

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

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ACCESSION OF UKRAINE

Memorandum on the Foreign Trade Regime

The Director-General has received the following communication, dated 25 June 1994, from the Government of Ukraine.

On behalf of the Government of Ukraine I have the honour to inform you that the Ukrainian Government with the aim:

- of speeding up successive integration to the world economic sphere by means of accession to the GATT and joining WTO,
- to implement the aims and principles of the GATT,
- of adoption of the decision to become a Contracting Party of the GATT, based on conditions specified in Article XXXIII of the General Agreement, taking into account decision of the Council of Representatives of GATT of December 17, 1993 concerning Ukraine's accession to the GATT,
- of continuation of the negotiation process with the contracting parties and work with the secretariat in implementation of the procedure of Ukraine's accession to the GATT.

and keeping in mind problems that exist for Ukraine based on the results of Uruguay Round has prepared and adopted during the meeting of Governmental Commission on Ukraine's accession to the GATT the Memorandum on the Foreign Trade Regime of Ukraine and authorized Mr. Sergey G. Osyka, First Deputy Chairman of the Governmental Commission on Ukraine's accession to the GATT, Special Representative of the Ukrainian Government to GATT, to officially submit the Memorandum for discussions to the GATT Contracting Parties.

The text of the Memorandum is reproduced hereunder. The laws and other legal texts to which reference is made in the memorandum are available for consultation in the secretariat (Office of the Special Adviser, Room 2017). In view of the wish expressed by Ukraine to become a member of the World Trade Organization, it should be noted that the memorandum contains information concerning services, investment and trade related intellectual property rights.

In order that the matter be examined by the Working Party on Ukraine's accession to GATT (document L/7367), contracting parties are invited to communicate to the Secretariat by 7 September 1994 any questions they may wish to put concerning Ukraine's foreign trade regime for transmission to the authorities of Ukraine.

## TABLE OF CONTENTS

<b>I. Introduction</b>	<b>4</b>
<b>II. Economy and Foreign Trade</b>	<b>4</b>
1. Economy	4
a) General Overview	4
b) Main Directions of the Current Economic Policy	7
Pricing Policy	8
Privatization	9
c) Current Economic Condition	12
2. Foreign Trade	14
<b>III. Foreign Trade Regime</b>	<b>15</b>
1. Imports Regulation	15
Tariff Regulation Development	15
The General Description of the Customs Tariff Structure	15
The Duties Imposition Regime and Tariff Preferences	17
Exemption from the Duty	17
The Return of the Customs Tax	18
The Return of Surplus of the Customs Tax and	18
Customs Duty	18
The Imports Taxation Regime	19
Customs Valuation	19
Settlements and Duty Payment	20
The Currency of Customs Payments	20
Non-tariff Measures, Quotas and Licensing Regime	20
Definition of the Country of Origin of Goods	21
Standards and Certification	22
Sanitary and Phytosanitary Standards	22
2. Export Regulation	23
Special Regime for Exports	24
Regime of Export Control of Sensitive Goods/Technologies	24
Exports Stimulation Measures, Including Subsidies	24
3. Transit Trade Regulation	25
<b>IV. Other Policies Related to Foreign Trade</b>	<b>25</b>
1. Industrial Policies	25
2. Agricultural Policies	26
3. Financial, Budgetary and Tax Policies	26
4. Exchange Control and System of Settlements. Relations with the International Monetary Fund and Measures of Adjustments Applicable to the Rate of Exchange	28
5. Investment Policies	30
6. State Procurements	32
7. State-Owned Trade Enterprises	33
8. Special (Free) Economic Zones	33
9. Policies Concerning the Copyright and the Rights of Intellectual Property	34
<b>V. Institutional Base of Trade and Economic Relations</b>	<b>35</b>
1. Bilateral Agreements	35

<b>2. Integrational Agreements</b>	<b>36</b>
<b>VI. Laws and Legal Acts</b>	<b>37</b>
<b>1) Laws and Legal Acts Regulating the Functions of the Customs; Authorized Bodies</b>	<b>37</b>
<b>2) Laws and Legal Acts Concerning Non-Tariff Regulations of Exports, Imports, Transit Trade and Transit of Goods; Relevant Authorities</b>	<b>38</b>
<b>3) Laws and Standards Concerning Foreign Investments; Relevant Authorities</b>	<b>39</b>
<b>VII. Statistical Data</b>	<b>40</b>
<b>Statistics Related to Foreign Trade; Authorized Bodies</b>	<b>40</b>
<b>Publication System</b>	<b>41</b>
<b>Annexes 1 and 2</b>	<b>42</b>

## **I. Introduction**

The strategic goal of the economic policy of Ukrainian Government is the creation of market economy in Ukraine which would promote economic wealth of all citizens of Ukraine. More specifically, Ukraine seeks to establish a stable monetary-financial system, implement denationalization and privatization of industrial enterprises and respective infrastructure, create conditions for the restoration of private property in the agricultural sector for the purpose of achieving required efficiency of privatized entities, and creation of system of self-regulating market relations being the basis for qualitative and structural changes in the economy, to reform the legislation and administrative-legal system in line with the above goal, and standards and principles of the market economy.

In order to accomplish said goals, the Government of Ukraine has already carried out important steps. They are related to the enforcement of the State Privatization Programs, preparation of conditions for the introduction of national currency, development and enforcement of a series of laws which would institute a necessary legal basis for the implementation of economic reforms, existence and development of market relations.

The Government of Ukraine directly associates resolution of urgent tasks of Ukrainian economic reforms in the field of foreign economic activities with the country's accession to the General Agreement On Tariffs and Trade (GATT) and entering the World Trade Organization (WTO). Becoming an equal member of multilateral system of GATT/WTO is an integral part of economic reforms in Ukraine, an important factor of acceleration of improvement of legislative (trade, tariff, taxation, investment, financial, etc.) infrastructure in compliance with the requirements of GATT/WTO system.

The establishment of the Governmental Commission on Ukraine's Accession to GATT pursuant to the Resolution of the Cabinet of Ministers of Ukraine #20 as of January 25, 1994 confirmed the search of the Government of Ukraine to accelerate the process of economic reforms in conformity with rules and principles of GATT/WTO. The Commission ensures coordination and organization of all activities carried out in this important area of economic policy, and a special representative of Ukrainian Government to GATT has been appointed by the Decree of the President of Ukraine.

The Governmental Conference dedicated to Ukraine's acceding General Agreement on Tariffs and Trade and joining World Trade Organization held in Kyiv from May 26 through May 28, 1994, became a follow-up of the negotiation process with the contracting parties and GATT Secretariat. The main objective of the conference was to discuss and hold top-level consultations as regards the Draft of Memorandum On Foreign Trade Regime of Ukraine further submission and approval of which is a principal requirement to Ukraine's acceding GATT and entering WTO pursuant to the procedure of joining.

Complying with the procedure of accession to GATT, the Governmental Commission on Ukraine's Accession to GATT, on behalf of the Government of Ukraine, submit the Memorandum On Foreign Trade Regime of Ukraine, for the consideration of the contracting parties and GATT Secretariat. This Memorandum contains fundamental information referring to the foreign economic legislation, foreign economic policy, administrative and legal system and economic status of Ukraine.

## **II. Economy and Foreign Trade**

### ***1. Economy***

*a) General Overview*

The territory of Ukraine covers 603.700 km<sup>2</sup>, and its population exceeds 52 million people three quarters of them being of Ukrainian descent, and approximately one fifth are Russians. Historically, Ukraine is inhabited by Jews, Tartars, Greeks, Germans, Hungarians, Slovaks. The relations among ethnic groups are relatively harmonic. The average life expectancy in Ukraine is 6-8 years lower than that of developed countries. Accompanying this factor, the increase of population is lowering, and in 1994 it became negative for the first time.

The basis of natural resources of Ukraine is composed of its agricultural lands which are a part of extremely fertile zone. Ukraine also disposes of considerable mineral resources. The mineral wealth of Ukraine includes coal, oil, natural gas, iron ore, manganese, titanium-zirconium ores, magnesium, salt, raw materials for ceramic manufacture, etc.

The prospective reserves of iron ore in Ukraine amount to 173 billion tonnes, out of which 20 billion tonnes have been carefully explored (in 1992 mining yielded 75,7 million tonnes).

Mining of manganese ores in Ukraine amounted to 5,8 million tonnes in 1992, and the reserves of manganese total in 1 billion tonnes (10% of the world reserves). Ukraine completely supplies its demand in construction materials: granites, labradorite, marble, chalk, etc.

A considerable role in the economy of Ukraine is played by power park covering sectors which produce and reprocess organic fuel. Basically, this includes processing of crude oil into oil products, natural gas into products of chemical industry (mineral and organic fertilizers, plastics, etc.), processing of various types of fuel into electric power.

The balance reserves of brown coal exceed 3.3 billion tonnes, black coal - 122,5 billion tonnes (mining in 1992 yielded 133,6 million tonnes). In major regions of mining, over 250 gas- and oil-fields have been explored, from which 4,5 million tonnes of oil and gas condensate have been extracted.

Ukraine has a relatively developed transportation infrastructure - highways, sea and river ports, airports, far-flung railroad network, powerful system of oil and gas pipelines. One should also take into consideration the fact that transportation infrastructure of Ukraine was being formed with the view of covering the needs of the entire ex-USSR, including its foreign trade with states of Europe, Middle East, Canada and USA - about 60% of export and import transactions of the ex-USSR were served by transportation infrastructure of Ukraine.

Besides, Ukraine as one of the more developed republics of the old Soviet Union is marked by a high concentration of defense enterprises and related scientific and technological potential. The larger part of competitive industrial products, which makes up the backbone of the nation's export potential, is produced by the enterprises of the military-industrial complex.

Agriculture and agricultural products reprocessing, precision and heavy machine-building (machines, instruments, equipment), ship-building, car-building and aircraft-building may also be referred to major industries of Ukrainian economy.

Proceeding from specific features of the formation of fuel-power balance in Ukraine, the following distinctions can be stated:

- disproportional character of supply of certain types of fuel under the availability of explored reserves and facilities for coal mining, deficient quantities of natural gas extraction and quantities of oil and natural gas insufficient for supplying domestic demand and work-load of reprocessing facilities;
- limited capabilities of extensive development of nuclear power industry, with the consideration for high density of the population, scarcity of water resources, etc.;
- high degree of "obsolescence" of mining facilities within Donetsk basin, complication of mining-technical conditions and low technical-economic indices of coal mining which require carrying out relevant activities aimed at reconstruction and technical renovation of the facilities;
- high degree of fuel and power consumption of industrial production, particularly in mining and oil-refining industries.

During the Soviet period, primarily heavy industry was developed in Ukraine. Ukraine has inherited obsolete capital assets (their wear and tear amounts to approximately 50% of the value). Following the disintegration of the USSR, the problem of conversion effectuation and industry restructuring became of a paramount importance. At the same time, in order to satisfy needs in fuel, primarily in oil and gas, Ukraine must import significant quantities of energy resources. Ukraine has seriously affected by considerable deterioration of trade conditions resulting from escalation by Russian Federation of prices for fuel supplies to the countries of the former Soviet Union.

Ukraine has a rich scientific potential. Ukrainian science centers have substantial achievements in different fields, including electronics, transport aircraft manufacture, metallurgy, space research, chemistry, medicine, physics, shipbuilding and military industry.

The percentage of scientists and specialists engaged in scientific service, training of personnel and management is 9.6 percent of the entire national workforce. In Kyiv, the national science center, this figure is 21.8 percent. Sixty percent of the nation's science potential of the Ukrainian Academy of Sciences is located in Kyiv, as is 38 percent of all applied science potential in various fields. Other science centers include Kharkiv, Lviv, Odessa, Dnipropetrovsk and Simferopol.

#### *b) Main Directions of the Current Economic Policy*

The main directions of Ukraine's economic policy today include:

- state support to strategic areas of the economy: power engineering, metallurgy, coal and chemical industries;
- deregulation of taxation to reduce taxes on incomes in material production;
- termination of subsidizing enterprises which operate at a loss, active policy directed at inviting foreign investors to improve the operation of and purchase bankrupt enterprises;
- speeding up privatization and deregulation of the economy;
- extending private ownership to land ownership;
- budget regulation with an eye to balancing assets and liabilities in the budget and reduce budget deficit;
- reduction of the negative trade balance (current balance of payments) to a level of no more than 5 percent of GDP through making substantial cuts in non-critical imports and expanding exports.

The process of reforming property relations in 1994 will be basically implemented by the following means:

privatization of the state property;

narrowing state sector of the economy and achievement of efficient use of the state property by means of expansion and improvement of lease relations between the state and other entities and persons;

reformation of the structure of relations in the sphere of existent cooperative, corporative and other collective types of ownership;

demonopolization, denationalization and considerable expansion of the private sector of the economy and attraction of private investments and capital to the implementation of national programs of economic advancement.

These measures are targeted at the formation of a powerful non-state sector of the economy.

The program of demonopolization of the economy and promotion of competition approved by the Verkhovna Rada of Ukraine provides the basis for the transition from sectoral to functional structure of management with the following cut of the number of sectoral ministries and departments, bringing in line with antimonopoly requirements of Regulations on Central and Local Bodies of the State Executive Power and division of monopoly formations in the process of corporatization and privatization.

Further formation and enhancement of market infrastructure (goods and stock exchanges, investment funds, trust and insurance companies), the development of primary and secondary market of securities will be progressing.

Along with carrying out stabilization measures aimed at restraining inflation rates, it is envisaged to effectuate a stage-by-stage transition to market pricing system in all spheres of the economy, i.e. the transition from a direct state regulation of prices and tariffs to an indirect state influence based upon taxation, crediting and customs policy. For the time being, subsidizing prices for all products and goods (except for major products of a consumption minimum sold at the domestic retail market to most unprotected layers of the population) has been terminated. In sectors other than state-controlled sector, only free prices are effective, including relations with state-owned enterprises. The number of state-owned enterprises' goods and services whose prices are not regulated by the state.

The Government has devised a series of activities with respect to liberalization of the foreign trade. The list of goods which are exported under the quoting and licensing regime and other non-tariff restrictions is considerably shortened, all types of special export taxes and duties have been eliminated. Also eliminated are restrictions which refer to the monopoly of the state embodied by specially authorized intermediaries for the export of certain types of high-liquid goods.

The foreign economic policy of the Government of Ukraine is by and large oriented at rapid and effective integration with the global economic environment in compliance with universally accepted norms, principles and practices of the GATT/WTO system, and at the improvement of ties and interaction within the CIS on the premises of said norms and principles.

### ***Pricing Policy***

The main directions of the pricing policy in 1994 have been drawn up with the consideration for the actual social-economic situation in Ukraine. Significant inflation rates (about 50% per month) caused by the drop in production and progression of other crisis phenomena compelled the Government of Ukraine to undertake a series of steps aimed at strengthening the degree of state influence upon the dynamics of prices by means of introduction of stiffer leverages of regulation of their level in the spheres of production and circulation.

The introduction of the regime of the prior declaration of price alterations in major sectors, limitation of the profit rate under the conditions of growth of expenditures in the production and cut of the amount of surcharges and mark-ups in the circulation sphere have allowed to considerably curtail the rates of inflation and prices growth in the beginning of this year. Whereas wholesale and retail prices were growing respectively by 34-77% and 40-77% in the first quarter of 1993, in January these indices have dropped to 24%, and in February, 1994 wholesale prices have only risen by 16% and retail prices - by 11,6%.

In the nearest conceivable future, a mechanism of restriction of cost-efficiency for additional costs of production at devising new value of a product (service) will be a deferring factor of prices growth in the production sphere. Also, a single limit of cost-efficiency in new prices shall be enforced. But the above restrictions shall not apply exported to products or products replacing import.

In the sphere of circulation, the aggregate amount of trade and supplies surcharges (mark-up) is limited to 55% of the manufacturer's price irrespective of the amount of the resale of goods. Shipment costs of the initial customer which cover the transportation from the dispatch point to the destination point may be referred to surcharges beyond the limit of surcharge to the price at which a good is sold. However, the restrictions of trade (supplier's and seller's) surcharges/mark-ups do not apply to imported goods.

It is worthwhile mentioning that the above indicated mechanisms of prices restriction are ensured by means of exceptionally economic tariff methods through the progressive taxation.

In the view of inadmission of export from Ukraine of products at dumping prices, the Inter-Department Committee has determined bedrock prices for major types of exported products effective as of January, 1994. Beginning 1993, the Ministry of Foreign Economic Relations determined indicative prices for goods subject to quoting and licensing. Lowering these prices is prohibited, and in the event of such lowering a good may not be exported outside the customs territory of Ukraine. Both bedrock and indicative prices are determined on the basis of prices accepted at the world market.

### ***Privatization***

Privatization of state-owned enterprises is a key integral part of the policy of the Government of Ukraine as regards the enforcement of economic reforms.

Privatization pursues the following objectives:

alteration of the form of ownership in regard of state-owned property and other tangible values (means of production, realty, financial assets) with the view of their efficient use;

for the purposes of expansion of monetary-commodity relations, inclusion into economic circulation of entities extracted during the period of socialism;

creation of necessary conditions for the accumulation and free disposal of private capital;

promotion of competition and restriction of monopolism;

creation of a large segment of private owners as a basis for efficient economy;

encouraging efficient economic activity of all members of the society on the premises of the motivation system provided by the private property, promotion of free entrepreneurship;

attraction of foreign investments.

The legislation of Ukraine governing the process of privatization is composed of the laws of Ukraine, decrees of the President of Ukraine, resolutions of the Verkhovna Rada and other regulations.

Privatization is carried out on the basis of state privatization programs. On the 7th of July, 1992, the first State Program of Privatization of Assets of State-Owned Enterprises which provided grounds for changing forms of ownership in Ukraine.

The State Privatization Program for the year 1994 approved by the Verkhovna Rada of Ukraine on January 26, 1994 constituted a further evolution of the State Program of Privatization of Assets of State-Owned Enterprises adopted in 1992.

The Program is aimed at the implementation of the following priorities of the state policy in the field of privatization for 1994:

- full-fledged realization of privatization of small-scale state-owned enterprises;
- expansion of privatization of medium-scale and large-scale state-owned enterprises;
- ensurance of participation in the privatization process of citizens of Ukraine.

The new Program sets specific assignments to the state privatization bodies for 1994.

In particular, it is envisioned that 21.400 small-scale state-owned enterprises and 8.000 medium-scale and large-scale state-owned enterprises will be privatized.

The Program makes provisions for a series of measures to be effectuated for a successful accomplishment of privatization goals for 1994, which envisage the following ways of the preparation of enterprises to privatization:

- corporatization of enterprises;
- liquidation of enterprises declared bankrupt;
- financial improvement of enterprises;
- commercialization of individual subunits of enterprises.

Corporatization of state-owned enterprises, i.e. creation of entities on the premises of joint-stock companies, will promote the increase of efficiency of production organization, preparation of enterprises to privatization fostering its acceleration, which will enable the population to actively engage in the privatization processes.

The Program stipulates stage-by-stage sale of shares of joint-stock companies formed in the process of corporatization. It is envisioned that the following measures will be carried out during each stage:

- priority preferential sale of shares to employees of enterprises, which shares shall be sold for privatization certificates and cash in compliance with applicable laws;
- public sale of shares to citizens of Ukraine and financial intermediaries for privatization certificates;
- public sale of shares remaining upon their sale for privatization certificates at the previous stage, for cash to physical persons and legal entities.

As of August 1, 1993 (during one-year period) over one thousand enterprises were privatized, and two months later (as of October 1, 1993) this index amounted to 1.600, and another month later - over 2.000 enterprises. These statistics prove that during the first year, about 90 objects were privatized within one month, 300 entities were privatized in August, same in September, and 400 - in October. The total number of entities privatized in 1993 was 3.550.

It is expected that the rates of privatization will be substantially higher in 1994. The state privatization program for 1994 provides for privatization of nearly 30.000 entities whose property belongs to national and communal ownership, which means at average 2.500 entities per month. It is planned that 50% of the assets will be privatized for privatization certificates, which will allow for considerable increase of the degree of public involvement in privatization.

Corporatization of medium-scale and large-scale enterprises will become a considerable step toward privatization. In the course of enactment of the program of privatization of state-owned enterprises pursuant to the decree of the President of Ukraine On Corporatization of Enterprises, it is envisaged that some 3.450 open-end joint-stock companies will be founded during this and next year. This number will be composed of 90 companies founded in 1993, 2.700 - in 1994 and 600 - in 1995. In industry the number of these companies will amount to approximately 1.400, 450 companies will be operative in the power park, 550 - in construction and construction materials industry, 450 - in the field of transportation, 115 - in material and technological supply, etc.

Financial intermediaries are taking an active part in this process, and the formation of their network has already started. As of now, the State Property Fund of Ukraine has granted 32 licenses to trust funds authorizing dealership in privatization certificates.

According to the effective legislation, citizens of Ukraine have the priority right to participate in privatization of property with the use of privatization certificates.

At the moment, the issue of privatization certificates is carried out in the form of cashless deposits.

The operational statistics accounted for 51.912,3 thousand people composing the population of Ukraine as of January 1, 1994. 48.968,3 thousand people were enrolled on the list of citizens entitled to the receipt of privatization certificates which makes up 94,3% of the total number of the population.

Proceeding from the fact that the use of privatization deposit accounts has caused certain difficulties for citizens of Ukraine, at the moment there is a debate in progress

concerning the issue of privatization property certificates in the form of securities circulating at the financial market of Ukraine.

According to the effective laws, the implementation of privatization programs and oversight of their enactment are vested to the responsibilities of the State Property Fund of Ukraine.

### *c) Current Economic Condition*

In recent years, the economy of Ukraine has undergone serious shocks. The transition from the ex-USSR republic to an independent state in 1991, lack of the relevant experience of interaction between branches of power in new circumstances, tear-off of numerous traditional channels of trade and economic ties within the former Soviet Union, and a number of political and institutional difficulties have caused the delay in the development of a general strategy of economic reforms and aggravation of crisis phenomena in the economy.

During 1993, the tendency of economic decline was continuing in Ukraine. The main trends of economic functioning were being formed under the influence of an ample acceleration of the inflation process.

As a result of the deterioration of the situation in financial-crediting system and mutual payments between economic entities, the economic crisis in the country has deepened and is primarily characterized by further reduction of material production, drop in investment activity, lowering life standard of the population.

The gross national product and national income have decreased respectively by 9% and 15%, and have maintained the rates of decline of 1992.

The most drastic drop in industrial production occurred in early 1994 (35,7% in January-February) which was caused by the lack of raw materials and other inputs, limited crediting resources for their purchase, insolvency of consumers, creation of redundant stocks of ready-made products and raw materials which were out of demand, and due to other reasons. These circumstances have caused the shutdown of nearly 300 industrial enterprises, and a number of other industries were functioning with a partial loading. Virtually, a drop occurred in the production of all types of most critical industrial output.

The work of heavy industry sectors also deteriorated conspicuously. The amount of coal mining diminished by 15% in the first two months of this year, oil extraction (including gas condensate) - by 4,8%, natural gas - by 6,5%, generation of electric power - by 17,0%, amount of oil refining - by 32,2%, production of gasoline - by 39,4%, diesel fuel - by 31,1%.

The inability of state-owned enterprises to ensure steady supply of raw materials and fuel on their own led to a sharp decline in the production of rolled stock and steel pipes, mineral fertilizer, cement, soft roofing materials, paper and carton, as well as many types of engineering industry products.

Consumer goods are another hard-hit area, where in January and February 1994, output equalled 63.6% of that of the same period in 1993.

There has been a 25% drop in the production of foodstuffs. Here, the main reason is the flaws in the taxation and finance-credit system rather than a lack of material and

technical resources. Unable to settle with suppliers of raw materials, fuel and other resources, enterprises are forced to work at half-mast or close down altogether.

The construction industry is in a crisis, too. The main reasons are problems in building up investment programs, a lack of definition regarding volumes of funding-backed work for contractors, financing prospects in view of the continuously rising construction costs, the financial plight of the majority of customers and a heavy indebtedness to construction companies for work done in 1993.

As a result, only one-third of last year's volume of contracts for construction and assembly works has been concluded so far this year.

Last January the national budget received only 18.1 trillion karbovantsi - 4.3 % of the sum projected for the entire year. This hamstringing the state's financial capacity, in part, its ability to realize its social programs and finance current budget expenditures.

The continuing inflation and the impossibility of stabilizing prices of material and technical resources used by agricultural producers make them keep raising their prices of farming produce.

On the whole, prices are expected to rise 8 times in 1994 against 1993.

Also, industrial indices for the first quarter of this year show that the output of industrial goods will decrease by 36 % in 1994.

## *2. Foreign Trade*

In 1993, Ukraine's foreign trade turnover was

57,648.5 million Ukrainian karbovantsi with CIS and Baltic nations;  
6,689.8 million US dollars with the rest of the world.

Exports to CIS and Baltic nations accounted for 22,965.1 million Ukrainian karbovantsi, the rest of the world - 3,765.9 million USD.

The main Ukrainian exports were metallurgical (31.4 % of trade operations), engineering (26.3 %), chemical and petrochemical (9.5 %), food (15.7 %), agricultural (5.7 %) and light and cottage (2.2 %) industry products.

The volume of services rendered, inclusive of oil, gas and ammonia transit through Ukrainian territory, was 2,913 mln. USD, or 14.9 % of the total volume of exports.

The main imports were fuel and electric power (35.9 %), of which the former Soviet republics accounted for 97.4 %; oil processing products (14.7 %), chemical and petrochemical products (9.9 %); ferrous and nonferrous metallurgy products (6.2 %), light and cottage industry products (1.6 %), engineering (19.5 %) and food industry (2.8 %) products.

In 1993, Ukraine exported to 137 countries, primarily to Europe (2,066 million USD, or over a half - 54.9 % - of the total exports). Exports to Asia were on the rise (32.7 %).

Ukraine's more important trade partners included Germany, the United States, Switzerland, China, Italy, Hungary and Turkey.

The economy crisis and the trend to export raw materials had a negative effect on the export of manufactured products, especially machinery and equipment. Their share in exports dropped from 28.7 % in 1991 to 13.3 % in 1993, while exports of raw materials during the same period rose from 58 % to 79.2 %. Machinery and equipment continued to dominate imports (55.4 % - 38.9 %) in 1991-1993. The share of imports for the agroindustry increased.

It should be noted that the statistical system held over from Soviet times fell short of the requirements of building up a trade balance. Only a limited amount of import and export items were reported republic wise. Beginning January 1994, the Ministry of Statistics introduced new forms of statistic reports on foreign trade, which take IMF recommendations into account.

### **III. Foreign Trade Regime**

#### ***1. Imports Regulation***

##### ***Tariff Regulation Development***

The Law on Agency Customs Tariff approved by the Verkhovna Rada on February 5, 1992 and effective as of March 1, 1992 became a legal basis for the enactment of the Agency Customs Tariff in Ukraine. This Law regulates levying customs duties upon goods and other items imported to the customs territory of Ukraine. The Agency Customs Tariff of the USSR had been applied in Ukraine prior to the adoption of the above Law.

The Agency Customs Tariff of Ukraine is based on internationally acknowledged standards and evolves in the direction of maximum compliance with universally accepted principles and rules of customs practice. The goods classification pattern of the Agency Customs Tariff of Ukraine (Goods Nomenclature) is based upon the harmonized system of goods description and coding.

The rates of the Agency Customs Tariff of Ukraine are common for all subjects of the foreign trade activity irrespective of forms of ownership, organization of economic activity and territorial location except for cases envisaged by laws of Ukraine and international agreements.

The import duty is paid for the importing goods to the customs territory of Ukraine.

The import taxes are subject to payment when goods or other items cross the customs border of Ukraine.

##### ***The General Description of the Customs Tariff Structure***

All items subject to customs control are systemized pursuant to the Agency Customs Tariff in 21 sections, 97 groups, 1241 commodity items and 5019 commodity subitems. Their names and digital codes are unified with the Harmonized System of Description and Encoding introduced by the 1983 Brussels Convention.

In accordance with the effective laws, the following types of duties are applied in Ukraine:

- the ad valorem duty which is calculated in percent to the customs value of goods and other items subject to duty;
- specific duty which is levied in the established monetary amount per a unit of goods or other items;
- combined duty which combines both of the above types of duty imposition.

Seasonal customs taxes may be established for the period not exceeding 4 months.

In particular cases, with the consideration for specific circumstances, the following duties may be levied irrespective of other types of duties:

- special duty;

- antidumping duty;
- countervailing duty.

Special duties may be levied:

- in the event of protective reservations when goods are imported to Ukraine in the amount and under the conditions which can inflict substantial damage to producers of similar goods;
- as the means to combat regular hostile actions directed against general interests of Ukraine, or in the event of attempts to initiate unfair competition;
- as protective measures against the discriminatory or inimical actions against other states, or as counteractions against powers, economic groups or customs unions which hinder the foreign economic activity of Ukrainian enterprises.

In each individual case, the application of special customs tariffs shall be subject to provisions of special laws.

The antidumping duty is, as a rule, levied upon the import of goods under the conditions stipulated by Article VI of GATT; also, it can be levied on export of goods from Ukraine if their price is considerably lower than the price of the similar good exported from Ukraine, or if such export entails significant losses to the economy of Ukraine.

The antidumping duty should exceed the difference between the general sale price of dumping goods in the exporting country and the declared import price, or the difference between the dumping price of the exported good and the average export price of competitive goods of Ukrainian origin during a certain period.

The countervailing duty is levied in the following cases:

- if the export of goods is exercised to the customs territory of Ukraine and the production or export of these goods was subsidized directly or indirectly; and when such import inflicts material losses on Ukrainian manufacturers of competitive goods, or when such import prevents from the development of production of such goods in Ukraine.

The countervailing duty may not exceed the established amounts of subsidies.

### ***The Duties Imposition Regime and Tariff Preferences***

The Agency Customs Tariff determines three levels of import duty rates:

preferential rates including the exemption from the payment of duties are applied to the following goods or other items:

- the ones shipped from the states which along with Ukraine are parties to customs unions or form special customs zones with Ukraine;
- the ones shipped from the states which are the parties to agreements on a special system of preferences with the consideration for the provisions of international arrangements which Ukraine is a party to;

- the ones shipped from the developing countries except for goods attributed to commodity groups 25-97 of the Harmonized System (HS).

Reduced duty rates are applied to goods or other items shipped from the states or economic unions which enjoy the most favored nation treatment, and to goods or other items originated from developing countries (within the limits of commodity groups 25-97 of HS which are not subject to the application of preferential rates).

Full (general) rates are applied to the rest of goods or other items.

As of now, the weighted average duty rates amount to 11,9% of the customs value.

The reduced weighted average duty rates amount to 6,3% of the customs value.

### ***Exemption from the Duty***

The following items shall be exempted from the duty:

- means of transportation utilized for regular international shipment of goods, baggage and passengers, as well as accessories and equipment necessary for their functioning, fuel, food-stuffs and other products normally consumed during the travels or regular stops, and the items purchased abroad for the purposes of maintenance of means of transportation;
- goods and accessories, fuel, raw materials for the industrial production, food-stuffs and other products transported outside the customs territory of Ukraine for the ensurance of the due operation of fishing and fish-processing vessels and vessels leased by Ukrainian enterprises and organizations, and the production of these vessels transported to the customs territory of Ukraine;
- Ukrainian and foreign currency and securities (e.g. bonds and/or shareholder's certificates);
- goods and products transferred to the ownership of Ukraine pursuant to the respective provisions of Ukrainian laws;
- goods and products that sustained damage prior to the transportation and cannot be used according to their designation as goods or raw materials;
- products for the individual use of organizations, which products are determined in compliance with international treaties and laws of Ukraine with respect to duty-free import and export;
- goods of Ukrainian origin re-imported to this territory without sufficient reprocessing abroad in order to be defined as goods of foreign origin exported from the customs territory of Ukraine without reprocessing;
- goods originated in other customs territories shipped to the customs territory of Ukraine and duty for which has been paid at the first import;
- other goods in accordance with the law of Ukraine.

### ***The Return of the Customs Tax***

The customs tax on goods imported to the customs territory of Ukraine for the installation, assembly, processing or reprocessing which are subject to reexport within a one-year period may be fully or partially returned under the condition of confirmation of use of the goods for the above-listed purposes.

***The Return of Surplus of the Customs Tax and  
Payment of the Delinquent Customs Tax***

The surplus of the customs tax shall be returned to the goods owner upon the request within a one-year term following the customs clearance of these goods. The customs tax unpaid during the period of deferment, or for any reason unpaid in due terms, shall be subject to penalty sanctions from customs agencies without the right to appeal.

For customs taxes unpaid within said periods, the penalty will constitute 0.2% of the amount of the tax daily including the day of payment.

***Customs Duty***

The Agency Customs Tariff of Ukraine lays down a customs duty in amount of 0.15 % of customs value of the goods for executing required customs procedures.

***The Imports Taxation Regime***

The taxation regimen is laid down by the Law of Ukraine On the State Budget of Ukraine in 1994, which envisions the levying by Ukrainian customs agencies of a value-added tax on imported goods (28 %) and an excise duty in accordance with effective rates along with collecting all relevant customs duties. The object of taxation in this case is the customs value of imported goods plus actually paid sums of all customs duties (and excise duty, for goods subject thereto). In subsequent sale of imported goods, the object of taxation is the difference between the selling price and customs value plus customs duties, VAT and excise duty.

The Decree of President of Ukraine On Additional Measures to Stabilize the Financial Position of Enterprises dated March 17, 1994 exempts the following goods from VAT when crossing Ukraine's customs border: imported raw materials, materials, components and equipment imported by residents for their own production needs as well as fuel (oil, oil products and gas) and material and technical resources for agriculture (seeds, plant protection agents and components for their production, agricultural machinery and produce processing equipment and spare parts) that are being imported into Ukraine, including those supplied as a result of barter operations.

***Customs Valuation***

Levying duties upon goods or other items subject to customs quoting is carried out on the basis of their customs value.

The calculation of the customs value for the goods crossing the customs is exercised on the basis of the goods value submitted to the customs; this is the value payable for a good at its importation to Ukraine. The value of a good quoted for the customs should be based upon value of the good specified in the invoice with the enclosed price-list not included in the invoice:

- costs of transportation, loading, shipment and unloading, and insurance up to the destination point of import in Ukraine;
- commissions and broker's fees;
- the value of intellectual property employed during the goods manufacturing process, and which an importer or exporter must pay directly or indirectly as a mandatory pre-condition for goods import or export.

If the declared value of an item considerably differs from the established (by competent authorities) customs value, or if it is impossible to determine the accurate declared value, the competent customs agencies shall determine the customs value on the basis of the value of the similar item in the dominant country.

### ***Settlements and Duty Payment***

The customs taxes are deducted to the budget of Ukraine.

The customs value for the duty payment is set in convertible currency at the rate established by the National Bank of Ukraine for the national currency.

The customs taxes shall be paid to the customs agencies of Ukraine except for the mail bill of landing in which case the taxes are payable to the postal agencies. The procedures with respect to postponing or termination of taxes payment are determined by the State Customs Committee.

### ***The Currency of Customs Payments***

All customs duties, customs taxes and taxes shall be paid in Ukrainian currency by residents and in freely convertible currency by nonresidents. Customs value shall be stated in customs declarations in freely convertible currency. The sum of money payable is established by converting the freely convertible currency customs value of a product to Ukrainian national currency at the National Bank of Ukraine rate of exchange.

### ***Non-tariff Measures, Quotas and Licensing Regime***

The legislative regulation of the above issues is carried out by the following regulations and acts:

the Law of Ukraine On Foreign Economic Activity - pursuant to the provisions of Article 9 of this Law, the responsibility of exercising measures of non-tariff regulation is delegated to the Ministry of Foreign Economic Relations of Ukraine.

The Decree of the Cabinet of Ministers On Quoting and Licensing of Export of Goods (Works, Services) as of January 12, 1993 #6-93.

Pursuant to this Decree, the decision on the introduction of export (import) licensing and quoting is made by the Cabinet of Ministers of Ukraine at the submission of the Ministry of Economics of Ukraine with the specification of the list of particular goods (works, services) which fall under the licensing and quoting regime and the terms of effect of this regime.

The Resolution of the Cabinet of Ministers of Ukraine as of December 17, 1993 #1046 On the List of Goods Export and Import of Which Is Subject to Quoting and Licensing in 1994. The Resolution sets out the list of goods the import of which is subject to quoting and licensing in 1994.

The Resolution of the Cabinet of Ministers of Ukraine as of March 4, 1994 #146 On Amending the Resolution of the Cabinet of Ministers of Ukraine as of December 17, 1993 #1046. It terminated the effect of Schedule #3 to the Resolution of the Cabinet of Ministers of Ukraine as of December 17, 1993 #1046 which set the list of goods the import of that is subject to quoting and licensing in 1994. During this period, the import is not subject to quoting.

The Decree of the President of Ukraine On Measures to Liberalize Export Policy in Ukraine # 213/94 as of May 5, 1994 considerably shortened the list of goods subject to quoting and licensing, terminated the licensing of goods not subject to quoting and abolished the practice of monopolistic export of highly liquid goods by government intermediaries with special powers.

### ***Definition of the Country of Origin of Goods***

The country where an item was manufactured or where it underwent considerable processing is deemed to be the country of origin of an item.

The term "completed and manufactured" shall apply to the following:

- natural fossils mined in this economic zone;
- planted products grown at its territory;
- livestock bred there;
- products obtained from the livestock at this territory;
- manufactured products of hunting, fishing and maritime industries;

- products of sea-fishery obtained or produced in the World Ocean by vessels of the given country and vessels leased (freighted) by it;
- the secondary raw materials and waists being the result of production and other operations carried out in this country;
- goods manufactured from the products listed above.

The processing and reprocessing shall be deemed sufficient if:

- the declared goods are classified in the tariff item other than materials or goods originated in the third countries and were used for their manufacture;
- the value of the declared goods contains the share of the added value constituting at least 50%.

The following technological operations cannot be deemed to be a sufficient reprocessing:

- goods safety during their transportation or storage;
- preparation of goods to sale and transportation (division of shipment, formation of shipments, sorting and repacking);
- simple assembly operations;
- mixing of goods (components) without assigning to the obtained products of the specifications which significantly distinguish them from the initial components.

### ***Standards and Certification***

The determination of legal and economic grounds of standardization and specification systems, establishment of organizational forms of their functioning at the territory of Ukraine is exercised by the Decree of the Cabinet of Ministers of Ukraine On Standardization and Certification as of May 10, 1993 #46-93.

According to this Decree, the products which are imported and subject to the mandatory certification at the territory of Ukraine must be accompanied with a certificate confirming their compliance with the obligatory requirements of the respective regulations effective in Ukraine. Said certificate must be issued or recognized by the duly authorized competent certification agency of Ukraine.

The procedure of importation to Ukraine of the products which are imported and subject to mandatory certification in Ukraine is determined by the State Customs Committee and the State Committee on Standardization, Metrology and Certification.

### ***Sanitary and Phytosanitary Standards***

Pursuant to the provisions of Article 18 of the Law of Ukraine On Foreign Economic Activity, in Ukraine the import of goods is allowed if technical, pharmacological, sanitary, phytosanitary and ecological specifications of these goods comply with the minimum conditions of the standards and requirements effective in Ukraine.

In the event of unavailability of national standards of Ukraine for a certain good, the relevant international standards and requirements or foreign standards and requirements effective in leading countries-exporters of the mentioned goods should be applied.

The above indicated standards and requirements and the procedure of their application may not be used for the purposes of creation of non-tariff barriers for the performance of foreign economic activity by the subjects of this activity.

The provisional regulation on the procedure of the realization of quotas and granting licenses in 1994 approved by the Resolution of the Cabinet of Ministers of Ukraine on February 7, 1994, makes provision for the availability with an importer of the certificate confirming the compliance of the imported products with sanitary and phytosanitary standards.

### ***2. Export Regulation***

The principal legislative act regulating the Government's activity is the Decree of the Cabinet of Ministers as of January 12, 1993 #6-93 On Quoting and Licensing Export of Goods (Works, Services).

The Resolution of the Cabinet of Ministers as of December 17, 1993 #1046 approves the list of goods the import and export of which is subject to quoting and licensing in 1994.

Quoting and licensing only applies to raw and initial materials. All types of products of machine-building (except for the military designation production), instrument-building, large-scale commodities and other products are not subject to quoting and licensing.

The Law establishes, in part, the following types of quotas:

global quotas (contingents) - quotas set with respect to a good (goods) without the specification of a country (groups of countries) where a good (goods) is exported to or imported from;

group quotas (contingents) - quotas set with respect to a good (goods) with the specification of groups of countries where a good (goods) is exported to or imported from;

export (import) quota - the maximum amount of a certain category of goods allowed for export from Ukraine (import to Ukraine) within a set period of time, and which is determined in in-kind and value units;

individual quotas (contingents) - quotas set with respect to a good (goods) with the specification of a particular country where a good (goods) is exported to or imported from.

Relevant licenses shall be issued within the limits of quotas.

For the purpose of activating export supplies beginning January 1, 1994, all types of products are exempted from the export customs duty.

Quoting and licensing in 1994 shall apply to agricultural raw materials, food industry, iron and other types of ore, coal, oil and oil products, gas, electric power, rare and precious metals, ferrous and non-ferrous metals, mineral fertilizers, timber and other types of raw materials and semi-finished products.

According to Article 16 of the Law on the Foreign Economic Activity of Ukraine, the main objective of introducing quoting and licensing is to rectify the economic situation in the event of:

- an abrupt deterioration of the nation's trade balance;
- high level of external indebtedness;
- shortage of certain kinds of resources in the domestic market;
- need to create a positive balance between export and import of certain kinds of goods; as well as in case of need:
- to prevent dumping operations on the part of enterprises;
- to ensure control over the return of the hard-currency earnings;
- to retaliate discriminatory measures by other countries.

It is on the basis of these principles that the Government has approved general amounts of export quotas for 1994. At the moment, enterprises are being notified of these quotas and issued licenses.

### ***Special Regime for Exports***

Currently, the Decree of the Cabinet of Ministers of Ukraine On the Introduction of Special Regime of Export of Certain Goods approved in 1992 remains in force. The special regime applies to the export of non-ferrous, rare and precious metals, ores and concentrates, oil products, electric power and some of other goods. This regime envisages the export of the above goods only by enterprises which have appropriate economic capacity, foreign trade experience, a positive foreign trade balance and stable export contracts and see to it that hard currency revenues be returned to the state. Such enterprises are granted the status of specialized exporters of listed items by the government of Ukraine (upon request confirmed by the Ministry of Foreign Economic Relations of Ukraine). To date, a great number of enterprises of all types of ownership, in part, a whole number of enterprises with foreign investments, have received that status.

### ***Regime of Export Control of Sensitive Goods/Technologies***

In order to ensure control over the export of strategic goods/technologies in accordance with international regimes of nonproliferation of weapons of mass destruction and means of their delivery (Regime of Control over Missile Technologies, Australian Group, New Forum) and pursuant to the Decree of the President of Ukraine #3/93 dated 5.01.93, Ukraine introduces a special regime of export/import of materials, equipment and technologies which may be used in creating armaments and military materiel. Goods and technologies subject to the abovementioned international regimes may not be exported and imported other than by special approval of the Government Commission for Export Control.

### ***Exports Stimulation Measures, Including Subsidies***

In order to encourage export as well as to secure currency revenues and the financing of the producers of exportable goods, exports of goods in Ukraine, since 1993, have

been subject to a system of government contract, as per provisions of March 22, 1993 Resolution 212 and June 5, 1993 Resolution 421 of the Cabinet of Ministers of Ukraine. The system provides that the products be bought out, within the applicable quota, at the expense of the budgetary means and the currency proceeds, be transferred to a budget account for foreign exchange.

The budget for 1994 allocates the total of 19.3 trillion karbovantsi (5.8% of the expenditure part of the budget) to financing the intermediaries that, within the limits of the government contract and state order export the goods purchased from producers. Once sold in a foreign market, the said products should gain 1.3 billion US dollars, or 21.5 trillion karbovantsi (i.e., 6.4% of the total amount of revenues).

Aside from that, the export of goods (works, services) from Ukraine is exempt from VAT and excise duty.

### ***3. Transit Trade Regulation***

The Law of Ukraine On Foreign Economic Activity provides the definition of transit and prohibits of transit of any goods that, as is known in advance, may be harmful to health, present a threat to the lives of people or animals, or destroy the environment.

The transit of goods via Ukraine is subject to practically no restrictions, provided the transit goods, when within the custom territory of Ukraine, remain 'under customs control'.

## **IV. Other Policies Related to Foreign Trade**

### ***1. Industrial Policies***

Currently, Ukraine's industrial policies are aimed at facilitating the transition of production from the centrally planned organization based on the monopoly of public ownership to the one of self-regulating multi-structured market where production is based on public as well as private and mixed types of ownership. In accordance with the laws passed state-owned property is being privatized, the number of state-controlled enterprises is going down as that of privately- and collectively-owned is moving upwards: in the past two years alone 267 such enterprises were established in the metallurgical, chemical and wood-working industries.

The state program of privatization provides the conditions for the participation of foreign investors.

Alongside privatizing, the structure of production itself is undergoing a change toward an increased output of consumer goods due to reducing the production of industrial goods and military conversion.

This structural reform envisages demonopolization of production and distribution and also aims at lessening the dependence of industrial sectors from the imports of raw materials and components, developing domestic raw materials base as well as the production of power-consuming and material-intensive goods.

Tenders for placing government contract and state orders with the enterprises of different types of ownership is another important mechanism of regulating the economy.

Government contracts and orders encourage competition and allow to purchase at the lowest prices.

## ***2. Agricultural Policies***

Ukraine is now witnessing a reform in farming. In 1994 the number of farmsteads is expected to be around 37 thousand, these managing 800,000 hectares of agricultural land. More than a half of the total number of sovkhozes and other state-owned agricultural enterprises are to be converted to co-operative or corporate entities in the form of economic associations or joint stock companies. New associations, leagues, farmers' cooperatives and private enterprises are in the process of establishment.

Private sector in agriculture will account for almost 39% of the gross output.

Privatized is the property of food processing, flour-and-cereals/mixed feed industries, general service and construction companies, retailers as well as non-producing enterprises and organizations of the agro-industrial complex.

In 1994 Ukraine plans to produce 45.3 million tonnes of grain, 43.5 million tonnes of sugar beet, 2.7 million tonnes sunflower seed, 20 million tonnes of milk and 4.9 million tonnes (body weight) of meat and poultry.

In accordance with the trade balance for the export-import potential in 1994, it is planned to export from Ukraine agricultural produce worth about 2.7 billion US dollars, including 5 million t grain, 245,000 t sunflower seeds, 510,000 t sugar, 474,000 t meat etc.

On the other hand, in order to meet the demand of the national agriculture it is necessary to import material and technical resources for the sum in excess of 2.4 billion US dollars, including 7.4 fuels and lubricants (US\$ 1.4 bln), mineral fertilizers and pesticides (US\$ 0.4 bln), machines (US\$ 343 million) and products of paper and pulp industry.

In order to successfully implement the aforementioned approaches to reforming agriculture it is essential to expand cooperation with the countries that have more efficient agricultural technologies.

## ***3. Financial, Budgetary and Tax Policies***

The financial and budgetary policies of the Ukrainian Government are pointed at curbing the inflation and cutting back the deficit of the budget.

To this end, the Government has been making steps to stop, in 1994, the use of emission credits, so as to maximize revenues and reduce the expenses. The national budget approved for 1994 does not envisage an excess of expenses over receipts. The expenses will be funded within the sums received in the budget and cover, in the first place, payrolls, scholarships, welfare and other measures of social protection of the population.

No credit resources are envisaged for covering the planned expenses of the budget.

According to the analysis of the budgetary policies for 1994, the results of which have been issued by the IMF mission, the national budget, given the rate of the long decline in production, will sustain the deficit of 113.4 trillion karbovantsi (i.e., 23.6% of the GDP).

To increase tax revenues in 1994, an import tax is currently being levied (as 28% VAT on custom value of imports), the rates of excise duty on liquors have been increased and the rates of duty on the imported excisable goods, introduced.

The actual income tax revenues in 1994 will account for 12.2% of the GDP (according to IMF, 8.5%).

Ukraine's tax system and taxation policies have the following legislative base: (a) Law of Ukraine No.3816-XII of December 24, 1993, On the State Tax Service of Ukraine; (b) Law of Ukraine No.2146-XII of February 21, 1992, On the taxation of Income of Enterprises and Organizations with amendments and additions introduced pursuant to the Laws of Ukraine Nos.2554-XII and 3355 of July 7, 1992 and July 1, 1993, respectively, On the Introduction of Changes and Amendments to Certain Legislative Acts of Ukraine; (c) Law of Ukraine No.3898-XII of February 1, 1994, On the National Budget of Ukraine in 1994; (d) Decree 55-93 of the Cabinet of Ministers of Ukraine dated 20 May 1993 On the Regime of Foreign Investment; and (e) Law of Ukraine No.3744-XII of December 17, 1993, On the State Program of Encouraging Foreign Investments in Ukraine.

At present, income tax in Ukraine is levied on economic entities which are legal persons, including enterprises with foreign investment, their affiliates, division and autonomous branches, on international NGOs and associations that engage in economic, entrepreneurial and other commercial activities in the territory of Ukraine as well as on the Ukrainian branches and subsidiaries of companies based abroad if, for taxation purposes, these maintain a separate balance and bank account.

Pursuant to the law, taxable is an enterprise's gross income, or the difference between the total income from the sales of products (works, services), other tangible assets and property (including fixed assets), intangible assets as well as the income from non-marketing operations and the correspondent cost.

When establishing taxable income, account is taken of the gross sales receipts from the realization of production (goods, works, services) less (a) the VATs, excise duties as well as other items of expenditure and deductions payable to the budget that, pursuant to the law, are excluded from the sales receipts; and (b) the expenses included in the cost of such products (goods, works, services).

Company income is taxed at the base rate of 22 percent, though the rate of 11 per cent is applied to the enterprises and organizations within the agro-industrial complex, serving agricultural production proper.

Generally speaking, income tax rates, depending on the type of activities, vary from 22% (production sectors) to 75% (intermediary activities).

Apart from the income tax other major taxes in Ukraine are as follows:

- the value-added tax (28% of the taxable turnover without VAT) is regulated by the Decree of the Cabinet of Ministers of Ukraine On the Value-Added Tax;
- the excise duty (10% to 300% of the turnover from the realization of excise dutiable goods minus VAT) is regulated by the Decree of the Cabinet of Ministers On the Excise Duty and the Resolution of the Verkhovna Rada (Parliament) of 4 February 1994, promulgating the list of dutiable goods;
- mandatory payments made by enterprises (based on the total size of their payroll and material incentives fund).

Enterprises with foreign investment enjoy the national treatment. In addition, the legislation provides tax benefits, such as a tax holiday of up to 5 years for the income tax in the cases when investment activities comply with the requirements of the applicable legislation.

Income, rather than profit, has been chosen as the taxation base because, given the present stage of the country's economic development in general and, in particular, the existent accounting principles, it allows to differentiate clearly the expenses directly related to cost from those that may be merely attributed to production costs and, therefore, concealed from taxation; this helps to avoid indirectly subsidizing state enterprises through the reduction of their taxable income.

#### ***4. Exchange Control and System of Settlements. Relations with the International Monetary Fund and Measures of Adjustments Applicable to the Rate of Exchange***

The system of currency regulation and monetary control is established by the package of decrees issued by the Cabinet of Ministers in February-March 1993 as well as the Law of Ukraine On Amendments to the Decrees of the Cabinet of Ministers of Ukraine on Currency Regulation that have formed a legal basis for the organization of exchange market. The introduction of a rule requiring that 50% of the exports receipts in hard currency be sold to the state has paved the way to a gradual transition to full internal convertibility of the national currency. However, in August 1993 the Government fixed the rate of exchange (as calculated by the Ministry of Economics) to be henceforth applied to mandatory sale of currency, which effectively stopped all operations at the exchange and destroyed the mechanism of market rate formation. The rate as of June of current is 15,100 karbovantsi to one US dollar.

The currency control in Ukraine pursues the following principles:

- the settlements between residents are effected in the national currency only, unless the National Bank of Ukraine sets up a different procedure and issues a license to this effect;
- the settlements between residents and non-residents are effected in freely convertible currency;
- 50 per cent of all currency receipts earned from the sale of goods (works, services) are to be sold for the national currency of Ukraine in compliance with the following procedure:
  - 10% at the rate of exchange fixed by the National Bank of Ukraine, to same;
  - 40% at the actual rate of Tender, to the buying banks that have bid for Tender;
- the exporters retain 50% of the currency receipts and have the discretion of disposal thereof;
  - residents have the right to purchase freely convertible currency for the national currency of Ukraine, via Tender and at the actual rate of such Tender;
  - non-residents may extend credits and loans in hard currency subject to the rules of the National Bank of Ukraine and upon procurement of license from same;
  - remittance of capital and placement of currency values in foreign financial markets is subject to the rules of the National Bank of Ukraine and upon procurement of license from same.

The fixed rate of exchange is calculated by the Cabinet of Ministers of Ukraine in conjunction with the National Bank of Ukraine, proceeding from the current indices of the foreign trade balance of Ukraine.

The infrastructure of Ukraine's exchange market is in the process of formation and, at present, is represented by commercial banks, the Tender of the Center for Interbank

Clearings of the Ukrainian Interbank Currency Exchange, retail stores selling for hard currency, and the companies issuing securities in their own currency denomination.

Both in terms of its currency holdings and the number of transactions, the National Bank of Ukraine is one of the nation's largest actors in the currency market whereas the commercial banks are the major formative elements of this market.

In order to carry out exchange transactions commercial banks should have the license of the National Bank of Ukraine.

As of 1 February 1994, The National Bank registers 222 commercial banks, 66 of which have been granted the National Bank's license for foreign exchange operations.

The National Bank of Ukraine is accountable to the Verkhovna Rada (Parliament) of Ukraine.

The National Bank of Ukraine supervises the establishment of banks with foreign capital in the territory of Ukraine.

Pursuant to the Decree of the Cabinet of Ministers of Ukraine On the System of Exchange Regulation and Control, the National Bank of Ukraine has defined both the size and term of credits in hard currency that are subject to its license. Also, the Procedure of Hard Currency Settlements in Execution of Export-Import Transactions with Deferral of Payments or Delivery has been worked out, providing the measures of regular supervision of the receipt of hard currency returns of the residents by the authorized banks of Ukraine. The supervision of flows of capital outside Ukraine is exercised pursuant to the Instruction of the National Bank On the Procedure of Issuance of Individual Licenses for Investments outside Ukraine.

In pursuance of the purpose of improving the banking, financial and payment system, the National Bank has introduced an electronic system of interbank payments. Regional clearing houses set up in the Republic of Crimea and each oblast of Ukraine compose the national network of clearing houses of Ukraine under the auspices of the Central Clearing House of the National Bank of Ukraine. The National Bank's E-mail network has 1400 terminals, including the regional branches of the National Bank, commercial banks and their branches and affiliate offices.

International bank transactions are served at a S.W.I.F.T terminal to which the 10 largest commercial banks are connected.

## **5. Investment Policies**

The current public policies in the sphere of foreign investments are directed toward substantial growth of foreign investments in Ukraine's economy, especially those that bring in capital, new technologies, facilitate privatization, support the creation of new production facilities and jobs as well as help start up the manufacture of exportable and import-substituting goods.

In Ukraine, an ever greater importance is being attached to foreign investments as these present an effective means of facilitating her way out of the crisis. At present, for instance, the required volume of foreign investment accounts for about 26% of the national budget for 1994.

The legal basis for the economic activities of foreign investors in the territory of Ukraine is provided by the following legal acts:

- The Law of Ukraine On Foreign Investments of 1992;
- The Law of Ukraine No.1540a-XII On Protecting Foreign Investments of 10 September 1991;
- The Law of Ukraine On Foreign Economic Activities of 16 April 1991;
- The Law of Ukraine On Investment Activities of 18 September 1991;
- The Decree of the Cabinet of Ministers of Ukraine On the Regime of Foreign Investments of 20 May 1993;
- the Law of Ukraine On the State Program of Encouragement of Foreign Investments in Ukraine of 1993.

The State Program of Encouraging Foreign Investments in Ukraine, which is a law passed by the Verkhovna Rada (Parliament) of Ukraine in December 1993, sets forth priorities for foreign investment in the following sectors: agriculture/food industries, light industry, engineering, medical, metallurgy and modern materials, power park, chemistry and oil processing etc. Additional benefits are stipulated for foreign investments in the priority sectors of economy and social development.

In addition, foreign investments are subject to other legal acts related to the entrepreneurial activities in Ukraine.

Drawn up currently is the concept and statutes of the Ukrainian Bank for Reconstruction and Development that, once established, should foster a more animated investment activities, be conducive to the attraction of foreign capital into Ukraine, make more efficient the implementation of investment-related projects and facilitate of providing guarantees to entities.

The legislation referred to above generally provides a 'national treatment' for foreign investors in Ukraine, however, it sets forth extra benefits for foreign investors that have made a qualifying investment (not less than 20% of the authorized capital but at least US\$ 50,000 if equipment or intellectual property is contributed, or at least US\$ 500,000 if the contribution is in cash; for banks and other crediting and financial structures, the above contribution should be US\$ 100,000 and US\$ 1,000,000, respectively) such as:

- a 5-year tax holiday for income tax;
- authorized capital contributions imported into the country are exempt from import duty;
- the products of own make are exempt from export duty;
- non-tariff regulators, such as quotas and licenses, are not applied to the export of the products of own make;
- more tax and non-tariff exemptions and benefits may be applied if a foreign investment is made within the framework of the state program of encouraging foreign investments.

With respect to the protection of foreign investments, the state extends the following guarantees to foreign investors in Ukraine:

- guarantees against change of the legislation (if subsequent legislation changes the conditions of protection of foreign investments, the legislation as existed at the time of registration of the investment in question remains applicable for 10 years);
- exemption from nationalization or sequestration;
- compensation for loss or damage incurred by foreign investors as a result of actions or default of public bodies and their officials;
- free remittance of income, profit and other values in hard currency earned as return on investments;
- possibility to reinvest the profit of a foreign investor earned on investment in the territory of Ukraine.

However, in order to boost the process of attracting foreign partners, some other issues that are not regulated in the Decree of the Cabinet of Ministers of Ukraine On the Regime of Foreign Investments or the bilateral agreements on the encouragement and mutual protection of investments need to be resolved, in particular:

- developing legal standards with respect to the resolution of disputes with government;
- ensuring that the right of private ownership of land may be enjoyed by both domestic and foreign natural and legal persons;
- reimbursing foreign investors for the loss incurred by them as a result of acts or failure to act on the part of public bodies.

Various issues related to foreign investments in Ukraine are dealt with by the authorized bodies, such as the relevant sectors within the Cabinet of Ministers of Ukraine and other ministries and departments as well as in the regional state administrations.

Beside that, in 1993 was established the Agency for International Cooperation and Investments in which the responsibility for the enforcement of the Law of Ukraine On the State Program of the Encouragement of Foreign Investment in Ukraine is vested.

The said Agency accumulates, analyzes and summarizes the proposals associated with the issues of international development and investments, such as made by ministries, departments, entrepreneurs as well as international donors and investors; and develops long- and shorter term programs of the use of international assistance and attraction of foreign investments and credits.

## **6. State Procurements**

The government purchases of imported goods are effected at the expense of the centralized currency funds or using foreign commercial credits and bank loans guaranteed by the Government of Ukraine.

The state bodies of government as well as the local councils of people's deputies have the right to place, typically on a competitive basis, state orders, or conclude government contracts on the production, export and import of goods with enterprises and other subjects of economic activities. Entities involved in foreign economic activities take state orders (execute government contract) exclusively on the voluntary basis and with respect to such amounts as are specified in the legal agreements (contracts) entered between the said subjects and a state orderer.

In case of a tender for a government order, foreign subjects of economic activities enjoy equal rights with the domestic economic actors.

## **7. State-Owned Trade Enterprises**

The legal basis for the establishment and operation of the state-owned trade enterprises in Ukraine is provided by the Decree of the Cabinet of Ministers On the Management of Public Property and the Decree of the Cabinet of Ministers No.24 On the Adjustment of Activities Carried Out by the Subjects of Entrepreneurial Activities Established with the Participation of State Enterprises dated 31.12.92

Aforementioned entities have the following main goals and objectives:

- to export the goods manufactured by various industries;
- to import raw materials, other inputs, equipment, spare parts etc., such as are manufactured in Ukraine, to meet the production demands of the enterprises within the system of the Ministry of Industry;
- to carry out advertizing activities as well as to obtain other information on the state of the market;
- to organize joint activities with other enterprises and institutions with the purpose of accumulating the funds necessary for the financing of import-export operations;
- to develop, examine, analyze and select the best possible projects of reconstruction, upgrade and development of enterprises;
- to prepare, obtain relevant approvals and formulate ad hoc programs of the reconstruction and development of enterprises;
- to identify the means and methods of investing;
- to provide freight and shipment services.

Such organizations keep a separate balance, have their settlement accounts and bear liabilities within the limits of the economic activities.

As shown by the 1 January 1994 breakdown, public ownership still prevails in the trade network (excluding the Union of Consumer Cooperatives): 64.4% (30,900) of all stores, 54.6% (10,400) of kiosks and 75.5% (22,700) of all public catering facilities are controlled by the state.

Privately owned are only 3,400 shops and public catering facilities (that is, 4.4%) and in 1993, their share in the trade turnover was 8 per cent (or 3050 billion karbovantsi). There are also 14,800 (19%) lease-holding enterprises in the sector that accounted for 22.6% of the turnover (8390 billion karbovantsi).

#### **8. Special (Free) Economic Zones**

In order to promote entrepreneurial activities in Ukraine, boost up the exports of goods (works, services) and saturate the internal market with high technology goods as well as to speed up the socio-economic development of the regions, certain ministries and departments have drawn, and the Cabinet of Ministers of Ukraine approved (Resolution 167 of 13 March 1994), the Concept of the Creation of Special (Free) Economic Zones in Ukraine.

This Concept is based on the provisions of the Law of Ukraine On the General Principles of the Establishment and Functioning of Special (Free) Economic Zones.

The creation of special economic zones (SEZ) in Ukraine pursues the goal of facilitating structural reform in the economy by attracting foreign investments, promoting joint entrepreneurial efforts in conjunction with foreign investors, these being directed toward broadening export of goods, mobilizing new technologies and stimulating cooperation in science and technology.

SEZ, as regards their economic objectives and legal conditions, fall into various categories:

- foreign trade;
- integrated production;
- research and development;
- tourism and recreation;
- banking and insurance (off-shore);
- cross-border trade.

Other types of SEZ may also be set up, including zones that combine the functions defined above.

At present, several projects concerning SEZ are in the process of development and coordination: Sevastopol Zone, Odesa Zone, Europe-Center (Transcarpathian Oblast), Chop-Interport etc.

In compliance with the President's Decree 113/94 dated 25 March 1994 On the Pilot Economic and Technological Project in Brody District, Lviv Oblast the preparation and coordination of the project of a model SEZ in Brody District of Lviv Oblast has entered its final stage.

#### **9. Policies Concerning the Copyright and the Rights of Intellectual Property**

The policies of the Ukrainian Government in regard of the protection of copyright and intellectual property is associated with the further improving of the legislative and

institutional bases providing legal protection of copyrights, proprietary rights, useful designs, production prototypes etc., in compliance with the effective legislation.

The legal basis for the protection of copyrights and intellectual (especially industrial) property is defined by the following legislative acts:

- Law of Ukraine No.3687-XII of 15 December 1993 On the Protection of Rights to Inventions and Useful Designs;
- Law of Ukraine No.3668-XII of 15 December 1993 On the Protection of Rights to Production Prototypes;
- Law of Ukraine No.3793 of 23 December 1993 On the Protection of Copyright and Related Rights.

Ukraine, a member of WIPO since 1970, has extended its participation in the Paris Union on the Protection of Industrial Property, in the Patent Cooperation Treaty (PCT) and in the Madrid Union on the International Trade Mark Registration.

The State Patent Committee of Ukraine (SPCU) as the central executive body responsible for the legal protection of copyright and industrial (intellectual) property was established in 1992. The Committee performs one of the most essential functions in providing legal protection for objects of intellectual property, i.e., issues deeds of protection.

Generally, the SPCU:

- represents and protects the interests of Ukraine as a member of the international community in the sphere of legal protection of industrial property in various international organizations;
- provides a legal basis for Ukrainian entrepreneurs' entering external markets of goods and services as well as for technology transfer and exchange, attraction of investments, in the form of modern technologies in particular;
- is the recipient of international assistance provided by patent bodies of other countries and individual companies to the national patenting system of Ukraine.

## **V. Institutional Base of Trade and Economic Relations with Third Countries**

### ***1. Bilateral Agreements***

Among the bilateral trade treaties that Ukraine has signed with third countries predominant are MFN agreements.

As of 1 May 1994, Ukraine has signed 28 agreements that envisage the establishment of most favored nation treatment in bilateral trade.

In this respect, the Ukrainian-Canadian Agreement on Trade and Commerce (signed 31 March 1994) will be of particular interest as, pursuant to its provisions, the contracting parties have undertaken to mutually extend a most favored nation treatment on the trade in goods and services and the applicability of their internal rules and regulations in the matters related to trade operations.

This same Agreement also contains the provisions that regulate transit procedures, measures of preventing destructive trade practices (including anti-dumping proceedings), exchange of commercial information and settlements in execution of commercial contracts.

The principles of free trade were applied in Ukraine's contracting practice when the bilateral agreement on free trade was signed with the Russian Federation (24 June 1993).

Similar agreements were signed with Byelarus (16 November 1992) and Lithuania (4 August 1993). An interesting feature of such agreements is the presence of the provisions that enable the establishment of certain exemptions from the regime of free trade, pursuant to which the said regime does not apply to some groups of high liquidity commodities that are subject to non-tariff regulation by the contracting parties.

The agreements on free trade that have been signed with Byelarus and with Lithuania both stipulate that the list of such exclusive commodity groups may only be defined in a separate protocol which should be made an inalienable part of the relevant agreement.

The agreement with the Russian Federation envisages that the identification of commodity groups to be excluded from the regime of free trade should be based on the standards applied internally by each of the Parties, such standards enforcing the list of exported goods subject to quoting and licensing in Ukraine and the Russian Federation.

All the free trade agreements signed by Ukraine were made subject to ratification.

The Verkhovna Rada (Parliament) of Ukraine have not considered the matter of ratification.

### ***2. Integrational Agreements***

The history of Ukraine's participation in multilateral integrational agreements started 15.04.94 when it signed the Agreement on Joining the Economic Union of the CIS as an Associate Member. This Agreement defines the legal status of Ukraine in the Economic Union, a distinctive feature of this status being that Ukraine has contractual obligations exclusively with respect to the treaties it has signed within the Economic Union.

Within the framework of the Economic Union Ukraine has signed the Agreement on the Creation of a Free Trade Zone (15.04.94) which also provides a gradual abolishment of

duties and other charges on import-export operations carried out within the custom territories of the member countries. Also, this agreement regulates the legal relations in the sphere of transit and re-exportation and encompasses the issues related to the protection of markets from the consequences of unfair competition.

Ukraine is an active participant in the Organization of Black Sea Economic Cooperation (BSEC).

BSEC is neither a payments union nor a free trade zone, though one of its objectives is the establishment of such zones. It is basically concerned with transport, systems of international settlements and cooperation in the specific economic sectors.

## VI. Laws and Legal Acts

### *1) Laws and Legal Acts Regulating the Functions of the Customs; Authorized Bodies*

1. The Custom Code of Ukraine of 12.12.91 No.1970-XII (with changes and amendments introduced by Law of Ukraine No. 2468-12 of 17.06.92 and Decrees of the Cabinet of Ministers Nos. 21-92 and 4-93 of 29.12.92 and 11.01.93, respectively).

2. Decree of the Cabinet of Ministers No.54-92 of 20.05.93 On the Agency Customs Tariff of Ukraine.

3. Law of Ukraine No.2097-XII of 05.02.92 On the Agency Customs Tariff with changes and amendments introduced by the Decrees of the Cabinet of Ministers Nos. 4-93 and 26-93 of 11.01.93 and 23.04.93, respectively).

4. Law of Ukraine No. 1262-XII of 25.06.91 On the Customs of the Ukrainian SSR.

5. Resolution of the Verkhovna Rada of Ukraine No. 2479-XII of 19.06.92 On Accession of Ukraine to the 1950 Convention on the Establishment of the Council of Custom Cooperation.

6. Presidential Order No. 160/92- of 12.10/92 On Passport Control and Customs Inspection on the State Border of Ukraine on the Republic of Byelarus and the Russia Federation.

7. Presidential Decree No.1 of 11.12.91 On the Establishment of the State Customs Committee of Ukraine.

8. Resolution of the Cabinet of Ministers of Ukraine No.5 of 03.01.92 the Matters Related to the State Customs Committee of Ukraine.

9. Resolution of the Cabinet of Ministers of Ukraine No.504 of 27.08.92 On the Rates of Customs Duties and the Procedure of Collection Thereof.

10. Resolution of the Cabinet of Ministers of Ukraine No.27 of 21.01.93 Matters Related to the Customs System.

11. Resolution of the Cabinet of Ministers of Ukraine No.256 of 06.04.93 On Introducing Passport Control and Customs Inspection in Air Traffic with the States of the FSU.

12. Resolution of the Cabinet of Ministers of Ukraine No.479 of 23.03.93 On Exemption from Import Duty of Certain Categories of Goods in 1993.

13. Resolution of the Cabinet of Ministers of Ukraine No.1046 of 17.12.93 On the List of Goods the Export and Import of Which is Subject to Quoting and Licensing in 1994.

14. Resolution of the Cabinet of Ministers of Ukraine No.802 of 24.09.93 On the Change of Rates of Customs Duty.

15. Resolution of the Cabinet of Ministers of Ukraine No.62 of 07.02.94 On the Council for Customs and Tariffs of Ukraine.

16. Resolution of the Cabinet of Ministers of Ukraine No.133 of 02.03.94 On the Introduction of Changes in the Rates of Customs Duty.

17. Instruction of the Cabinet of Ministers of Ukraine No.104- of 22.02.94 On Exemption from Import Duty.

18. Instruction of the Cabinet of Ministers of Ukraine No.141- of 03.03.94 On Granting the Exemption from Import Duty to the Enterprises of Municipal Electric-Driven Transportation.

19. Resolution of the Cabinet of Ministers of Ukraine No.143- of 03.03.94 On the Exemption from Import Duty of Spare Parts and Equipment.

Orders of the State Customs Committee.

Authorized Bodies:

The Verkhovna Rada of Ukraine,  
The Cabinet of Ministers of Ukraine,  
The State Custom Committee of Ukraine, and  
individual custom houses.

**2) Laws and Legal Acts Concerning Non-Tariff Regulations of Exports, Imports, Transit Trade and Transit of Goods; Relevant Authorities**

The Law of Ukraine on Foreign Economic Activities of 16.04.91;

Decree # 16-92 of the Cabinet of Ministers of Ukraine On the Establishment of Special Procedure the for Exportation of Certain Commodities (dated 26.12.93);

Decree # 25-92 of the Cabinet of Ministers of Ukraine C : Public Regulation of the Manufacture, Trade and Export of Spirits and Alcoholic Beverages and Trade of Tobacco and Cigarettes (dated 31.12.93);

Decree # 6-93 of the Cabinet of Ministers of Ukraine On Quoting and Licensing of Exported Goods (Works, Services) (dated 12.01.93);

Resolution # 1046 of the Cabinet of Ministers of Ukraine On the List of Goods the Export and Import of Which in 1994 is Subject to Quoting and Licensing (dated 17 December 1993);

Resolution # 146 of the Cabinet of Ministers of Ukraine On Amendments to Resolution # 1046 of the Cabinet of Ministers of Ukraine dated 17 December 1993 (dated 4 March 1994);

Presidential Decree No.231/94 of May 5, 1994, On the Measures of Liberalization of the Export Policies of Ukraine.

Temporary Provisions of Licensing and Quoting the Import of Goods (Works, Services) in 1994 (approved by the Cabinet of Ministers of Ukraine on 7 February 1994);

Temporary Provisions of Licensing and Quoting the Import of Goods (Works, Services) in 1994 (approved by the Cabinet of Ministers of Ukraine on 27 February 1994).

*Authorities:*

The Verkhovna Rada of Ukraine,  
The Cabinet of Ministers of Ukraine,  
The Ministry of Foreign Economic Relations of Ukraine,  
The State Customs Committee of Ukraine and its offices,  
The Cabinet of Ministers of the Republic of Crimea, the regional and Kyiv and Sevastopol City state administrations,  
The Chamber for Industry and Commerce of Ukraine.

**3) Laws and Standards Concerning Foreign Investments; Relevant Authorities**

1. Law of Ukraine No. 1540-XII of 10.11.91 On the Protection of Foreign Investments in Ukraine.

2. Law of Ukraine No. 1560-XII of 18.10.91 On Investment Activities (with changes and amendments introduced by Law of Ukraine No. 1955-XII of 10.12.91).

3. Law of Ukraine No. 2198-XII of 13.03.92 On Foreign Investments (with changes and additions introduced by Laws of Ukraine Nos. 2554-XII, 2689-XII and 3180-XII dated, respectively, 07.07.92, 14.10.92 and 05.05.93.

4. The Law of Ukraine On the State Program of Encouraging Foreign Investment in Ukraine (07.12.93).

5. Presidential Order No.81 of 19.05.92 On Enhancement of the Legal Protection of Foreign Investors.

6. Presidential Decree No.55/94 of 19.02.94 On Investment Funds and Investment Companies.

7. Resolution of the Cabinet of Ministers of Ukraine No.473 of 15.08.92 On Approval of Investment Programs and Projects and on State Examination of Investments.

8. Resolution of the Cabinet of Ministers of Ukraine No.695 of 02.10.93 On the Establishment of the Agency for International Development and Investments.

9. Decree # 556-93 of the Cabinet of Ministers of Ukraine On the Regime of Foreign Investment (20 May 1993).

10. Instruction of the National Bank of Ukraine No.19040-526 of 06.07.92 *On the Procedure of Use by Foreign Investors of the Funds Placed in Accounts Opened in the National Currency of Ukraine at the Authorized Banks.*

*Authorities:*

The Verkhovna Rada of Ukraine,  
The Cabinet of Ministers of Ukraine,  
The Ministry of Finance of Ukraine,  
The Agency for International Cooperation and Development  
The Cabinet of Ministers of the Republic of Crimea, the regional and Kyiv and Sevastopol City state administrations.

## **VII. Statistical Data**

### ***Statistics Related to Foreign Trade; Authorized Bodies***

Until 1992, Ukraine was limited in its right to collect statistical data with respect to foreign trade: the national customs bodies were collecting reports on the trade turnover at the international borders of Ukraine, whilst the major share of the information was processed at the Moscow-based State Committee of Statistics of the USSR.

As the national borders emerged between the former republics of the USSR, the responsibility for the collection, processing and publication of the statistics, in particular in the sphere of foreign trade of Ukraine, was taken on by the republic itself.

At present, the system of accounting in the sphere of Ukraine's foreign trade is based on the two sources of data collection and processing:

- statistics originated at individual enterprises and
- customs stats.

Correspondingly, two bodies are authorized to collect and summarize this information, i.e., the Ministry of Statistics and the State Customs Committee.

The Ministry of Statistics forms the data base of the balance of payments with respect to the export and import of goods and services as well as the accounting of foreign investments. Starting 1994, the Ministry of Statistics, pursuant to the State Program of Transition to Internationally Accepted System of Accounting and Statistics (approved by the Resolution of the Cabinet of Ministers No.326 dated 04.05.93) collects information on the basis of entirely new forms of statistical reporting which are suited to serve both the requirements of the balance of payments and those of the statistics of foreign trade. These forms that take into account the recommendations of the IMF have been developed and coordinated with the Ministry of Foreign Economic Relations of Ukraine, the Ministry of Economics, the National Bank of Ukraine, the Ministry of Finance and the State Customs Committee of Ukraine.

The State Customs Committee collects and consolidates information with respect to the export-import operations concerning general purpose (visible) goods.

The existent parallel system of accounting of foreign trade operations will eventually have to adjusted in such a fashion that the reporting of enterprises are similar to the customs declarations. This system will facilitate a gradual transition to a unified system of data collection and processing via the customs statistics.

***Publication System***

Legislative and normative acts regulating foreign economic activities are published in the following periodicals: *Bulletin of the Verkovna Rada of Ukraine*, *Collection of the Decrees of the Government of Ukraine*, *Holos Ukrainy* (the Voice of Ukraine), *Uriadovy Kurier* (Governmental Courier), which can easily be subscribed to at any post office in Ukraine.

Annex 1

TRADE, ECONOMIC AND INVESTMENT  
AGREEMENTS OF UKRAINE WITH THIRD  
PARTIES

<sup>1</sup> Country	Trade and Economic Agreements (Date of Signature)	Investment Agreements (Date of Signature)
1. Croatia	20.05.91	-
2. Hungary	31.05.91	-
3. CSFR	30.07.91	-
4. Poland	04.10.91	12.01.93
5. Cuba	20.12.91	-
6. Greece	15.01.92	-
7. Vietnam	23.01.92	-
8. India	27.03.92	-
9. Iran	26.04.92	-
10. Turkey	02.05.92	-
11. USA	06.05.92	06.05.92(OPIC );05.03.94
12. Finland	14.05.92	14.05.92
13. Mongolia	18.05.92	05.11.92
14. Estonia	26.05.92	-
15. Romania	28.07.92	-
16. Georgia	06.08.92	-
17. China	08.08.92	31.10.92
18. Bulgaria	05.10.92	-
19. Denmark	-	23.10.92
20. Russia	22.10.92	-
21. Great Britain	-	10.02.93
22. Germany	-	15.02.93
23. Egypt	24.12.92	24.12.92
24. Byelarus	16.11.92	-
25. Moldova	20.03.93	-
26. North Korea	15.06.93	-
27. Algeria	01.07.93	-
28. Lithuania	04.08.93	08.02.94
29. Slovakia	26.08.93	-
30. Austria	31.08.93	-
31. Tunisia	07.12.93	-
32. Czech Republic	17.03.94	17.03.94
33. Canada	31.03.94	-
34. France	-	03.05.94
35. Croatia	02.06.94	-
36. European Union	14.06.94	-

Annex 2

STATISTICAL DATA

a) Main Economic Indices

1. Gross Domestic Product (billions of ukr. karb.)

Table 1

	1991	1992				1993			
		1st qtr	2nd qtr	3rd qtr	Yr end	1st qtr	2nd qtr	3rd qtr	Yr end
G.D.P. (in actual prices)	295	697	1792	3468	5127	5251	19571	61372	116724
Rates of exchange at the end of corres- ponding period (Ukr. karb. to USD)	0,5571	100	100	248	637,7	2100	3999	5970	12610

*2. Rates of Reduction of the Gross National Product and National Income  
in comparison with last year (in %)*

Table 1 2

Year	1991	1992	1993	1993 to 1990
Gross National Product	-7,5	-10,2	-9,4	-24,8
National Income	-13,4	-17,8	-14,9	-39,4
Productivity of social labour	-11,0	-14,1	-13,2	-33,6

*3. Rates of Reduction of the Industrial Production in comparison with  
last year (in %)*

Table 1 3

Year	1991	1992	1993	1993 to 1990
Industrial production (in comparative prices)	-4,8	-6,4	-7,4	-17,5
- group "A"	-6,0	-7,0		
- group "B"	-2,0	-5,0		

*4. Rates of Reduction of the Agricultural Production in comparison with last year (in %)*

Òàble ' 4

Year	1991	1992	1993	1993 to 1990
Agricultural production (in comparative prices)	-13,3	-8,2	-1,8	-21,8

*5. Growth of Prices (times) in comparison with last year*

Òàble ' 5

Year	1991	1992	1993	1993 ti 1990
Wholesale prices	2,6	42,3	37,7	10745,0
Retail prices (to trade turnover)	1,9	13,3	46,2	1167,5

6. *Rates of Reduction of Living Standards in comparison with last year (in %)*

Òàble ' 6

Year	1991	1992	1993	1993 ti 1990
Rate of inflation	390,0	2100,0	10256,0	83966,4
Wage and salary	190,0	1400,0	2300,0	61180,0
Wage and salary share of general volume in cash income	57,9	59,3	45,2	
Consumer goods production	-5,1	-9,4	-16,0	-27,8
Domestic foods (excluding liquors)	-13,5	-15,6	-10,0	-34,3
Retail turnover of state and cooperative trade (in comparative prices)	-9,7	-18,0	-35,5	-52,2

*7. Decrease of Share Capital Accumulation in National Income  
(optimal figure - 20 %)*

Table 17

1990	1991	1992	1993
18%	13%	10%	8%

**b) Foreign Trade Statistics**

*1. Trade Relations with CIS and Baltic States in 1993  
(in actual prices, bln. ukr. krb.)*

Table 18

	Volume	Share, %
Foreign Trade Turnover with CIS and Baltic States	57648,5	100,0%
Export	22965,1	39,8%
Import	34683,4	60,2%
Balance	-11718,3	



2. *Geographical Structure of Export/Import with CIS and Baltic States in 1993:*  
(in actual prices, bln. ukr. krb.)

Òàble ' 9

States	Export	Import	Balance
Total Volume	22965,1	34683,4	-11718,3
Àzerbaijan	904,7	272,2	+632,5
Belarus	1708,0	1407,5	+300,5
Armenia	45,0	25,9	+19,1
Georgia	69,5	63,1	+6,4
Kazakhstan	557,9	399,7	+158,2
Êyrghyzstan	42,3	41,5	+0,8
Latvia	163,7	153,3	+10,4
Lithuania	304,0	816,7	-512,7
Moldova	1369,1	160,6	+208,5
Russian Federation	17312,4	24414,4	-7102,0
Òadjikistan	27,9	20,7	+7,2
Òurkmenistan	950,9	6539,7	-5588,8
Uzbekistan	453,9	260,6	+193,3
Åstonia	55,8	107,5	-51,7

*3. Geographical Structure of Export/Import with CIS and Baltic States in 1991 - 1993  
(in %)*

Table 10

States	1991		1992		1993		
	Exp	Imp	Exp	Imp	Exp	Imp	
Total Volume	100,0	100,0	100,0	100,0	100,0	100,0	
Àzerbaijan		2,9	1,9	2,7	0,8	3,9	0,8
Belarus	6,9	7,1	9,1	17,6	7,4	4,0	
Armenia	1,3	2,6	0,4	0,4	2,4	1,2	
Georgia	1,9	1,7	1,1	0,5	0,3	0,2	
Kazakhstan		4,6	3,7	4,7	3,0	2,4	1,2
Êyrghyzstan		0,7	0,8	0,5	0,6	0,2	0,1
Latvia		1,3	1,6	1,0	0,6	0,7	0,4
Lithuania	1,1	1,8	1,6	1,2	1,3	2,3	
Moldova	2,8	2,9	2,3	1,6	1,6	0,5	
Russian Federation	69,8		72,7	72,1	77,5	75,4	70,4
Òadjikistan 0,1		1,0		0,4	0,5	0,2	0,1
Òurkmenistan	1,0		0,2	0,7	4,5	4,2	18,8
Uzbekistan 0,8		3,9		1,7	3,0	1,3	2,0
Åstonia	0,8		0,9	0,3	0,2	0,3	0,3

4. *Export/Import Structure with CIS and Baltic States, by Sectors, in 1991 - 1993*  
(in %) \*

Table 11

Branch	A <sup>1</sup> xport			I <sup>2</sup> mport			
	1991	1992	1993	1991	1992	1993	
Energy Complex	1,9	2,9	0,9	22,1	42,3	68,6	
Ferrous and Nonferrous Metallurgy		17,0	33,5	26,0	10,4	9,6	5,5
Machine Building and Metal Processing	35,9	25,0	29,5	18,5	13,6	10,3	
Chemical and Oil-chemical Industry	6,8	7,7	7,6	7,1	8,3	6,0	
Light Industry	16,0	6,6	8,6	28,3	8,2	1,9	
Agro-Industrial Complex		16,9	7,8	22,6	4,8	2,4	1,1
Others		5,5	17,0	4,8	8,8	15,6	6,6

\* *Excluding services*

5. *Foreign Trade Turnover with Foreign Countries (excluding CIS and Baltic States) in 1993*  
(in Contract Prices, mln. USD)

Table 12

	Total Volume*)		including
	goods		services
Foreign Trade Turnover	6689,8	5546,7	1143,1
Export	3765,9	3115,8	650,1
Import	2923,9	2430,9	493,0
Balance	+842,0	+684,9	+157,1

\*) Including export/import operations of Joint Ventures

6. *Export/Import Geographical Picture and its Structure in 1993*

Table 13

	Export		Import	
	mln. USD	Share, %	mln. USD	Share %
Total volume including :	3765,9	100,0	2924,0	100,0
Europe including:	2066,0	54,9	2027,6	69,3
EC	711,7		18,9	1157,5
39,6 Asia	1235,0	32,7	425,9	
14,6 America	171,9	4,6	86,9	3,0
Africa	281,1	7,5	381,2	
13,0 Australia	10,9	0,3	2,4	0,1

7. Main Partners of Ukraine in Foreign Trade

Table 14

	Export		Import	
	mln. USD	Share, %	mln. USD	Share, %
Germany	183,6	4,9	488,7	16,7
USA	190,3	5,1	244,4	8,4
Switzerland	201,8	5,3	226,2	7,7
China	325,3	8,6	96,9	3,3
Italy	206,7	5,5	159,9	5,5
Hungary	191,5	5,1	114,8	3,9
Turkey	212,2	5,6	43,2	1,5

8. *Export/Import Structure with Foreign States, by Sectors, in 1991 - 1993*  
(in %) (Excluding CIS and Baltic States)

Table 15

Branches	Axpport			Import			
	1991	1992	1993	1991	1992	1993	
Energy Complex	10,5	15,7	5,4	0,6	3,7	6,3	
Ferrous and Nonferrous Metallurgy	39,2	35,3	65,4	2,1	4,2	16,3	
Machine Building and Metal processing	28,7	12,9	13,3	55,4	45,5	38,9	
Chemical and Oil-chemical Industry	8,3	27,4	8,4	5,8	7,7	6,8	
Light Industry	4,5	2,4	2,0	25,7	20,5	5,4	
Agro-Industrial Complex	4,5	3,8	3,4	3,5	9,9	18,7	
Others		4,3	2,5	2,1	6,9	8,5	7,6