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## Ukraine

### FAIRS Product Specific

## Closure of Free Economic Zones Stop U.S. Poultry Exports to Ukraine

2008

**Approved by:**

W. Garth Thorburn, Agricultural Attaché  
U.S. Embassy

**Prepared by:**

Oleksandr Tarassevych, Agricultural Specialist

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**Report Highlights:**

On December 28, 2007, the State Budget of Ukraine was adopted by the parliament (RADA). A provision in the law abolished all privileges granted to poultry processing operations situated in Free Economic Zones of Ukraine (FEZs). These processors were the major consumers of U.S. poultry. The majority of poultry imports were imported through the FEZs in order to circumvent the prohibitively high import duty. This action closed the legal channel through which the majority of U.S. poultry products are imported. In 2007, Ukraine was a \$70 million dollar market for U.S. poultry.

Includes PSD Changes: No  
Includes Trade Matrix: No  
Trade Report  
Kiev [UP1]  
[UP]

Ukraine's 2008 State Budget (Registration number 107-IV) eliminated all privileges granted to companies situated in the FEZ. This action closed the legal channel through which approximately 75% of all U.S. poultry is imported. The remaining 25% is imported through other "unofficial" channels but these products are expected to be impacted as well due to a new "Contraband Stop" program initiated by the new Prime Minister.

Below is an unofficial translation of Chapter 2, Clause 19, Paragraph 7, the portion of the 2008 law relating to the FEZs:

QUOTE - In case of bringing in (sending) to the territories of the special (free) economic zones and priority development territories of excise goods and goods with HS Codes 1-24 according to the Ukrainian HS Listing (2371?-14), all businesses will lose their existing privileges related to payment of custom duties and value added taxes. The privileges are revoked with no connection of purpose of their original introduction.

In case of other legislative acts of Ukraine (the dates of adoption are not relevant) including those that grant the stability of the taxation regime by establishing a different regime and condition for tax payments (compulsory payments) the norms of this Law will prevail (override all existing laws).

According to Article 19 of the Constitution of Ukraine<sup>1</sup> (254?/96-??), state authorities are prohibited from adopting and executing decisions (*Editorial*: rulings) that establish different rules of taxation for the entrepreneurs that are developing investment projects in the special (free) economic zones and in the territories of priority development if they are different from those established by the norms of this Law. - END QUOTE

Comment: The legality of this law is in question but in the short term the intended outcome is clear, to stop imports of poultry through the FEZs. Possible WTO accession in 2008 will resolve this situation and reduce the import duty rate of poultry to non-prohibitive levels.

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<sup>1</sup> Article 19 states that according to the Ukrainian Legal System, no one can be forced to do something not specified in Ukrainian Laws. Officials and local authorities should act only within the framework set by the Constitution and other Laws.

## Attachment I - Trade in poultry products

## Ukraine's Import Tariffs for Poultry Products

Ukrainian HS Code	Code Description	Official Ad valorem Import Duty Rate	Fixed minimum rate, EUR per 1 kg.
207	Poultry Meat and Edible Offal (Total), including:		
0207 11	Chickens, Not Cut in Pieces, Fresh or Chilled	10%	0.4
0207 12	Chickens, Not Cut in Pieces, Frozen	10%	0.4
0207 13 10	Chicken Cuts and Edible Meat Offal, Fresh or Chilled	30%	1,5
0207 13 20	Chicken Halves and Quarters, not deboned, Fresh or Chilled	-	0.7
0207 13 30 0207 13 40 0207 13 50	Chicken Wings, Cuts, Backs, Necks, Backs with Necks, Wing Tips, Breasts, Fresh or Chilled	30%	1,5
0207 13 60	Chicken legs and leg parts, not deboned, Fresh or Chilled	-	0,7
0207 13 70 0207 13 91 0207 13 99	Chicken Offal, Liver and other Cuts, Fresh or Chilled	30%	1,5
0207 14 10 <b>0207 14 20</b> 0207 14 30 0207 14 40 0207 14 50	Chicken Cuts: Halves, Quarters, Wings, Backs, Necks, Backs with Necks, Wing Tips, Breasts, Frozen	30%*	1,5*
0207 14 60	Chicken Cuts, Legs and Leg Cuts, Frozen	- *	0,7*
0207 14 70 0207 14 91 0207 14 99	Chicken Offal, Liver and other Cuts, Frozen	30%	1,5

Source: The Law of Ukraine "On Customs Tariff" as of July of 2005 and as of August of 2005.

All tariff rates are MFN rates.

\* Import tariff rates for 02071410 - 02071460 will be reduced upon Ukraine's accession to the WTO to 10%, but no less than 0.4 EUR/kilogram. FAS/Kyiv could not confirm that the proposed rates are in line with Ukraine's WTO commitments.

## Import Of Poultry Products Into Ukraine By Region (January-October)

Rank	Region	2006	2007	Share, %	
				2006	2007
1	Donetsk Oblast*	64	87	76	75
2	Dnipropetrovsk Oblast	31	27	21	23
3	Zaporizhe Oblast	0	3	0.2	1.33
4	Cherkasy Oblast	0	1	0	0.8
5	Sumy Oblast	4	1	2.5	0.4
6	Lviv Oblast	0	0	0	0
7	Odesa Oblast	0	0	0	0
8	Rivne Oblast	0	0	0	0
9	Chernovitskaya Oblast	0	0	0	0

10	Kiev	0	0	0	0
11	Volyn Oblast	0	0	0	0
	Total, all regions	99	119	100	100

\* One of the FEZs is situated in Donetsk oblast