



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

**Date:** 3/31/2009

**GAIN Report Number:** UP9012

## Ukraine

### Agricultural Situation

### Ukraine Cancels Controversial 13% Import Duty Increase

### 2009

**Approved by:**

Ann E. Murphy, Agricultural Attache  
U.S. Embassy

**Prepared by:**

Alexander Tarassevych

---

**Report Highlights:**

On March 25<sup>th</sup>, 2009 the Ukrainian Customs Service stopped charging an additional 13% import duty for beef, pork, offal, poultry products, processed beef and pork; raw sugar, grape wine and fermented beverages in excess of WTO negotiated levels. Some legal aspects of this duty decrease are still not clear, but previously negotiated customs duties are now restored.

---

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

## Executive Summary

On March 24<sup>th</sup>, 2009 the Ukrainian Customs Service adopted an official Letter # 11/1-10.21/2619-??, addressed to the Border Posts. In the letter the Customs Service announced that the 13% temporary increase in customs duty for beef, pork, offal, poultry products, processed beef and pork; raw sugar, grape wine and fermented beverages is canceled. The Customs Service pointed to the Cabinet of Ministers Resolution as the legal ground for this action.

## History of Introduction

This extra 13% import duty on top of existing ones was earlier introduced by the Parliament through the adoption of [Law #923-VI](#). The Law aimed at fixing the balance of payments problem and went into power on February 24<sup>th</sup>, 2009. Customs started to collect higher import duties on March 6<sup>th</sup>, 2009. The increased import duties lasted for less than 1 month. Please see GAIN UP9002 report for more information on introduction of the duty.

The additional import duty did not cover imports from countries with which the Free Trade Agreements (FTAs) were signed. In many cases this significantly diminished the effect of the duty. International perception of the duty was very negative. Many of Ukraine's trading partners expressed their dissatisfaction with Ukraine's action threatening to introduce countervailing duties or undertake legal actions under the WTO. Note, that all import duties at issue were previously established at the bound rate. Introduction of the additional 13% duty violated Ukraine's obligations taken prior to WTO accession in May of 2008.

Reaction inside Ukraine was also rather negative. Many consumers complained about increased prices for food due to this extra import tariff. Mass-media perception was also quite bad. Recently customs clearance costs grew significantly due to tighter custom evaluation rules and elimination of import duty evasion methods. These resulted in higher prices not welcomed by consumers suffering from a real income drop as a result of the financial crisis.

During the one month in which duties were higher, resulting price increases, passed along to consumers, resulted in a significant demand drop. According to the Ukrainian Customs Service Head Anatoliy Makarenko, additional average daily budget revenues from imports of commodities subject to the 13% additional import duty\* reached UAH 28 million, while the import drop due to elastic demand resulted in UAH 35-44 million loss. Another negative outcome of the increase was significantly increased smuggling incentive.

A search of legal websites by FAS/Kyiv came up with no Cabinet of Minister Decree that is the legal grounds for elimination of the 13% extra duty. Also it is not clear whether the Cabinet of Ministers can make such a decision without a proper Law change made by the Parliament. The Cabinet of Ministers introduced such a [Law Draft](#), but no decision has been made on it. Despite these legal issues the import duty is in fact decreased and as of May 25<sup>th</sup>, 2009 duty is charged at the WTO-agreed level.

\* The list of commodities subject to 13% import duty included the following HS codes: 0202, 0203, 0206–0210, 0504–0506, 0509, 0511 (except 0511 10 00 00), 0808, 1601–1605, 1701, 1702 (except 1702 30 99 00), 2204–2208, 2701, 4203, 4303, 57, 60–65, 6806, 6901, 7201, 7301, 7321, 8401, 8414, 8418, 8501, 8516, 8702, 8703, 8704

## Tariff Changes for Products Affected by Law #923-VI

HS Code	Description	WTO Bound Rate at date of Accession	Tariff Enforcement Period 3-6-2009 to 3-25-2009	Acting Tariff
0202	Meat Of Bovine Animals, Frozen	15%	28%	15%
0203	Meat Of Swine (Pork), Fresh, Chilled Or Frozen	10% - 12%	23% - 25%	10% - 12%
0206	Ed Offal, Bovine, Swine, Sheep, Goat, Horse, Etc.	10% - 15%	23% - 28%	10% - 15%
0207	Meat & Ed Offal Of Poultry, Fresh, Chill Or Frozen	5% - 15%	18% - 28%	5% - 15%
0208	Meat & Edible Offal Nesoi, Fresh, Child Or Frozen Pig & Poultry Fat Frsh Chld Frzn Salted Dried	15%	23%	10%
0209	Smkd	15%	28%	15%
0210	Meat & Ed Offal Salted, Dried Etc. & Flour & Meal Animal (Not Fish) Guts, Bladders, Stomachs &	10%-20%	23% - 33%	10%-20%
0504	Parts	5%	18%	5%
0505	Bird Skins & Other Feathered Parts And Down Bones & Horn-Cores, Unworked Etc; Powder &	20%	33%	20%
0506	Waste	20%	33%	20%
0509	Natural Sponges Of Animal Origin Animal Products Nesoi; Dead Animals, Inedible	Not negotiated	18%	5%
0511	Etc. (except 0511100000)	5% 5%	13% - 18% 0%	0% - 5% 0%
0808	Apples, Pears And Quinces, Fresh	0%-10% (seasonal)	13% - 33% (seasonal)	0%-10% (seasonal)
1601	Sausages, Similar Prdt Meat Etc Food Prep Of These	15%	28%	15%
1602	Prepared Or Preserv Meat, Meat Offal & Blood Nesoi	10% - 20%	23% - 33%	10% - 20%
1603	Extracts Etc. Of Meat, Fish, Crustaceans, Etc.	0%	13%	0%
1604	Prep Or Pres Fish; Caviar & Caviar Substitutes Crustaceans, Molluscs Etc. Prepared Or	Not negotiated	18% - 23%	5% - 10%
1605	Preserved	Not negotiated	13% - 23%	0% - 10%
1701	Cane Or Beet Sugar & Chem Pure Sucrose, Solid Form	50%	63%	50%
1702	Sugars Nesoi, Incl Chem. Pure Lactose Etc; Caramel (except starch treacle in 1702 30 99 00)	5% 5%	18% 5%	5% 5%
2204	Wine Of Fresh Grapes; Grape Must Nesoi Vermouth & Oth Wine Of Fresh Grapes Spec	€0.3 - €1.5 per 1 liter, 10% for some tariff lines	€0.3 - €1.5 per 1 liter, 23% for some tariff lines	€0.3 - €1.5 per 1 liter, 10% for some tariff lines
2205	Flavored	€1 per 1 liter	€1 per 1 liter	€1 per 1 liter
2206	Fermented Beverages Nesoi (Cider, Perry, Mead Etc)	€0.1 per 1 liter	€0.1 per 1 liter	€0.1 per 1 liter
2207	Ethyl Alcohol, Udenat, Nun 80% Alc; Alcohol, Denat	10% for 100% spirit €3.5 per 1	23% for 100% spirit	10% for 100% spirit
2208	Ethyl Alcohol, Udenat, Und 80% Alc; Spirit Beverag	liter of 100% spirit	€3.5 per 1 liter of 100% spirit	€3.5 per 1 liter of 100% spirit