

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Ukraine

Post: Kiev

Ukraine Imposed Additional 5-10 Percent Duties on Import

Report Categories:

Trade Policy Incident Report

Agriculture in the News

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Report Highlights:

On February 25, 2015, upon publication of the Resolution № 119-p, Ukraine's Cabinet of Ministers imposed an additional 5-10 percent duties on imports with exceptional of few critical items. All agricultural imports (HS 1-24) will face additional 10 percent duty. The Resolution was adopted on February 16, 2015 and awaited consultation with trading partners and publication to take effect. Order № 119-p will have a demoralizing impact to U.S. agricultural exports to Ukraine. FAS/Kyiv is not aware of trading partners' approval of this initiative as it was not reported.

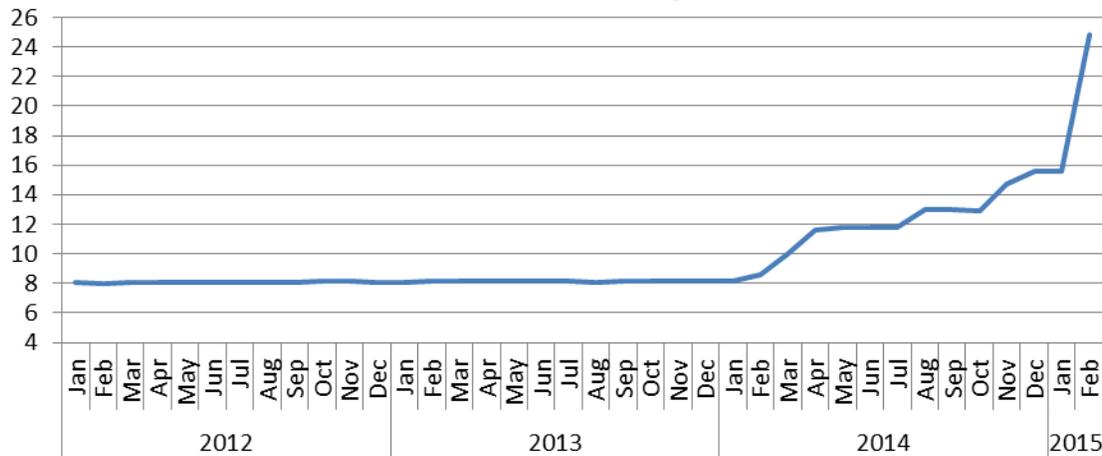
General Information:

Effective February 25, 2015, through the publication of the Resolution № 119-p, Ukraine's Cabinet of Ministers empowered its decision to impose additional 5-10 percent duties on imports. The Resolution implements the Law 73-VIII "On Measures Concerning the Stabilization of the Balance of Payments of Ukraine" (adopted on December 28, 2014) that envisaged an additional temporary import duty surcharge for imported products and was adopted on February 16, 2015. As justification for the surcharge, the Ukrainian Government references the General Agreement on Tariffs and Trade 1994 (GATT, 1994) and Understanding on the Balance-of-Payments Provisions of the GATT 1994.

The ten-percent duty on imports covers all food products (HS 01-24) and a five-percent tax on other products (HS 25-97). The additional surcharge has been introduced for the duration of twelve months starting the January 1, 2015. It covers all imports no matter whether these originated from the countries covered by existing free trade agreements including the WTO. Limited exceptions have been granted to critical imports: oil (HS 27090090), natural gas (2711 11 00, 2711 21), electricity (2716), coal (HS 2701 11, 2701 12 10 00, 2701 19, 2701 12 90 00, 2704 00 19 00, 2704 00 30 00, 2708 20, 2713 11, 2713 12), gasoline (HS 2710 except 2710 91 00 00 and 2710 99 00 00), documents, paper currency bills, archive documents, equipment for intelligence, international aid goods, AIDS grant program goods and defense goods. The Cabinet of Ministers also approved a list of medical products exempt from the new import duty surcharge. The list included over 70 items classified under HS 90, 30 84, 39, 28, 29, 94, 38 and 34).

This Resolution will have a highly negative trade impact reducing trade between the United States and Ukraine. Significant currency devaluations have already brought trade with Ukraine to near halt. Since February 2013, Ukraine's currency, Hryvna (UAH), devaluated almost 400 percent from 7.99 to almost 32 UAH/USD in February 2015. Especially high devaluation took pace in the January-February 2015 period, when National Bank of Ukraine abandoned some restrictive administrative measures and allowed the free market to regulate the rate. Devaluation observed as well as possible future devaluation will have negative impact on imports. Traders are grumbling about how to mitigate the devastating effects of currency devaluation which makes trade excessively risky and unpredictable.

UAH/USD Exchange Rate



Source: National Bank of Ukraine data on Interbank Commodity Exchange, own calculations

Total trade volume impact from the new Resolution will exceed \$177 million. U.S. – Ukraine agricultural trade contraction in 2015 is expected to be the largest in history and to exceed the 2008-09 decline. A number of products subject to additional import duty are also key inputs for Ukraine’s agricultural and food processing companies. This will further exacerbate economic situation in the agriculture sector which could negatively impact production estimates in 2015/16 for grain and oilseeds as well as for poultry.

**Ukraine Import Statistics from the United States
Commodity: Agricultural Total, Group 2 (2012)**

| Year To Date: January - November | | | | | | | | |
|----------------------------------|--|-----------------------|--------|--------|---------|------|------|-----------------------|
| Commodity | Description | United States Dollars | | | % Share | | | % Change 2014/2013 |
| | | 2012 | 2013 | 2014 | 2012 | 2013 | 2014 | |
| Agricultural Total | Group 2 (2012) | 233893 | 271635 | 172341 | 100 | 100 | 100 | -37 |
| 120600 | Sunflower Seeds, Whether Or Not Broken | 59102 | 67440 | 44345 | 25 | 25 | 26 | -34 |
| 210690 | Food Preparations Nesoi | 18512 | 20613 | 14654 | 8 | 8 | 9 | -29 |
| 040510 | Butter | 0 | 9305 | 13160 | 0 | 3 | 8 | 41 |
| 240120 | Tobacco, Partly Or Wholly Stemmed/Stripped | 15759 | 17960 | 12709 | 7 | 7 | 7 | -29 |
| 100510 | Corn (Maize) Seed, Certified, Excluding Sweet Corn | 7045 | 8825 | 11560 | 3 | 3 | 7 | 31 |
| 040711 | Eggs Of Chickens, Fertilized For Incubation | 0 | 0 | 9781 | 0 | 0 | 6 | n/a |
| 080211 | Almonds, Fresh Or Dried, In Shell | 8380 | 9592 | 5921 | 4 | 4 | 3 | -38 |
| 120991 | Vegetable Seeds For Sowing | 5800 | 6657 | 5813 | 2 | 2 | 3 | -13 |
| 020714 | Chicken Cuts And Edible Offal (Inc Livers), Frozen | 47398 | 15861 | 4804 | 20 | 6 | 3 | -70 |
| 020329 | Meat Of Swine, Nesoi, Frozen | 1740 | 27841 | 4620 | 1 | 10 | 3 | -83 |
| 200290 | Tomato Paste Etc, Not Prepared With Vinegar Etc. | 3 | 62 | 3749 | 0 | 0 | 2 | 5957 |
| n/a | Others not listed | 70153 | 87482 | 41224 | 30 | 32 | 24 | -53 |

Source: World Trade Atlas