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Ukraine

Agricultural Situation

Ukraine Might Restrict Trade in Meat Products in Early 2009

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Report Highlights:

The Parliament of Ukraine adopted two Laws that threaten to significantly reduce or stop trade in meat and meat products early in 2009 if the President signs them. US exporters should be prepared to face prohibitively high import tariffs on red meat and poultry.

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

On December 23, 2008 Ukraine's Parliament (the Rada) adopted two draft laws with the intent to reduce imports and restrict trade in red meat and poultry by imposing tariff increases above WTO-agreed bound rates. These drafts may be signed into law by the President as early as mid-January. The Laws have overlapping provisions and both are aimed at reducing trade in meat products, although other non-food products may be affected.

The reason given by the Government of Ukraine legislators as justification for the imposition of these measures is to address Ukraine's problems with the Balance of Payments (BoP). The WTO (GATT 1994) does have a legal provision for addressing BoP problems. Post has heard no reaction from the IMF at the time of this report.

Whether the balance of payments situation actually justifies this trade restriction is unclear. There has been a significant drop in imports that followed the [devaluation of national currency](#) in October- December of 2008. According to Ukrainian Government sources the Balance of Trade for 23 days of December 2008 was positive with \$4 billion of exports and \$2.3 billion of imports. Ukraine's national meat producers will be favored by such a stoppage of imports and consumers will likely face higher prices. Ukraine's accession to the WTO occurred in May of 2008.

Draft Law 3353

One portion of this draft law increases import duties for meat products above WTO-negotiated bound rates. Chapter 4 of Law 3353 prescribes a return to import duties in force at pre-WTO levels. This means a return to fixed rate duties and a departure from the current *ad valorem* tariffs. Pre-WTO Ukrainian fixed rate duties translate into extremely high ad valorem equivalents. For meat products the effective import duty would grow from 12-15% to 70-120%, closing the Ukrainian market for imported products completely. Pre-WTO import duties for poultry can be viewed in FAS GAIN Reports [here](#) and for red meat [here](#).

The law targets most-traded items (including beef, pork, poultry and offal). The list of commodities includes the following HS Codes: 0201 30 00 00, 0202 30 90 00, 0203 19 55 00, 0203 19 59 00, 0203 19 90 00, 0203 29 55 00, 0203 29 59 00, 0203 29 90 00, 0206 10 91 00, 0206 22 00 00, 0207 13 10 00, 0207 13 30 00, 0207 13 40 00, 0207 13 70 00, 0207 13 91 00, 0207 13 99 00, 0207 14 10 00, 0207 14 30 00, 0207 14 40 00, 0207 14 70 00, 0207 14 91 00, 0207 14 99 00, 0207 26 30 00, 0207 26 40 00, 0207 27 30 00, 0207 27 40 00, 0209 00 90 00, 0210 20 90 00. It also established high import duties for processed meat and fish products: 1501 00 90 00, 1602 31 11 00 - 1602 39 80 00, and other food products of animal origin 0505 90 00 00, 0506 90 00 00.

If signed, the law will probably severely restrict or stop trade in all meats from the US and other WTO trade partners. Even poultry will have a difficult time making its way into the Ukrainian market due to earlier closure of Ukraine's Free Economic Zones. The Law likely violates Ukraine's WTO obligations on import tariffs. The IMF loan memorandum limits trade restrictions and sets conditions on disbursements of the loan.

All import duties in the draft law are termed "temporary" but the drafts state these duties will last until December 31, 2010.

Draft Law 3379

The second draft law adopted by Parliament on December 23 grants the Cabinet of Ministers the right to introduce a law increasing all tariff lines by 13% in the future.

Since the Ukrainian Cabinet of Ministers has power at any time to introduce any Law to the Parliament (as a subject of legislative initiative) Law 3379 is redundant regarding the authority of the Cabinet, but it makes ready the amount of the tariff increase and the scope of products covered.

The law contains the following statements:

- In case the balance of payments is deemed to be "critical" due to a drop in currency reserves or by some other methods, the Cabinet of Ministers can introduce in parliament a Law Draft that proposes an increase by 13% for all import tariff lines.
- The basis of such a tariff increase will be chapters XII, XIII, XV and XVIII of GATT 1994 agreement "Understanding on the Balance of Payments provisions of the GATT, 1994".
- The Cabinet of Ministers is granted direct authority to introduce temporary increases in import tariffs (the Law on Foreign Economic Activity is changed). The Cabinet of Ministers is required to respect existing international agreements;
- The Cabinet of Ministers can adopt a list of "Commodities of Critical Importance" which the tariff increase will not cover. The following HS Codes could not be introduced into the list: HS 0202, 0203, 0206-0210, 0504-0506, 0509, 0511 (except 0511 10 00 00), 2204 - 2208, 2701, 57, 60 - 65, 7321, 8414, 8418, 8516, 8702, 8703, 8704. (*FAS Comment*: these include Beef, Pork, Poultry and other commodities that constitute a significant share of the US agricultural exports).

If signed and adopted, the Ukraine's Cabinet of Ministers will be able to regulate import tariffs. The Law does not increase the tariffs immediately, but rather establishes grounds for doing so.