

FIRST TRADE POLICY REVIEW OF UKRAINE 19 AND 21 APRIL 2016

OPENING STATEMENT BY UKRAINE

Mr. Chair, Honourable discussant Ambassador Winzap, distinguished Delegates, Ladies and Gentlemen,

1. It is my great pleasure to be representing Ukraine in its first WTO Trade Policy Review. Ukraine considers this Review to be an opportunity to raise WTO Members' awareness of the changes that have occurred in Ukraine's foreign trade regime since its accession in 2008, and more importantly, those after the Revolution of Dignity in 2013 as well as to the challenges faced by Ukraine.
2. Please allow me to start by expressing our sincere appreciation to the WTO Secretariat's team for their work and for the assistance they had provided to us during the preparation of our first Review. I would also like to thank all WTO Members for their active participation in this process. We appreciate your interest and we have already provided answers to all questions submitted two weeks prior to today's meeting, and we will put our best efforts to respond to the additional questions received after the deadline as soon as possible. The number of submitted questions reassures us about WTO Members' interest in and support of the progress made by Ukraine in reforming its trade regime.

Introduction

3. Our Government recognises the importance of trade and trade-related policies in the country's economic and social development, and reaffirms Ukraine's full commitment to the international trade rules and principles as embodied in the WTO agreements. In spite of various regional, domestic, economic and political challenges, Ukraine is exerting its best effort to further reform the country's trade and investment regime in a WTO-consistent manner with the aim of creating a more favourable business environment.
4. Over the last few years, our country has undergone critical developments, including a severe economic and trade crisis, mainly due to the occupation of Crimea, the military aggression in certain areas of Donetsk and Luhansk regions of Ukraine, the subsequent loss of production capacity in the conflict area together with the WTO-inconsistent trade aggression of a major regional trading partner.
5. Notwithstanding all of these political and economic challenges, our Government has been continuously building up an open market economy, strengthening the rule of law, and

increasing transparency with the aim of achieving macroeconomic stability and sustainable growth.

6. Since accession, we have enacted new Customs and Tax Codes, significantly advanced Ukraine`s harmonization with international standards, certification systems, as well as sanitary and phytosanitary requirements. We have improved Ukraine`s intellectual property protection regime. In addition, we have reformed the government procurement system in accordance with the WTO Revised Government Procurement Agreement (GPA).
7. In 2015, Ukraine ratified the WTO Agreement on Trade Facilitation and notified the WTO hereof. In March 2016, Ukraine deposited its instrument of acceptance of the Protocol Amending the TRIPS Agreement. Just yesterday Ukraine submitted to the WTO the instrument of accession to the GPA.
8. In order to deepen integration and strengthen cooperation with the key trading partners Ukraine has concluded free trade agreements with the EFTA States, the CIS countries, Montenegro, and the European Union. We have recently concluded the FTA negotiations with Canada and are currently in negotiations with Israel and Turkey.
9. Our Government remains focused on enhancing economic reforms and market liberalization, raising living standards, integrating into regional and global value chains and developing Ukraine`s unique industrial, agricultural, scientific, technological, intellectual and cultural capacity and potential.
10. To support these goals, Ukraine has already launched broad-based reforms covering the judicial system, law enforcement, the public service, state-owned enterprises, technical regulation system, customs and taxation regimes. The basic principles underpinning our economic reforms and Ukraine`s future development are the rule of law, fair competition, no-tolerance to corruption, protection of private property rights and a small, but efficient public administration. The Ukrainian Government is committed to implement reforms to further improve its business and investment climate.

Macroeconomic overview

11. Regarding Ukraine`s macroeconomic situation, negative trends have prevailed in Ukraine since its WTO accession mainly due to its significant vulnerability to external economic conditions and its low domestic demand. In 2014 - 2015, the country entered into an even deeper crisis. This was due to the fall in the external demand for Ukraine`s exports, the decline in investment and the reduction of domestic consumer demand. The occupation of the Autonomous Republic of Crimea and the military aggression in certain areas of Donetsk and

Luhansk regions led to a further deterioration of Ukraine's macroeconomic fundamentals. As a result, the GDP fell by 6.6% in 2014 and by 9.9% in 2015. However, end of 2015 we saw the first signs of macroeconomic stabilization and thus, we forecast that GDP will grow by 1% in 2016, by 3% in 2017 and around 4% annually for the period of 2018-2019 under its positive scenario.

12. Industrial output decreased by 10.1% in 2014 and by 13.0% in 2015 due to cross-industrial and logistics problems, significant loss of production in Eastern Ukraine; a low external demand, worsened by trade restrictions by the Russian Federation; and unfavourable commodity prices in the world markets.
13. Ukraine's economy is also characterized by a high dependence on export performance. In 2015, the value of the Ukrainian export and import flows dropped considerably by 26.8% compared to 2014. Exports declined from USD 64.1 billion in 2014 to USD 46.6 billion in 2015. Imports dropped from USD 65.2 billion in 2014 to USD 47.7 billion in 2015. These figures excluded the occupied Autonomous Republic of Crimea, Sevastopol City and conflict zone in some parts of Eastern Ukraine.
14. In 2015 Ukraine exported goods and services to 210 countries. The top-5 trading partners were the European Union, the Russian Federation, Turkey, China and Egypt. These countries collectively amounted to more than 60% of all exports. On the other hand, Ukraine's export is expanding to many new countries and destinations.
15. Ukraine's main export items are agricultural products and foodstuffs, metallurgical, mineral products, products of chemical, light industries, wood and paper. Ukraine's exports of goods amounted to 84.7% of its total exports in 2015.
16. Ukraine's agricultural exports were also affected by negative factors and trends, exports were supported by high agricultural harvest and liberalized access to the EU market. The share of agricultural exports amounted to 38.3% in 2015. The Government currently implements a structural reform of the agriculture, which is focused on the future development of comprehensive legislative amendments and regulatory preconditions aimed to form the basis for a sharp quality growth. This system includes: resolving the issue of private ownership of agricultural land; a system of tax incentives for the development of the processing industry and agro-IT; a program of systemic measures to promote Ukrainian goods in promising foreign markets; a program to protect soil fertility and environmental safety measures; the active program of for the development of agricultural cooperation. Besides, we bring our

current system into full compliance with European requirements to ensure safety and quality of food products of a new generation.

17. The structure of services exports remained mostly unchanged since Ukraine's accession to the WTO with transport services, telecommunication, computer and IT services, processing of material resources and business services being the main services traded. As an example, Ukraine's IT services and software R&D sector is growing every year and has continued to become a propelling force in terms of economic stability, employment and trade. Ukraine has one of the largest and fastest-growing numbers of IT professionals in Europe.
18. There was some improvement in the key indicators of economic development in 2015 due to gradual recovery of the production activity. In 2015, Ukraine's balance of trade recorded a surplus of USD 5 billion. Merchandise trade balance recorded a surplus of USD 0.6 billion versus a deficit of USD 0.527 billion in 2014.

Deregulation

19. Deregulation is currently among one of the top priorities for the Ukrainian Government with the ultimate goal to create favourable conditions for business and to increase foreign investment inflows into Ukraine. Since its accession to the WTO, Ukraine has already improved its ranking in World Bank "Doing Business" by 43 positions.
20. In particular, in 2014 – 2015 the regulatory interference was drastically reduced, among other, in the following areas:
 - number of various permitting documents was decreased by half;
 - number of activities subject to licensing decreased by 1/3;
 - mandatory certification was cancelled for 90% of products, including mandatory certification of new cars;
 - quarantine certificates were abolished and the timeframe for the issuance of phytosanitary certificates was significantly reduced;
 - number of required administrative services has been reduced from 3,000 to about 500, more than 600 single window offices have been opened throughout the country, and the new State Portal of e-Services (www.poslugy.gov.ua) has been launched to improve quality, speed and transparency of interactions between business and state bodies;
 - online registration of a business, which takes just 2 days, has been launched.
21. The Government has adopted an Action Plan on Deregulation aiming to further eliminate excessive regulation and administrative burden, improve technical regulations and licensing procedures, simplify customs and tax regulation and eliminate corruption. In addition, the

Government adopted a roadmap “Doing Business-2017” that envisages 57 steps that would enable Ukraine to enter the top-50 ranking in 2016, and the top-30 in 2017.

22. In order to facilitate reforms and the deregulation process, the Better Regulation Delivery Office and the Council of Business-Ombudsman have been established. The Better Regulation Delivery Office (BRDO) is a non-governmental independent entity that works in collaboration with businesses, various agencies, and ministries to tackle issues of regulatory environment in order to eliminate barriers for business and boost economic growth of Ukraine.

Tax and customs reforms

23. In order to create a more favourable tax environment, the Government of Ukraine aims to create a new tax system based on the principles of consistency, transparency, neutrality, responsibility, solvency, investment attractiveness and efficiency. In particular, the new tax reform reduces the tax burden from payroll taxes; creates tax incentives so that companies move out of the shadow economy; simplifies tax legislation; and creates equal, competitive conditions for business activities by eliminating any tax preferences.
24. As mentioned, Ukraine has adopted new Customs and Tax Codes that incorporate the best international practices.
25. The number of taxes and fees has been reduced, and their rates decreased, e.g. in 2016 payroll tax halved from 41% to 22%. A transparent system of electronic administration of VAT and excise on fuel has been introduced, eliminating opportunities for fraud and tax evasion. Besides, in 2015 long-term issue of VAT refund arrears was eliminated.

Reform of SOEs

26. In 2015, Ukraine launched significant reforms of SOEs so as to create a healthy and transparent SOE’s management by implementing international best practices, increasing the efficiency of the SOEs, enhancing their corporate governance, and attracting investment. The reform includes two main directions: improvement of the SOEs efficiency and privatisation of the non-strategic SOEs.
27. As of 2016, the Government’s program provides for transparent and open privatization of over 300 SOEs.

Reform of the government procurement system

28. The aim of government procurement reform in Ukraine is to create transparent, non-discriminatory, non-corrupt and easy to monitor system.

29. Ukraine has made all necessary amendments to bring its procurement legislation into compliance with the WTO Agreement on Government Procurement (GPA) rules and the EU directives on public procurement. On 1 April 2016 the new Law “On Public Procurement” entered into force that made all central executive bodies transfer to government e-procurement system “Prozorro”; and starting from the 1st of August 2016 all public procurement procedures will be carried out through Prozorro and electronic appeal.
30. As noted earlier, having completed all internal ratification procedures regarding the WTO GPA, on 18 April 2016 Ukraine submitted the instrument of accession to the WTO GPA.
31. Ukraine believes that participation in the GPA will help Ukraine to further strengthen good governance in the area of public procurement, eliminate corruption, increase the transparency of the government procurement practices and modernize relevant processes.

Technical regulations system reform

32. Ukraine has brought its legislation into compliance with all the substantive provisions of the WTO Agreement on Technical Barriers to Trade, including its procedural and transparency requirements.
33. As of 2015 the mandatory certification of food products, with the exception of tobacco products, is no longer in place and by 2018 the certification regime will be replaced with the conformity assessment procedures.

The main objective of future reforms of the technical regulation system is transition from the post-Soviet system of standardization based on burdensome interstate standards (GOST) to the system based on up-to-date regulations, standards and more trade liberalizing methods of conformity assessment. The main tasks ahead of us are to harmonise the system with international and EU requirements, develop and implement new technical regulations, create an electronic database.

Trade-related intellectual property rights

34. In the area of trade-related intellectual property (IP) rights, Ukraine is committed to fully comply with the provisions of the TRIPS Agreement. Ukraine has adopted relevant amendments to related laws and regulations in the IP field, as well as to the Civil, Criminal and Custom Codes with a view to completing Ukrainian’s IP rights legal framework.
35. The main challenges before the Government are to fully comply with the IP requirements under the EU-Ukraine DCFTA, improve the system of collective management of copyrights, and reduce software piracy in the government agencies and combat Internet piracy.

36. Ukraine realises that IP reforms entails more effective implementation of the WTO standards, specifically, the provisions of Part III of the TRIPS Agreement in relation to civil, legal and administrative procedures, legal defence instruments, precautionary measures and criminal procedures as well as implementation of the relevant provisions of the EU-Ukraine DCFTA.

Conclusions

37. Ukraine is on the path of macroeconomic stabilization and structural reforms. The Government of Ukraine has launched unprecedented structural reforms to create a solid platform for future sustainable growth.

38. We are determined to successfully pursue further reforms to increase trade and investment. Building export capacity and integrating into regional and global value chains will be top of the Government's priorities.

39. In conclusion, Ukraine reaffirms its commitment to an open trade policy, full adherence to WTO principles and rules, trade facilitation, and deeper and broader cooperation with our WTO trading partners.

40. Finally, may I say that our delegation anticipates a productive and constructive trade policy review process over the next couple days in a constructive dialogue with our Discussant, Ambassador Winzap, as well as with other WTO Members. Your input is especially valuable to us as we plan our future reforms.

41. Thank you!