicable, until a new regulation is approved by the NEURC.[84]

4.63. Due to the importance of agriculture in Ukraine, biomass has considerable potential for renewable energy production. The production of biofuels is governed, *inter alia*, by the Law "on Alternative Types of Liquid and Gas Fuel", which provides for equal access (no discrimination) to the biofuel market for all biofuel producers, subject to licensing by the State Tax Administration. In July 2014, Law No. 1638-VII was adopted, which cancelled the exhaustive list of 12 state alcohol enterprises with the exclusive right to produce bioethanol, opening the market for bioethanol production to all licensed enterprises. On 2 March 2015, the Verkhovna Rada adopted the Law "on Licensing Types of Business Activities" which significantly reduced the number of licensable business activities, cancelling the requirement of obtaining a licence for sales of liquid fuel made from biomass and biogas. Law No. 191-VIII "on Amendments to Certain Legislative Acts of Ukraine on Simplification of the Conduct of Business (Deregulation)" of 12 February 2015 cancelled the minimum blend ratio for biofuels.[85] Incentives for biofuel producers include tariff and VAT exemptions.

4.3.2 Gas and oil

4.64. The main player in Ukraine's oil and gas market is the National Joint-Stock Company "Naftogaz of Ukraine" (Naftogaz) which is subordinated to the MECI. The company is vertically

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[78] NECR Regulation No. 1421 of 2 November 2012 "on the Procedure of Establishment, Reconsideration and Termination of Green Tariffs for Subjects of Commercial Activity".

[79] Article 22, Electricity Market Law; see also Law on Electricity, with relevant amendments (Law No. 5485-VI of 20 November 2012 "on Amendments to the Law of Ukraine No. 575/97-BP on Electricity in terms of Stimulating Production of Electric Energy from Alternative Energy Sources").

[80] Article 15 of the Law on Electricity, as amended.

[81] Law No. 514-VIII of 16 July 2015 "on Amendments to Some Laws of Ukraine to Ensure a Competitive Environment for the Generation of Electricity from Alternative Energy Sources".

[82] Law No. 5485-VI of 20 November 2012 "on Amendments to the Law of Ukraine No. 575/97-BP on Electricity in terms of Stimulating Production of Electric Energy from Alternative Energy Sources".

[83] The law also provides for a rebalancing (decrease) of tariffs for solar power, amongst other changes.

[84] NEURC Resolution No. 744 of 27 June 2013 "on the Procedure for Calculation of the Local Content for Electric Power Facilities".

[85] 5% in 2014-15, increasing to 7% on 1 January 2016.

integrated from extraction to pipeline transport, storage, oil and gas refining, and supply to customers. Ukraine's proven reserves of natural gas and oil are located mainly in the Dnipro-Donetsk basin in Eastern Ukraine, offshore in the Black Sea and the Sea of Azov shelf, as well as in the Carpathian Mountains of Western Ukraine (natural gas only). Most of the oil and gas is produced by subsidiaries of Naftogaz.[86] The sales price for natural gas produced by Naftogaz is regulated by the NEURC. A number of foreign enterprises are engaged in the extraction of hydrocarbons and the development of shale and offshore gas deposits. Domestic production of crude oil accounts for about 15% of consumption, while domestic extraction of natural gas satisfied about half of domestic consumption in 2014.

4.65. All mineral resources are the property of the Ukrainian people.[87] Under the Law "on Oil and Gas" of 2001, exploration, development of oil and gas deposits under production-sharing agreements (PSAs), construction of storage facilities and upstream works require special permits for subsoil use issued by the State Service of Geology and Subsoil Use of Ukraine.[88] Permits are issued by tender or auction, under a licensing regime or PSAs.[89] There are no special requirements or restrictions on foreign companies participating in auctions or competitions for granting special permits for subsoil use. The permit validity is 20-30 years for prospecting, 5-10 years for exploration, 20-30 years for extraction, and up to 50 years for permits under PSAs and construction of storage facilities.

4.66. Royalty rates (subsoil use taxes) were adjusted in 2014 as part of a broader tax reform and the State Budget bill for 2015. The subsoil use taxes for natural gas are currently fixed at 55% of the value of gas extracted for deposits that are located at depths up to 5,000 meters and 28% for deposits located deeper than 5,000 meters. The rates for PJSC Ukrgasdobycha are fixed at 70% (for deposits up to 5,000 meters) and 14% (deposits deeper than 5,000 meters). The Government is currently working on a tax reform, which includes a review of the royalty regime.

4.67. Ukraine's gas transmission system is one of the largest in the world. It covers 39,800 km of large gas pipelines (mains), including 22,160 km of trunk (transmission) pipelines and 16,390 km of distribution pipelines. The gas transmission system has an input/import capacity of 288 billion cubic meters on the border with the Russian Federation, and an output/export capacity of 178.5 billion cubic meters on the western borders with Poland, Romania, Belarus, the Republic of Moldova (including 149 bcm to EU countries). In 2012, Ukraine started making "reverse flow" gas imports from Europe (Chart 1.4).

4.68. The Naftogaz subsidiary Ukrtransgaz is responsible for the operation and maintenance of the gas transmission, distribution and storage systems. The Naftogaz import monopoly was abolished in 2012 and the company no longer enjoys exclusive privileges. The main private importers of natural gas are DTEK, Eastern-European Fuel and Energy Company (VETEK), and Ostchem.

4.69. Pipeline transport is regulated by the NEURC.[90] All activities related to design, construction, repair and operation of the pipeline transport facilities, transportation of natural gas, and transportation of oil and oil products via mains and distribution pipelines require a licence issued by the NEURC (activity licensing).[91] Natural gas transportation via trunk pipelines is conducted on terms established by NEURC's standard contract.[92] Tariffs for natural gas transportation and connection to the transportation and distribution systems are based on a prescribed methodology

[86] Chornomornaftogaz (exploration and production of oil and gas in the Black Sea and the Sea of Azov shelf); Ukrgazvydobuvannia (natural gas and gas condensate extraction, oil and gas exploration, development and extraction to processing raw hydrocarbon deposits and oil product sales).
[87] Article 1, Constitution of Ukraine.
[88] Law No. 2665 of 12 July 2001 "on Oil and Gas".
[89] Law No. 1039-XIV of 14 September 1999 "on Production-Sharing Agreements".
[90] Article 7, Law "on Licensing; Article 13, Pipeline Transport Law".
[91] Article 13, Law "on Pipeline Transport". See also: Law of Ukraine "on Licensing of Particular Types of Economic Activity", Article 9, No. 1775-III of 1 July 2000. NERC Resolutions No. 88 of 30 September 2005, No. 857 of 30 September 2005 and No. 9 of 13 January 2010.
[92] NERC Resolution No. 1579 of 22 September 2011: NERC Resolution No. 420 of 19 April 2012 "on Procedure for Access and Connection to the Unified Gas Transportation System of Ukraine".

by NEURC and are subject to its approval.[93] Activity licensing has been cancelled for exports of oil products, refining of crude oil, and sale of oil products.

4.70. Ukraine has made "full" commitments under the GATS on pipeline transport, covering the transportation of fuels and transportation of other goods. In addition, Ukraine has undertaken: "to provide full transparency in the formulation, adoption and application of measures affecting access to and trade in services of pipeline transportation. Ukraine undertakes to ensure adherence to the principles of non-discriminatory treatment in access to and use of pipeline networks under its jurisdiction, within the technical capacities of these networks, with regard to the origin, destination or ownership of product transported, without imposing any unjustified delays, restrictions or charges, as well as without discriminatory pricing based on the differences in origin, destination or ownership."[94]

4.71. The oil trunk pipeline network is operated by Uktransnafta (Naftogaz subsidiary), which covers three separate pipeline systems to European countries (Druzhba pipeline), the Black Sea basin (Prydniprovski), and to the marine oil terminal near Odessa (Pivdenni). The throughput capacity of the system is 114 million tonnes per year at input, and 56 million tonnes per year at output.

4.72. Ownership rights with respect to the pipeline system and related infrastructure are governed by the Law "on Pipeline Transport".[95] Main trunk pipelines are state-owned; trunk pipelines and distribution pipelines built at the expense of municipalities or private enterprises are private property.[96] The privatization of Naftogaz and its subsidiaries is prohibited (i.e. enterprises included in the Government's list of objects of state ownership of strategic importance to the economy and national security).[97]

4.73. On 9 April 2015, the Ukrainian Parliament adopted the Law No. 2250 of 26 February 2015 "on Natural Gas Market", which was developed by the Ministry of Energy and Coal Industry in collaboration with the Energy Community based on the Third Energy Package of the EU. The Law establishes conditions for the functional unbundling of Naftogaz into separate production, transmission, storage and supply companies. It provides for non-discriminatory third-party access to the gas transport system on contractual basis and establishes the right of customers to freely choose their gas suppliers. One of the law's objectives is to end non-cost reflective pricing and cross-subsidization, while providing a framework to protect vulnerable customers. The Natural Gas Market Law entered into force on 1 October 2015 and replaces the Law "on Principles of Natural Gas Market Operation".[98] Under Article 21 of the new law, an operator of a gas transportation system must be (i) a business entity established and owned exclusively by the State, or (ii) in case of a joint venture, a Ukrainian state-owned company with 51% equity and a foreign company with 49% equity that is controlled by residents of the United States or the European Energy Community (gas transmission system partner).

4.74. Under the now abrogated Law "on Principles of Gas Market Operation", suppliers of natural gas are divided into guaranteed suppliers at regulated tariffs (Naftogaz and 39 gas supply companies) and suppliers at non-regulated tariffs. The newly adopted Natural Gas Market Law does not foresee guaranteed suppliers, however in exceptional circumstances it provides for "suppliers with special obligations"[99] with similar functions. In general, according to the new law, gas is to be supplied at prices agreed between supplier and consumer (with a NEURC standard contract for households).

4.75. The heavy losses incurred by state-owned Naftogaz have been a major drain for the country's finances (Section 1.2). The losses were mainly due to a large gap between the purchase prices of imported natural gas and below-cost sales prices for households and heating utilities, and arrears by the customers of Naftogaz. In the 2015 State Budget, Hrv 29.7 billion was allocated to

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[93] NERC Resolution No. 749 of 25 June 2009. See also: Natural Gas Market Law, Charter of the NERC, 10 September 2014.
[94] WTO document GATS/SC/144, 10 March 2008.
[95] Law No. 192 of 15 May 1996.
[96] Article 7, paras. 1-2, Law "on Pipeline Transport".
[97] Para. 5, Article 7, Law "on Pipeline Transport".
[98] *Ukrainian Government Portal*, "Parliament adopted Law 'On natural gas market'", 10 April 2015. Viewed at: http://www.kmu.gov.ua/control/en/publish/article?art_id=248086149&cat_id=244314975.
[99] Article 11, Natural Gas Market Law.

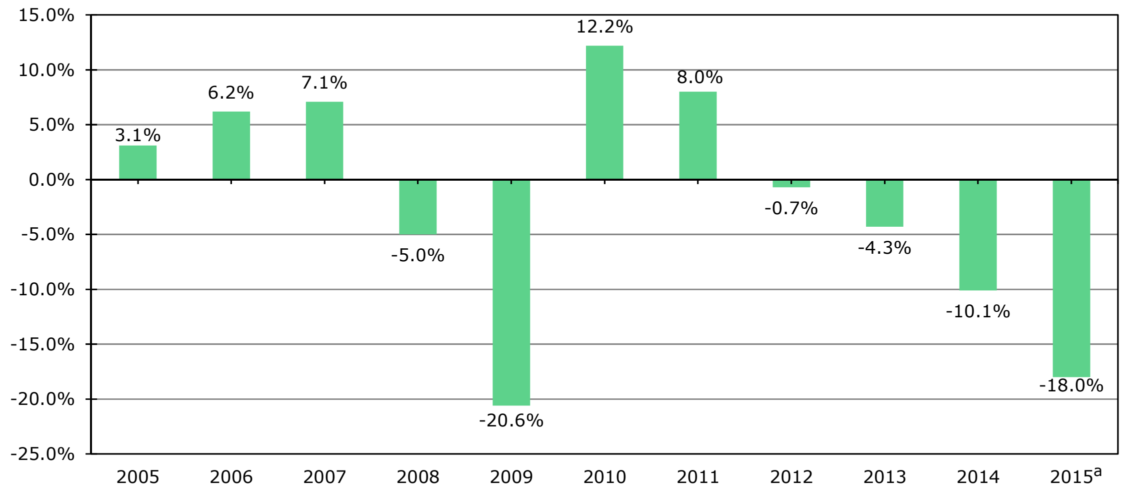
Naftogaz. Energy sector reforms to reduce the Naftogaz-related budget deficit play a major role in the Government's March 2015 programme with the IMF, whereby retail gas and heating prices are to be increased to reach full import parity by April 2017.

4.4 Manufacturing

4.76. Ukraine has long been heavily industrialized, owing amongst others to its rich endowment with natural resources, cheap energy and centrally-planned industrial development during Soviet times. At the time of independence, the industrial sector contributed about half of GDP. With the restructuring of the economy since 1991, the industrial sector[100] has declined to about 20% of GDP in 2014 (Table A1.1). Industrial output has fallen since 2013, and the decline has accelerated since mid-2014, mainly due to weakened trade ties with the Russian Federation and disruptions in production in the eastern part of the country, Ukraine's traditional industrial heartland (Chart 4.7).[101]

4.77. The food-processing industry has overtaken the machine-building, metallurgical and chemical industries as the leading industry in terms of output. This shift reflects a restructuring of the economy from heavy to light industries (such as textiles and clothing), underpinned by growing demand for consumer goods. Sales of the food-processing industries amounted to Hrv 305 billion in 2014 (Table A4.4). The main food industries and activities are dairy, vegetable oil extraction, confectionery, sugar refining, flour milling, starch and molasses production, canned meat, and vegetable processing. In 2014, about 6% of the total inward FDI (stock) was invested in the food-processing, beverage and tobacco industries.[102] Multinational food, beverage and tobacco companies are widely represented in Ukraine. Some food industries benefit from high rates of import protection, notably confectionery with MFN tariffs of up to 50% in 2015; beverages and spirits (up to 47%) and tobacco products with up to 283.2% (Table 3.2 and Table A3.1).

Chart 4.7 Industrial production, 2005-15



Note: Based on index (2005=100), percentage change from previous year. Excluding the Crimea from 2010.

a 8 months.

Source: State Statistics Service of Ukraine.

4.78. Machine-building is among the largest manufacturing subsectors.[103] The main activities are railway machine-building, heavy machine-building, agricultural machine-building, automotive production, and the aerospace industry. State-ownership remains significant in the machine-building industry.

[100] Including mining, manufacturing, electricity/gas and water supply.
[101] The Donetsk oblast contributed about 21% of industrial output in 2011, followed by Dnipropetrovsk oblast (19%), Luhansk (8%), Zaporizhia (5%), Karkiv (5%). See IMF (2015a).
[102] See State Statistics Service of Ukraine (2015).
[103] See Ministry of Economic Development and Trade of Ukraine (2015).

4.79. Ukraine has one of the largest railway networks in the world (over 23,000 km) and 386 million tonnes of freight were carried by rail in 2014 (Table 4.8). Ukraine has substantial capacity to produce various types of rail cars, locomotives, and component parts. There are 18 enterprises engaged in rail car production – the leaders are Azovmash, Stakhanov Railcar, Kryukov Railway Car Building Works and Dniprovahonmash. Luhanskteplovoz is the leading locomotive producer in Ukraine. The railway monopoly Ukrzaliznytsia is the principal customer of railway rolling stock and component parts.

4.80. The heavy machine-building subsector provides a wide range of equipment for the mining, chemical and petrochemical industries, metallurgy, metal treatment, energy, construction and other industries. The power machinery industry has succeeded in preserving its production capacity since the collapse of the Soviet Union. Most power machinery producers are export-oriented. The leading enterprise is PJSC "Zaporozhtransformator" (ZTR), which produces power transformers and electrical reactors, amongst others, traditionally mainly for export to the Russian Federation. JSC "Motor Sich" is Ukraine's leading enterprise in the production of aeroplane and helicopter engines, and industrial gas turbine installations. The company is based in Zaporizhia and produces mainly for the domestic and Russian aviation industry. The main producers of agricultural machinery are Kharkiv Tractor Plant (KhTZ), Agro-Soyuz, Khersonskiy, and Chervona Zirka Machine-Building.

4.81. Domestic production of vehicles has been in decline for a number of reasons, including enhanced price competitiveness of imported cars and lower demand from traditional markets in the CIS. In July 2011 the Ukrainian authorities launched a safeguard investigation into increased imports of certain passenger cars, on the basis that the domestic car industry had suffered from a combination of the global financial crisis and tariff reductions on passenger cars (from 25% prior to accession, to 10% upon accession). The safeguard duties, imposed from March 2013, were withdrawn on 30 September 2015 (Section 3.2.10). The largest producers of passenger cars and buses in Ukraine are UkrAVTO (Zaporozhye Automobile Building Plant), Bogdan Motor, JSC Eurocar, AIS (e.g. KrASZ), and Standard (Chernihiv and Boryspil Automobile Building Plant).[104] These enterprises also assemble vehicles for foreign brands.

4.82. The aerospace industry is one of the few industries in Ukraine that has remained competitive regionally and globally. Leading SOEs include the aircraft manufacturers Antonov, Plant 410 Civil Aviation, and Kharkov State Aircraft Manufacturing Company (specializing in aircraft repair, based in Kyiv). Antonov aircrafts comprise around 4,100 planes currently in operation (including its well-known cargo ramp aeroplanes), mostly in the Russian Federation and other CIS countries. Antonov Airlines, part of Antonov Company, is one of the major transport enterprises for large-size and extra-heavy cargo. After the break-up of the Soviet Union, Ukraine inherited a sizeable share of the space rocket potential. The National Space Agency of Ukraine (NSAU) supervises enterprises and manufacturing facilities engaged in space activities. The leading space aviation enterprises include Pivdenmash, Pivdenne Design Bureau, Hartron, and Komunar.

4.83. The metallurgical industry accounted for 17.2% of industrial output and employed 280,400 people in 2014. The iron and steel industries are pillars of the Ukrainian economy in terms of production, employment, and as suppliers of other sectors such as the machine-building industry. Ukraine is among the world's top crude steel producers and exporters with a production of 27.4 million tonnes and exports of 24.6 million tonnes in 2014.[105] The leading steel producers are LLC Metinvest Holding, PJSC "ArcelorMittal Kryvyi Rih", and ISD Corporation. Operations at many steel mills in Eastern Ukraine have been disrupted.

4.84. The chemical industry accounted for about 3.5% of industrial output with about 1,300 enterprises in 2014, including some large state-owned enterprises (Odesa Portside Plant, Sumykhimprom, Oriana, Pavlohrad Chemical Plant, Ukrkhimtransamiak, and Ukrmedpostach).[106] The fertilizer industry is dependent on gas supplies as a key input in nitrogen fertilizers, and has been adversely affected by regional conflict. Compound (NPK) fertilizers accounted for 40% of total fertilizer imports to Ukraine in 2014, followed by ammonium nitrate with 10%. Sumykhimprom is the largest producer of compound fertilizers (a wide range of granulated NPK

[104] Ukravtoprom Statistics online information. Viewed at: http://ukrautoprom.com.ua/uk/statistika.
[105] Derzhstat statistics online information. Viewed at: http://www.ukrstat.gov.ua/.
[106] European Chemical Industry Council (CEFIC, 2014).

and NP fertilizers). The average applied MFN tariff for chemical products was 3.2% in 2015 (Table 3.3).

4.85. The textile, apparel and leather sector accounted for about 1% of industrial output in 2014. The textiles and apparel industries are mostly controlled by privately-owned SMEs (around 2,000) producing different types of textile wear, including fur and knitted goods, in all regions of Ukraine. Many manufacturers are working under "toll manufacturing schemes" for foreign companies.[107] Ukrainian branded clothing is developing rapidly, especially in big cities like Kyiv, Odessa and Lviv. In 2015, applied MFN tariffs averaged 3.9% on textiles and 11.4% on clothing, with peaks of 12.5% and 12%, respectively (Table 3.3).

4.86. The pharmaceutical sector is important for Ukraine not least because locally-produced medicines are more affordable than imported pharmaceuticals. Sales amounted to Hrv 16 billion in 2014 (1% of Ukraine's industrial output). The World Bank has recognized the potential of the Ukrainian pharmaceutical industry for growth and its attractiveness for foreign investment, as many Ukrainian manufacturers already comply with Good Manufacturing Practice (GMP) standards required in the EU.[108] The World Bank is engaged in several projects with pharmaceutical clients in Ukraine, in particular with PJSC Farmak, which is a leading producer of pharmaceuticals, and Venta, one of the leading pharmaceutical wholesale distributors.[109] MFN tariffs on pharmaceutical products were zero in 2015.

4.87. The wood-processing industry produces mainly paper and cardboard, plywood, plates, panels, and veneer. About a quarter of Ukraine's timber production is exported unprocessed, contributing more than Hrv 3 billion to total annual revenues. Ukraine has recently imposed a ban on exports of timber, to shift exports from raw materials to exports of processed wood, and thereby to support the development of the wood-processing industry. The export prohibition on timber, excluding pines, came into force on 1 November 2015 and will be extended to include exports of pines from 1 January 2017.[110] The main forest regions are located in Polesia and Carpathians. Forests are 87% state-owned, 13% are in municipal property and less than 0.1% are privately-owned. Farmers are required to register as forestry users. Over 50 ministries and agencies are in charge of regulating and administering the forestry sector. The State Forest Resources Agency is the central governmental authority for forestry and in charge of around 73% of the forests.

4.5 Services

4.5.1 Overview

4.88. The Ministry of Economic Development and Trade of Ukraine acts as Ukraine's services enquiry point.

4.89. Ukraine has made substantial commitments under the GATS within the framework of its WTO accession covering all sectors.[111] Most sector-specific commitments are "full commitments" without any limitations on market access or national treatment, except mode four which is governed by Ukraine's horizontal commitments. Ukraine has scheduled three Article II (MFN) exemptions for audiovisual services and four MFN exemptions for transport services (internal waterways, rail, road and air transport computer reservation systems).[112] Under its horizontal GATS commitments that apply to trade in all services, Ukraine has scheduled exemptions and reservations concerning national treatment with respect to access to subsidies (unbound) and access to land by foreigners. Ukraine has also reserved flexibility to regulate the entry and temporary stay of foreign nationals. For intra-corporate transferees and "other essential persons"

[107] East Invest online information. Viewed at: http://www.east-invest.eu/en/investment-promotion/ukraine-2/UA-Textiles.
[108] EBRD online information. Viewed at: http://www.ebrd.com/news/2014/ebrd-sees-potential-for-ukraine-pharmaceutical-industry.html.
[109] EBRD online information. Viewed at: http://www.ebrd.com/work-with-us/project-finance/project-summary-documents.html?c35=on&s17=on&keywordSearch=.
[110] Law No. 325-VIII of 9 April 2015, in force as of 7 October 2015.
[111] WTO document GATS/SC/144, 10 March 2008.
[112] WTO document GATS/EL/144, 10 March 2008.

(including services sales persons), Ukraine has scheduled the duration of stay (length of work permits).

4.5.2 Financial services

4.90. The financial services industry is supervised by the National Bank of Ukraine (banking services); the National Commission for the State Regulation of Financial Services Markets (financial services other than banking services and the securities market), and the National Securities and Stock Market Commission. Further to the Law No. 2664-III of 12 July 2001 "on Financial Services and State Regulation of Financial Services Markets", financial activities must be included in the "list of financial services" in order to be authorized. The list was last amended in 2013.[113] The State Register of Financial Institutions included 589 credit unions, 543 finance companies, 366 insurance companies, 72 pension funds, 23 administrators of pension funds, 483 pawnshops, and 131 other financial institutions (including regional offices), as of October 2015.

4.91. Ukraine has scheduled comprehensive commitments on financial services, covering all subsectors in the area of insurance, banking and other financial services. In general, there are no limitations on market access and national treatment in modes one to three ("full" commitments).[114] There are a few exceptions, where the cross-border supply (mode one) of certain insurance services and trading in certain financial instruments is unbound. Ukraine undertook to open-up its insurance market to branches of foreign insurance companies five years after its WTO accession.

4.5.2.1 Banking services

4.92. Early in 2014, the economic and political situation led to a banking crisis, triggered by deposit outflows and bank losses.[115] Numerous banks were not meeting regulatory requirements.[116] In order to restore trust and stability in the banking system, a series of measures were adopted by the Government and the National Bank of Ukraine (NBU) during 2014-15 to provide liquidity support to banks, recapitalize banks or withdraw licences and liquidate insolvent banks, and to improve risk management and the protection of depositors.[117]

4.93. From 2013 to end-November 2015, the NBU had disbursed stabilization loans and liquidity maintenance credits to 40 banks totalling Hrv 64.9 billion.[118] On 1 January 2015, the total outstanding debt on all types of refinancing loans (including stabilization loans, liquidity maintenance credits, and other instruments of liquidity support) granted by the NBU stood at Hrv 109.0 billion (compared with Hrv 76.1 billion one year earlier).

4.94. A bank declared as "problematic" by the NBU is required to submit an action plan within 7 days, including measures to ensure conformity with legislation.[119] The NBU will consider the

[113] Issue of payment documents, payment cards, travellers' cheques and/or servicing or clearing them, and other forms of effecting settlements; fiduciary management of financial assets; bureau-de-change business; borrowing of financial assets; financial leasing; lending of funds; guarantees and sureties; money transfer; insurance services and pension fund services; professional licensable activities on the securities market; factoring; administration of financial assets; property management for finance construction objects and/or real estate operations; transactions with mortgage assets for the purpose of emission of mortgage-backed securities; banking and other financial services provided under the Law "on Banks and Banking".

[114] Mode four is unbound throughout, except as indicated in the horizontal commitments.

[115] The share of non-performing loans in the credit portfolio of banks was 13.1% on 1 January 2015 (up from 7.7% one year earlier).

[116] IMF (2015b).

[117] Law No. 1587-VII of 4 July 2014 "on Amending the Law of Ukraine' on Banks and Banking Activities' as to Determining the Specifics of Corporate Management in Banks"; Law No. 1586-VII of 4 July 2014 "on Amending Certain Legislative Acts of Ukraine as to the Prevention of Adverse Effect on the Banking System Stability"; Law No. 78-VIII of 28 December 2014 "on the Measures Aimed at the Promotion of Capitalization and Restructuring of Banks"; and Law No. 218-VIII of 4 March 2015 "on Amending Certain Legislative Acts of Ukraine as to the Liability of Persons Associated with Banks".

[118] There are two types of loans subject to disclosure: stabilization loans (NBU Resolution No. 327 of 13 July 2010) and loans through liquidity-providing tenders (NBU Resolutions No. 259 of 30 April 2009 and No. 262 of 22 June 2012).

[119] The criteria for declaring a bank problematic are defined in Article 75 of the Law No. 212-III of 7 December 2000 "on Banks and Banking" and in Section 12 of the Regulation "on the Application of

bank's results within 180 days and either declare the bank's activity compliant with the legislation or revoke the banking licence and declare the bank insolvent. For insolvent banks, NBU supervision ends and the Deposit Guarantee Fund takes over the bank's resolution (temporary administration). The temporary administration is established normally for a period not exceeding three months, or six months for systemically important banks. The Deposit Guarantee Fund operates under the Law of 23 February 2012 "on Households Deposit Guarantee System".[120] All licensed banks are Fund members, except Oschadbank and Rodovid Bank. Regulation No. 27 of 21 September 2012 increased the guaranteed deposit value from Hrv 500 to Hrv 200,000. Payments to depositors of insolvent banks are made within 20-30 working days from the date of the initiation of the procedure of withdrawal of banks from the market.

4.95. On 1 January 2015, an NBU resolution came into effect, designating six banks as systemically important.[121] The systemic importance of a bank does not create an obligation for the State to participate in its recapitalization. Decisions on state participation in capitalization of banks are taken by the Expert Council on State Participation in the Authorized Capital of Ukrainian Banks at the Ministry of Finance. The Resolution mandates the NBU to develop specific regulations for the supervision of systemically important banks.

4.96. Oschadbank and Ukreximbank are the two largest state-owned banks (Table 4.5). The State Savings Bank of Ukraine (Oschadbank) carries out, in addition to corporate business, certain social functions such as disbursement of pensions and social aid, and processing of utility payments. Deposits at Oschadbank and other valuables are fully guaranteed by the State (Article 57 of the Law on Banks). The State Export-Import Bank of Ukraine (Ukreximbank) provides trade finance. Oschadbank and Ukreximbank, as well as the Deposit Guarantee Fund, were recapitalized by the State in 2014. The total fiscal cost of the recapitalization of Ukraine's banks is estimated at 9.5% of GDP.[122]

4.97. In 2015, liquidation procedures were initiated at Kyiv Bank (99.93% state-owned), and its assets and liabilities were transferred to the state-owned Ukrgasbank. State-owned Rodovid Bank was licensed to work as a bridge bank for "bad" assets of state-owned banks, but the bank is not yet operational (December 2015).

Table 4.5 Top-ten banks, 1 December 2015

	Majority owner	Share of total banking sector assets
PRIVATBANK	Domestic private	16.8%
OSCHADBANK	State (100%)	12.8%
UKREXIMBANK	State (100%)	11.8%
RAIFFEISEN BANK AVAL	Foreign-owned	4.9%
PROMINVESTBANK	Foreign-owned	4.4%
UKRSOTSBANK	Foreign-owned	4.3%
SBERBANK OF RUSSIA	Foreign-owned	4.1%
ALFA-BANK	Foreign-owned	3.2%
VTB BANK	Foreign-owned	3.0%
UKRGASBANK	State (94.9409%)	3.4%

Source: National Bank of Ukraine.

4.98. The banking crisis has led to a consolidation of the banking sector (Table 4.6). In 2014, liquidation procedures were initiated for 19 banks, and 27 banks were declared insolvent since the beginning of 2015. Of the 127 banks licensed as of 1 December 2015, 7 were under temporary administration by the Deposit Guarantee Fund, and over 60 were subject to liquidation, including three large banks (Bank Nadra, Delta Bank, and Bank Finance and Credit). On 1 December 2015, the ratio of total bank assets to GDP stood at 100.1% (compared with 97.1% on 1 January 2015).

Enforcement Measures by the National Bank of Ukraine for the Violation of the Banking Law" (NBU Resolution No. 346 of 17 August 2012).

[120] Law No. 4452-VI of 22 September 2012 "on Households Deposit Guarantee System".

[121] NBU Board Resolution No. 863 "on Approval of the Procedure for Determination of Systemically Important Banks".

[122] IMF (2015b).

Table 4.6 Structure of Ukraine's banking sector, 2009-15

	2009	2010	2011	2012	2013	2014	01/01/2015	01/10/2015
Number of licensed banks, of which:	184	182	176	176	176	180	163	122
Foreign banks, of which:	53	51	55	53	53	49	51	40
100% foreign ownership	17	38	20	22	22	19	19	18
State-owned banks	2	2	2	2	3	3	3	3

Note: In addition to fully state-owned banks, there are 3 government-controlled banks (Kyiv Bank – 99.93% state-owned, Ukrgasbank – 94.7% state-owned, and Ukrainian Bank for Reconstruction and Development – 99.9945% state-owned).

Source: National Bank of Ukraine.

4.99. The minimum regulatory capital requirement (H1) for banks licensed after 11 July 2014 is Hrv 500 million (Article 31 of the Law "on Banks", and NBU Resolution No. 723 of 17 November 2014).[123] Banks licensed before 11 July 2014 are granted forbearance to increase their regulatory capital to Hrv 500 million by 11 July 2024. The capital adequacy ratio (H2) is required to stay above 10%.[124] Given the difficult economic environment, the minimum capital adequacy ratio for solvent banks was temporarily reduced to 5% until 1 August 2016, and is to revert to the "normal" regulatory minimum of 10% by 1 January 2019. The core capital adequacy ratio (H3) must be at least 7% (effective from 1 January 2019 in accordance with NBU Board Resolution No. 312 of 12 May 2015).[125] The NBU intends to align capital requirements and other banking standards with the Basel II standards and other international obligations. On 23 March 2015, the NBU issued a "Programme for Development of the Financial Sector 2015-2020" for public discussion to pave the way for integration into the EU's financial market.

4.100. In October 2015, procedures and criteria for the identification of "related parties" were developed, in order to guard against possible conflicts of interest in bank lending. After a set of diagnostic bank studies performed in 2014, the 20 largest banks (amounting to about 83% of total bank assets) were again subject to stress tests in 2015.

4.101. The National Bank of Ukraine (NBU) regulates and licenses banks in accordance with the Law "on the National Bank of Ukraine"(NBU Law)[126] and the Law "on Banks and Banking" [127] (Law on Banks). Foreign banks may establish commercial presence through subsidiaries or branches and representative offices (Article 24 of the Law on Banks). Representative offices do not have authority to conduct banking business (Article 95 of the Civil Code, NBU Board Resolution No. 306). Article 24 sets out the conditions and requirements for "accreditation" of branches and representative offices of foreign banks. There are no limitations by law regarding foreign equity participation in commercial banks. However, prior authorization is required for a Ukrainian or foreign legal entity to directly or indirectly own, hold, or control certain thresholds of a commercial bank's charter capital or voting rights in its governing body.[128] Thus, any increase in foreign capital above certain thresholds (10%, 20%, 50% or 75%) requires separate authorization.[129] There are no nationality requirements for bank personnel (other than fit-and-proper tests).

4.102. A banking licence authorizes a bank to provide banking services and other financial services to its customers (excluding other banks), and to perform other activities specified in Article 48 of the Law on Banks. This includes activities such as investments and issuing of securities; keeping registers of securities (excluding treasury shares); and providing advisory and information services relating to banking and other financial services. Banks are prohibited from carrying out activities in production and trade (with the exception of the sale of the commemorative, jubilee and investment coins) and insurance, but may act as an insurance

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[123] H1 is defined as the sum of core and additional capitals (NBU Resolution No. 368 of 28 August 2001).

[124] Regulatory capital adequacy ratio (H2) reflects the banks' capability to pay the liabilities under trading, lending and other financial operations as due and on time. The regulatory capital adequacy ratio shall be calculated as a ratio of regulatory capital to total assets and certain off-balance sheet instruments weighted by credit risk.

[125] Core capital adequacy ratio (H3) is defined as the ratio of the core capital to the sum of total assets and off-balance sheet commitments, weighted by the relevant loan exposure ratios.

[126] NBU Law No. 679-XIV of 20 May 1999.

[127] Law No. 2121-III of 7 December 2000.

[128] Article 34, Law on Banks.

[129] A bank with foreign capital is defined in terms of a threshold of at least 10% share capital owned by foreign investors.

intermediary. Interest rates, bank fees and commissions charged to customers are market-determined.

4.5.2.2 Insurance

4.103. Ukraine's insurance market comprised 382 insurance companies by the end of 2014, 87 of which had foreign ownership (21 for life insurance and 66 for non-life insurance); 51 insurance brokers; and 13,601 agents for motor third-party liability insurance. Total assets of the insurance companies amounted to Hrv 70.3 billion in 2014, about 4.5% of GDP (Table 4.7). The main types of insurance policy are property insurance, financial risk insurance, and life insurance. Insurance penetration (share of gross premiums in GDP) was 1.7% in 2014, well below rates in many other markets.

Table 4.7 Selected indicators of the Ukrainian insurance market, 2013-15

(UAH million, unless otherwise indicated)

	2013	2014	2015 Q1-Q2
Number of registered insurers	407	382	374
Of which: life insurance companies	62	57	52
Assets on the balance sheet	66,388	70,261	63,559
Gross premiums	28,662	26,767	13,466
Of which: insured individuals	10,268	9,520	4,593
reinsurers	5,521	4,897	2,276
Insurance penetration (premiums/GDP) in %	2.0	1.7	1.6
Net premiums (gross premiums less the share of premiums paid by resident reinsurers)	21,551	18,593	10,831
Property insurance	2,490	2,045	1,141
Insurance of financial risks	2,401	2,019	975
Life insurance	2,477	2,160	940
Insurance from fire risks and risks of natural disasters	1,649	1,250	680
Insurance of third-party liability	1,034	672	420
Credit insurance	684	388	155
Other insurance	10,817	10,059	6,521

Source: Information provided by the authorities of Ukraine.

4.104. The National Commission for the State Regulation of Financial Services Markets (Natskomfinposluh – NCRFSM) was established on 23 November 2011 pursuant to the Law "on Financial Services and State Regulation of Financial Markets" (Financial Services Law).[130] The NCRFSM regulates insurers, insurance intermediaries, non-state pension funds, credit unions and other non-bank credit institutions, pawn-shops, and other financial services providers (e.g. leasing, factoring, guarantees and surety). A new insurance law based on the EU model is pending.[131]

4.105. There are three types of insurers that may provide insurance services in Ukraine: resident insurer (commercial presence); foreign branch (commercial presence); and non-resident insurer (cross-border trade).

4.106. A resident insurance company must have at least three participants (enterprises, institutions, organizations or individuals) and be registered as a joint-stock company, general partnership, limited partnership, or company with additional liability. There are no limitations regarding foreign equity participation in resident insurers. In accordance with Article 2 of the Law "on Insurance" No. 85/96-BP of 7 March 1996, commercial presence of a foreign resident insurer is subject to the following conditions:

a. The country of the foreign insurer's registration is a WTO Member (not required in case of re-insurance); participates in international cooperation in the fight against money laundering and financing of terrorism and cooperates with the Financial Action Task Force (FATF); is not on the list of offshore zones published by the Cabinet of Ministers,

[130] Law No. 2664-III of 12 July 2001.

[131] In 2015, a draft Law No. 1797-1 of 6 February 2015 "on Insurance" was submitted for consideration to the Verkhovna Rada.

as defined in accordance with Ukrainian legislation; and has a DTA signed with Ukraine; and

b. The foreign insurer is licensed and supervised to provide insurance services in the home country; a Memorandum of Understanding on Information Exchange exists between Natskomfinposluh and the competent foreign authority; the financial strength rating of the foreign insurer complies with the requirements established by NCRFSM Order No. 7924.[132]

4.107. The minimum capital requirements for resident insurers are the equivalent of €1.0 million in national currency for non-life insurance, and the equivalent of €10.0 million for life insurance.[133] Ukrainian legislation does not permit an insurer to engage in both life and non-life insurance activities in a single business entity. An insurer is permitted to act as insurance agent, but not as insurance broker. Insurance and reinsurance brokerage may be carried out as a separate activity. A licence for a particular type of insurance allows the insurer also to provide reinsurance for that particular insurance. Licences are issued within 30 calendar days of the request, and are valid for an indefinite period of time, except for compulsory third-party motor vehicle insurance (three years with a possible extension of five years).[134] Table A4.5 provides a list of compulsory types of insurance.

4.108. In response to the 2014-15 banking crisis in Ukraine, the Government and the regulator have taken a number of steps to improve the integrity and resilience of insurers, including in the areas of disclosure of information regarding ownership and control[135]; internal audit[136]; risk management[137]; stress tests[138]; and capital adequacy requirements.[139]

4.109. In line with its GATS commitments, Ukraine has amended the Law "on Insurance" to open its market to branches of foreign insurance companies five years after Ukraine's accession to the WTO.[140] Branches of foreign insurance companies have been permitted to operate since May 2013. The definition of insurer was expanded to cover a "branch of non-resident insurer".[141] A branch by a non-resident insurer may be opened in Ukraine under the following conditions:

a. The country of the foreign insurer's registration participates in international cooperation in the fight against money laundering and financing of terrorism and cooperates with the FATF; is not on the list of offshore zones as defined by the OECD, or the non-offshore status of which is confirmed by the respective Trade and Economic Mission of Ukraine; and a DTA has been signed with Ukraine;

b. The foreign insurer is licensed and supervised to provide insurance services in the home country; a MoU on Information Exchange exists between Natskomfinposluh and the supervisory authority of the country where the non-resident insurer was registered; the

[132] "B+" by "A.M. Best", "Baa" by "Moody's Investors Service", "BBB" by "Standard & Poor's" or "BBB" by "Fitch Ratings".

[133] Article 30, Insurance Law; Natskomfinposluh Regulation No. 40 of 28 September 2003 "on Approval of the Licensing Conditions for Insurance Sector".

[134] Para. 1.14, Chapter 1, "on Licensing Conditions of Insurance Activities for Branches of Non-Resident Insurer" approved by the Order of Natskomfinposluh No. 6201 of 7 September 2006.

[135] Law No. 123-VIII of 15 January 2015 "on Amending the Law of Ukraine 'on Financial Services and State Regulation of Financial Services Markets' as to Information Disclosure".

[136] Natskomfinposluh Order No. 1772 of 5 June 2014 "on Approving the Procedure for Internal Audit (Control) in Financial Institutions".

[137] Natskomfinposluh Order No. 295 of 4 February 2014 "on Approving the Requirements for Organization and Functioning of an Insurer's Risk Management System".

[138] Natskomfinposluh Order No. 484 of 13 February 2014 "on Approving the Requirements for Regular Stress Testing by Insurers and Disclosure of Information on the Key Risks and Results of Conducted Stress Tests".

[139] Natskomfinposluh Order No. 1259 of 24 April 2014 "on Approving the Amendments to Certain Regulatory Legal Acts of the State Commission for Regulation of Financial Services Markets of Ukraine".

[140] Law No. 2774-IV of 7 July 2005 "on Amendments to the Law of Ukraine on Insurance".

[141] Article 2, Insurance Law.

financial strength rating of the foreign insurer complies with the requirements established by the NCRFSM Order No. 7924[142];

c. The minimum capital (the equivalent of €1 million or €10 million for non-life and life insurance, respectively) must be deposited in a local bank in Ukraine. The guarantee deposit shall ensure that the requirements of policyholders, creditors, beneficiaries and the insured persons are met in full.[143] A performance guarantee (statement) is required regarding the unconditional fulfilment of all obligations of the branch of the non-resident insurer; and

d. The Ukrainian insurance undertaking has the right to establish branches on the territory of the country where the non-resident insurer was registered and carries out the insurance activities.

4.110. The pre-requisites for establishing a foreign branch are essentially the same as for resident insurers, except that licensing of a foreign branch is subject to reciprocity, while WTO membership of the insurer's home country is not required. For compulsory types of insurance, at least two years of experience are required. There are no limitations on the types of insurance services that may be provided by foreign branches.

4.111. A non-resident insurer (mode 1) is limited to providing the following insurance services in Ukraine (exhaustive list):

a. insurance of risks related to maritime shipping and commercial aviation and spaceships and freight (including satellites), with such insurance to cover any or all of the following: goods being transported, the vehicle transporting the goods and any liability arising therefrom;

b. reinsurance;

c. insurance mediation, such as brokerage or agency operations related to reinsurance and insurance of the risks listed in the item "a." above; and

d. ancillary insurance services such as consulting services, valuation of actual risks and satisfaction of claims.[144]

4.5.2.3 Securities market

4.112. The securities market is governed by the Law "on Securities and Stock Exchange" (Law on Securities)[145], the Law "on State Regulation of the Securities Market in Ukraine"[146], and regulations promulgated by the National Securities and Stock Market Commission (NSSMC).

4.113. The NSSMC is the regulator and licensing authority of securities-related activities. The Commission is a state body subordinate to the President and accountable to the Verkhovna Rada, and is funded by the state budget. The NSSMC licenses legal entities, including brokers, dealers, underwriters, asset managers, mortgage collateral management activities, depository activities, custody of assets of collective investment institutions, custody of pension fund assets, clearing houses, and stock exchanges.[147] Capital requirements are Hrv 500,000 for dealers, Hrv 1 million for brokers, and Hrv 7 million for underwriters. In accordance with the Law on Securities, professional activities in the stock market may only be exercised by Ukrainian legal entities in the form of a joint-stock company or limited liability company.

[142] "B+" by A.M. Best", "Baa" by "Moody's Investors Service", "BBB" by "Standard & Poor's" or "BBB" by "Fitch Ratings".
[143] Order of Natskomfinposluh No. 6244 of 19 September 2006 on "Regulation on Requirements for the Guarantee Deposit of Branches of a Non-Resident Insurer".
[144] Article 2, Insurance Law.
[145] Law No. 3480-IV of 23 February 2006.
[146] Law No. 448/96 of 30 October 1996.
[147] Licence applications by foreign legal entities are subject to additional documentary requirements (Article 27 of the Securities Law).

4.114. Ukraine is a member of the International Organization of Securities Commissions (IOSCO). IOSCO principles provide that a securities regulator should have comprehensive inspection, investigation and enforcement powers, and be able to assist foreign regulators.[148] A regulator without these powers cannot be accepted as a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU) concerning consultation and cooperation and exchange of information for purposes of enforcing securities regulation. According to a recent IMF report, Ukraine's securities regime requires a number of reforms to meet IOSCO standards and enable the NSSCM to sign the MMoU.[149]

4.115. The NSSMC administers the national depositary system (CSD).[150] The CSD is a public joint-stock company owned by the NSSMC (25%), the National Bank of Ukraine (25%) and the stock market participants (50%). Ukraine has seven securities exchanges (as of October 2015) with a valid licence (Ukrainian Exchange, Kyiv International Stock Exchange, Perspectiva Stock Exchange, Pridneprovsk Stock Exchange, Innex Stock Exchange, Ukrainian Stock Exchange, and East European Stock Exchange).[151]

4.116. A Programme of Financial Market Development of Ukraine until 2020 was approved by NSSMC Resolution No. 931 of 30 June 2015, to align the regulatory framework with the EU *acquis*, amongst others. The programme includes measures to upgrade the stock market infrastructure, enhance the institutional capacity of the NSSCM, encourage the introduction of new financial instruments, and improve investor protection.

4.5.3 Transport services

4.117. The transport sector plays an important role in the Ukrainian economy, contributing about 7.1% of GDP[152] in 2014 and employing approximately 6% of the workforce. Ukraine generates and handles more freight relative to its GDP than other European countries, due to the importance of agriculture and heavy industry, amongst other reasons. Transport volumes declined sharply in 2014 owing to the economic and political situation, while air traffic and overflights over Ukrainian airspace were affected by the crash of a Malaysian Airlines plane (Table 4.8). A number of international transport corridors and maritime routes pass through the territory of Ukraine. Goods in transit amounted to approximately 102 million tonnes in 2014.

Table 4.8 Freight and passenger transport volumes, 2012-14

	Freight				Passengers			
	2012	2013	2014	% change from 2013	2012	2013	2014	% change from 2013
	(million tonnes)				(million)			
All modes of transport	1,801	1,802	1,623	-9.9	6,455	6,231	5,902	-5.3
Land	1,793	1,796	1,617	-10.0	6,447	6,223	5,895	-5.3
Rail	431	436	386	-11.3	407	404	389	-3.6
Road	1,235	1,236	1,131	-8.5	n.a.	n.a.	n.a.	n.a.
Pipeline	127	125	100	-20.0	n.a.	n.a.	n.a.	n.a.
Bus	n.a	n.a	n.a	n.a	3,321	3,197	2,913	-8.9
Tram	n.a	n.a	n.a	n.a	786	744	770	3.4
Trolley-bus	n.a	n.a	n.a	n.a	1,158	1,103	1,097	-0.5
Subway	n.a	n.a	n.a	n.a	774	775	726	-6.3
Water	7	5.8	6	2.5	0.8	0.7	0.6	-10.8
Air	0.1	0.09	0.1	11.1	8	8	6	-16.8

n.a. Not applicable.

Note: Excluding the Crimea.

Source: State Statistics Service of Ukraine (2015), *2014 Statistical Publication*.

[148] IOSCO online information. Viewed at: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD323.pdf.
[149] IMF (2015c).
[150] NSSMC Resolution No. 557 of 19 April 2012.
[151] The licence of the Ukrainian International Stock Exchange was suspended in 2015, and the licence of the Ukrainian Interbank Currency Exchange was cancelled in 2015.
[152] Including storage, postal and courier activities.

4.118. The Ministry of Infrastructure (Mininfrastruktury) is responsible for government policy in the areas of rail, road, air, maritime and river transport, and use of Ukrainian aerospace.[153] The Law "on Transport" of 10 November 1994 (last amended on 28 June 2015) sets out the objectives and principles of state regulatory policy. The law is complemented by sectoral legislation. The Ministry oversees the central executive bodies for each mode of transport (State Aviation Administration, State Railway Administration, State Automobile Roads Agency, State Inspection for Sea and River Transport Safety, State Inspectorate for Land Transport Security, and State Agency for Tourism and Resorts), and approximately 111 state-owned enterprises and institutions.

4.119. The "Transport Strategy of Ukraine until 2020" (adopted on 20 October 2010) aims, *inter alia*, to closer align the national legislation with the *acquis* of the European Union. In October 2013, the "Eastern Partnership Transport Network" was adopted as a long-term plan to upgrade the transport infrastructure between the Trans-European Transport Network (TEN-T) of the EU and its Eastern neighbours.[154]

4.120. The Law "on Licensing of Certain Types of Economic Activity" establishes mandatory licensing for certain transport services (passengers, dangerous cargo and waste, international road transport of passengers and cargo).[155] International passenger and cargo transport services (by rail, road, sea, river and air) are subject to a zero VAT rate.[156]

4.5.3.1 Air transport

4.121. Air transport policy is implemented by the civil aviation authority (State Aviation Administration (SAA) – Derzhaviasluzhba). A "Specialized State Fund" was established under the Air Code to finance the civil aviation authority and cover membership in international aviation organizations. The SAA collects state charges for certification and registration, fees for air traffic rights, departure taxes, and cargo charges, amongst others.[157]

4.122. The regulatory framework includes the Air Code of Ukraine of 2011, the Law "on the State Civil Aviation Security Programme" of 2003, the Law "on Carriage of Cargo by Air" of 1999; the Law "on Liability of Air Carriers in International Carriage of Passengers" of 2002; and the Presidential Decree "on Emergency Measures with regard to Promotion of Aviation Safety in Ukraine" of 1998. Ukraine is a member of ICAO, the European Civil Aviation Conference (ECAC), Eurocontrol, and other international aviation organizations. The SAA rules and regulations for carriers, charter services, crews, air traffic controllers, and approved maintenance organizations are aligned with ICAO standards, according to the authorities.

4.123. Ukraine has concluded 68 bilateral air services agreements (ASAs), 27 of which are agreements with EU member States. The most recent air services agreements were concluded with the United Kingdom, Georgia, Greece, Cyprus, Poland, and Turkey. The key provisions/restrictions of the 68 bilateral air services agreements are as follows: 11 without limitations on the number of designated airlines and flights; 48 with limitations on the number of flights or points of origin/destination, including 8 with 1 airline per route; 9 with limitations on the number of designated airlines. Cabotage by foreign airlines is not allowed.

4.124. Negotiations for an agreement on a Common Aviation Area (ECAA) with the European Union were launched in 2013. Its key objectives are the gradual liberalization of the aviation market in Ukraine and harmonization of its civil aviation rules with those of the EU. The ECAA will allow any airline from an ECAA member State to operate flights in Ukraine, thus increasing competition. In 2015, Lviv International Airport and Odessa International Airport introduced, on a unilateral basis, an open skies regime for all carriers covered by bilateral ASAs. Air carriers will be able to fly without restrictions to Lviv and Odessa, subject to obtaining a permit from their respective aviation authorities.

[153] Resolution of the Cabinet of Ministers No. 460 of 30 June 2015 "on Approval of the Regulation on the Ministry of Infrastructure of Ukraine".
[154] European Commission online information.
[155] Article 7, Law of Ukraine No. 222-01 of 2 March 2015 (effective as of 28 June 2015).
[156] Article 195.1.3 of the Tax Code.
[157] Article 12, Air Code of Ukraine No. 3393-VI of 19 May 2011.

4.125. In 2015, 13 domestic airlines (Ukraine International Airlines, Atlasjet Ukraine, Yanair, Aviacompany Ltd, Wind Rose, Dniproavia, Khors Aircompany, Dart Limited Trust Distribution, Ukraine Mediterranean Airlines, Bukovyna, Bravo Airways, Aerostar, Business Jet Travel Airline Ltd) flew to 39 countries, and 35 foreign airlines provided regular flights to 29 countries. Cargo transportation to/from other countries is carried out by Antonov Company, Ukraine Air Alliance, Cavok Airlines, Meridian Ltd., Maximus Airlines, Yuzmashavia, and ZetAvia Airlines.

4.126. According to new traffic right rules that came into force on 5 June 2015, carriers must be majority-owned or effectively controlled (ultimate beneficial ownership) by the Ukrainian State and/or residents in order to operate on international scheduled and/or charter routes.[158] Traffic rights for scheduled international air services are allocated for single routes in accordance with international agreements, subject to the requirement that a carrier must have operated domestic air passenger services for at least 12 consecutive months before application (effective from 5 June 2016). Permits of carriers that are not in compliance with the new procedure within a year from the effective date will be revoked.[159] Air fares on domestic and international routes are market-determined (not regulated). The State provides no subsidies on any routes (passengers or cargo), according to the authorities.

4.127. Ukraine's major civil airports, which together account for about 97% of passenger traffic, are Boryspil International Airport (Kyiv), Kyiv International Airport (Zhuliany), Lviv "Danylo Halytskyi" International Airport, Dnipropetrovsk International Airport, Zaporizhia International Airport, Odessa International Airport, and Kharkiv International Airport. Other airports are mostly used for regular domestic or charter flights. Kyiv Boryspil and Lviv are state owned. According to the Government's airport development programme for 2013-23, the major state-owned airports are not to be privatized and Hrv 15.3 billion in investments are needed to rehabilitate and upgrade airport infrastructure and facilities (Cabinet of Ministers' Resolution No. 944 of 30 October 2013).

4.128. Airport operators require certification by the State Aviation Administration. Airport operators may engage with other aviation services providers (e.g. emergency search and rescue, fire-fighting, provision of meteorological data, etc.), subject to anti-competition rules.

4.129. According to the authorities, there are no restrictions in legislation on access to the ground-handling market at airports in Ukraine and self-handling by airlines is allowed. The certification of ground-handlers is carried out in accordance with the Rules on Certification of Airports, as per SAA Order No. 407 of 13 June 2006. New rules on ground handling are currently being prepared ("on Approval of Rules regarding Access to the Ground Handling Market at Airports in Ukraine") in order to comply with the Air Code, the Law "on Protection of Economic Competition", and the provisions of the Council Directive No. 96/67/EC of 15 October 1996 "on access to the ground handling market at Community airports".

4.130. Slot management is regulated by Article 71 of the Air Code. Where demand exceeds slot capacity, the civil aviation authority appoints a coordinator, or a coordinating committee may be created in order to represent the interests of all parties. The airport coordinator is a legal entity that is functionally and financially independent from the airport or the airport users, financed by the Specialized State Fund.

4.131. Air traffic management and air navigation services are provided by the Ukrainian State Air Traffic Services Enterprise (UkSATSE), as well as some local providers.[160] UkSATSE may transfer the rights of communication, navigation and surveillance services to a legal person certified by SAA in accordance with the Air Code.[161] UkSATSE's aeronautical charges are fixed by Eurocontrol.

4.132. According to the Rules on "Entry, Transit and Departure of Aircraft", aircrafts on international flights are required to make their first landing or the last take off at/from

[158] SAA Order No. 686 "on the Approval of Procedure on Allocation and Withdrawal of Traffic Rights" of 24 October 2014 effective as of 5 June 2015, except for some provisions that will enter into force on 5 June 2016.

[159] SAA Order No. 686 "on the Approval of Procedure on Allocation and Withdrawal of Traffic Rights" of 24 October 2014.

[160] Ukrainian State Air Traffic Services Enterprise online information. Viewed at: http://uksatse.ua.

[161] Article 36, para. 1, Air Code of Ukraine.

international airdromes of Ukraine, where there are customs, immigration control, quarantine and border service units.[162]

4.133. Travel agents are free to use any computer services systems that operate in Ukraine (Amadeus, Sabre, Galileo and Abacus).

4.134. Ukraine has made "full" commitments under the GATS for aircraft repair and maintenance services, sales and marketing of air transport services, as well as certain services auxiliary to all modes of transport. It has also made "partial" commitments for cargo handling services, and computer reservation systems.

4.5.3.2 Maritime transport

4.135. Ukraine currently operates 13 seaports on the Black Sea and the Azov Sea and 16 river ports on its navigable waterways (totalling 1,613 km in length). The main internal waterways are the Dnieper, the Dniester, the Pivdenniy Bug, the Siverskyi Donets, and the Danube (174 km in Ukraine). The Danube river ports (Izmail, Reni and Ust-Dunaysk) are part of the Pan-European Transport Corridor No. VII.[163] All Ukrainian seaports, as well as river ports, are open to foreign vessels.[164]

4.136. Ukraine is a member of the International Maritime Organization (IMO) and party to 19 of its conventions.[165] The main regulatory acts are the Merchant Shipping Code of Ukraine[166] and the Water Code of 1995; the Law "on the Sea Ports of Ukraine" of 2013; and the Regulation on the Shipping Register of Ukraine[167] and the "Procedure for Keeping the State Shipping Register of Ukraine and the Vessels Register Book of Ukraine".[168]

4.137. Ukraine has scheduled a liberal maritime regime under the GATS for international freight and passenger transport (excluding cabotage) with an open international shipping registry. There are no limitations on market access and national treatment for foreign enterprises (in terms of foreign ownership participation, fleet capacity etc.) for flying the Ukrainian flag. Ukraine has also made a number of commitments regarding internal waterways transport (excluding cabotage), although the commitments on passenger and freight transport are conditioned by an MFN exemption. Furthermore, Ukraine has undertaken to provide non-discriminatory access to certain port services.

4.138. A new Law "on the Sea Ports of Ukraine" was adopted on 13 June 2013 aimed at modernizing the regulatory framework for port operations. Following international practice, certain commercial port activities were separated from administrative functions.[169] The re-organized ports have a (newly created) Ukrainian Sea Ports Administration (USPA) that is responsible, *inter alia*, for maintenance and development of port infrastructure and navigation safety.[170] The USPA is under the oversight of the Cabinet of Ministers through the Ministry of Infrastructure and the State Inspection for Sea and River Transport Safety. The USPA has subsidiaries in each of the ports, as well as subsidiaries for pilotage (Delta Lotsman) and marine rescue services. The USPA revenues consist of harbour fees (tonnage, wharfage, anchorage, sanitary), ice passing dues, pilotage fees,

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[162] Current aviation rules on "Entry, Transit and Departure of Aircrafts" online information. Viewed at: http://www.avia.gov.ua/documents/arhiv_sajtu/30375.html.

[163] Pan-European Transport Corridors – agreed in 1994 (Crete) and 1997 (Helsinki).

[164] Cabinet of Minister's Regulation No. 466-p of 26 June 2013 "on the List of Sea Ports of Ukraine that are open for foreign vessels".

[165] Ukraine's Permanent Representative to IMO online information. Viewed at: http://uk.mfa.gov.ua/en/ukraine-imo/legal-acts.

[166] No. 176/95-BP of 23 May 1995 (as amended on 11 August 2013).

[167] Cabinet of Ministers' Order No. 814 of 8 June 1998 "on Improving Technical, Classification and Navigable Surveillance on the Sea and River Transport".

[168] Cabinet of Ministers' Order No. 1069 of 26 September 1997.

[169] Article 4, Sea Ports Law.

[170] Cabinet of Ministers' Decree No. 133-p of 4 March 2013 "on Approval of Proposals as to the Reorganization of the State-Owned Maritime Transport Enterprises"; and Ministry of Infrastructure Order No. 163 of 19 March 2013 "on Measures to Restructure State-Owned Maritime Transport Enterprises and Establishment of the State Enterprise 'Ukrainian Sea Ports Authority'".

rent and other charges. Tariffs for USPA port services[171] are regulated by the Ministry of Infrastructure.[172] USPA financing of infrastructure projects comes from the state budget. The captain of the seaport must be a Ukrainian citizen. Services, such as rescue operations, navigation support and pollutant spill prevention may only be provided by state-owned enterprises, institutions and organizations.[173]

4.139. Each port has a reorganized state-owned port operator ("state stevedoring company"); the USPA is not engaged in stevedoring operations. The state stevedoring companies use USPA berths for their operation and own the infrastructure for transhipment and other operations. In most ports, the state stevedoring company is in competition with private stevedoring companies, which either rent berths from USPA or build their own berths.[174] The share of state stevedoring companies in freight transhipment compared with private companies decreased from 100% in 1991 to 34% in 2014. The state stevedoring companies handle mainly metals and coal, while grains are mostly handled by private enterprises.

4.140. According to the new Sea Ports Law, all Ukrainian seaports and property remain in state ownership. However, the new law envisages privatization of "non-strategic" port facilities (i.e. facilities other than hydraulic structures, common use infrastructure facilities, navigation equipment and data systems[175]) and the lease or concession of other port infrastructure (e.g. berths, rail and motor driveways, communication lines, heat, gas, water and power supply facilities, and utility lines).[176] According to Cabinet of Ministers' Resolution No. 271[177], 13 ports (state enterprises) were slated for privatization in 2015, after their exclusion from the list of stated-owned property that cannot be subject to privatization.[178] Furthermore, a "Strategy for Ukraine's Seaports Development until 2038" was adopted in 2013.[179]

4.141. The three largest ports (Yuzhny, Odessa and Illichivsk) accounted for 63% of Ukraine's total seaport cargo turnover in 2014 (Table A4.6). Yuzhny is the deepest port (draft up to 18.5 meters) and the only one capable of accommodating Cape-size vessels. Other deep-water ports able to accommodate Panamax vessels are Odessa, Illichivsk and Mykolayiv. Odessa and Illichivsk are also home to the main container terminals. The Odessa port has a capacity to handle over 900,000 TEU containers and up to 4 million tourists a year.[180] Yuzhny port introduced an electronic data interchange system in 2014, whereby ships are permitted to call at the port and begin loading/unloading before border and customs control ("free practice").

4.142. According to Article 32 of the Merchant Shipping Code, for a vessel to fly the Ukrainian flag, it must be state-owned or owned by a Ukrainian individual or a legal entity established solely by Ukrainian owners. Vessels must be registered in the State Register or Vessel Register Book.[181] Registration of maritime vessels in the State Register is carried out by the seaport captains. River vessels and vessels that are not subject to supervision by the Classification Society are registered in the Vessel Register Book by the State Inspection for Maritime and River Transport Safety (Ukrmorrichinspektsiya). Fishing vessels are registered by the State Agency for Fisheries. The fees for registration in the State Register or Vessel Register Book were approved by the Order of the Ministry of Infrastructure No. 93 of 27 March 1998 (as amended 9 December 2011). Vessels must

[171] Cabinet of Ministers' Order No. 405 of 3 June 2013 "on List of Specialized Services Provided in the Seaports by the Subjects of Natural Monopolies".
[172] Article 21, Sea Ports Law.
[173] Article 19, Sea Ports Law.
[174] *Ukraine's Top-100 SOEs*, Report by the MEDT, April 2015.
[175] As defined in Article 1, para 1 (14), Sea Ports Law.
[176] Port Strategy online information. Viewed at: http://www.portstrategy.com/news101/world/europe/ukrainian-port-reforms-open-up-privatisation#sthash.Gq6AQl9k.dpuf.
[177] Cabinet of Minister's Resolution No. 271 of 12 May 2015 "on Conducting a Transparent and Competitive Privatization in 2015".
[178] The full list of the state property that cannot be privatized was adopted by the Cabinet of Minister's Resolution No. 847-XIV of 7 June 1999.
[179] Cabinet of Ministers Decree No. 548-p of 11 July 2013.
[180] Odessa Seaport Authority online information. Viewed at: http://uspa.gov.ua/ods/?lang=en.
[181] Articles 21 and 26, Merchant Shipping Code; Order of the Ministry of Infrastructure No. 524 of 26 July 2013 "on Adoption of the Licence Conditions of Providing Passengers, Dangerous Cargo and Baggage Transportation by River and Sea Transport"; Order of the Ministry of Infrastructure No. 316 of 14 June 2000 "on Adopting the Procedure of Assignment of the IMO Identification Number to Vessels that are Navigating under the Flag of Ukraine".

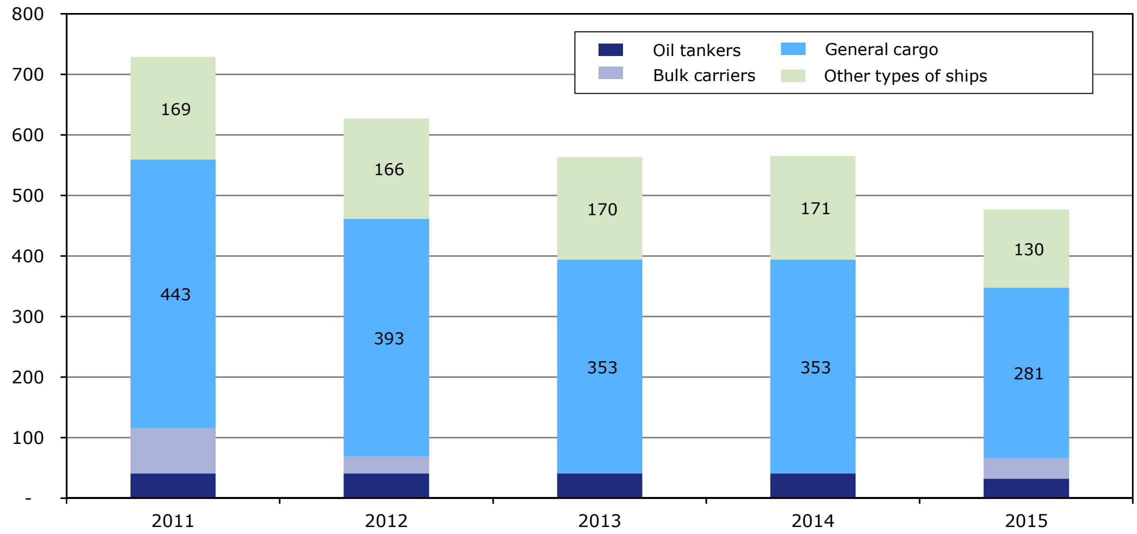
have mandatory insurance cover (including third-party liability insurance for marine carriers, insurance of the water transport, liability insurance for transport of dangerous goods, and water transport owners' liability insurance).[182] Documents required under Article 35 of the Merchant Shipping Code include the certificate of the right to navigate under the Ukrainian flag (vessel's patent); certificate of ownership; classification certificate.

4.143. Ukraine does not have an international shipping register, according to the authorities. International shipping services may be provided by foreign vessels under conditions of reciprocity.[183] Cabotage by foreign vessels is allowed, subject to obtaining a permit from the Ministry of Infrastructure.[184]

4.144. The size of the Ukrainian maritime fleet amounted to 477 vessels in 2015, down from 729 ships in 2011 (Chart 4.8). The largest ferry company currently operating along the Dnieper River from Kyiv to the Black Sea and beyond is the Shipping Company Ukrferry, a national carrier since 2002.[185] Another major national carrier is the Ukrainian Danube Shipping Company (UDP) with a fleet of 600 vessels. The UDP operates on the 2,400 km section from the mouth of the Danube River up to the port of Kelheim, Germany. There are several other privately-owned shipping companies based or represented in Ukraine (including Ukrrichflot, Farcont, NBS Maritime Agency, Ukrainian Multimodal Company, ZIM Ukraine, and Mediterranean Shipping Company).

Chart 4.8 Ukrainian Maritime Fleet, 2011-15

(Thousand dead weight tonnes)



Source: UNCTAD Stat. Viewed at: http://unctadstat.unctad.org/.

4.5.3.3 Railway transport

4.145. Ukraine has one of the largest railway networks in Europe with links to the Russian Federation, Belarus, Moldova, Poland, Romania, Slovak Republic and Hungary, as well as the Ukrainian seaports.[186] Four of the ten pan-European transport corridors cross Ukraine.

4.146. The State Administration of Railway Transport of Ukraine (Ukrzaliznytsia) is responsible for the administration of the public railway system comprising six regional railways.[187] Its fleet

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[182] Para. 3, Chapter II, "Licensing Conditions of Providing Passengers, Dangerous Cargo and Baggage Transportations by River and Sea Transport".
[183] Article 132, Merchant Shipping Code.
[184] Article 131, Merchant Shipping Code.
[185] Shipping Company Ukrferry online information. Viewed at: http://www.ukrferry.com/eng/about.
[186] The operating length of the main tracks is about 21,000 km, including approx. 9,900 km of electrified tracks. There is a difference in the gauge used in Ukraine (1520 mm) and the standard gauge used in most EU member States (1435 mm). Ukrzaliznytsia online information. Viewed at: http://www.uz.gov.ua/about/general_information/.
[187] Donetsk, L'viv, Odessa, Pivdenna, Pivdenno-Zakhidna and Pridniprovska Railways.

includes approximately 4,000 locomotives and a rolling stock of about 123,000. With over 300,000 employees, Ukrzaliznytsia is currently one of the largest employers in Ukraine, including (non-core) activities, such medical facilities and engineering research institutions.

4.147. Ukrzaliznytsia is accountable to the Ministry of Infrastructure, which appoints its management and sets passenger and freight fares. The methodology for fare calculations is established by Ministry of Infrastructure Order No. 170 of 19 March 2012 for domestic connections and Order No. 306 of 19 March 2008 for international connections. Based on current tariffs, the most profitable lines of cargo business are metals, machinery, light oil products, alcohol, acids and oxides, followed by oil and heavy oil products, construction materials, grain, coke, timber and food. The least profitable are coal, fertilizers, cement, ores, salt, limestone and sugar beet. Passenger transportation remains loss-making. Some 25 passenger categories are entitled to reduced fares. Although Article 9 of the Law "on Railway Transport" provides that losses for the transportation at preferential rates shall be reimbursed from the state or local budgets, reimbursements do not cover accrued losses.[188]

4.148. The Resolution of the Cabinet of Ministers No. 1390 of 16 December 2009 "on the State Programme for Reform of the Railway Transportation System in 2010-2019" provides for a three-stage reform programme. The first stage (2012-13) was aimed at corporatization of Ukrzaliznytsia[189], to be followed by modernization of the legal framework, and mechanisms to end cross-subsidization between freight and passenger transport and other activities. To date, the PJSC Ukrainian Railways has not yet been established.

4.149. Ukrzaliznytsia accounts for about 60% of cargo transport and 38% of passenger transport volumes. Private operators have gradually increased their market share in different railcar segments. Overall, private companies account for approximately 40% of the total freight car fleet (with about 70% in the tank car segment, 50% for open cars, and 5-10% for hoppers, platform and box cars).[190] The largest private operator is Lemtrans with a fleet of more than 18,000 open railcars. Smaller operators with around 1,000-2,000 cars include Poltavskiy GOK (iron ore producer), Investment Railcar Company, InterLeaseInvest, VTB Leasing Ukraine, Azot, Metinvest Shipping, and Transgarant Ukraine.

4.150. Ukraine has scheduled an MFN exemption under the GATS with respect to passenger and freight transport by rail. Full commitments were made with respect to maintenance and repair of railway transportation equipment, and supporting services for railway transportation services.

4.5.3.4 Road transport

4.151. Ukraine is an important transit country for international carriages. Ukraine is a member of the European Conference of Ministers of Transport (ECMT) and participates in its quota system for the operation of heavy goods vehicles between ECMT countries. Road transport accounted for approximately 70% of total freight in 2014 (Table 4.8).

4.152. The Ministry of Infrastructure is responsible for road transport policy. The development of road transport is elaborated in the "State Economic Target Programme for Public Automobile Road Development for 2013-2018" (Cabinet of Ministers' Resolution No. 696 of 11 July 2013).[191]

4.153. The State Inspectorate of Ukraine on Land Transport Security (Ukrtransinspection), currently the central executive body responsible for city transport and road transport safety, is to be merged with the State Inspectorate on Maritime and River Transport Safety, to form the new State Service for Transport Safety (Ukrtransbezbeka).

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[188] See Ministry of Economic Development and Trade of Ukraine (2015).
[189] Cabinet of Ministers' Resolution No. 200 of 25 June 2014 "on the Incorporation of Public Joint Stock Company 'Ukrainian Railways' (Ukrzaliznytsia)".
[190] See Ministry of Economic Development and Trade of Ukraine (2015).
[191] World Bank online information. Viewed at: http://www.worldbank.org/en/results/2014/04/15/improving-the-condition-of-the-m-03-highway-and-increasing-road-safety-in-ukraine; and http://www.worldbank.org/projects/P127156/second-road-safety-improvement-project?lang=en.

4.154. The road transport network (100% state-owned) is managed by the State Road Agency of Ukraine (Ukravtodor). A special fund for road repairs is financed from excise and import duties on petroleum products and vehicles, as well as charges for vehicles that exceed the normal road load.[192] In 2015, Hrv 20.8 billion were allocated to Ukravtodor, of which Hrv 17.4 billion were to be used for repaying the company's debts and Hrv 3.4 billion for road maintenance and development.[193]

4.155. The legal framework comprises, *inter alia*, the laws "on road transport" (No. 2344-III of 5 April 2001); "on road movement" (No. 3353-XII of 30 June 1993); "on motorways" (No. 2862-IV of 8 September 2005); and "on sources of financing road maintenance" (No. 1562-XII of 18 September 1991). Important implementing orders include: "on rules for providing passenger transportation services via roads" (No. 176 of 18 February 1997); "on cargo transportation rules via roads in Ukraine" (No. 363 of 14 October 1997); "on the system of management, issue, use and registration of permits for international transportation of passengers and freight by road" (No. 757 of 20 August 2004); "on the procedure for organization of regular, irregular and shuttle passenger transportation by automobile transport in international traffic" (No. 75 of 9 February 2004); and "on the procedure for tender and issuance of permits under the European Conference of Ministers of Transport (No. 757 of 20 August 2004).

4.156. To provide road transportation services, carriers must be registered as a legal entity and are subject to activity licensing. Cabotage is permitted (passengers and cargo), subject to a permit from Ukrtransinspection (Article 57 of the Law on Road Transport). Some transportation fares remain government-regulated.

4.157. Ukrtransinspection issues permits for international passenger and freight transport, in accordance with international commitments within the annual quotas agreed by the Ministry of Infrastructure with foreign countries.[194] In 2014, an automatic distribution of permits for international road transport was launched, which allows Ukrtransinspection to share information with the customs authorities and enables the Ministry of Infrastructure to track vehicles and permits. On the Ukrtransinspection website, a carrier can check in real-time permit-related information and the balance left.

4.158. Ukraine has made commitments (mode three) for passenger and freight transportation services, which are conditioned by the requirement to register as a legal entity. Market access under mode one is unbound, as Ukraine has scheduled an MFN exemption with respect to passenger and freight transport by road. In addition, Ukraine made "full" commitments with respect to rental of commercial vehicles with operator, maintenance and repair of road transport equipment, and supporting services for road transport services.

4.5.4 Telecommunications and postal services

4.159. The State Service of Special Communications and Information Protection is responsible for government policies in the areas of telecom services and use of radio frequency resources. The policy objectives are to stimulate the development of telecommunications networks using the latest technology; to develop the regulatory framework; and to ensure effective use of radio frequency resources.

4.160. Ukraine has made commitments under the GATS to provide open and non-discriminatory access to its telecoms market covering all subsectors and modes of supply, except mode four. It also undertook to respect the principles of the WTO Reference Paper on basic telecommunications services.[195]

4.161. Liberalization of the telecoms market and opening-up to competition began with the adoption of the Law "on Communication" in 1995. Ukrtelecom (the incumbent) was corporatized in 2000 and privatized in 2011. In a market for telecom services that reached over Hrv 52 billion in recent years (Chart 4.9), the main operators in 2015 were Kyivstar, MTS Ukraine, Ukrtelecom, and

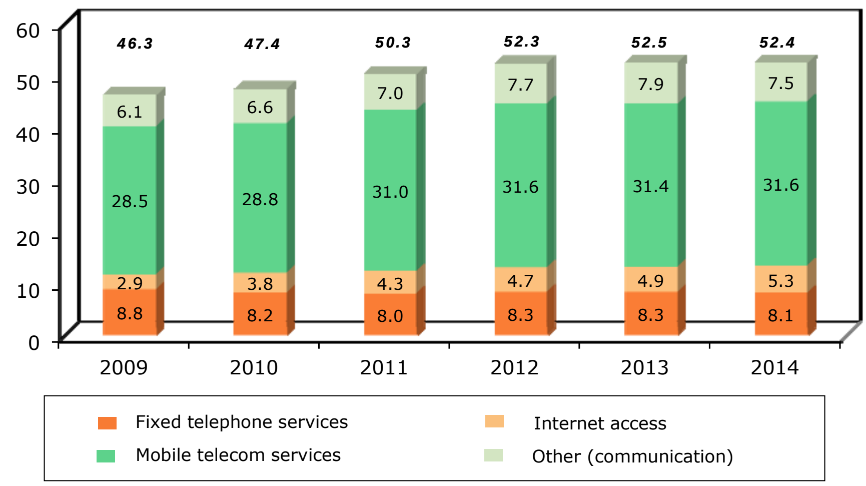
[192] Article 3, Law No. 1562-XII of 18 September 1991 "on the Source of Financing Road Maintenance".
[193] See Ministry of Economic Development and Trade of Ukraine (2015).
[194] Order of Mininfrastruktury No. 757 of 20 August 2004 "on Ordering System of Management, Issue, Use and Registration of Permits for International Transportation of Passengers and Freight by Road".
[195] WTO document GATS/SC/144, 10 March 2008.

Astelit (Chart 4.10). Ukrtelecom was the dominant operator for fixed-line telecom services with approximately 40% market share.

4.162. Three operators – Kyivstar, MTS Ukraine, and Astelit, which operates under the "life:)" brand – provided mobile telecom services with national coverage on 2G networks.[196] The mobile penetration rate was estimated at 144.1 per 100 inhabitants at the end of the first half of 2015, based on 61.7 million mobile telecom subscribers. On 23 February 2015, MTS Ukraine, Kyivstar and life:) obtained licences through tender (valid for 15 years) for providing 3G mobile internet services. On 4 June 2015, life:) became the first operator to offer such services in Ukraine. In the internet market segment, there were 6.1 million subscribers, of which 5.0 million were broadband subscriptions (end-July 2015). Ukrtelecom had a market share in the broadband internet market of approximately 31%. Internet service providers (ISPs) are generally dependent on leased lines from Ukrtelecom, which owns most of the infrastructure. The level of internet penetration increased to 14.1 per 100 inhabitants by the end of the first half of 2015.

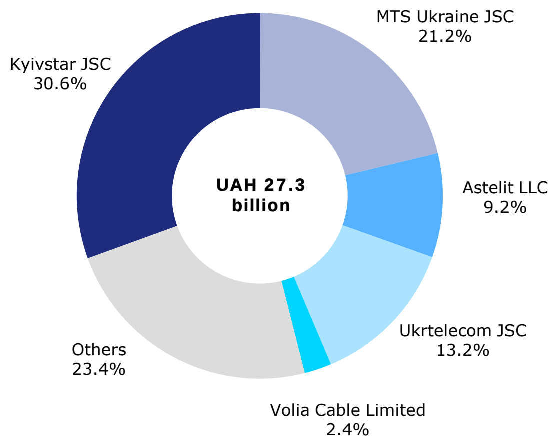
Chart 4.9 The market for telecom services, by revenue, 2009-14

(UAH billion)



Source: Information provided by the authorities of Ukraine.

Chart 4.10 Market shares of the major telecom operators, January-July 2015



Source: Information provided by the authorities of Ukraine.

4.163. The telecoms market is regulated by the National Commission for State Regulation of Communications and Informatization (NCCIR), established by Presidential Degree No. 1067/2011

[196] TriMob (a subsidiary of Ukrtelecom) is currently not active.

of 23 November 2011, as amended in 2014.[197] The NCCIR is subordinate to the President and accountable to the Verkhovna Rada, and is financed through the state budget. The powers of the National Commission cover both technical and economic regulation of the sector, including licensing, tariffs, and dispute resolution.

4.164. The regulatory framework is based on Law No. 1280-IV of 18 November 2003 "on Telecommunications" (Telecommunications Law) and Law No. 1770-III of 1 June 2000 on "Radio Frequency Resource of Ukraine". The Telecommunications Law allows natural and legal persons resident in Ukraine and registered (Article 42) to provide telecommunications services, and to operate, service or own telecommunications networks. Important regulations include the "Rules on Providing and Receiving of Telecommunication Services"[198] and the "Rules on Rendering Business Activity in the Telecommunication Services Sector (Rules on Rendering Internet access)".[199]

4.165. Licensing is required for local, long-distance and international telecommunication services via fixed-line or mobile networks, with the right to maintain and operate telecom networks and lease communications channels; for the provision of maintenance support services; and for the operation of telecom networks, networks of terrestrial TV/radio broadcasting, and cable radio and television networks. Licences are generally granted by NCCIR on a non-competitive basis. In some cases, a licence may be granted on a competitive basis, e.g. if the NCCIR limits the number of licences. According to the Law No. 222-VIII of 2 March 2015 "on Licensing of Certain Types of Economic Activity", licensing of telecom services will be cancelled on 1 January 2018.

4.166. Some telecom services are subject to price (tariff) controls. The NCCIR establishes fixed tariffs or tariff caps for the following services: public telecom services (including fixed-line local telephone communications within a given area code); tariffs for leased lines owned by operators with significant market power; fees for traffic access services to the telecom networks belonging to operators with significant market power; and tariffs for leased telecommunication cables.

4.167. The NCCIR is required to assess the level of competition by identifying (at least once every two years) individuals or legal entities with significant market power, defined as operators and telecom services providers whose gross annual revenues in the relevant telecom services market exceed 25% in the year under review.[200] The Antimonopoly Committee of Ukraine determines whether any of the operators or providers have a dominant position and exercises the merger control.[201]

4.168. Interconnection rates are negotiated between operators, failing which rates are established by the regulator through a pre-trial dispute resolution mechanism.[202] The procedures for settling of disputes are set out in the rules on interconnection of public telecommunications networks, approved by NCCIR Decision No. 155 of 8 December 2005 (as amended by the NCCIR Decision No. 174 of 31 March 2015). Telecom operators with significant market power are required to submit interconnection offers for approval by the NCCIR (published by NCCIR at least once a year).[203] Domestic roaming services are largely un-regulated[204] and currently not offered by operators. Ukraine is in the process of implementing number portability to stimulate competition.[205] A draft law on regulating mobile virtual network operators is under preparation, according to the authorities.

[197] Presidential Decree No. 862/2014 of 7 November 2014. The State Committee for Communications and Informatization was the first telecom regulator (until 1 January 2005), replaced by the National Committee for Communication Regulation (NCCR) and later replaced by the NCCIR.

[198] Approved by Cabinet of Ministers' Resolution No. 295 of 11 April 2012.

[199] Approved by NCCIR Decision No. 803 of 10 December 2013.

[200] NCCR's Decision No. 444 of 25 August 2011 "on Analyses of the Markets for Traffic Termination and Definition of the Telecommunication Operators Having Significant Market Power" (the Market Definition Regulation).

[201] Article 37.4, Telecommunications Law.

[202] Article 61, Telecommunications Law.

[203] Chapter IX, Telecommunications Law.

[204] NCCIR Decision No. 429 of 25 August 2011 establishes a procedure "on provision of national roaming services".

[205] NCCIR Decision No. 394 of 31 July 2015 "on Approval of the Provision of Transfer of Subscriber Numbers".

4.169. In under-serviced regions, the regulator may impose universal (public) service obligations on telecom operators with significant market power or on regional fixed-line operators, using the compensation mechanism established by the Cabinet of Ministers under Article 64 of Telecommunications Law. Universal service obligations are with respect to fixed-line local telephone calls, emergency calls and information services, and public payphones. The public services may be provided using both wired and/or wireless access technology.

4.170. The use of radio frequencies for telecom services is subject to licensing according to the Law on "Radio Frequency Resource". The state-owned enterprise "Ukrainian State Centre of Radio Frequencies (UCRF)" is responsible for the allocation and use of radio frequency spectrum. The NCCIR establishes tariffs for works and services of the UCRF. Licences for frequency spectrum are awarded on a competitive basis, where demand exceeds availability. The allocation of frequency spectrum is carried out in accordance with the Plan of Radio Frequency Resources.[206]

4.171. Ukraine has made GATS commitments on postal and courier services including express delivery, which apply to commercial operators regardless of ownership (private and state). The covered services are structured according to the handling items such as addressed mail, addressed parcels and packages, registered items, non-addressed items, express delivery services, etc. Simple letters weighing less than 50 grams and postcards are excluded from the commitments. For all listed services supplied through modes 1, 2 and 3, Ukraine has guaranteed full national treatment. With respect to market access under modes 1, 2 and 3, Ukraine has indicated in its GATS schedule that the services relating to the handling of addressed written communications, addressed parcels and packages and addressed press products may be subject to licensing, which may require operators to undertake universal service obligations and/or contribution to a compensation fund. For the supply of other services in the sector, including express delivery, Ukraine has committed to fully liberalize the market.

4.172. Postal services are governed by the Law "on Postal Services"[207] and the Rules on Rendering Postal Services[208], which are based on the convention and resolutions of the Universal Postal Union. The state-owned postal operator Ukrposhta operates, *inter alia*, on the basis of Decree No. 10 of 10 January 2002 of the Cabinet of Ministers. The NCCIR sets the tariffs for universal postal services provided by Ukrposhta based on the cost of the services and the inflation rate.[209] Tariffs were recently adjusted by the NCCIR's Decision No. 193 of 7 April 2015.[210] Tariffs for other postal services are market-determined.[211]

4.173. In 2015, the Ministry of Infrastructure announced plans to amend the Law "on Postal Services" to align it with the requirements of the Association Agreement and the acquis of the European Union.

4.174. The size of the Ukrainian market for domestic postal services was estimated at Hrv 2.8 billion in 2013, according to the authorities. Revenues from postal services at the end of the first half of 2015 were Hrv 1,574.3 million, excluding courier services. The market leader is the national postal operator Ukrposhta (with an estimated market share of 42% in 2013), followed by Nova Poshta (20%) and Meest Express (7%). Ukrposhta offers around 50 services, primarily delivery of pensions, universal postal services, other postal services and distribution of periodicals.[212]

4.175. The market for courier services has been fully liberalized, according to the authorities. There are several private postal services providers that engage in commercial activities, such as the delivery of postal items and postal transfers. Licensing of the activities for sending of postal money orders, ordinary and registered letters, postal cards, wrappers and parcels up to 30 kg was cancelled pursuant to the Law No.2608-VI of 17 November 2010 "On introduction of amendments to certain laws of Ukraine regarding limitation of State regulation of economic activity". The Law

[206] Approved by the Cabinet of Ministers' Resolution No. 815 of 9 June 2006, as amended in 2015.
[207] Law No. 2759-III of 4 October 2001.
[208] Approved by the Cabinet of Ministers' Resolution No. 270 of 5 March 2009.
[209] Article 9, Law "on Postal Services".
[210] NCCIR's Decision of 7 April 2015 No. 193 "on Adapting the Threshold Tariffs for Universal Postal Services", in force as of 1 May 2015.
[211] Article 13, Law "on Postal Services".
[212] See Ministry of Economic Development and Trade of Ukraine (2015).

"On postal services" was also amended to cancel the licensing requirement. At present, a registration (authorisation) procedure for postal companies providing postal services does not exist.

4.176. The State Enterprise of Special Communications is a member of the EMS Cooperative of the Universal Postal Union (UPU) and has the exclusive right to transfer Express Mail Service (EMS).[213] The enterprise is under the supervision of the State Service for Special Communications and Information Protection.

4.5.5 Tourism

4.177. In 2013, 24.7 million foreign tourists visited Ukraine (compared with 23.0 million in 2012). Ukraine was ranked the world's number 14 in terms of international tourist arrivals. Tourism receipts amounted to US$5.1 billion in 2013 (compared with US$4.8 billion in 2012). In 2014, however, tourist arrivals dropped to 12.7 million. Ukraine's main tourist destinations are Kyiv, Odessa and Lviv.

4.178. The basic legal framework for tourism comprises the Law "on Tourism" No. 324/95-BP of 15 September 2015 (as amended) and the Law "on Licensing of Economic Activity". The Ministry of Economic Development and Trade is responsible for the tourism policy, which is based on the following documents:

a. The Sustainable Development Strategy "Ukraine-2020" aimed at creating a brand name for Ukraine as an attractive tourist destination (Presidential Decree No. 5/2015 of 12 January 2015);

b. An Action Plan for the implementation of the Association Agreement with the EU for 2014-17 (Decree of the Cabinet of Ministers No. 847 of 17 September 2014). This programme involves implementation of EU Council Directive No. 90/314 of 13 June 1990 "on organized tourist trips, holidays with a full range of services and package tours", along with amendment of the Law "on Tourism" and the development of technical regulations and national standards; and

c. A programme for the development of the sports and tourism infrastructure for 2011-22 (Cabinet of Ministers' Resolution No. 707 of 29 June 2014).

4.179. Ukraine has made "full commitments"[214] under GATS for three sub-sectors (hotel and restaurants; travel agencies and tour operator services; and tourist guide services).

4.180. Hotel classification is based on the State Standard No. 4269 of 2006 on "Tourism Services – Hotel Classification", which defines the requirements. The standard is implemented through self-classification. According to the Register of Certificates, there were 288 hotels with valid certificates in 2014 (five stars – 36; four stars – 64; three stars – 122; two stars – 35; one star - 31). The restaurant sector is non-regulated.

4.181. Tour operators are licensed by the Ministry of Economic Development and Trade, while travel agencies are not subject to licensing. As of 1 November 2015, there were 2,471 licensed tour operators, of which 368 were licensed to engage only in the area of internal or inbound tourism. Tour guide activities are currently non-regulated, as the local authorities have stopped issuing tour guide licences. The Ministry of Economic Development and Trade is working on a new mechanism for regulating the activities of tour guides.

4.182. Foreign and Ukrainian tourists, except business travellers, are charged a tourist tax of 0.5-1% of the bill (excluding VAT), which provides the means for local communities to finance tourism and resort development. Tourist tax collections amounted to Hrv 24.8 million in 2014.

[213] EMS is a supplementary postal service only for UPU designated postal operators (with one EMS provider per UPU member country).

[214] No limitations on market access and national treatment in modes one to three (mode four is unbound).

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5 APPENDIX TABLES

Table A1. 1 Basic economic indicators, 2008-15

	2008	2009	2010	2011	2012	2013	2014	2015
Output[a]								
Real GDP growth (in constant prices of 2007)	2.2	-15.1	4.1	5.5	0.2	0.0	-6.8	-15.8
Nominal GDP (current market prices, hryvnias billion)	990.8	947.0	1,079	1,300	1,405	1,465	1,567	817.2
Nominal GDP (current market prices, US$ billion)	188	122	136	163	176	183	132	38.2
of which (% of GDP)								
Agriculture, forestry and fishing	6.5	6.9	7.4	8.2	7.8	8.8	10.3	5.1
Mining and quarrying	5.4	4.2	5.9	6.5	5.8	5.5	5.1	5.3
Manufacturing	15.9	14.3	13.2	11.9	12.4	11.3	11.4	11.8
Electricity, gas, steam and air conditioning supply	2.7	3.1	2.8	3.1	3.1	2.9	2.9	3.2
Water supply; sewerage, waste management and remediation activities	0.8	0.5	0.7	0.6	0.5	0.4	0.5	0.5
Construction	3.3	2.6	3.3	3.0	2.8	2.5	2.2	1.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	13.1	13.6	14.4	14.9	14.3	14.5	14.2	14.4
Transportation and storage	6.9	8.1	7.7	7.9	7.0	7.1	7.0	7.5
Education	4.4	5.2	4.9	4.6	5.1	5.3	4.9	4.8
Human health and social work activities	2.9	3.6	3.6	3.2	3.5	3.3	3.5	3.7
Financial and insurance activities	6.9	5.4	5.7	4.5	4.3	4.5	4.5	4.6
Real estate activities	5.3	5.5	5.3	5.3	5.9	6.5	6.5	6.8
Public administration and defence; compulsory social security	4.6	5.0	4.6	4.1	4.3	4.7	4.8	4.8
Other kinds of economic activities	8.8	9.6	8.9	8.5	9.6	10.3	9.2	9.0
Net taxes on products	12.5	12.4	11.6	13.7	13.6	12.4	13.0	16.6
Consolidated government finances (% of GDP)[b]								
Revenues	31.4	29.9	29.1	30.7	31.7	30.4	29.1	28
Expenditures	32.6	33.7	35.0	32.1	35.1	37.8	33.4	27.2
Lending less repayments	0.3	0.3	0.1	0.4	0.3	-3.0	0.3	0.2
Deficit (−), Surplus (+)	-1.5	-4.1	-6.0	-1.8	-3.6	-4.4	-4.6	0.6
External sector (in US$ billion, unless otherwise indicated)								
Current account[b]	-12.8	-1.7	-3.0	-10.2	-14.3	-16.5	-4.6	-0.002
% of GDP	..	..	-2.2	-6.3	-8.2	-9.0	-3.5	..
Goods and services (net)[b]	-14.4	-2.0	-4.0	-10.1	-14.3	-15.6	-4.6	-0.4
Goods (net)[b]	-17.5	-5.3	-9.6	-18.0	-21.8	-22.1	-7.1	-2.0
Exports[b]	63.2	37.1	47.3	62.4	64.4	59.1	50.6	26.1
Imports[b]	80.6	42.5	56.9	80.4	86.3	81.2	57.7	28.1
Services (net)[b]	3.1	3.4	5.6	7.9	7.5	6.5	2.5	1.6
Exports[b]	19.3	14.9	18.3	21.3	22.1	22.6	14.9	9.1
Imports[b]	16.2	11.6	12.7	13.4	14.6	16.1	12.4	7.5
of which:								
Transport (net)	1.1	2.8	3.9	5.5	4.7	4.4	3.3	..
Travel (net)	1.7	0.2	0.0	-0.2	-0.3	-0.7	-3.4	..
Telecommunications, computer, and information services (net)	0.1	0.2	0.4	0.6	0.8	1.0	1.5	..

	2008	2009	2010	2011	2012	2013	2014	2015
Other business services (net)	-0.2	0.0	0.8	0.9	1.1	1.2	1.0	..
Capital account[b]	0.0	0.6	0.2	0.1	0.0	-0.1	0.4	0.5
Financial account[b]	-12.2	-0.8	-7.9	-7.7	-10.1	-18.6	9.1	0.5
Total remittances (US$ billion)	6.2	5.4	5.9	7.0	7.5	8.5	6.5	..
% of GDP	3.4	4.6	4.3	4.3	4.3	4.7	4.9	..
FDI flow into Ukraine (US$ billion)[b]	10.9	4.8	6.5	7.2	8.2	4.5	0.8	2.2
FDI stock in Ukraine (US$ billion)	47.0	52.0	58.0	66.3	75.0	78.9	63.8	..
Gross external debt, US$ billion[a]	101.7	103.4	117.3	126.2	134.6	142.1	126.3	127.0
% of GDP[a]	55.9	88.3	86.2	77.4	76.6	77.5	95.1	122.8
International reserves (end of period), US$ billion[c]	31.5	26.5	34.6	31.8	24.5	20.4	7.5	13.0
International reserves in months of imports[c]	6.7	4.6	4.4	3.8	3.0	3.5	1.9	2.8
Hryvnias/US$ (end of period)[d]	7.700	7.985	7.962	7.990	7.993	7.993	15.769	22.904
Real effective exchange rate (percentage change: (-) depreciation)	9.0	-16.1	2.6	0.4	2.4	-3.1	-21.4	..
Nominal effective exchange rate (percentage change: (-) depreciation)	-7.2	-25.1	-2.6	-1.9	6.7	0.8	-26.7	..
Memorandum items								
Population ('000)	46.4	46.1	46.0	45.8	45.7	45.6	45.4	42.9
Unemployment rate (%) based on ILO methodology (working age)[a]	6.9	9.6	8.8	8.6	8.1	7.7	9.7	9.6
Inflation (CPI, percentage change)	25.2	15.9	9.4	8.0	0.6	-0.3	12.1	49.9

.. Not available.

Note: The data generally exclude the Crimea from 2008 (BOP data from 2010).

a January-June 2015.
b January-September 2015.
c As of 1 November 2015.
d As of 30 October 2015.

Source: National Bank of Ukraine, online information and Annual Reports 2012, 2013, and 2014; IMF online information, "International Financial Statistics". Viewed at: http://elibrary-data.imf.org/DataExplorer.aspx; UNCTAD STAT. Viewed at: http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx; UNCTAD, *World Investment Report 2015*; and information provided by the authorities.

Table A1. 2 Merchandise exports by product group, 2008-14

(US$ million and %)

	2008	2009	2010	2011	2012	2013	2014
Total (US$ million)	66,952	39,696	51,430	68,393	68,695	63,321	53,913
	(% of total)						
Total primary products	29.9	37.2	35.6	36.8	39.7	41.6	45.9
Agriculture	16.9	25.0	20.4	19.7	26.9	28.1	32.5
Food	16.1	23.8	19.2	18.7	25.9	26.8	30.7
4215 Sunflower seed or safflower oil, and their fractions	2.4	4.1	4.6	4.6	5.7	5.2	6.6
0449 Other maize, unmilled	1.0	2.5	1.5	2.9	5.6	6.0	6.2
0412 Other wheat (including spelt) and meslin, unmilled	2.4	4.5	1.8	1.6	3.4	3.0	4.2
0813 Oil-cake, oilseed residues	0.4	0.7	0.8	0.8	1.1	1.2	1.8
2226 Rape, colza, mustard seeds	1.9	1.8	1.3	1.0	1.2	1.9	1.6
0430 Barley, unmilled	2.1	1.8	1.4	0.8	1.0	0.9	1.6
2222 Soya beans	0.1	0.2	0.3	0.7	1.0	1.2	1.3
Agricultural raw material	0.9	1.2	1.1	1.1	1.0	1.3	1.8
Mining	13.0	12.3	15.2	17.1	12.9	13.5	13.4
Ores and other minerals	5.5	5.9	7.2	8.0	6.9	8.4	9.0
2815 Iron ores and concentrates, not agglomerated	1.7	1.7	2.9	3.4	2.6	3.3	3.2
2816 Iron ore agglomerates (sinters, pellets, briquettes, etc.)	1.3	1.4	1.9	2.1	2.0	2.6	2.9
Non-ferrous metals	1.3	1.0	0.9	0.8	0.7	0.6	0.7
Fuels	6.1	5.4	7.1	8.3	5.3	4.5	3.7
Manufactures	69.6	61.9	63.7	62.6	59.6	57.4	53.6
Iron and steel	38.0	29.0	30.9	29.8	25.2	25.5	25.6
6726 Semi-finished iron/steel products <0.25% carbon	8.9	6.8	8.2	7.7	5.1	5.7	5.7
6732 Flat, hot-rolled products, iron/steel, not clad/plated/coated	0.0	0.0	0.0	3.5	2.4	2.5	2.5
6762 Bars/rods (not 676.1) iron/steel, hot-rolled, etc.	0.2	0.1	0.1	2.3	2.3	2.4	2.5
6727 Semi-finished iron/steel products ≥0.25% carbon	3.8	3.0	2.2	1.7	2.8	2.6	2.3
6715 Other ferro-alloys (excl. radio-active ferro-alloys)	2.1	1.6	2.0	1.3	1.3	1.4	2.0
6712 Pig iron, etc., pigs/blocks/other primary forms	1.1	0.9	1.1	1.2	1.1	1.3	1.5
6791 Tubes, pipes, hollow profiles, seamless, iron/steel	2.1	1.2	1.5	1.5	1.5	1.5	1.4
Chemicals	7.6	6.2	6.7	7.9	7.3	6.4	5.2
5621 Mineral or chemical fertilizers, nitrogenous	2.7	2.0	1.7	2.5	2.4	1.8	1.2
Other semi-manufactures	4.8	5.6	5.0	4.4	4.7	5.2	5.2
Machinery and transport equipment	15.9	16.6	17.3	16.9	18.8	16.2	13.2
Power generating machines	1.1	2.3	2.1	1.8	2.1	2.5	2.5
7148 Gas turbines, n.e.s.	0.5	1.3	1.0	0.9	1.0	1.2	1.3
Other non-electrical machinery	4.1	4.7	4.0	3.5	3.5	3.7	3.1
Agricultural machinery and tractors	0.5	0.2	0.2	0.3	0.3	0.3	0.3
Office machines & telecommunication equipment	1.0	1.2	1.2	1.0	1.2	1.1	1.1
Other electrical machines	3.2	4.3	3.6	3.5	3.3	3.6	3.7
7731 Insulated wire, cable etc.; optical fibre cables	1.0	1.5	1.5	1.6	1.4	1.7	2.2
Automotive products	1.7	0.9	1.0	0.8	0.8	0.5	0.4
Other transport equipment	4.7	3.2	5.4	6.3	8.0	4.8	2.3

	2008	2009	2010	2011	2012	2013	2014
Textiles	0.4	0.5	0.4	0.3	0.3	0.4	0.4
Clothing	1.1	1.4	1.1	1.0	0.8	0.9	1.1
Other consumer goods	1.9	2.6	2.4	2.2	2.3	2.7	2.9
Other	0.5	0.9	0.7	0.6	0.7	1.0	0.5

Source: UNSD Comtrade database, SITC Rev.3.

Table A1. 3 Merchandise imports by product group, 2008-14

(US$ million and %)

	2008	2009	2010	2011	2012	2013	2014
Total (US$ million)	85,448	45,413	60,737	82,608	84,657	76,986	54,381
				(% of total)			
Total primary products	39.1	46.9	46.1	45.9	42.9	41.3	42.3
Agriculture	8.2	11.6	10.3	8.4	9.5	11.3	11.9
Food	7.3	10.5	9.2	7.4	8.5	10.3	10.8
0342 Fish, frozen (excluding fillets and minced fish)	0.4	0.7	0.6	0.4	0.5	0.7	0.7
0441 Maize seed	0.1	0.1	0.2	0.2	0.2	0.3	0.6
0989 Food preparations, n.e.s.	0.4	0.5	0.4	0.3	0.4	0.5	0.6
Agricultural raw material	0.9	1.1	1.1	1.0	1.0	1.0	1.1
Mining	30.9	35.3	35.8	37.5	33.4	30.0	30.5
Ores and other minerals	3.1	2.1	2.4	1.7	1.5	1.5	1.7
Non-ferrous metals	1.0	1.0	1.2	1.2	0.9	1.0	1.0
Fuels	26.7	32.2	32.3	34.6	30.9	27.6	27.8
3432 Natural gas, in the gaseous state	11.0	17.6	15.5	17.0	16.6	15.0	10.5
3212 Other coal, whether or pulverized, not agglomerated	2.5	1.7	2.9	3.3	3.1	2.6	2.9
3250 Coke and semi-coke, etc.; retort carbon	0.6	0.2	0.2	0.1	0.2	0.3	0.6
Manufactures	59.3	52.3	52.9	52.8	56.1	57.5	56.6
Iron and steel	4.1	2.7	3.4	3.6	2.9	3.1	2.6
Chemicals	11.3	15.3	14.2	12.8	13.2	14.5	16.7
5429 Medicaments, n.e.s.	1.9	3.2	2.7	2.3	2.6	2.7	3.0
5711 Polyethylene	0.6	0.8	0.8	0.7	0.6	0.7	0.8
5629 Fertilizers, n.e.s.	0.4	0.4	0.4	0.6	0.6	0.7	0.7
5913 Herbicides and plant-growth regulators, put up for retail sale	0.3	0.3	0.4	0.4	0.5	0.5	0.6
5822 Other plastics, flat shapes, non-cellular and not reinforced, etc.	0.4	0.6	0.6	0.5	0.5	0.5	0.6
Other semi-manufactures	7.2	8.1	8.0	7.2	7.1	7.9	8.4
6429 Articles of paper pulp, paper, etc., n.e.s.	0.4	0.6	0.5	0.4	0.4	0.5	0.6
6417 Cellulose wadding paper and paperboard, coated	0.4	0.6	0.5	0.4	0.4	0.5	0.6
Machinery and transport equipment	29.9	18.5	19.5	23.0	25.2	23.9	20.8
Power generating machines	1.3	1.6	1.5	2.6	1.6	1.6	2.0
7187 Nuclear reactors/parts; fuel elements non-irradiated	0.7	1.1	1.0	0.7	0.7	0.8	1.2
Other non-electrical machinery	8.6	6.3	5.2	6.6	6.6	6.8	6.1
Agricultural machinery and tractors	1.6	0.7	1.0	1.4	1.4	1.5	1.3
Office machines & telecommunication equipment	1.9	2.2	3.2	2.6	3.8	3.8	3.5
7643 Radio or television transmission apparatus	0.2	0.9	1.4	0.8	0.7	0.7	0.8
7611 Color television receivers	0.2	0.1	0.5	0.5	0.6	0.7	0.6
Other electrical machines	3.3	3.4	3.6	3.8	3.8	4.3	4.5
7731 Insulated wire, cable etc.; optical fibre cables	0.5	0.5	0.5	0.7	0.5	0.7	0.9
Automotive products	13.4	4.2	5.1	6.1	6.5	6.4	4.0
7812 Motor vehicles for the transport of persons, n.e.s.	6.7	2.1	2.9	3.6	3.8	3.9	2.2
7821 Goods vehicles	1.3	0.5	0.7	0.9	1.0	1.0	0.7
Other transport equipment	1.4	0.8	0.9	1.3	3.0	1.1	0.8
Textiles	1.3	1.8	1.8	1.5	1.5	1.7	2.2
Clothing	1.0	1.1	1.2	0.7	1.4	1.3	1.1

	2008	2009	2010	2011	2012	2013	2014
Other consumer goods	4.4	4.8	4.8	3.9	4.7	5.0	4.8
Other	1.7	0.8	1.0	1.3	1.0	1.2	1.1

Source: UNSD Comtrade database, SITC Rev.3.

Table A1. 4 Merchandise exports by destination, 2008-14

(US$ million and %)

	2008	2009	2010	2011	2012	2013	2014
Total (US$ million)	66,952	39,696	51,430	68,393	68,695	63,321	53,913
	(% of total)						
America	6.2	2.8	3.9	3.7	3.8	3.4	2.5
United States	2.9	0.6	1.6	1.6	1.5	1.4	1.2
Other America	3.3	2.2	2.3	2.1	2.3	2.0	1.3
Europe	37.1	31.5	33.1	32.7	31.0	33.2	38.9
EU(28)	27.3	24.0	25.5	26.4	24.9	26.5	31.6
Poland	3.5	3.0	3.5	4.1	3.8	4.0	4.9
Italy	4.3	3.1	4.7	4.4	3.6	3.7	4.6
Germany	2.7	3.1	2.9	2.6	2.4	2.5	3.0
Hungary	2.0	1.8	1.7	2.0	2.2	2.5	2.8
Spain	1.3	1.4	0.8	1.4	2.2	1.6	2.2
The Netherlands	1.7	1.5	1.1	1.2	1.2	1.6	2.1
Czech Republic	1.0	0.9	1.2	1.2	1.0	1.3	1.4
Slovakia	1.4	1.1	1.1	1.2	1.0	1.2	1.2
EFTA	1.5	1.5	1.1	0.2	0.3	0.4	0.4
Other Europe	8.3	6.0	6.6	6.2	5.7	6.3	7.0
Turkey	6.9	5.4	5.9	5.5	5.4	6.0	6.6
Commonwealth of Independent States (CIS)	35.6	34.9	37.5	39.2	37.6	35.7	28.5
Russian Federation	23.5	21.4	26.1	29.0	25.7	23.8	18.2
Belarus	3.1	3.2	3.7	2.8	3.3	3.1	3.0
Kazakhstan	2.7	3.6	2.5	2.7	3.6	3.3	2.0
Republic of Moldova	1.8	1.7	1.4	1.3	1.2	1.4	1.4
Azerbaijan	1.4	1.4	1.2	1.0	1.1	1.4	1.1
Africa	5.8	6.6	5.9	4.9	8.0	7.9	9.3
Egypt	2.3	2.6	2.6	2.0	4.2	4.3	5.3
Middle East	8.9	10.6	9.8	9.2	10.0	7.6	8.0
Saudi Arabia	1.4	1.3	1.3	1.2	1.3	1.2	1.9
Iraq	0.2	0.6	0.7	0.9	1.3	1.2	1.3
Iran, Islamic Republic of	1.3	1.9	2.0	1.6	1.7	1.3	1.3
Israel	0.7	1.0	0.9	0.7	1.2	1.1	1.1
Asia	6.4	13.4	9.7	10.1	9.4	11.9	12.5
China	0.8	3.6	2.6	3.2	2.6	4.3	5.0
India	1.5	2.9	2.8	3.3	3.3	3.1	3.4
Japan	0.2	0.3	0.2	0.2	0.5	0.7	0.4
Other Asia	3.9	6.6	4.1	3.4	3.1	3.7	3.7
Other	0.1	0.1	0.1	0.2	0.2	0.1	0.1

Source: UNSD Comtrade database.

Table A1. 5 Merchandise imports by origin, 2008-14

(US$ million and %)

	2008	2009	2010	2011	2012	2013	2014
Total (US$ million)	85,448	45,413	60,737	82,608	84,657	76,986	54,381
	(% of total)						
America	4.9	4.8	4.7	4.7	5.3	5.6	5.5
United States	3.3	2.8	2.9	3.1	3.4	3.6	3.6
Other America	1.6	2.0	1.8	1.6	1.8	2.0	2.0
Europe	37.9	37.9	35.2	34.7	34.9	39.6	43.6
EU(28)	33.8	34.0	31.5	31.2	31.0	35.1	38.7
Germany	8.4	8.5	7.6	8.3	8.0	8.8	9.9
Poland	5.0	4.8	4.6	3.9	4.2	5.3	5.6
Italy	2.8	2.5	2.3	2.4	2.6	2.7	2.8
Hungary	1.5	1.5	2.0	1.6	1.4	1.8	2.7
France	2.0	2.1	1.8	1.8	2.0	2.2	2.3
Lithuania	0.8	0.9	1.0	1.0	1.1	1.3	1.9
Romania	1.4	1.1	1.1	1.4	1.1	1.2	1.6
The Netherlands	1.5	1.5	1.4	1.4	1.3	1.4	1.4
United Kingdom	1.6	1.4	1.4	1.4	1.4	1.5	1.3
Czech Republic	1.6	1.4	1.2	1.4	1.5	1.3	1.3
Spain	0.8	0.8	0.8	0.8	0.9	1.1	1.1
Austria	1.2	1.3	1.1	0.9	0.9	1.3	1.1
Belgium	0.8	1.0	1.0	0.8	0.8	0.9	1.0
EFTA	1.7	1.6	1.4	1.3	1.4	1.8	2.1
Norway	0.3	0.6	0.4	0.3	0.4	0.5	1.1
Switzerland	1.3	1.0	0.8	1.0	0.9	1.2	1.0
Other Europe	2.4	2.3	2.3	2.1	2.5	2.7	2.8
Turkey	2.3	2.1	2.1	1.8	2.3	2.4	2.4
Commonwealth of Independent States (CIS)	39.3	43.6	44.2	45.2	40.9	36.6	32.0
Russian Federation	22.7	29.1	36.5	35.3	32.4	30.2	23.3
Belarus	3.3	3.7	4.2	5.1	6.0	4.7	7.3
Kazakhstan	3.6	4.5	1.3	2.0	1.8	0.9	0.7
Georgia	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Uzbekistan	2.5	3.6	0.1	0.8	0.1	0.1	0.1
Republic of Moldova	0.2	0.1	0.1	0.2	0.1	0.1	0.1
Azerbaijan	0.1	0.6	1.6	0.8	0.1	0.1	0.1
Turkmenistan	6.6	1.6	0.1	0.9	0.1	0.1	0.0
Africa	1.8	1.4	1.4	1.1	1.0	1.0	1.2
Middle East	0.7	0.4	0.5	0.5	0.8	0.9	1.4
Asia	15.4	11.9	13.9	13.6	17.1	16.2	16.1
China	6.6	6.0	7.7	7.6	9.3	10.3	9.9
India	0.8	1.0	1.1	1.0	1.2	1.1	1.2
Japan	3.3	1.1	1.3	1.2	1.4	1.3	1.1
Korea, Republic of	2.4	1.2	1.3	1.5	1.8	1.1	0.9
Other Asia	2.4	2.4	2.4	2.3	3.3	2.5	3.0
Other	0.0	0.0	0.0	0.0	0.0	0.1	0.1

Source: UNSD Comtrade database.

Table A2. 1 Ukraine's most recent WTO notifications, January 2014 - October 2015

Products covered/Subject	Additional comments	Document title	Date
AGREEMENT ON AGRICULTURE			
Raw cane sugar	Tariff quotas, 2013	G/AG/N/UKR/16	24/01/2014
Export subsidies, 2013	None	G/AG/N/UKR/17	05/02/2014
Specified in supporting tables	Domestic support, 2011	G/AG/N/UKR/18	06/02/2014
Raw cane sugar	Tariff quotas, 2014	G/AG/N/UKR/20	21/01/2015
Export subsidies, 2014	None	G/AG/N/UKR/19	21/01/2015
AGREEMENT ON THE APPLICATION OF SANITARY AND PHYTOSANITARY MEASURES			
Pigs, its raw materials and semen (Lithuania)	Notice of the Chief State Inspector of Veterinary Medicine of Ukraine "on prohibition of import of pigs, pork products and raw materials into the territory of Ukraine from the territory of the Republic of Lithuania"	G/SPS/N/UKR/93	11/02/2014
Live pigs, pork products and raw materials (Poland)	Notice of the Chief State Inspector of Veterinary Medicine of Ukraine "on prohibition of import of live pigs, pork products and raw materials into the territory of Ukraine from the territory of the Republic of Poland"	G/SPS/N/UKR/94	04/03/2014
Live animals and animal products	Law of Ukraine "on the list of permits in the field of economic activity"	G/SPS/N/UKR/95	05/06/2014
Pigs, its raw materials and semen (Poland)	Notice of Chief State Inspector of Veterinary Medicine of Ukraine "on withdrawal of prohibition of import of pigs, pork products and raw materials into the territory of Ukraine from the territory of Poland"	G/SPS/N/UKR/94/ Rev.1	23/06/2014
Animals susceptible to ASF, its products, raw materials and semen (Poland)	Notice of the Deputy Chief State Inspector of Veterinary Medicine of Ukraine on prohibition of import of animals susceptible to ASF, its products, raw materials and semen into the territory of Ukraine from the territory of the Republic of Poland	G/SPS/N/UKR/98	06/08/2014
Animals susceptible to ASF, its products, raw materials and semen (Poland)	Notice of the Deputy Chief State Inspector of Veterinary Medicine of Ukraine on prohibition of import of animals susceptible to ASF, its products, raw materials and semen into the territory of Ukraine from the territory of the Republic of Poland (Corrigendum)	G/SPS/N/UKR/98/ Corr.1	16/09/2014
Live pigs, feed produced from pork products	Notice of Deputy Chief State Inspector of Veterinary Medicine of Ukraine "on temporary prohibition of import of live pigs, feed produced from pork products (except heat-treated feed for unproductive animals and poultry) into the territory of Ukraine from the territory of the USA, Canada, Mexico, Columbia, Dominican Republic, China and Japan"	G/SPS/N/UKR/97	06/08/2014
Pigs, its raw materials and semen, feed and feed additives produced from pork products	Notice of Deputy Chief State Inspector of Veterinary Medicine of Ukraine "on prohibition of import of pigs, pork products, its raw materials and semen, feed and feed additives produced from pork products into the territory of Ukraine from the territory of the Russian Federation"	G/SPS/N/UKR/96	06/08/2014

Products covered / Subject	Additional comments	Document title	Date
Poultry, poultry products and raw materials (United Kingdom)	Notice No. 15-9-1-23/24628 of the State Veterinary and Phytosanitary Service of Ukraine of 18 November 2014 on prohibition of imports of poultry, poultry products and raw materials into the territory of Ukraine from the territory of the United Kingdom	G/SPS/N/UKR/101	25/11/2014
Poultry, poultry products and raw materials (Germany)	Notice No. 15-9-1-23/24576 of the State Veterinary and Phytosanitary Service of Ukraine of 17 November 2014 on prohibition of imports of poultry, poultry products and raw materials into the territory of Ukraine from the territory of Germany	G/SPS/N/UKR/100	25/11/2014
Poultry, poultry products and raw materials (Netherlands)	Notice No. 15-9-1-23/24617 of the State Veterinary and Phytosanitary Service of Ukraine of 17 November 2014 on prohibition of the imports of poultry, poultry products and raw materials into the territory of Ukraine from the territory of the Netherlands.	G/SPS/N/UKR/99	25/11/2014
Products and raw materials of animal origin	The Order of the Ministry of Agriculture and Food of Ukraine of 1.04.2014 No. 118 "on recognition of the equivalence of the EU control system on production and circulation of products and raw materials of animal origin"	G/SPS/N/UKR/102	16/12/2014
Miscellaneous products	Draft Resolution of the Cabinet of Ministers of Ukraine on "Some issues of deregulation of economic activity"	G/SPS/N/UKR/103	12/02/2015
Plants and parts thereof, plant products, storage place, packaging, transportation vehicles, containers, soil and any other organism, objects or material capable of withstanding or spread of regulated pests	The draft Law of Ukraine amends the Law of Ukraine "on plant quarantine", aimed at reforming the system of state regulation in the sphere of plant quarantine and bringing phytosanitary measures in line with international standards and obligations	G/SPS/N/UKR/104	08/04/2015
AGREEMENT ON IMPLEMENTATION OF ARTICLE VI OF THE GATT 1994 (ANTI-DUMPING)			
Reports under Article 16.4			
Semi-annual report	1 July-31 December 2013	G/ADP/N/252/UKR	15/04/2014
Semi-annual report	1 January-30 June 2014	G/ADP/N/259/UKR	01/08/2014
Ammonium nitrate; Electric incandescent lamps for general use of capacity not exceeding 200 Wt and electric potential exceeding 100 V; Float glass (sheet glass thermally polished)	Reports on preliminary and final anti-dumping actions, July 2014	G/ADP/N/261	19/08/2014
Ferrous metal articles without electrical insulation (except products of corrosion-resistant (stainless) steel and products for civil aircraft)	Reports on preliminary and final anti-dumping actions, October 2014	G/ADP/N/264	21/11/2014

Products covered / Subject	Additional comments	Document title	Date
Caustic soda (Russian Federation)	Reports on preliminary and final anti-dumping actions, November 2014	G/ADP/N/266	18/12/2014
Pointwork (Russian Federation); Seamless steel pipes (China)	Reports on preliminary and final anti-dumping actions, December 2014	G/ADP/N/267	22/01/2015
Semi-annual report	1 July-31 December 2014	G/ADP/N/265/UKR	17/02/2015
Fiberboards (Russian Federation)	Reports on preliminary and final anti-dumping actions, February 2015	G/ADP/N/269	01/04/2015
AGREEMENT ON IMPORT LICENSING PROCEDURES			
Notifications under Article 7.3			
Resolution of the Cabinet of Ministers of Ukraine No. 950 of 25 December 2013	On approval of the list of goods subject to import licensing in 2014	G/LIC/N/3/UKR/7	28/08/2014
Resolution of the Cabinet of Ministers of Ukraine No. 1 of 14 January 2015	On approval of the list of goods subject to import licensing in 2015	G/LIC/N/3/UKR/8	08/10/2015
AGREEMENT ON RULES OF ORIGIN			
Notifications under Annex II, paragraph 4			
Preferential rules of origin (EU and Ukraine)	-	G/RO/N/122	14/10/2014
AGREEMENT ON SAFEGUARDS			
Notifications under Articles 12.1(b), 12.1(c), and Article 9, footnote 2			
Tableware and kitchenware of porcelain	Notification of a proposal to impose a measure	G/SG/N/8/UKR/4; G/SG/N/10/UKR/4	26/03/2014
Tableware and kitchenware of porcelain	Decision No. SP-309/2014/4421-06 on the application of safeguard measures on imports into Ukraine of tableware and kitchenware of porcelain regardless of their country of origin and export	G/SG/N/8/UKR/4/Suppl.1 G/SG/N/10/UKR/4/Suppl.1 G/SG/N/11/UKR/2	29/04/2014
Casing and pump-compressor seamless steel pipes	Decision No. SP-323/2014/4421-06 concerning initiation of the review of the application of special measures and the extension for the period of review	G/SG/N/8/UKR/1/Suppl.5 G/SG/N/14/UKR/1/Suppl.4	10/04/2015
Flexible porous plates, blocks and sheets of polyurethane foam	Decision No. SP-332/2015/4442-06 of the Interdepartmental Commission on Foreign Trade "on initiation and conduct of a safeguard investigation on imports into Ukraine of flexible porous plates, blocks and sheets of polyurethane foam regardless of country of origin and export" of 3 July 2015	G/SG/N/6/UKR/11	17/07/2015
AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES			
Notifications under Article 25.11			
Semi-annual report	1 January-30 June 2014	G/SCM/N/274	23/06/2014
Semi-annual report (Addendum)	1 January-30 June 2014	G/SCM/N/274/Add.1	17/10/2014
Cars (Russian Federation)	Reports received during November 2014	G/SCM/N/282	19/12/2014
Semi-annual report	1 July-31 December 2014	G/SCM/N/281/UKR	17/02/2015
Semi-annual report	1 January-30 June 2015	G/SCM/N/289/UKR	03/03/2015
Industrial subsidies	State support of industries, 2013-2014	G/SCM/N/284/UKR	20/07/2015

Products covered / Subject	Additional comments	Document title	Date
AGREEMENT ON TECHNICAL BARRIERS TO TRADE			
Notifications under Article 10.6			
Animal by-products not intended for human consumption	Draft Law of Ukraine "on the animal by-products not intended for human consumption"	G/TBT/N/UKR/94	06/01/2014
All products	Draft Law of Ukraine "on Technical Regulations and Conformity Assessment"	G/TBT/N/UKR/95	14/01/2014
UKTZED 8517, 3604, 9018, 8701-8708, 8711-8712, 8716, 8721	MEDT Order "on Amendments to the list of products subject to compulsory certification in Ukraine" of 6 November 2013 No 1308	G/TBT/N/UKR/96	17/01/2014
Food Products	Draft Resolution "on Approval of the Technical Regulation on ecological labelling"	G/TBT/N/UKR/97	15/04/2014
Goods that are packed by weight and by volume into prepared packages	Draft Regulation is developed on the basis of the European Communities Council Directive 76/211/EEC of 20.01.1976	G/TBT/N/UKR/98	09/12/2014
Bottles used as measuring containers	The Draft Technical Regulation sets requirements for bottles used as measuring containers based on Council Directive 75/107/EEC of 19 December 1974 on the Approximation of the Laws of the Member States Relating to Bottles Used as Measuring Containers	G/TBT/N/UKR/99	06/02/2015
Household dishwashers	Cabinet of Ministers' Decision No. 514 "on approval of a technical regulation on energy labelling of household dishwashers" 17 July 2015	G/TBT/N/UKR/100	07/08/2015
Tobacco and related products	Draft Law No. 2820 "on amendments to certain Laws of Ukraine concerning public health protection from harmful impact of tobacco" of 13 May 2015	G/TBT/N/UKR/101	07/08/2015
Equipment capable of creating electromagnetic interference or being influenced by such interference	The draft technical regulation sets substantive requirements for the equipment; responsibilities of the producers, authorized representatives, importers and distributors of equipment; conformity assessment procedures; requirements concerning the appointment of bodies and their responsibilities; and provisions concerning state control and market supervision	G/TBT/N/UKR/102	07/09/2015
Electrical equipment used at rated voltage from 50 V to 1000 V (AC current) and 75 V to 1500 V (DC current)	Draft Resolution of the Cabinet of Ministers "on approval of a technical regulation for low-voltage electrical equipment"	G/TBT/N/UKR/103	07/09/2015
Notifications under Article 10.7			
Groups of goods are not specified, Framework Agreement	Agreement on cooperation in the area of standardization, metrology and conformity assessment between the MEDT of Ukraine and the Department for Standardization, Metrology and Testing of the Slovak Republic	G/TBT/10.7/N/123	30/09/2014
AGREEMENT ON TRADE FACILITATION			
Category "A" commitments	-	WT/PCTF/N/UKR/1	14/08/2014

Products covered / Subject	Additional comments	Document title	Date
GENERAL AGREEMENT ON TRADE IN SERVICES			
Notifications under Article III:4			
Financial services	Amendments (dated 27 November 2012) to the Order of the National Commission for the State Regulation of Financial Services Markets "on approval of the Regulation on the supervision of branches of non-resident insurers and enforcement for violations of the legislation on financial services and on amendments to certain legal acts" of 16 November 2006 No. 6426	S/C/N/719	07/02/2014
Transport services	Law No. 329-VIII "on the Natural Gas Market" of 9 April 2015	S/C/N/832	23/09/2015
Notifications under Article V:7(a)			
RTA between EU and Ukraine	DCFTA	S/C/N/744; WT/REG353/N/1	02/07/2014
GENERAL AGREEMENT ON TARIFFS AND TRADE 1994			
Invocation of Article XXVIII:5 of GATT 1994	Covering the three-year period starting from 1 January 2015	G/MA/318	23/12/2014
Notifications under Article XVII:4(a)			
Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher; ethyl alcohol and other spirits, denatured, of any strength	State Enterprise of liqueur and alcoholic beverage industry "Ukrspyrt"	G/STR/N/15/UKR	17/07/2014
Notifications under Article XXIV:7(a)			
Notification of Regional Trade Agreement between EU and Ukraine	DCFTA	S/C/N/744; WT/REG353/N/1	02/07/2014
Notifications under Article 15 of the Transparency Mechanism Decision			
Implementation report	Ukraine-Azerbaijan	WT/REG245/R/I	13/07/2015
UNDERSTANDING ON THE BALANCE-OF-PAYMENTS PROVISIONS OF THE GATT 1994			
Notifications under paragraph 9			
Law "on measures concerning stabilization of the balance of payments of Ukraine in compliance with Article XII of the GATT 1994"	Introduction of import measures taken for balance-of-payments purposes (and addendum)	WT/BOP/N/78 WT/BOP/N/78/Add.1	21/01/2015 31/03/2015

Source: WTO Secretariat.

Table A2. 2 Business activities subject to licensing

Activity
Banking
Financial services (except for professional activities in the securities market)
Professional activities in the securities market
Television and radio broadcasting
Activities in the field of electric power industry (except for electricity supply at a non-regulated tariff; and in the field of nuclear energy)
Educational services provided by educational institutions
Production and sale of ethyl alcohol, cognac and fruit spirits, alcoholic beverages and tobacco
Telecommunication activities (in force until 1 January 2018)
Construction of objects of complexity categories IV-V
Manufacturing of medicinal products, wholesale and retail trade in drugs, importation of drugs (except for active pharmaceutical ingredients)
Production and service of arms and ammunition thereto, cold steel arms, pneumatic arms of calibre exceeding 4.5 mm and bullet airspeed over 100 meters per second, sales of arms and ammunition thereto, cold arms, pneumatic arms of calibre over 4.5 mm and bullet airspeed over 100 meters per second
Production of explosives for industrial purposes (according to the list established by the Cabinet of Ministers)
Fire suppression services and works (according to the list established by the Cabinet of Ministers)
Treatment of hazardous substances and waste management (according to the list established by the Cabinet of Ministers)
Medical practice
Blood banks (umbilical cord), and other human tissue and cells (according to the list approved by the Ministry of Healthcare)
Veterinary practice
Issuance and arranging of lotteries
Tour operator activities
Mediation in employment abroad
Activity related to industrial fishing, except for inner waters and rivers
Cultivation of plants (included in Table I of the Law "on narcotic drugs, psychotropic substances and precursors"), operation, production, manufacture, storage, transportation, purchase, sale (supply), importation into Ukraine, exportation from Ukraine, use, and utilization of narcotic drugs, psychotropic substances and precursors (listed in the Law "on narcotic drugs, psychotropic substances and precursors") (according to the list established by the Cabinet of Ministers) containing drugs for industrial purposes
Designing, production and supply of special-purpose technical appliances for taking information from communication channels, other devices for private access to information (according to the list established by the Cabinet of Ministers)
Transportation of passengers, dangerous cargos and wastes by means of river, sea and air transport, automotive transport and by railway, as well as international transportation of passengers and cargo by road
Foreign economic activity (in accordance with Article 16 of Law No. 959-XII "on Foreign Economic Activity" of 16 April 1991)
Transportation of oil and oil products by a trunk pipeline
Transportation and distribution of natural gas, coal gas and storage in quantities exceeding the rate specified under the terms of licensing and supply (except for supply of natural gas and coal gas at non-regulated tariff)
Centralized water supply and drainage (except for centralized water supply and drainage at non-regulated tariff)
Generation of thermal energy, thermal energy transportation and supply (except for generation, transportation and supply of thermal energy at non-regulated tariff)
Security activity

Source: Law of Ukraine No. 222-VIII "on Licensing of Types of Business Activities", 2 March 2015.

Table A3. 1 MFN tariff averages by HS2-digit level, 2015

HS	Description	No. of lines	Averages (%)	Ranges (%)	Share of duty-free lines (%)	SD[a]	With import surcharge
	Total	10,460	4.9	0-283.2	37.9	6.0	10.9
01	Live animals	76	4.7	0-15	31.6	4.1	14.7
02	Meat and edible meat offal	249	13.3	5-20	0.0	3.5	23.3
03	Fish and crustaceans, molluscs and other aquatic invertebrates	454	2.1	0-15	65.9	3.5	12.1
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	173	10.1	5-20	0.0	1.0	20.1
05	Products of animal origin, not elsewhere specified or included	22	11.1	0-20	27.3	9.0	21.1
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	50	8.6	5-20	0.0	3.9	18.6
07	Edible vegetables and certain roots and tubers	116	13.5	0-20	9.5	6.9	23.5
08	Edible fruit and nuts; peel of citrus fruit or melons	137	7.8	0-20	28.5	6.7	17.8
09	Coffee, tea, maté and spices	55	1.7	0-20	81.8	4.1	11.7
10	Cereals	63	6.9	0-20	9.5	5.8	16.9
11	Products of the milling industry; malt; starches; inulin; wheat gluten	71	18.2	10-20	0.0	3.4	28.2
12	Oil seeds and oleaginous fruits; misc grains, seeds and fruit; industrial or medicinal plants; straw and fodder	77	5.1	0-20	45.5	6.4	15.1
13	Lac; gums, resins and other vegetable saps and extracts	13	0.8	0-10	92.3	2.7	10.8
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	5	2.0	2.0	0.0	0.0	12.0
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	149	9.2	0-30	15.4	6.9	19.2
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	116	8.9	0-20	6.9	5.4	18.9
17	Sugars and sugar confectionery	44	15.8	5-50	0.0	17.5	25.8
18	Cocoa and cocoa preparations	29	7.8	0-15	20.7	5.2	17.8
19	Preparations of cereals, flour, starch or milk; pastry cooks' products	51	11.6	0-20	2.0	4.0	21.6
20	Preparations of vegetables, fruit, nuts or other parts of plants	342	10.3	0-20	1.5	4.9	20.3
21	Miscellaneous edible preparations	43	9.8	0-20	2.3	3.9	19.8
22	Beverages, spirits and vinegar	188	5.1	0-47	37.8	7.6	15.1
23	Residues and waste from the food industries; prepared animal fodder	65	13.3	0-20	4.6	7.0	23.3
24	Tobacco and manufactured tobacco substitutes	22	20.8	1-283.2	0.0	58.1	30.8
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	81	5.2	0-20	4.9	5.7	10.2
26	Ores, slag and ash	47	1.8	0-2	10.6	0.6	6.8
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	172	1.5	0-10	67.4	2.8	4.5
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	251	3.6	0-5.5	25.5	2.2	8.5
29	Organic chemicals	502	2.9	0-6.5	45.0	2.9	7.4
30	Pharmaceutical products	46	0.0	0.0	100.0	0.0	1.7

HS	Description	No. of lines	Averages (%)	Ranges (%)	Share of duty-free lines (%)	SD[a]	With import surcharge
31	Fertilizers	34	4.9	0-6.5	5.9	1.5	9.9
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	78	3.1	0-6.5	37.2	2.7	8.1
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	50	5.7	0-6.5	10.0	2.0	10.6
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, dental waxes and dental preparations with a basis of plaster	39	4.2	0-6.5	25.6	2.9	9.0
35	Albuminoidal substances; modified starches; glues; enzymes	37	4.7	0-10	8.1	1.8	9.7
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	10	6.5	6.5	0.0	0.0	11.5
37	Photographic or cinematographic goods	44	6.3	0-6.5	2.3	1.2	10.9
38	Miscellaneous chemical products	174	2.7	0-6.5	43.1	2.6	6.9
39	Plastics and articles thereof	256	3.4	0-6.5	30.9	2.6	8.3
40	Rubber and articles thereof	116	4.1	0-13	46.6	4.3	8.9
41	Raw hides and skins (other than furskins) and leather	71	2.7	0-10	18.3	1.8	7.7
42	Articles of animal gut (other than silk-worm gut)	37	12.5	5-25	0.0	4.3	17.5
43	Furskins and artificial fur; manufactures thereof	28	5.9	0-10	7.1	2.9	10.9
44	Wood and articles of wood; wood charcoal	176	0.0	0.0	100.0	0.0	5.0
45	Cork and articles of cork	13	6.2	0-10	7.7	2.9	11.2
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	23	5.0	5.0	0.0	0.0	10.0
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper and paperboard	24	0.0	0.0	100.0	0.0	5.0
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	149	0.0	0.0	100.0	0.0	5.0
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	22	0.0	0.0	100.0	0.0	5.0
50	Silk	25	1.7	1-2	0.0	0.4	6.7
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	66	0.2	0-5	86.4	0.7	5.2
52	Cotton	185	1.6	0-8	37.3	2.0	6.6
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	38	2.0	0-5	26.3	1.8	7.0
54	Man-made filaments	86	2.1	0-5	54.7	2.4	7.0
55	Man-made staple fibres	146	0.8	0-4	80.8	1.6	5.8
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	64	3.6	0-5	3.1	1.6	8.5
57	Carpets and other textile floor coverings	40	7.4	3-8	0.0	1.4	12.4
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	53	6.8	1-8	0.0	1.7	11.8
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	49	4.6	0-8	12.2	2.7	9.6
60	Knitted or crocheted fabrics	59	7.7	0-8	3.4	1.5	12.7

HS	Description	No. of lines	Averages (%)	Ranges (%)	Share of duty-free lines (%)	SD[a]	With import surchage
61	Articles of apparel and clothing accessories, knitted or crocheted	154	11.3	0-12	1.9	2.0	16.2
62	Articles of apparel and clothing accessories, not knitted or crocheted	194	11.5	6.3-12	0.0	1.4	16.5
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	81	9.3	0-12	2.5	3.4	14.3
64	Footwear, gaiters and the like; parts of such articles	78	10.0	10.0	0.0	0.0	15.0
65	Headgear and parts thereof	12	10.0	10.0	0.0	0.0	14.6
66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof	8	10.0	10.0	0.0	0.0	15.0
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	8	10.0	10.0	0.0	0.0	15.0
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	81	5.7	0-15	18.5	3.6	10.7
69	Ceramic products	45	7.4	2-10	0.0	2.7	12.3
70	Glass and glassware	146	7.6	0-10	8.9	3.2	12.5
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	62	4.6	0-10	3.2	3.4	9.6
72	Iron and steel	344	0.4	0-5	89.0	1.3	5.4
73	Articles of iron or steel	310	2.2	0-10	58.7	2.7	7.1
74	Copper and articles thereof	59	0.0	0.0	100.0	0.0	5.0
75	Nickel and articles thereof	18	0.0	0.0	100.0	0.0	5.0
76	Aluminium and articles thereof	57	0.0	0.0	100.0	0.0	5.0
78	Lead and articles thereof	10	0.0	0.0	100.0	0.0	4.5
79	Zinc and articles thereof	11	0.0	0.0	100.0	0.0	5.0
80	Tin and articles thereof	6	0.0	0.0	100.0	0.0	5.0
81	Other base metals; cermets; articles thereof	70	0.1	0-5	97.1	0.8	5.1
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	101	6.5	0-10	3.0	3.9	11.5
83	Miscellaneous articles of base metal	55	7.4	0-15	21.8	4.4	12.4
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	981	2.1	0-10	49.9	2.6	7.0
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	659	3.7	0-25	45.7	4.2	8.7
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds	31	2.0	0-10	71.0	3.7	6.8
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	261	5.7	0-20	28.7	4.7	10.6
88	Aircraft, spacecraft, and parts thereof	27	1.9	0-10	81.5	3.9	6.9
89	Ships, boats and floating structures	35	7.0	2-10	0.0	2.5	12.0
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	267	2.6	0-10	65.5	3.9	6.3
91	Clocks and watches and parts thereof	57	7.4	0-15	7.0	3.5	12.4

HS	Description	No. of lines	Averages (%)	Ranges (%)	Share of duty-free lines (%)	SD[a]	With import surchage
92	Musical instruments; parts and accessories of such articles	30	6.0	5-10	0.0	2.0	11.0
93	Arms and ammunition; parts and accessories thereof	66	6.2	5-10	0.0	2.1	7.3
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates	84	3.2	0-10	57.1	4.1	7.8
95	Toys, games and sports requisites; parts and accessories thereof	62	5.4	0-20	46.8	5.5	10.4
96	Miscellaneous manufactured articles	82	8.3	0-12	9.8	3.4	13.3
97	Works of art, collectors' pieces and antiques	7	0.0	0.0	100.0	0.0	5.0

a Standard deviation.

Source: WTO calculations, based on IDB data provided by the Ukraine authorities.

Table A3. 2 Excise taxes (2015)

(a) Tax rates in Ukrainian hryvnias

HS code	Product description	Unit	Excise duty
	Ethyl alcohol and other distillates, spirits, beer		
2203 00	Beer made from malt	litre	1.24
2204 (ex 2204 10, 2204 21 06 00, 2204 21 07 00, 2204 21 08 00, 2204 21 09 00, 2204 29 10 00)	Wine of fresh grape (organic)	litre	0.01
2204 (ex 2204 10, 2204 2106 00, 2204 21 07 00, 2204 21 08 00, 2204 21 09 00, 2204 29 10 00)	Fortified wine of fresh grape	litre	3.58
2204 10, 2204 21 06 00, 2204 21 07 00, 2204 21 08 00, 2204 21 09 00, 2204 29 10 00	Sparkling wine	litre	5.20
2205	Vermouth and other wines of fresh grapes flavoured with plants or aromatic substances	litre	3.58
2206 00 (ex 2206 00 31 00, 2206 00 51 00, 2206 00 81 00 – cider and perry (without alcohol added))	Other fermented beverages (for example cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages	litre pure alcohol	70.53
2206 00 31 00, 2206 00 51 00, 2206 00 81 00	Cider and perry without alcohol added	litre	0.63
2207	Non-denatured ethyl alcohol of alcoholic strength by volume of 80% or higher; ethyl alcohol and other spirits, prepared by distillation, denatured, of any strength	litre pure alcohol	70.53
2208	Non-denatured ethyl alcohol of alcoholic strength by volume of 80% or higher; alcohol distillates and alcohol, prepared by distillation, liquors and other drinks containing	litre	70.53
2103 90 30 00, 2106 90	Only products containing 8.5% of ethyl alcohol by volume and more	pure alcohol	70.53
	Tobacco, tobacco products, and industrial tobacco substitutes		
2401	Raw tobacco; Tobacco waste	kg (net)	285.60
2402 10 00 00	Cigars, including cigars with cut-off tips and cigarillos (thin cigars) containing tobacco	kg (net)	285.60
2402 20 90 10	Cigarettes, cigarettes without filter	1,000 pieces	227.33+12%, minimum 304.11
2402 20 90 20	Cigarettes with filter	1,000 pieces	227.33+12%, minimum 304.11

HS code	Product description	Unit	Excise duty
2403	Tobacco and tobacco substitutes, other, industrially manufactured; "homogenized" or "restored" tobacco, tobacco extracts and essences	kg (net)	285.60

(b) Tax rates in euros

HS code	Product description	Unit	Excise duty
	Petroleum products; liquefied natural gas		
	Light Distillates:		
2710 12 11 10 2710 12 11 20 2710 12 11 90	For specific processing	1,000 kg	202
2710 12 15 10 2710 12 15 20 2710 12 15 90	For chemical transformations in the processes, other than those specified in product subcategories 2710 12 11 10, 2710 12 11 20, 2710 12 11 90	1,000 kg	202
	Special gasolines		
2710 11 21 00	White spirit	1,000 kg	202
2710 11 25 00	Other special gasolines	1,000 kg	202
	Motor gasolines		
2710 11 31 00	Aviation gasoline	1,000 kg	32
2710 12 41 11 2710 12 41 12 2710 12 41 13 2710 12 41 31 2710 12 41 32 2710 12 41 33 2710 12 41 91 2710 12 41 92 2710 12 41 93 2710 12 45 01 2710 12 45 02 2710 12 45 09 2710 12 49 01 2710 12 49 02 2710 12 49 09	Motor gasolines containing 0.013 g/l or less of lead: containing at least 5 wt.% bioethanol or at least 5 wt.% ethyl tert-butyl ether, or mixtures thereof:	1,000 kg	202
2710 12 41 14 2710 12 41 15 2710 11 41 19 2710 12 41 34 2710 12 41 35 2710 11 41 39 2710 12 41 94 2710 12 41 95 2710 11 41 99 2710 12 45 12 2710 12 45 13 2710 11 45 99 2710 12 49 12 2710 12 49 13 2710 11 49 99	- other gasolines	1,000 kg	202
2710 20 90 00	- other petroleum products	1,000 kg	202
2710 11 51 10 2710 12 51 20 2710 12 51 90 2710 11 59 10 2710 12 59 20 2710 12 59 90	- containing more than 0.013 g/l of lead	1,000 kg	202
2710 11 70 00	Jet fuel	1,000 kg	30
2710 11 90 00	Other light distillates	1,000 kg	202
	Medium distillates:	1,000 kg	
2710 19 11 10 2710 19 11 20 2710 19 11 90	For specific processing	1,000 kg	202

HS code	Product description	Unit	Excise duty
2710 19 15 00	For chemical transformations in the processes, other than those specified in the product category 2710 19 11	1,000 kg	202
	Kerosene:		
2710 19 21 00	Jet fuel	1,000 kg	23
2710 19 25 00	Other kerosene	1,000 kg	202
2710 19 29 00	Other medium distillates	1,000 kg	202
2710 19 31 01 2710 19 31 10 2710 19 35 01 2710 19 35 10 2710 19 43 00 2710 19 46 00 2710 19 47 10 2710 20 11 00 2710 20 15 00	**Heavy distillates (gas oil):**	1,000 kg	100
2710 19 31 20 2710 19 31 30 2710 19 31 40 2710 19 35 20 2710 19 35 30 2710 19 35 40 2710 19 47 90 2710 19 48 00 2710 20 17 00 2710 20 19 00	**Heavy distillates (gas oil):**	1,000 kg	132
2710 19 62 2710 19 64 2710 19 68 2710 20 31 2710 20 35 2710 20 39	Only household stove fuel	1,000 kg	102
2710 19 51 00	Liquid fuel (mazut) for specific processing	1,000 kg	102
2710 19 55 00	Liquid fuel (mazut) for specific processing other than those in subcategory 2710 19 51 00	1,000 kg	102
2711 12 11 00	Liquefied natural gas (LNG)	1,000 kg	6
2711 12 11 00 2711 12 19 00 2711 12 91 00 2711 12 93 00 2711 12 94 00 2711 12 97 00 2711 13 10 00 2711 13 30 00 2711 13 91 00 2711 13 97 00 2711 14 00 00 2711 19 00 00	LNG (propane or a mixture of propane butane) and other gas	1,000 kg	50
2707 10 90 00	Crude benzene from coal	1,000 kg	250
2905 11 00 00	Technical methanol (methyl alcohol)	1,000 kg	400
3824 90 98 00	Biodiesel and its blends (not containing or containing less than 70 wt.% of petroleum oils or oils obtained from bituminous minerals) based on mono alkyl esters of fatty acids	1,000 kg	102

HS code	Product description	Unit	Excise duty
	Public-transport type passenger motor vehicle		
8702	Motor vehicles designed for the transport of 10 or more passengers (other than motor vehicles in code 8702), including the driver:		
8702 10	- with compression-ignition internal combustion piston engine (diesel or semi-diesel)		
	- - of a cylinder capacity exceeding 2,500 cm^3:		
8702 10 11	- - - new:		
8702 10 11 10	- - - - of a cylinder capacity not exceeding 5,000 cm^3	cm^3 cylinder capacity	0.003
8702 10 11 30	- - - - of a cylinder capacity exceeding 5,000 cm^3	cm^3 cylinder capacity	0.003
8702 10 19	- - - used:	cm^3 cylinder capacity	
8702 10 19 10	- - - - of a cylinder capacity not exceeding 5,000 cm^3	cm^3 cylinder capacity	0.003
8702 10 19 90	- - - - of a cylinder capacity exceeding 5,000 cm^3	cm^3 cylinder capacity	0.007
	- - of a cylinder capacity not exceeding 2,500 cm^3:	cm^3 cylinder capacity	
8702 10 91 00	- - - new	cm^3 cylinder capacity	0.003
8702 10 99 00	- - - used	cm^3 cylinder capacity	0.007
	- other vehicles:		
	- - with spark-ignition engine:	cm^3 cylinder capacity	
	- - - of a cylinder capacity exceeding 2,800 cm^3:	cm^3 cylinder capacity	
8702 90 11 00	- - - - new	cm^3 cylinder capacity	0.003
8702 90 19 00	- - - - used	cm^3 cylinder capacity	0.007
	- - - of a cylinder capacity not exceeding 2,800 cm^3:	cm^3 cylinder capacity	
8702 90 31 00	- - - - new	cm^3 cylinder capacity	0.003
8702 90 39 00	- - - - used	cm^3 cylinder capacity	0.007
	Motor cars and other motor vehicles		
8703	Motor cars and other motor vehicles principally designed for transporting persons (other than motor vehicles in code 8702), including utility vehicle vans and racing cars:		
8703 10	- Vehicles specially designed for traveling on snow, special cars for transporting athletes on the court, golf course, and similar vehicles:		
8703 10 11 00	- - special vehicles to move through the snow, with compression-ignition engine (diesel or semi-diesel) or spark-ignition engine	cm^3 cylinder capacity	0.653
8703 10 18 00	- - other vehicles	cm^3 cylinder capacity	0.653 or EUR 109.129 for one piece for vehicles with electric motors
	- other vehicles with spark-ignition engine and crank mechanism:		
8703 21	- - of a cylinder capacity not exceeding 1,000 cm^3:		
8703 21 10 00	- - - new	cm^3 cylinder capacity	0.102
8703 21 90	- - - used:	cm^3 cylinder capacity	
8703 21 90 10	- - - - less than 5 years	cm^3 cylinder capacity	1.094
8703 21 90 30	- - - - more than 5 years	cm^3 cylinder capacity	1.438
8703 22	- - of a cylinder capacity 1,000-1,500 cm^3:	cm^3 cylinder capacity	
8703 22 10 00	- - - new	cm^3 cylinder capacity	0.063
8703 22 90	- - - used:	cm^3 cylinder capacity	
8703 22 90 10	- - - - less than 5 years	cm^3 cylinder capacity	1.367

HS code	Product description	Unit	Excise duty
8703 22 90 30	- - - - more than 5 years	cm^3 cylinder capacity	1.761
8703 23	- - of a cylinder capacity 1,500-3,000 cm^3:		
	- - - new:		
8703 23 11	- - - - Motor vehicles equipped for temporary accommodation of people:		
8703 23 11 10	- - - - of a cylinder capacity 1,500-2,200 cm^3	cm^3 cylinder capacity	0.327
8703 23 11 30	- - - - - of a cylinder capacity 2,200-3,000 cm^3	cm^3 cylinder capacity	1.316
8703 23 19	- - - - other vehicles:	cm^3 cylinder capacity	
8703 23 19 10	- - - - - of a cylinder capacity 1,500-2,200 cm^3	cm^3 cylinder capacity	0.267
8703 23 19 30	- - - - - of a cylinder capacity 2,200-3,000 cm^3	cm^3 cylinder capacity	0.276
8703 23 90	- - - used:		
	- - - - of a cylinder capacity 1,500-2,200 cm^3:		
8703 23 90 11	- - - - - less than 5 years	cm^3 cylinder capacity	1.643
8703 23 90 13	- - - - - more than 5 years	cm^3 cylinder capacity	2.441
	- - - - of a cylinder capacity 2,200-3,000 cm^3:	cm^3 cylinder capacity	
8703 23 90 31	- - - - - less than 5 years	cm^3 cylinder capacity	2.213
8703 23 90 33	- - - - - more than 5 years	cm^3 cylinder capacity	4.985
8703 24	- - of a cylinder capacity exceeding 3,000 cm^3:	cm^3 cylinder capacity	
8703 24 10 00	- - - new	cm^3 cylinder capacity	2.209
8703 24 90	- - - used:		
8703 24 90 10	- - - - less than 5 years	cm^3 cylinder capacity	3.329
8703 24 90 30	- - - - more than 5 years	cm^3 cylinder capacity	4.985
	- other vehicles with compression-ignition engine (diesel or semi-diesel):		
8703 31	- - of a cylinder capacity not exceeding 1,500 cm^3:		
8703 31 10 00	- - - new	cm^3 cylinder capacity	0.103
8703 31 90	- - - used:	cm^3 cylinder capacity	
8703 31 90 10	- - - - less than 5 years	cm^3 cylinder capacity	1.367
8703 31 90 30	- - - - more than 5 years	cm^3 cylinder capacity	1.761
8703 32	- - of a cylinder capacity not exceeding 1,500-2,500 cm^3:		
	- - - new:		
8703 32 11 00	- - - - Motor vehicles equipped for temporary accommodation of people	cm^3 cylinder capacity	0.327
8703 32 19 00	- - - - other vehicles	cm^3 cylinder capacity	0.327
8703 32 90	- - - used:	cm^3 cylinder capacity	
8703 32 90 10	- - - - less than 5 years	cm^3 cylinder capacity	1.923
8703 32 90 30	- - - - more than 5 years	cm^3 cylinder capacity	2.441
8703 33	- - of a cylinder capacity exceeding 2,500 cm^3:	cm^3 cylinder capacity	
	- - - new:		
8703 33 11 00	- - - - Motor vehicles equipped for temporary accommodation of people	cm^3 cylinder capacity	2.209
8703 33 19 00	- - - - other vehicles	cm^3 cylinder capacity	2.209
8703 33 90	- - - used:		
8703 33 90 10	- - - - less than 5 years	cm^3 cylinder capacity	2.779
8703 33 90 30	- - - - more than 5 years	cm^3 cylinder capacity	4.715
8703 90	- other vehicles:		
8703 90 10 00	- - transport vehicles equipped with electric motors	piece	109.129
8703 90 90 00	- - other vehicles	piece	109.129
	Motor vehicles for transport of goods		
8704	Motor vehicles for transport of goods		
8704 10	- Dumpers designed for off-highway use:		
8704 10 10	- - with compression-ignition internal combustion piston engine (diesel or semi-diesel) or with spark-ignition engine:		

HS code	Product description	Unit	Excise duty
8704 10 10 10	- - - of loading capacity 75 tonnes	cm^3 cylinder capacity	0.016
8704 10 10 90	- - - others	cm^3 cylinder capacity	0.016
8704 10 90	- - other vehicles		
8704 10 90 10	- - - dumpers with the weight not exceeding 5 tonnes	cm^3 cylinder capacity	0.01
8704 10 90 90	- - - others	cm^3 cylinder capacity	0.01
	- other, with compression-ignition internal combustion piston engine (diesel or semi-diesel)		
8704 21	- - GVW not exceeding 5 tonnes		
	- - - - of a cylinder capacity exceeding 2,500 cm^3:		
8704 21 31 00	- - - - - new	cm^3 cylinder capacity	0.01
8704 21 39 00	- - - - - used	cm^3 cylinder capacity	0.02
	- - - - of a cylinder capacity not exceeding 2,500 cm^3:		
8704 21 91 00	- - - - - new	cm^3 cylinder capacity	0.01
8704 21 99 00	- - - - - used	cm^3 cylinder capacity	0.02
8704 22	- - GVW exceeding 5 tonnes but not exceeding 20 tonnes		
8704 22 91 00	- - - - new	cm^3 cylinder capacity	0.013
8704 22 99 00	- - - - used	cm^3 cylinder capacity	0.026
8704 23	- - GVW exceeding 20 tonnes		
8704 23 91 00	- - - - new	cm^3 cylinder capacity	0.016
8704 23 99 00	- - - - used	cm^3 cylinder capacity	0.033
	- Other, with spark-ignition internal combustion piston engine		
8704 31	- - GVW not exceeding 5 tonnes		
	- - - - of a cylinder capacity exceeding 2,800 cm^3		
8704 31 31 00	- - - - new	cm^3 cylinder capacity	0.01
8704 31 39 00	- - - - used	cm^3 cylinder capacity	0.02
	- - - - of a cylinder capacity not exceeding 2,800 cm^3:		
8704 31 91 00	- - - - - new	cm^3 cylinder capacity	0.01
8704 31 99 00	- - - - - used	cm^3 cylinder capacity	0.20
8704 32	- - GVW exceeding 5 tonnes		
8704 32 91 00	- - - - new	cm^3 cylinder capacity	0.13
8704 32 99 00	- - - - used	cm^3 cylinder capacity	0.026
	Bodies (including cabs), for motor vehicles of heading 8703		
8707	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705:		
8707 10	- For the vehicles of heading 8703:		
8707 10 10	- - for industrial assembly purposes:		
8707 10 10 10	- - - complete	piece	218
8707 10 10 20	- - - uncomplete	piece	218
8707 10 90	- - other:		
8707 10 90 10	- - - used for less than 5 years	piece	872
8707 10 90 20	- - - used for more than 5 years	piece	872
8707 10 90 90	- - - others	piece	872
	Motorcycles	piece	
8711 10 00 00	Motorcycles (including mopeds) and bicycles with auxiliary motor with an internal combustion engine with crank mechanism of cylinder capacity not exceeding 50 cm^3	cm^3 cylinder capacity	0.062
8711 20	Motorcycles (including mopeds) and bicycles with auxiliary motor with an internal combustion engine with crank mechanism of cylinder capacity exceeding 50 cm^3 but not exceeding 250 cm^3	cm^3 cylinder capacity	0.062
8711 30	Motorcycles (including mopeds) and bicycles with auxiliary motor, with or without sidecars; sidecars: with an internal combustion engine with crank mechanism of cylinder capacity exceeding 250 cm^3 but not exceeding 500 cm^3	cm^3 cylinder capacity	0.062

HS code	Product description	Unit	Excise duty
8711 40 00 00	Motorcycles (including mopeds) and bicycles with auxiliary motor, with or without sidecars, with piston engine ignition crank mechanism of cylinder capacity exceeding 500 cm^3 but not exceeding 800 cm^3	cm^3 cylinder capacity	0.443
8711 50 00 00	Motorcycles (including mopeds) and bicycles with auxiliary motor, with or without sidecars, with piston engine ignition crank mechanism of cylinder capacity exceeding 800 cm^3	cm^3 cylinder capacity	0.447
8711 90 00 00	Motorcycles (including mopeds) and bicycles with auxiliary motor, with or without sidecars, other than those with piston engine ignition crank mechanism; sidecars	piece	22
	Trailers		
8716 10 99 00	Trailers for temporary accommodation in campgrounds, trailer-type houses over 3,500 kg, except for those that can be folded	piece	109
271600 00 00	Electricity	%	3.2

Source: Chapter 6 (Articles 212-230) of the Tax Code of Ukraine No. 2755-VI of 2 December 2010, amended on 9 July 2015.

Table A3. 3 Major state-owned enterprises

Major state enterprises	Import/Export of goods	Trade on behalf of the State (Yes/No)	State stake	State-sanctioned trading monopoly
Ukrspyrt SE	Export of ethyl spirits	No	100%	Yes (only ethyl spirits)
Naftogaz of Ukraine NJSC	Export/import of oil and gas products and transportation services	Yes	100%	Yes (for import of natural gas)
State Food and Grain Corporation of Ukraine PJSC	Export/import of grain and grain products	No	100%	No
Ukragroleasing NJSC	Organization and control over leasing operations in agro-industrial complex that are performed pursuant to the Agreements, concluded by the state leasing fund; Organization of authorized servicing of agricultural machinery, tractors, automobiles and equipment; Organization of trade for carrying out settlements for supplied agricultural machinery, tractors, automobiles, equipment and spare parts	No	100%	No
National Power Company Ukrenergo SE	Management of state power stations; No trading activities	No	100%	No
National Nuclear Energy Generating Company Energogoatom SE	Import and export of nuclear materials, electricity	No	100%	No
Ukrinterenergo	Export/import of electric energy	Yes	100%	No
Ukrspetzexport	Trading subsidiary of Ukroboronprom. Export and import of products and services, intended for military and special purposes	Yes	100%	Yes
Urkzaliznytsia, the State Administration of Railway Transport of Ukraine	Transport services	No	100%	N/A[a]
Ukrainian State Centre of specialized carriages exploitation "Ukrspetzvagon"	Subsidiary "Ukrzaliznytsia"; Rendering of transport-dispatch services in course of transportation of export, import, transit and other consignments	No	100%	No
Broadcasting, Radiocommunications & Television Concern	Broadcasting on televisions and radio programs	No		N/A[a]
Ukrposhta SE	Postal connection	No	100%	N/A[a]
Nadra Ukrainy NJSC	Geological exploration	No	100%	N/A[a]

a N/A – is not engaged in international trade in goods.

Source: WTO document WT/ACC/UKR/152, 25 January 2008 (updated).

Table A3. 4 Energy goods subject to state regulation of prices

Description of goods subject to price (tariff) regulation	Measure	Enforcing authority	Normative Acts / period of application (if applicable)
Regulated natural gas prices for heat energy producers for the production of heat energy for religious organizations and/or for the provision of heating and hot water supply to the population	Controlled prices	Cabinet of Ministers of Ukraine	Resolution of the Cabinet of Ministers No. 758 "on Approval of the Regulation on Imposing Specific Obligations on Certain Natural Gas Market Participants to Ensure the Public Interests During the Functioning of the Natural Gas Market (Relations in the Transitional Period)" of 1 October 2015
Marginal retail prices for natural gas for household consumers and religious organizations	Marginal retail prices	Cabinet of Ministers of Ukraine	Resolution of the Cabinet of Ministers No. 758 "on Approval of the Regulation on Imposing Specific Obligations on Certain Natural Gas Market Participants to Ensure the Public Interests During the Functioning of the Natural Gas Market (Relations in the Transitional Period)" of 1 October 2015
Tariffs for electricity consumed by the population for domestic (household) needs and retail electricity tariffs for industrial consumers	Retail tariffs	NEURC	- Resolution of the Cabinet of Ministers No. 1548 "on Establishment of Powers of the Executive Power Authorities and Executive Authorities of City Councils Regarding Price (Tariff) Regulations" of 25 December 1996; - Resolution of the National Energy Regulatory Commission No. 498 "on Approval of the Procedure for Application of Electricity Tariffs" of 23 April 2012; - Resolution of the NEURC No. 220 "on Establishing the Tariffs for Electricity Sold to the Public" of 26 February 2015; - Resolution of the National Energy Regulatory Commission No. 707 "on Approving the Procedure for Calculation of Common Retail Tariffs for Electricity Sold to Each Class of Consumers Except for Citizens, Settlements and Outdoor Lighting at the Territory of Ukraine" of 26 September 2005
Tariffs for electricity and heat energy produced by CHP plants, TPP, NPP and by installations with use of nonconventional or renewable energy sources	Tariff setting	NEURC	- Resolution of the National Energy Regulatory Commission No. 896 "on Approval of the Procedure of Calculating Tariffs for Electricity and Heat Produced by CHP plants, TPP, NPP and Cogeneration Plants and by Installations with Use of Nonconventional or Renewable Energy Sources" of 12 October 2005; - Resolution of the National Energy Regulatory Commission No. 898 "on Approval of the Procedure for Review and Approval of Tariffs for Licensees of the Electricity and Heat Energy Production" of 12 October 12 2015; - Resolution of the Cabinet of Ministers No. 293 "on Stimulation of Natural Gas Replacement in Heat Supply Sector" of 9 July 2014; - Resolution of the Cabinet of Ministers No. 453 "on Stimulation of Natural Gas Replacement within Heat Energy Production for State- and Local-Financed Institutions and Organizations" of 10 September 2014; - Resolution of the National Energy Regulatory Commission No. 1421 "on Approval of the Establishment, Review and Termination of the 'Green' Tariff for Business Entities" of 2 November 2015; - Resolution of the National Energy Regulatory Commission No. 895 "on Approval of Guidelines for the Establishment of Tariffs for Electric Energy Produced by Hydroelectric Power Stations and Pumped Storage Power Plants" of 12 October 2005

Description of goods subject to price (tariff) regulation	Measure	Enforcing authority	Normative Acts/ period of application (if applicable)
Tariffs for heat energy, its production, transportation and supply	Tariff setting	NEURC	Resolution of the Cabinet of Ministers No. 869 "on Approving the Procedure for Establishment of Tariffs for Heat Energy, its Production, Transportation and Supply, Centralized Heating and Hot Water Supply" of 1 June 2011

Source: National Energy and Utilities Regulatory Commission.

Table A3. 5 Energy services subject to state regulation of tariffs

Description of the services subject to price regulation	Normative Acts
Tariffs for transportation of natural gas, oil, petroleum products, ammonia and ethylene substances supplied to Ukrainian consumers through major pipelines	- Resolution of the National Energy Regulatory Commission No. 369 "on Approval of the Procedure for Establishment and Revision of Tariffs for Transmission, Distribution, Supply, Injection, Storage and Selection of Natural Gas" as of 3 April 2013; - Resolution of the Cabinet of Ministers No. 1548 "on Establishment of Powers of the Executive Power Authorities and Executive Authorities of City Councils Regarding Price (Tariff) Regulations" of 25 December 1996
Tariffs for the storage and transportation of natural gas through distribution circuits and supply of natural gas	- Resolution of the National Energy Regulatory Commission No. 369 "on Approval of the Procedure for Establishment and Revision of Tariffs for Transmission, Distribution, Supply, Injection, Storage and Selection of Natural Gas" as of 3 April 2013; - Resolution of the Cabinet of Ministers No. 1548 "on Establishment of Powers of the Executive Power Authorities and Executive Authorities of City Councils Regarding Price (Tariff) Regulations" of 25 December 1996
Tariffs for electric energy transmission through transmission and transnational electric power grids	Resolution of the National Energy Regulatory Commission No. 563 "on Approval of Methodology for Calculating Tariffs for Electric Energy Transmission Through Transmission and Transnational Electric Power Grids and Central Supervisory Control of United Power Grid Services" of 4 May 2006
Tariffs for electricity transmission through local grids and tariff for electricity supply	Resolution of the National Energy Regulatory Commission No. 564 "on Approval of the Provisional Methodology for Calculating Retail Tariff for the Consumed Electricity, Tariff for Electricity Transmission Through Local Grid and Tariff for Electricity Supply" of 6 May 1998
Tariffs for services on centralized water supply and water discharge	- Resolution of the Cabinet of Ministers No. 869 "on Approval of the Procedure for Establishing Tariffs for Services on Centralized Water Supply and Water Discharge" of 1 June 2011; - Resolution of the National Energy Regulatory Commission No. 253 "on Approval of the Procedure for Establishing Tariffs for Centralized Water Supply and Water Discharge" of 29 November 2013
Tariffs for services on centralized cold water supply and water discharge (with the use of plumbing systems)	- Resolution of the Cabinet of Ministers No. 869 "on Approval of the Procedure for Establishing Tariffs for Services on Centralized Cold Water Supply and Water Discharge (with the use of plumbing systems)" of 1 June 2011; - Resolution of the National Energy and Utilities Regulatory Commission No. 13 "on Approval of the Procedure for Establishing Tariffs for Services on Centralized Cold Water Supply and Water Discharge (with the use of plumbing systems)" of 15 January 2015
Tariffs for central heating and central hot water supply	- Resolution of the Cabinet of Ministers No. 869 "on Approval of the Procedure for Establishing Tariffs for Heat Energy, its Production, Transportation and Supply, Centralized Heating and Hot Water Supply Services" of 1 June 2011; - Resolution of the National Commission for State Regulation of Public Utilities No. 766 "on Approval of the Procedure for Establishing Tariffs for Central Heating and Central Hot Water Supply" of 20 June 2014

Note: All tariffs are set by the National Energy and Utilities Regulatory Commission.

Source: National Energy and Utilities Regulatory Commission.

Table A4. 1 Ukraine's major exported products by partner, 2008, 2011 and 2014

(US$ million, % of total agriculture)

	2008	2011	2014
Agriculture[a]	**10,891**	**12,842**	**16,754**
Subtotal for top 20[b]	**8,690 (79.8%)**	**10,587 (82.4%)**	**14,638 (87.4%)**
1. HS1512 Sunflower-seed, safflower or cotton-seed oil and fractions	1,616.8	3,146.1	3,554.3
1. India	41.8 (2.6%)	919.1 (29.2%)	1,354.7 (38.1%)
2. EU28	620.9 (38.4%)	624.3 (19.8%)	680.9 (19.2%)
3. China	0	93.2 (3%)	329.7 (9.3%)
2. HS1005 Maize (corn)	670.2	1,982.7	3,350.7
1. EU28	325.4 (48.6%)	642.9 (32.4%)	1,545.9 (46.1%)
2. Egypt	22.4 (3.3%)	449.1 (22.7%)	393.6 (11.7%)
3. China	0	0	330.6 (9.9%)
3. HS1001 Wheat and meslin	1,605.2	1,070.3	2,290.8
1. Egypt	231.9 (14.4%)	100.9 (9.4%)	650.6 (28.4%)
2. EU28	544.0 (33.9%)	360.3 (33.7%)	208.5 (9.1%)
3. Morocco	8.7 (0.5%)	10.1 (0.9%)	113.3 (4.9%)
4. HS2306 Oil-cake and other solid residues	279.4	533.6	927.7
1. EU28	105.5 (37.8%)	278.1 (52.1%)	594.4 (64.1%)
2. Belarus	97.1 (34.8%)	98.5 (18.5%)	144.4 (15.6%)
3. Turkey	20.2 (7.2%)	67.1 (12.6%)	60.5 (6.5%)
5. HS1205 Rape or colza seeds	1,257.6	630.5	871.2
1. EU28	1,098.8 (87.4%)	587.0 (93.1%)	579.2 (66.5%)
2. Pakistan	53.1 (4.2%)	0	183.9 (21.1%)
3. United Arab Emirates	6.8 (0.5%)	n.a.	47.6 (5.5%)
6. HS1003 Barley	1,405.3	537.6	841.9
1. Saudi Arabia	599.5 (42.7%)	385.7 (71.8%)	542.2 (64.4%)
2. Turkey	22.3 (1.6%)	0.1 (0%)	69.2 (8.2%)
3. Iran	238.1 (16.9%)	21.4 (4%)	49.1 (5.8%)
7. HS1201 Soya beans	72.8	468.7	703.1
1. EU28	36.2 (49.7%)	206.3 (44%)	273.0 (38.8%)
2. Turkey	18.7 (25.7%)	38.0 (8.1%)	199.0 (28.3%)
3. Egypt	0	60.7 (13%)	96.7 (13.8%)
8. HS1806 Chocolate and other food preparations containing cocoa	488.6	639.4	288.7
1. Russian Federation	287.4 (58.8%)	391.2 (61.2%)	88.3 (30.6%)
2. Belarus	15.1 (3.1%)	23.4 (3.7%)	28.6 (9.9%)
3. EU28	13.8 (2.8%)	21.4 (3.3%)	25.5 (8.8%)
9. HS0207 Meat and edible offal, of the poultry	11.1	79.0	276.1
1. Iraq	0	0.9 (1.1%)	54.0 (19.6%)
2. EU28	0.0 (0.2%)	0.0 (0%)	51.8 (18.8%)
3. Kazakhstan	9.1 (82.5%)	38.4 (48.6%)	30.8 (11.1%)
10. HS2402 Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	170.7	193.6	251.9
1. Georgia	48.2 (28.3%)	62.3 (32.2%)	87.4 (34.7%)
2. Azerbaijan	11.6 (6.8%)	20.8 (10.8%)	64.4 (25.6%)
3. Rep. of Moldova	50.8 (29.7%)	63.5 (32.8%)	42.8 (17%)
11. HS1905 Bread, pastry, cakes, biscuits and other bakers' wares	203.1	281.3	220.7
1. Kazakhstan	47.2 (23.2%)	51.5 (18.3%)	47.9 (21.7%)
2. Russian Federation	68.7 (33.8%)	99.4 (35.3%)	46.7 (21.2%)
3. Rep. of Moldova	18.8 (9.2%)	23.1 (8.2%)	20.1 (9.1%)
12. HS2009 Fruit juices (including grape must) and vegetable juices	81.7	78.4	178.5
1. EU28	13.6 (16.6%)	12.5 (15.9%)	140.3 (78.6%)
2. Russian Federation	44.3 (54.2%)	54.2 (69.2%)	24.5 (13.7%)
3. Belarus	8.0 (9.8%)	4.4 (5.6%)	6.6 (3.7%)

	2008	2011	2014
13. HS1704 Sugar confectionery (including white chocolate), not containing cocoa	122.6	190.5	123.9
1. Azerbaijan	17.1 (14%)	17.2 (9%)	18.7 (15.1%)
2. EU28	4.6 (3.7%)	12.8 (6.7%)	17.8 (14.4%)
3. Kazakhstan	34.3 (28%)	21.7 (11.4%)	14.2 (11.5%)
14. HS0402 Milk and cream	207.9	95.1	121.1
1. Kazakhstan	16.9 (8.1%)	7.9 (8.3%)	20.7 (17.1%)
2. Turkmenistan	5.1 (2.5%)	5.8 (6.1%)	11.3 (9.3%)
3. Bangladesh	6.1 (2.9%)	3.9 (4.1%)	10.5 (8.7%)
15. HS1901 Malt extract; food preparations of flour, groats, meal, starch or malt extract	15.4	25.6	120.1
1. Russian Federation	0.1 (0.7%)	2.3 (8.8%)	72.6 (60.5%)
2. Kazakhstan	5.0 (32.4%)	7.7 (30%)	14.9 (12.4%)
3. Turkmenistan	0.4 (2.7%)	2.4 (9.4%)	6.9 (5.8%)
16. HS0406 Cheese and curd	402.6	445.0	120.1
1. Russian Federation	331.5 (82.3%)	390.8 (87.8%)	79.1 (65.9%)
2. Kazakhstan	58.0 (14.4%)	41.1 (9.2%)	20.3 (16.9%)
3. Belarus	0.1 (0%)	0	9.8 (8.2%)
17. HS2106 Food preparations not elsewhere specified or included	38.9	65.1	108.3
1. Russian Federation	0.8 (2.1%)	4.8 (7.4%)	54.0 (49.8%)
2. Kazakhstan	0.3 (0.8%)	22.2 (34.1%)	21.9 (20.2%)
3. Azerbaijan	16.0 (41.2%)	11.5 (17.7%)	7.8 (7.2%)
18. HS0407 Birds' eggs, in shell, fresh, preserved or cooked	20.2	52.4	99.6
1. Iraq	0.1 (0.3%)	18.0 (34.4%)	61.4 (61.7%)
2. United Arab Emirates	0.0 (0%)	0.1 (0.3%)	11.9 (12%)
3. Syria	1.3 (6.3%)	0.2 (0.3%)	8.4 (8.4%)
19. HS1507 Soya-bean oil and its fractions	12.1	44.3	95.5
1. EU28	4.8 (39.6%)	30.2 (68.2%)	56.1 (58.7%)
2. India	0	0	9.3 (9.7%)
3. Iran	0	0	6.1 (6.4%)
20. HS0409 Natural honey	8.3	27.8	93.2
1. EU28	6.8 (82.7%)	15.6 (56.1%)	66.2 (71%)
2. USA	0.2 (2.5%)	0.7 (2.6%)	21.6 (23.2%)
3. Turkey	0.2 (1.9%)	0.4 (1.6%)	2.4 (2.6%)

Note: 0 refers to no trade.

n.a. Not applicable.

a Agriculture is based on WTO definition.
b Products in the table are identified according to 2014 values.

Source: WTO Secretariat's calculations, based on UNSD Comtrade database.

Table A4. 2 Ukraine's major imported products by partner, 2008, 2011 and 2014

(US$ million, % of total agriculture)

	2008	2011	2014
Agriculture[a]	**5,821**	**5,846**	**5,460**
Subtotal for top 20[b]	**3,183 (54.7%)**	**3,276 (56%)**	**3,289 (60.2%)**
1. HS0805 Citrus fruit, fresh or dried	**190.0**	**267.9**	**319.1**
1. Turkey	67.0 (35.3%)	113.2 (42.3%)	161.6 (50.6%)
2. EU28	26.8 (14.1%)	58.7 (21.9%)	58.3 (18.3%)
3. Egypt	38.6 (20.3%)	47.2 (17.6%)	38.8 (12.2%)
2. HS1005 Maize (corn)	**103.7**	**167.0**	**313.3**
1. EU28	66.1 (63.7%)	136.1 (81.5%)	261.1 (83.3%)
2. Serbia	3.0 (2.9%)	3.0 (1.8%)	28.0 (8.9%)
3. USA	25.2 (24.3%)	11.5 (6.9%)	12.4 (3.9%)
3. HS2401 Unmanufactured tobacco; tobacco refuse	**282.9**	**331.8**	**275.2**
1. Brazil	65.8 (23.3%)	86.4 (26%)	68.5 (24.9%)
2. EU28	73.6 (26%)	58.2 (17.5%)	49.4 (17.9%)
3. India	23.1 (8.2%)	38.9 (11.7%)	38.4 (14%)
4. HS2106 Food preparations not elsewhere specified or included	**269.4**	**229.0**	**252.9**
1. EU28	157.3 (58.4%)	130.6 (57%)	159.4 (63%)
2. Russian Federation	67.1 (24.9%)	54.6 (23.9%)	44.8 (17.7%)
3. USA	23.8 (8.8%)	15.2 (6.6%)	16.2 (6.4%)
5. HS2309 Preparations of a kind used in animal feeding	**162.7**	**209.8**	**224.7**
1. EU28	130.7 (80.4%)	149.2 (71.1%)	167.3 (74.5%)
2. Russian Federation	25.1 (15.4%)	38.5 (18.3%)	24.1 (10.7%)
3. China	0.3 (0.2%)	15.2 (7.3%)	17.9 (8%)
6. HS2208 Undenatured ethyl alcohol; spirits, liqueurs and other spirituous beverages	**148.2**	**216.3**	**216.1**
1. EU28	60.2 (40.6%)	126.1 (58.3%)	110.7 (51.2%)
2. Georgia	33.3 (22.5%)	27.1 (12.5%)	22.2 (10.3%)
3. Areas, n.e.s.	0	0	16.9 (7.8%)
7. HS0803 Bananas, including plantains, fresh or dried	**139.3**	**152.6**	**212.1**
1. Ecuador	135.0 (96.9%)	136.4 (89.4%)	195.3 (92.1%)
2. Costa Rica	2.6 (1.9%)	8.0 (5.2%)	15.5 (7.3%)
3. Colombia	1.1 (0.8%)	4.8 (3.1%)	0.5 (0.2%)
8. HS2101 Extracts, essences and concentrates, of coffee, tea or maté	**217.7**	**273.8**	**188.1**
1. EU28	120.7 (55.4%)	129.1 (47.2%)	92.6 (49.2%)
2. Brazil	49.8 (22.9%)	57.1 (20.9%)	37.0 (19.7%)
3. Russian Federation	2.1 (1%)	20.6 (7.5%)	33.7 (17.9%)
9. HS1206 Sunflower seeds, whether or not broken	**60.6**	**108.5**	**165.0**
1. USA	16.6 (27.5%)	30.0 (27.7%)	50.2 (30.4%)
2. EU28	28.3 (46.8%)	38.9 (35.8%)	43.9 (26.6%)
3. Turkey	7.3 (12%)	24.9 (23%)	42.5 (25.7%)
10. HS1511 Palm oil and its fractions	**418.9**	**236.2**	**154.1**
1. Indonesia	226.0 (54%)	167.4 (70.9%)	126.7 (82.2%)
2. Malaysia	178.6 (42.6%)	62.1 (26.3%)	26.2 (17%)
11. HS1806 Chocolate and other food preparations containing cocoa	**141.2**	**169.4**	**148.1**
1. Russian Federation	85.9 (60.9%)	101.0 (59.6%)	80.4 (54.3%)
2. EU28	51.7 (36.6%)	64.1 (37.8%)	63.4 (42.8%)
3. Switzerland	0.9 (0.7%)	1.5 (0.9%)	1.2 (0.8%)
12. HS0902 Tea, whether or not flavoured	**120.4**	**150.7**	**123.4**
1. Sri Lanka	35.8 (29.7%)	62.4 (41.4%)	37.0 (30%)
2. Russian Federation	62.2 (51.6%)	38.6 (25.6%)	29.6 (24%)
3. United Arab Emirates	3.3 (2.7%)	2.2 (1.5%)	14.9 (12.1%)
13. HS2402 Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	**79.1**	**71.5**	**117.1**
1. Russian Federation	52.2 (66%)	48.6 (68%)	48.8 (41.7%)
2. EU28	8.8 (11.1%)	17.0 (23.8%)	33.5 (28.6%)
3. Areas, n.e.s.	0	0	11.1 (9.5%)

	2008	2011	2014
4. Kazakhstan	0	0.0 (0%)	10.4 (8.9%)
14. HS0901 Coffee, whether or not roasted or decaffeinated; coffee husks and skins	**72.7**	**127.7**	**107.6**
1. EU28	47.3 (65%)	68.0 (53.3%)	55.7 (51.8%)
2. Russian Federation	14.6 (20.1%)	36.3 (28.5%)	23.7 (22.1%)
3. Viet Nam	1.0 (1.4%)	3.2 (2.5%)	6.6 (6.1%)
15. HS2204 Wine of fresh grapes, including fortified wines	**81.3**	**105.8**	**95.5**
1. EU28	21.9 (26.9%)	44.9 (42.4%)	52.8 (55.3%)
2. Georgia	20.4 (25.1%)	23.2 (21.9%)	21.1 (22.1%)
3. Rep. of Moldova	32.9 (40.5%)	22.4 (21.2%)	7.6 (8%)
16. HS2403 Other manufactured tobacco and manufactured tobacco substitutes	**95.6**	**74.3**	**89.9**
1. Russian Federation	83.8 (87.6%)	57.6 (77.5%)	77.6 (86.3%)
2. EU28	5.2 (5.5%)	14.8 (19.9%)	9.1 (10.1%)
17. HS0203 Meat of swine, fresh, chilled or frozen	**416.1**	**160.6**	**80.1**
1. EU28	312.3 (75%)	91.1 (56.8%)	38.0 (47.5%)
2. Brazil	86.4 (20.8%)	59.7 (37.2%)	26.9 (33.6%)
3. USA	10.9 (2.6%)	4.5 (2.8%)	6.5 (8.2%)
18. HS2103 Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard	**73.4**	**72.6**	**74.8**
1. EU28	56.4 (76.8%)	56.0 (77.1%)	57.2 (76.4%)
2. Russian Federation	13.8 (18.8%)	10.8 (14.8%)	11.7 (15.7%)
3. China	0.7 (1%)	1.0 (1.4%)	1.6 (2.2%)
19. HS0406 Cheese and curd	**53.0**	**68.0**	**67.5**
1. EU28	23.1 (43.5%)	38.8 (57%)	52.7 (78.1%)
2. Russian Federation	29.6 (55.8%)	26.3 (38.7%)	11.9 (17.7%)
3. Belarus	0.2 (0.3%)	1.3 (2%)	1.3 (2%)
20. HS1801 Cocoa beans, whole or broken, raw or roasted	**56.4**	**82.9**	**64.8**
1. Ghana	0	34.9 (42.1%)	38.4 (59.3%)
2. Cote d'Ivoire	16.1 (28.5%)	47.7 (57.5%)	26.4 (40.7%)

Note: 0 refers to no trade.

a Agriculture is based on WTO definition.
b Products in the table are identified according to 2014 values.

Source: WTO Secretariat's calculations, based on UNSD Comtrade database.

Table A4. 3 Main energy suppliers to Ukraine, 2008-14

(US$ million)

	2008	2009	2010	2011	2012	2013	2014
Coal							
World	2,134	795	1,782	2,761	2,637	1,981	1,769
Russian Federation	1,496	535	1,206	1,714	1,621	1,306	1,136
United States	345	113	419	831	793	498	323
Kazakhstan	216	127	129	169	164	89	100
Australia	28	1	0	0.001	0	1	95
Other	49	19	27	48	59	88	115
Electric energy							
World	73	1	1	1	6	2	4
Russian Federation	73	1	1	1	5	2	4
Republic of Moldova	0.01	0.01	0.01	0.01	1	0.01	0.01
Gas							
World	9,439	7,979	9,393	14,046	14,025	11,538	5,695
Russian Federation	247	4,398	9,393	12,361	14,003	10,685	3,940
Germany	0	0	0	0	22	347	976
Hungary	0	0	0	0	0	250	449
Norway	0	0	0	0	0	0	301
Turkmenistan	5,610	696	0	618	0	0	0
Uzbekistan	1,852	1,577	0	530	0	0	0
Kazakhstan	1,730	1,309	0	536	0	0	0
Other	0	0	0	0	0	256	28
Oil (crude)							
World	4,514	2,990	4,171	4,272	1,236	630	147
Russian Federation	4,224	2,600	3,138	3,440	547	398	131
Kazakhstan	74	134	132	239	689	232	16
Azerbaijan	0	256	900	569	0	0.1	0
Other	215	0	2	24	0	0	0.003

Note: Coal (HS 2701 and 2702); electric energy (HS 2716); gas (HS 271121); and oil (HS 2709). 0 refers to no trade.

Source: UNSD Comtrade database.

Table A4. 4 Structure of Ukraine's industrial sector, 2014

	Number of enterprises		Volume of sales (goods, services)	
	units	%	UAH billion	%
Industry	42,187	100	1,547	100
Mining and quarrying	**1,408**	**3.3**	**175**	**11.3**
Mining of coal and lignite	103	0.2	31	2
Extraction of crude petroleum and natural gas	110	0.3	53	3.4
Mining of metal ores	46	0.1	77	5
Other mining and quarrying	1,037	2.4	12	0.8
Mining support service activities	112	0.3	2	0.1
Manufacturing	**35,878**	**85.1**	**995**	**64.4**
Food products	4,886	11.6	267	17.3
Beverages	633	1.5	38	2.5
Tobacco products	9	0	32	2
Textiles	547	1.3	5	0.3
Wearing apparel	1,825	4.3	5	0.3
Leather and related products	397	1	3	0.2
Wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	2,949	7	14	0.9
Paper and paper products	936	2.2	22	1.4
Printing and reproduction of recorded media	1,810	4.3	9	0.6
Coke and refined petroleum products	123	0.3	52	3.4
Chemicals and chemical products	1,325	3.1	53	3.5
Basic pharmaceutical products and pharmaceutical preparations	233	0.6	16	1
Rubber and plastic products	2,009	4.7	28	1.8
Other non-metallic mineral products	2,900	6.9	40	2.6
Basic metals	533	1.3	242	15.6
Fabricated metal products, except machinery and equipment	3,091	7.3	24	1.6
Computer, electronic and optical products	792	1.9	9	0.6
Electrical equipment	907	2.2	23	1.5
Machinery and equipment n.e.c.	2,126	5	39	2.5
Motor vehicles, trailers and semi-trailers	284	0.7	12	0.8
Other transport equipment	351	0.8	30	1.9
Furniture	1,401	3.3	10	0.6
Other manufacturing	874	2.1	3	0.2
Repair and installation of machinery and equipment	4,937	11.7	19	1.3
Electricity, gas, steam and air conditioning supply	**1,490**	**3.5**	**353**	**22.8**
Electricity, gas, steam and air conditioning supply	1,490	3.5	353	22.8
Water supply, sewerage, waste management and remediation activities	**3,411**	**8.1**	**24**	**1.5**
Water collection, treatment and supply	1,561	3.7	8	0.5
Sewerage	208	0.5	2	0.1
Waste collection, treatment and disposal activities; materials recovery	1,604	3.8	14	0.9
Remediation activities and other waste management services	38	0.1	0	0

Note: Excluding the Crimea.

Source: State Statistics Service of Ukraine.

Table A4. 5 List of compulsory types of insurance

1) medical insurance;
2) the personal insurance of medical and pharmaceutical employees (except for those who work in establishments and organizations which are financed from the State Budget of Ukraine) in case of HIV in carrying out their duties;
3) personal insurance of workers of departmental (except for those who work in establishments and organizations which are financed from the State Budget of Ukraine) and rural fire prevention and members of volunteer fire brigades;
4) insurance of athletes high categories;
5) life and health insurance of specialists in veterinary medicine;
6) personal insurance against accidents on transport;
7) aviation insurance of civil aviation;
8) liability insurance of marine carrier and artist works associated with the maintenance of maritime transport on compensation for damages caused by the passengers, baggage, mail and cargo, other users to sea transport and to third parties;
9) insurance of civil liability of owners of vehicles;
10) insurance of water transport;
11) civil liability insurance of a nuclear plant operator for the nuclear harm which can be caused due to a nuclear incident;
12) insurance of workers (except for those who work in establishments and organizations which are financed from the State Budget of Ukraine) that take part in providing psychiatric aid, including for persons suffering from mental disorders;
13) insurance of civil liability of the managing subjects for the harm which can be caused by fires and accidents at high-risk facilities, including fire objects and objects, managing activity on which can cause environmental, sanitary and epidemiological character;
14) liability insurance of investors, including for the harm inflicted on an environment, health of people, production distribution agreement, unless otherwise provided by the agreement;
15) insurance of property risks for production distribution agreements in the cases stipulated by the Law of Ukraine "on production distribution agreements";
16) insurance of financial responsibility, health and life of the temporary administrator, liquidator of the financial institution and the employees of the central organ of executive power, which realizes state financial policy, which determined by addressing the state's participation in the bank capitalization;
17) insurance of property risks at industrial developing oil and gas fields in the cases stipulated by the Law of Ukraine "on oil and gas";
18) insurance of medical and other employees of state-owned and communal health care institutions and public research institutions (except for those who work in establishments and organizations which are financed from the State Budget of Ukraine) in case of infectious diseases associated with performing their professional duties in high-risk conditions of activators of infectious diseases;
19) insurance of liability for exporters and persons responsible for disposal (surgical removal) of hazardous wastes, for damages which can be caused to human health, property and the environment during the transboundary transportation and recycling (surgical removal) of hazardous waste;
20) insurance of space agencies (ground infrastructure), the list of which is approved by the Cabinet of Ministers of Ukraine upon the submission from the central body of the executive power, which provides formation of the state policy in the field of space activities;
21) insurance of public liability of the space activity;
22) insurance of objects of space activities (space infrastructure) which is the property of Ukraine for the risks associated with the preparation for launching space technology at Baikonur, launch and exploitation of it in space;
23) insurance of liability for risks associated with the preparation for launching space technology at Baikonur, launch and exploitation of it in space;
24) dangerous cargo transporter liability insurance against occurrence of negative consequences while transporting hazardous cargo;
25) professional liability insurance for individuals whose activity may cause harm to third parties on the list established by the Cabinet of Ministers of Ukraine;
26) liability insurance for dog owners (in the dog breeds list made by the Cabinet of Ministers of Ukraine) against damage which can be caused to third parties;
27) public liability insurance of citizens of Ukraine, who own or other legitimate possession of weapons, for the harm which can be caused to third parties or their property as a result of possession, storage and use of these weapons;
28) insurance (except for those that are used for the purposes of agricultural enterprises) in case of damage, destruction, forced slaughter, from disease, natural disasters and accidents in such cases and in accordance with the list of animals, fixed by the Cabinet of Ministers of Ukraine;
29) insurance of liability of the subjects of tourist activities for the harm inflicted on life or health of tourist or its property;
30) insurance of liability of marine shipowner;
31) insurance lines and equipment transmitters of electricity from being damaged due to the impact of natural disasters or man-made disasters and illegal actions of third parties;
32) insurance of liability of manufacturers (contractors) for production of animal origin, veterinary preparations, substances for damage caused to third parties;

33) insurance of mortgaged property against risks of accidental destruction, accidental damage or deterioration;
34) property insurance, transferred as a concession;
35) insurance of public liability of the managing subjects for the harm which can be caused to the environment or health of people during storage and application of pesticides and agrochemicals;
36) insurance of public liability of entities for the harm which can be caused to third parties as a result of construction of industrial structures;
37) insurance of property risks manual subsoils during the pilot and industrial extraction and use (methane) from coal deposits;
38) insurance of civil and legal liability private notary.

Source: Information provided by the Ukrainian authorities.

Table A4. 6 Overview of Ukrainian Sea Ports, 2013-14

Ports	Turnover (2013; Mt)			Turnover (2014; Mt)			Main goods trans-shipped (2014)
	Total	State-owned terminals	% of total	Total	State-owned terminals	% of total	
Odessa region	**83.7**	**25.9**	**31**	**90.2**	**25.9**	**29**	
Odessa	23.2	no trans-shipment	-	24.6	-	-	Grains, containers, ferrous metals, oil products, ore, chemicals
Illichivsk	16.5	10.1	61	17.6	10.5	60	Grains, ore, bulk cargo, ferrous metals, oil products, containers
Yuzhny	43.4	15.2	35	47.4	14.8	31	Ore, grains, coal, chemicals, vegetable oil, bulk cargo
Bilhorod-Dnistrovskiy	0.7	0.7	100	0.6	0.6	100	Wood
Mykolayiv and Kherson regions	**30.3**	**4.5**	**15**	**31.7**	**3.9**	**12**	
Mykolayiv	20.3	no trans-shipment	-	20.8	-	-	Grain, ore, ferrous metals, coal, vegetable oil
Oktyabrsk	5.6	1.8	33	7	2.4	0	Grains, ferrous metals, chemicals, coal, bulk cargo
Kherson	4.1	2.3	57	3.9	1.4	37	Grains, bulk cargo, ferrous metals, construction materials, chemicals
Skadovsk	0.3	0.3	98	0.1	0.1	93	Construction materials
Danube ports	**5.6**	**3.3**	**60**	**4.6**	**3.7**	**81**	
Reni	2.8	0.6	21	1.5	0.6	44	Grains, chemicals, bulk cargo, oil products
Ust-Dunaysk	0.04	0.04	100	0.1	0.1	100	Grains
Izmayil	2.8	2.7	99	3.1	3	98	Coal, ore, ferrous metals
Azov Sea ports	**17.7**	**16.6**	**94**	**16.2**	**15.1**	**93**	
Berdyansk	2.2	2	90	3.2	3	93	Grains, ore, construction materials, coal, coke
Mariupol	15.5	14.6	95	13	12.1	93	Ferrous metals, coal, ore, construction materials, grain
Total	**137.3**	**50.3**	**37**	**142.8**	**48.6**	**34**	

Source: Information provided by the authorities.

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