

WORLD TRADE ORGANIZATION

RESTRICTED

WT/ACC/UKR/109

26 April 2002

(02-2402)

**Working Party on the
Accession of Ukraine**

Original: English

ACCESSION OF UKRAINE

Review of the Latest Achievements in Bilateral Negotiations on Market Access for Goods and Services and Enactment of Legislation

The Governmental Commission on Ukraine's accession to the WTO has submitted the following information with the request that it be circulated to members of the Working Party.

1. Review of the Latest Achievements in Bilateral Negotiations on Market Access for Goods and services

During 2000-2002, Ukraine has been actively conducting bilateral negotiations with members of the Working Party on access to the market of goods and services. 29 countries provided requests with lists of specific products for which they sought tariff concessions. Over 6,000 tariff lines were the subject of negotiations. 90 per cent of them have been agreed. Six bilateral protocols were signed with Canada, Republic of Korea, Mexico, New Zealand, Republic of Slovenia and Uruguay.

- Access to the market for goods

Ukraine has agreed to join sixteen of the nineteen sectoral initiatives. The exceptions are: "Oil Seeds", "Fish" and "Beer". The following initiatives may be mentioned among the more significant ones: "Information Technologies", "Chemical Harmonization", "Pharmaceutical Preparations", "Textile and Clothing", "Steel", "Scientific Equipment", "Agricultural Equipment", "Medical Equipment", "Non-ferrous metals", "Civil Aviation", etc. Ukraine has agreed to join the sector "Distilled Spirits" during the three years following its accession to the WTO.

Ukraine has prepared and submitted to the WTO Secretariat a Consolidated tariff offer that reflects the results of the negotiations. The said Consolidated tariff proposal is information material and designated for all members of the Working Party, including those which did not make specific requests. Such information was submitted twice, specifically as of 1 March 2001 (over 2,000 entries) and as of 1 December 2001 (over 6,000 entries, taking into account the sectoral initiatives). In order to foster the expeditious completion of bilateral negotiations on goods market access, Ukraine has made large concessions. The maximum bound rate for agricultural produce will be 20 per cent, except for sugar where the rate is 50 per cent (a tariff rate quota for raw cane sugar is provided), and 30 per cent for sunflower-seed oil from year 2005. Bound rates will also be more than 20 per cent at the end of the transitional period for certain goods subject to excise (wines, liqueur and vodka goods and tobacco products). The maximum rate of import duty for industrial goods will be ten per cent and up to 15 per cent for certain entries that are particularly sensitive for Ukraine. The dynamics of change of the arithmetical average rate of import duties resulting from negotiations on Ukraine's accession to the WTO for the transitional period are the following: 9 per cent in year 2002, 7.6 per cent in year 2003, 6.5 per cent in year 2004 and 5.5 per cent in year 2005 (Note: the arithmetical average rate of import duties for year 2001 was 10.7 per cent under the current tariff). That is, at the end of the transitional period, the arithmetical average rate will be halved. This demonstrates the liberalization of access to the goods markets of Ukraine.

As of today, Ukraine has agreed to most of the requests of members of the Working Party.

- Access to the market of services

As of today, the negotiation process on access to the market for services is at its final stage.

Along with the signature of minutes, negotiations with a number of countries have been completed and commitments reflecting requests of members of the Working Party on Ukraine's accession to the WTO have been agreed.

The draft schedule of specific commitments in the field of services contains commitments in 134 sub-sectors (out of 155 possible). This is one of the highest indexes not only among the acceding countries but also among the WTO Members. Commitments of Ukraine cover all 12 sectors of services determined by the WTO classifier of services. In eight sectors commitments cover all sub-sectors of the relevant classification.

The schedule of specific commitments was prepared on the basis of analysis of applicable Ukrainian laws, rules and practices for providing services in full compliance with norms and provisions of the General Agreement on Trade in Services. Specific obligations were inserted into the schedule according to Articles XVI-XVIII of the GATS.

The list of exceptions from most-favored-nation treatment was formed on the basis of analyses of applicable Ukrainian laws, rules and practices in the field of services and all bilateral agreements regarding services. All existing exceptions were duly inserted into the list of exceptions from MFN.

During the more than four-year negotiation process, the commitments list for professional and computer services, services on research and development, services in the field of real estate, services to enterprises, status of environment, services related to organization of entertainment, etc. was significantly extended.

Those sub-sectors which are not present, as of today, in the schedules of developed Member-States of the WTO and insertion of which will be considered during the Doha round of negotiations are contained in Ukraine's schedule of specific commitments in the field of services. These included in particular: research services, services in the field of education and in the field of health protection, i.e., services which are traditionally "national".

In the course of negotiations, access to the Ukrainian market of services was significantly improved, namely: limitations regarding citizenship in the sector of real estate and auditing services were cancelled, limitations on the share of foreign capital in the authorized fund of enterprises which supply services in telecommunications, transportation and insurance sectors were cancelled, conditions of employment of individuals in Ukraine were improved (the procedure was simplified and work permit period was extended), limitation of opening branches of foreign banks in Ukraine and limitations of the share of foreign capital in the aggregate banking capital was cancelled, as well as limitation on access to the market of publishing and publication services, technical tests and analysis. Certain obligations on access to the market of medical services of Ukraine were determined.

The schedule of obligations of Ukraine is transparent. It includes practically all sub-sectors of services (almost without limitations) determined by classifiers of the WTO. This is the basis for further harmonization of the national laws in the field of services pursuant to international norms and principles.

2. Review of legislative developments related to Ukraine's accession to the WTO

Document WT/ACC/UKR/81/Rev.1 "Survey of the Legislation of Ukraine Related to Foreign Trade 1995-2001" contains a brief description of changes in the national laws in various areas (trade in goods and services, TRIPS, and international agreements of Ukraine). As a result of implementation of certain normative and legal acts, a large body of Ukrainian laws was brought into compliance with WTO provisions. Establishment of national treatment as regarding the fee for the specialised expertise of medicines, liberalisation of treatment in passing the state border of Ukraine by establishing unified rates of a single border fee, cancellation of provision regarding the local content of automobile production, and establishment of national treatment as regards currency regulation for all agents of business activity should be noted among the latest changes reflected in the document WT/ACC/UKR/81.

Ukrainian laws in the field of intellectual property rights protection underwent significant positive changes. A range of normative and legal acts were approved, in particular: the Laws of Ukraine "On Amendment of Some Legislative Acts for the Purpose of Increasing Penalties for Infringements in the Field of Intellectual Property", "On Protection of Rights to Inventions and

Utility Models", "On Amendment of the Law of Ukraine "On Copyright and Related Rights", "On the Accession of Ukraine to WIPO Copyright Treaty", "On the Accession of Ukraine to WIPO Phonograms Treaty", "On Ukraine's Accession to the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations", as well as implementation of the Presidential Decree "On Measures Regarding Protection of Intellectual Property In Ukraine" and Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Procedure for Registration and Passage Through the Customs Border of Ukraine of Goods Containing Objects of Intellectual Property", Ukrainian laws comply with provisions of TRIPS completely.

The services sector was significantly liberalized. Thus, upon approval of the relevant laws, national treatment was established regarding the requirements as to the authorized capital for banks with participation of national and foreign capital. Prohibition of opening branches of foreign banks in Ukraine, as well as 49 per cent limitation of foreigners' contribution to the authorized fund of insurance companies were cancelled. There are no limitations in the field of professional services in Ukraine, except for legal (advocates) and auditing services. Access to transportation services market was significantly expanded.

The national laws of Ukraine in the field of anti-dumping, countervailing duties and safeguards comply with the provisions of the WTO Agreements. Such laws were developed taking fully into account the relevant agreements of GATT/WTO.

Upon approval of the Laws of Ukraine "On Standardization", "On Conformity Assessment" and "On Accreditation of Conformity Assessment Bodies", the system of certification and standardization was fully harmonized with provisions of the WTO Agreements on Technical Barriers to Trade.

Upon approval of the Law of Ukraine "On the Purchase of Goods, Works and Services at the State Funds", the system of government procurement was made compatible with universally recognized rules.

In the area of customs and tariff regulation, Ukraine cancelled the use of minimum customs values. At the same time, the draft Customs Code of Ukraine completely took into account the provisions of the Agreement on Application of Article VII of GATT 1994 as to customs valuation. Predictability of customs and tariff treatment was ensured by a provision on the possibility to change rates of import duties by the Cabinet of Ministers of Ukraine not more than once per year. Therefore, the system of customs and tariff regulation also complies with provisions of the WTO Agreements.

Document WT/ACC/UKR/89/Rev.1 "Law Enforcement in High-Priority Areas of Trade-Related Legal Framework: Customs Fees, Customs Valuation, Technical Barriers to Trade and Sanitary and Phytosanitary Measures" contains the list of normative acts grouped according to the area of regulation (customs payments, customs valuation, TBT, SPS). The section "Customs Fees", with reference to normative acts, mentions the payments paid at the border, gives an estimate of their compliance with the requirements of WTO Agreements, and where there is inconsistency, suggests measures for its elimination. The section "Customs Valuation" refers to certain shortcomings in customs valuation procedures and notes the role that the draft Customs Code will play in correcting those shortcomings. The section "Technical Barriers to Trade" presents a list of normative acts governing TBT, evaluates their compliance with WTO requirements and offers methods of harmonisation. The section on sanitary and phytosanitary measures contains a list of the legislative and normative acts governing SPS, evaluates their compliance with WTO Agreements, and describes methods for eliminating the existing inconsistencies.

Document WT/ACC/UKR/93/Rev.2 "Priority Draft Laws and Priority Draft Normative Acts Relevant for the Accession of Ukraine to the WTO" contains information on the status of 20 priority

draft laws and 25 normative acts. The noted drafts cover the majority of areas regulated by the relevant WTO Agreements: GATT 1994, TRIPS, TBT, GATS, SPS, TRIMS and Agreement on Implementation of Article VII of GATT 1994.

As of 5 April 2002, 15 out of 20 priority draft laws were approved by the Supreme Rada of Ukraine and signed by the President of Ukraine. The Customs Code of Ukraine was approved by the Supreme Rada on 20 December 2002, but was returned by the President with comments for consideration. It should be mentioned that the Draft Customs Code was drafted with consideration of the relevant WTO Agreements. Thus, comparison of provisions of the part of Customs Code on customs valuation and the Agreement on Implementation of Article VII of GATT 1994 are contained in document WT/ACC/UKR/103. The President's comments touch upon the organizational issues of the functioning of the system of customs bodies, and do not require changes in content of the Code, which fully corresponds to the norms and principles of WTO.

The Tax Code of Ukraine was considered by the Supreme Rada in its second reading and is being prepared for its third reading. The Draft Law of Ukraine "On Amendment of the Law of Ukraine "On Television and Radio Broadcasting" is being considered by the Supreme Rada of Ukraine. The Draft Laws of Ukraine "On Amendment of the Law of Ukraine "On Quality and Safety of Food Products and Food Raw Materials" and "On Amendment of the Law of Ukraine "On State Regulation of Import of Agricultural Products" were introduced into the Supreme Rada in February 2002.

Six out of 25 draft normative acts were adopted, two lost effect in connection with the adoption of other legislative or normative acts, two are being approved by the bodies of the executive power, 15 are being drafted by the relevant bodies of the executive power. Among the adopted normative acts are the following: Cabinet of Ministers Resolutions: "On Amendment of the CMU Resolution "On the State Registration of the Rights of Authors to Works of Science, Literature and Art" No.1756 of 27 December 2001; "On the Procedure for Assigning a Special Identification Code for Optical Discs", No.411, of 28 April 2001; "On Approval of the Procedure for Registration and Passing Through the Customs Border of Ukraine of Goods Containing Objects of Intellectual Property", No.412, of 28 April 2001; "On Approval of the Provisions on the State Sanitary-Epidemiological Supervision in Ukraine" No.1109 of 22 June 1999; and the Order of the Ministry of Health "On Approval of the Provisions on the State Sanitary-Epidemiological Service of the Ministry of Health of Ukraine" No.78 of 18 April 2000.

The questionnaire on import licensing WT/ACC/UKR/99 was prepared following the format contained in the Annex of G/LIC/7.

The questionnaire provides information on Ukraine's import licensing procedures and the relevant administrative procedures.

The document describes import licensing methods and procedures applied to different categories of goods, different supplying countries and different methods of importing, as well as the current system of importing.

Transparency as regards information on import licensing procedures is ensured by obligatory publication of rules and information on import licensing procedures and submission of copies of these publications to the WTO Secretariat.

The Law of Ukraine "On Foreign Economic Activity" defines the licensing procedures and application of quotas to exports and imports of goods, which are applied by Ukraine through its state bodies.

The current Ukrainian systems of import licensing are regulated by the relevant normative-legal acts. The lists of goods, import of which is subject to licensing in any given year, is approved annually by a Resolution of the Cabinet of Ministers of Ukraine.

Ukraine adopted a decision to establish a tariff quota for raw cane sugar.

Ukrainian authorities have prepared a Draft Law of Ukraine "On Tariff Quota Allocation for Raw Cane Sugar Imports into Ukraine", which is being approved by the relevant ministries and agencies. The main article of the mentioned Law is the preparation and approval of the Regulation on the tariff quota allocation for raw cane sugar imports, which corresponds to WTO norms and principles, including the Agreement on Import Licensing.

The importers of the raw cane sugar shall apply for licenses allowing importation within the quota, using the licensing regime described in document WT/ACC/UKR/99 (Questionnaire on Import Licensing Procedure: Information concerning import licensing and similar administrative procedures in the format contained in Annex 1 of G/LIC/7).

Document WT/ACC/UKR/101 "Check-list of Illustrative SPS Issues", which was prepared in the format of WT/ACC/8, contains information regarding the system of technical, sanitary and phytosanitary regulation of international trade in Ukraine.

The document confirms the compliance of legislation on sanitary and phytosanitary measures, as well as on technical regulation with the principles contained in the SPS and TBT Agreements. Thus, deviation from the "standstill rule" can only take place under extraordinary circumstances, in particular, in case of the occurrence, threat of occurrence or spread of dangerous infectious diseases, mass poisoning and radiation exposure.

Transparency and access to information regarding current measures are ensured by the requirement of mandatory registration of all legislative and normative acts in the SPS and TBT fields with the Ukrainian Ministry of Justice and their entry into the Uniform State Register of Rules and Procedures, which is available to the public.

At present, the Ministry of Agricultural Policy of Ukraine supplies the relevant international organizations with relevant information on new SPS measures currently applied in Ukraine.

The national law provides for the conduct of public discussions of draft regulatory rules within a period not exceeding 20 days from their first publication, and for the consideration of proposals relating to such drafts.

Measures in SPS and TBT fields are applied in Ukraine only to the extent necessary to protect the health of human beings, animals or plants. Scientific justification of the necessity to apply measures, rules, norms and standards is necessary. In the formulation, development and application of measures the relevant authorities use international standards and recommendations.

The national law recognizes different measures that achieve the same level of protection as equivalent.

In the course of application of measures in SPS and TBT fields, there is no discrimination between domestic and foreign suppliers.

Control, inspection and approval procedures comply with SPS Agreement (Annex C)

Certain specific instances of non-compliance with TBT and SPS Agreements, which exists in the national law, will be resolved by the time of Ukraine's accession to WTO.

In general, the existing system of technical regulation and application of sanitary and phytosanitary measures complies with SPS Agreement and the TBT Agreement.

Laws protecting Ukrainian producers against unfair or increased imports have been developed on the basis of and in pursuance of respective articles of the 1994 General Agreement On Tariffs and Trade (GATT 94) and the three specialized agreements approved by the Uruguay Multilateral Trade Negotiations Round, namely: the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994, Agreement On Subsidies and Countervailing Measures, and Agreement on Safeguards.

The core of Ukraine's legislation on protection against unfair or increased imports is made up of the Laws of Ukraine On Protection of National Producers from Dumped Imports, No.330-14 of 22 December 1998 as amended on 23 March 2000 under No.1595-III; On Protection of National Producers from Subsidized Imports No.331-14 dated 22 December 1998 as amended on 23 March 2000 under No.1595-III; On Applying Special Measures Relating to Imports Into Ukraine No.332-14 22 of December 1998 as amended on 23 March 2000 under No.1595-III.

The domestic market protection against unfair competition of imported goods is carried out with reliance on three types of legal procedures:

- antidumping;
- anti-subsidy measures;
- special (targeted against massive imports) processes (safeguard measures).

The antidumping code is an effective tool of defending Ukraine's trading interests and its domestic market making use exclusively of universally recognized international legal mechanisms employed within the GATT-WTO framework.

With the view of addressing the issue of initiating and conducting antidumping, anti-subsidization or safeguard investigations and application of relevant antidumping, countervailing and safeguard measures, a special administrative executive agency has been set up in Ukraine – the Interdepartmental Foreign Trade Commission composed of representatives from Ministries and other executive power authorities and headed by the Minister of Economy and European Integration of Ukraine.

Throughout the period from 1999 to date, six safeguard investigations and four antidumping investigations were initiated and completed. Based on the results of these investigations, safeguard measures in the form of quota regimes were applied in four instances while in three cases a final antidumping duty was applied. Three safeguard and anti-dumping investigations were completed without applying safeguards or antidumping measures. Three safeguard measures were eventually liberalized after their application.

Three safeguard and three antidumping investigations were initiated in 2001-2002 and are currently underway.

3. Illustration of the mechanism of action in such important areas as customs valuation, and customs and border fees

- Customs Valuation

Harmonization of Ukrainian legislation with the WTO requirements in the area of customs valuation is one of the priorities in legislative maintenance of Ukraine's WTO accession process. The part of the Draft Customs Code of Ukraine on customs valuation is drafted in full compliance with the norms and principles of the GATT Article VII and the Agreement of Implementation of Article VII of GATT. On 20 December 2001 the Supreme Rada of Ukraine adopted the Customs Code. Thus, the detailed comparative analysis of the provisions on customs valuation in the Customs Code with norms and principles of GATT Article VII and the Agreement on Implementation of GATT Article VII, which was submitted by Ukraine in document WT/ACC/UKR/103 "Agreement on Customs Valuation - Comparative Table", remains unchanged.

- Customs and Border Fees

The legislative-normative base and the mechanism of charging fees upon the entry of goods into the customs territory of Ukraine are illustrated in detail in document WT/ACC/UKR/90 "The Consolidated Table of Levies and Duties Collected by the Ukrainian Customs Service and Other Authorities of the Executive Branch upon Entry of Goods into the Customs Territory of Ukraine" and WT/ACC/UKR/100 "Application of the Unified Border Fee and Customs Fees".

On 22 September 2001 the Law of Ukraine "On Amendment of the Law of Ukraine "On the Introduction of the Unified Fee Collected at Entry Points on the Ukrainian State Border" " No.2659-III of 12 July 2001 came into effect. Its article 1 stipulates that the unified fee shall come into effect and shall be collected with respect to motor vehicles of national and foreign owners listed in Article 5 of this Law which cross the state border of Ukraine. The unified fee is collected at the entry points of the state border of Ukraine pursuant to Ukrainian law, and covers the cost of the performance of customs control in case of transit of goods and motor vehicles, and, for all cargoes and motor vehicles, the performance of sanitary, veterinary, phytosanitary, radiological, and environmental control (imported and transited goods subject to such control are identified in document WT/ACC/UKR/105 "Goods Requiring Sanitary, Veterinary, Phytosanitary, Radiological or Ecological Verification Upon Import or Transit"). The fee to be paid by motor vehicles for use of Ukrainian highways, including fees for motor vehicles that exceed the prescribed amounts of total weight, axle loads, or/and overall dimensions, is also specified by the Law.

Article 5 of this Law establishes the rates of the unified fee and of the highway use fee in EURO.

According to paragraph 4, article 2 of this Law: "it shall be prohibited to collect fees not provided for by this Law at entry points on the Ukrainian State border".

Thus, as a result of putting into effect the above mentioned Law, the procedure for crossing the customs border of Ukraine has been considerably simplified, since previously the fees for ecological, veterinary and phytosanitary control had been calculated by the representatives of these control services, and the customs officer calculated the fees on the basis of submitted documents, filled in a unified document of payment and handed it over to the carrier in order for him to pay the fees at the authorized bank at the entry point. Currently, the prescribed types of control are carried out simultaneously or in a set order, and the amount charged for them is established by the rates of the unified fee for a unit of motor vehicle, as defined by Article 5 of the mentioned Law of Ukraine, which reduces the time for filling in a unified document of payment.

The rates of the unified fee and highway use fees established by the law are lower than those previously established by the Resolution of the Cabinet of Ministers of Ukraine No.1034 of 15 June 1999 "On Regulating the Collection of Fees at the State Border Entry Points". For instance, for buses from 10 to 30 seats inclusive, the unified fee rate for each kilometer was reduced from 0.14 to 0.02 EUROS for each kilometer of passage.

Moreover, after the coming into effect of this Law, no separate customs fee is charged for the customs clearance of goods in transit (previously the rates of such fees were established by the Cabinet of Ministers Resolution "On Customs Duty Rates" No.65 of 27 January 1997).

The new Customs Code does not envisage customs fees, except in the case of customs clearance undertaken outside the usual location of the customs authorities or outside of business hours prescribed for the customs authorities.

In line with paragraph 3 of Article 2, the procedure for collecting a unified fee is determined by the Cabinet of Ministers of Ukraine. Currently, the Ministry of Economy and European Integration of Ukraine is preparing a Draft Resolution of the Cabinet of Ministers of Ukraine "On the Procedure for Collecting a Unified Fee at the Entry Points of the State Border of Ukraine", which shall be submitted for approval to the Cabinet of Ministers of Ukraine in April, 2002. The noted draft Resolution provides for approval of the Procedure for Collecting a Unified Fee at the Entry Points of the State Border of Ukraine and the types of control carried out upon transit of cargoes (WT/ACC/UKR/105 "Goods Requiring Sanitary, Veterinary, Phytosanitary, Radiological or Ecological Verification upon Import or Transit").

The new procedure for collecting a unified fee at the entry points of the State border of Ukraine alters the information contained in Section 5 "Unified Fee" of document WT/ACC/UKR/90, "Consolidated Table of Levies and Duties Collected by Ukrainian Customs Service and Other Authorities of the Executive Branch upon the Entry of Goods on the Customs Territory of Ukraine" and supplements the information contained in document WT/ACC/UKR/100 "Application of the Unified Border Fee and Customs Fees".

4. Status of Reforming Property Relations and Developing Laws in the Field of Agricultural Relations

- Reforming the Agrarian Sector of the Economy in the Year 2001.

During 2001, the Government of Ukraine continued to undertake organizational measures to create a favorable economic environment for the functioning and development of reformed agricultural enterprises and the formation of a civilized agrarian market. As a result, in 2001 positive trends in agriculture, as well as in the economy in general, could be observed. Investments in agricultural production followed the successful implementation of land reform; the abandonment of state-run input supply mechanisms, better financing of agriculture through preferential credit schemes and increases in the purchasing power of the population supported positive tendencies in agriculture.

Approval of the new land Code of Ukraine is one of the greatest achievements of land reform in 2001. The Land Code of Ukraine in its new wording resolves the issue of its compliance with the Constitution of Ukraine, and aligns the provisions of the Land Code of Ukraine with land laws and Presidential Decrees. It contains norms of direct application, as opposed to general declarations. The main achievement of the Land Code of Ukraine in its new wording is the fact that it confirmed all the existing practices of privatization of land for agricultural purposes, in particular, the issuance of certificates of the right to a land shares. The Land Code of Ukraine creates grounds for further improvement and development of land relations not only in the agrarian sector but also in the field of land for non-agricultural purposes on the following principles: inviolability of the right of private

ownership of land and inclusion of land into market circulation, social justice in re-distribution of lands which are in state and communal ownership, and the combination of high economic effectiveness with ecological safety in land use.

During 2000-2001, economic mechanisms for regulating land relations were implemented. Money evaluation of agricultural lands was conducted. Money evaluation of non-agricultural lands has been continuing. The basis for land sales and purchases is being established. The legal establishment of ownership rights to land, i.e., ensuring the issuance to peasants of state deeds of private ownership of land is the most important in this process. As of the end of year 2001, of the 6.8 million individuals who have acquired the right to a land share, 6.6 million, or 97.6 per cent, had obtained their certificates of the right to a land share. Moreover, 2.2 million holders of certificates of the right to a land share, or 34 per cent of their total number, have exchanged certificates of the right to a land share for state deeds of private ownership of land.

37.6 thousand private farms have been using almost 2 million hectares of agricultural lands. A market for land leases is developing. Peasants have been leasing over 20.7 million hectares of land. As of the beginning of 2002, 5.3 million individuals leased their land.

Approval of the Law of Ukraine "On Stimulating the Development of Agriculture for the Period 2001-2004", No.2238-III dated 18 January 2001, in the beginning of the year, established the main guidelines of state regulatory policy in the agrarian sector for 2001 and for the following years. The Law reinforced the policy of protecting revenues of agricultural producers by establishing pledge prices for agricultural products and ceiling tariffs for electricity for agricultural use. According to Article 10 of the said Law, expenditures from the State budget for financing the development of agriculture should be not less than five per cent of total budgetary expenditures. Upon approval of the said Law, in the year 2001 the moratorium for conducting bankruptcy procedures for agricultural enterprises was cancelled. This simplifies the system of relations between borrowers and lenders, as well as ensures protection of lenders' rights.

The credit policy of the Government of Ukraine in the year 2001 was aimed at increasing the financing of the agro-industrial complex by commercial banks and improvement of the system of relations between participants in the credit market. At the expense of the State budget of Ukraine under the Resolution of the Cabinet of Ministers of Ukraine "On Partial Compensation of Interest Rates of Credits Extended by Commercial Banks to Agricultural Producers and Other Enterprises of the Agro-Industrial Sector" No.59 dated 27 January 2001, partial compensation of the rate of interest on commercial banks' credits provided to agricultural producers and other enterprises of the agro-industrial complex took place (in the amount of not less than 50 per cent of the discount rate established by the National Bank of Ukraine). For these purposes, 150 million Hryvnias (about US\$ 30 million) was allocated from the State budget of Ukraine.

The interest cost compensation mechanism gave a powerful impetus to the growth of commercial credit financing of the agrarian sector. During 2001, credit extension by commercial banks to agriculture on these terms more than tripled, showing a 3,4 times increase against 2000 (the equivalent of US\$ 512 million versus US\$ 152 million). In 2001, the number of commercial banks providing credits to the agro-industrial sector increased to 88 as compared with 56 in the year 2000. In addition, agro-industrial enterprises received from commercial banks US\$ 520 million of credit funding outside of the compensation system. Credit repayment rate in 2001 equaled 92 per cent.

The reduction that has occurred in the use of non-monetary forms of payment demonstrates significant new relations in the agro-industrial complex. In 2001, barter payments constituted 18 per cent of the total volume of sugar sales (in 2000 it constituted 37 per cent); 13 per cent for cereals (28 per cent in year 2000); 12 per cent for sunflower seeds (39 per cent in year 2000) and 7 per cent for vegetable oil (19 per cent in year 2000).

Approval last year of a range of governmental food programs involving grain and cattle breeding was aimed, first of all, at increasing agricultural output. Improvement of cultivation technologies, increased use of purchased inputs and very favorable weather conditions allowed fulfillment of the tasks for year 2001 laid out in the Program "Grain, Years 2001-2004." During 2001, active work on the draft Law of Ukraine "On Grain and Grain Market in Ukraine" took place. Measures provided by the said draft Law are aimed at stabilization of the situation in the grain market and increasing the effectiveness of production and grain marketing.

Upon approval of the new wording of the Law of Ukraine "On Insurance" on 4 October 2001, mandatory insurance of agricultural crops and perennial plantations for state agricultural enterprises, as well as cereals and sugar beets for agricultural enterprises of all ownership types was introduced.

In order to improve the situation in the consumer market, to stabilize prices for animal products and to promote the development of animal husbandry, Decree of Ukraine's President "On Measures to Stabilize the Situation in the Consumer Market and to Develop Animal Husbandry in the Years 2001-2002" No.100 of 17 February 2001 was issued which determined some corresponding measures, including the drawing up of a Program of Stabilization and Development of Animal Husbandry for the Years 2001-2004. The latter was approved by Resolution of the Cabinet of Ministers of Ukraine "On Measures to Stabilize and Develop Animal Husbandry and Poultry Farming" No. 799 of 11 July 2001.

Further development of physical infrastructure related to agricultural markets has been taking place. Currently, 35 accredited commodity exchanges have been operating in all regions of Ukraine. In 2001, 372 agro-trading houses and 906 wholesale markets for food and vegetables were created; 162 auctions of live animals and 1,423 fairs were held. The network of purchasing points expanded significantly. The number of such points reached more than 20,000. Activities to promote the creation of company shops, machinery and technologies stations and service points have been continuing.

Provision of consulting services and education of agricultural producers is an important aspect of the further development of agricultural production under the new economic conditions. Advisory services, networks of which, are being created at the national and regional levels, are designated to meet these needs. The draft Law of Ukraine "On Agricultural Advisory Service" was drafted for successful development of the Ukrainian advisory service.

Increases of personal income played a significant role in stimulating the internal demand of consumers in 2001. The normative basis for resolving issues in the social field is being established. In particular, the President of Ukraine ratified Decree No. 637 dated 15 August 2001, which approved the Strategy for Overcoming Poverty. The integrated program for ensuring implementation of the Strategy for Overcoming Poverty is being developed. The increase of pensions, decrease of wage arrears and creation of new jobs through development of entrepreneurial activity, small businesses, and services, including foreign investments, are all aimed at resolving the main issue – overcoming poverty in Ukraine. Among the most important measures in this direction are the following ones: creation of conditions for independent employment of the population, development of entrepreneurial initiative, improvement of conditions for conducting entrepreneurial activities and creating a comprehensive competitive environment, optimization of state intervention into the financial and business activities of business agents, simplification of the procedure for receipt of permits for conducting entrepreneurial activity, optimization of the procedure for registration of business agents, etc.

The above-mentioned reforms, which are supported by the relevant legislative and normative acts, supported decentralization of property relations in the agro-industrial complex.

- Status of Reforming Property Relations in Agriculture and Purchasing Sphere of Ukraine

During the 2001-2002, the following legislative and normative acts were approved in the field of privatization of agricultural enterprises and decentralization of relations:

- The Law of Ukraine "On Stimulating the Development of Agriculture for the Period of 2001-2004" No. 2238 dated 18 January 2001;
- Land Code of Ukraine (the new wording) dated 25 October 2001;
- The Presidential Decree "On the Main Basis of the Land Reform in Ukraine", No.372 dated 30 May 2001;
- The Presidential Decree "On Measures on Ensuring Protection of Ownership Rights of Peasants in the Course of Reforming the Agrarian Sector of Economy", No.62 dated 29 January 2001;
- The Law of Ukraine "On Amendment of the List of State-owned Enterprises which are not Subject to Privatization", No.2657 dated 12 July 2001;
- The Law of Ukraine "On Evaluation of Property, Proprietary Rights and Professional Valuation of Activity in Ukraine", No.1790/3 dated 29 September 2001;
- The Resolution of the Cabinet of Ministers of Ukraine "On Settlement of the Issues on Ensuring Protection of Ownership Rights of Peasants in the Course of Reforming the Agrarian Sector of Economy", No.177 dated 28 February 2001; and,
- Decree of the Cabinet of Ministers of Ukraine "On Measures Regarding Fulfillment of the National Program for Support of Small Businesses Development in Ukraine for the Year 2002".

In 2001, the process of reforming agricultural enterprises continued. As of 1 October 2001, there were 3,500 farms owned by individuals (single person enterprises), constituting over a quarter of all private agricultural enterprises. The number of business partnerships grew to 7,500 (or 55.4 per cent of private agricultural enterprises) while the number of agricultural co-operatives declined, as compared with the end of 2000. Additionally, 1,452 new private farms were registered in the course of reforming collective agricultural enterprises. The number of registered private farms reached 40.8 thousand.

Issues relating to the sharing of property of the reformed enterprises (former collective agricultural enterprises) are being resolved. The Presidential Decree "On Measures on Ensuring Protection of Ownership Rights of Peasants in the Course of Reforming the Agrarian Sector of Economy", No.62 dated 29 January 2001, provides for ensuring a possibility for each former member of a reformed collective agricultural enterprise to obtain his property share of the reorganized collective enterprise. 6,313,000 individuals have the right to a property share. 4.4 million or 69 per cent have obtained their certificates. 73 per cent of agricultural enterprises have determined the amount of individual property shares of their members.

As of 1 October 2001, 54.1 thousand individuals had sold or otherwise disposed of their property shares. 3.6 thousand of such individuals transferred their property rights to other owners on the basis of civil agreements. Under mutual consent between individuals who own property and enterprises, property was transferred to 7.5 thousand of agents of entrepreneurial activity on the basis of lease agreements. The value of the leased property is US\$ 2.5 billion.

Privatization authorities, along with other governmental bodies, conducted significant work on privatization of state-owned property in agriculture. Privatization of state-owned property is being undertaken pursuant to the following legislative acts of Ukraine: the Law of Ukraine "On Privatization of the State-owned Property", "On Peculiarities of Property Privatization in the Agro-Industrial Complex", "On Property", "On Joint Stock Companies", and others.

Along with reforming property of agricultural enterprises, reforming property of processing enterprises, agrarian service enterprises and construction in the agro-industrial complex was undertaken.

As of today, 8,257 enterprises out of 8964 enterprises of the agro-industrial complex (state farms, processing enterprises, agrarian service enterprises and construction) are subject to privatization, of which:

- 6,980 (85 per cent) enterprises have been completely privatized;
- 1,020 objects of the agro-industrial complex are at the stage of completion of the privatization process; and
- 176 objects of the agro-industrial complex are at the stage of preparing privatization plans.

As of 22 March 2002, among 2,540 state farms, eight enterprises were at the stage of preparing privatization plans, nine enterprises had effectuated registration of founding documents as well as securities and information on their issue, and 2,391 enterprises were either in the process of selling shares or had completed that process. Of this latter group, 2,316 enterprises were privatized with over 70 per cent of their property privately owned, and, within this group, 2,013 enterprises were 100 per cent privately owned.

For fulfillment of the Presidential Decree "On Urgent Measures on Putting into Order Activities of State (National) Joint Stock and Holding Companies", No.1049 dated 7 November 2001, the issue of reorganization of the State Joint Stock Company "Khlib Ukrainy" (Bread of Ukraine) has been examined with a view to changing the organizational structure of this Company. Currently, the State Joint Stock Company "Khlib Ukrainy" controls 81 granaries. 80 of them are in the list of enterprises prohibited for privatization. This constitutes only 14 per cent of the total number of enterprises of the former grain storage and processing system. The State Joint Stock Company "Khlib Ukrainy" was not included in the List of enterprises which keep a monopoly status on the national market.

All 443 enterprises, which store and purchase grain but were not included into the statutory fund of the State Joint Stock Company "Khlib Ukrainy", are in the process of privatization.

As of 22 March 2001, the sale of shares of all 443 enterprises had commenced. Completion of privatization is in its final stage. Thus, according to the information of the State Property Fund of Ukraine, as of 1 May 2000, 401 enterprises were privatized with a sale depth of over 70 per cent (as of 1 March 2002, the comparable number is 443). As of 1 May 2000, 146 grain-purchasing enterprises were privatized with the sale depth of 100 per cent (as of 1 March 2002, the comparable number was 330 enterprises).

- The Main Priorities of State Agrarian Policy and Legislative Provision of further Reforms in the Agrarian Sector

The following are the main priority directions of further reforms in the agrarian sector.

- Administrative reform:
 - to improve the system of state management and regulation of the agro-industrial complex in the direction of ensuring the needs of each individual for information and services, and comprehensive support to the development of private initiative;

- Land and property relations:
 - to improve the regulation of land relations on the basis of the new Land Code of Ukraine; expedite and simplify the procedure for issuing state deeds of private ownership of land with the aim of creating a legal basis for development of the land market; introduce a unified system of property rights' registration for real estate; improve regulation of land and property lease relations; develop and implement a strategy on protection and rational use of land for agricultural purposes in the process of completing land privatization.
- Financial and credit policy in rural areas:
 - to introduce the system of medium and long-term low interest credits for agricultural enterprises of all types of ownership and activities;
 - to develop alternative credit institutions, for example, credit unions and cooperative banks; develop micro-credits;
 - to create the normative and legal basis regarding risk insurance for agricultural activities;
 - to extend possibilities of financial leasing and transformation of leasing into an effective mechanism for the technical re-equipment of agricultural production; and
 - to stabilize the income of agricultural goods producers by introducing pledge purchases of agricultural produce.
- Development of entrepreneurship and markets:
 - to expedite investment and innovation processes through legislative formation of a favorable tax and investment climate and improve technologies available to agricultural producers;
 - to create a system of agricultural advisory services and support associations of regional land owners (Agrarian chambers) with the aim of protecting their social and economic interests;
 - to increase the concentration of the commodity exchange market and put into order the types of agreements made on commodity exchanges; and
 - to develop advertising and other marketing services with the aim of improving the quality of specialists' training and effectiveness of scientific research and their implementation into production practices.
- Social policy in rural area:
 - to work out a program of social development of rural areas, which should provide for ways of resolving demographic issues, development of education, health protection, housing construction; to improve the system of social protection of the rural population; to approve programs for creating new jobs, employment and re-qualification; to develop a program of improvement of general and professional education in rural areas.
- Foreign economic activity:
 - to develop measures regarding support to export of agricultural produce, expand its infrastructure and create favorable conditions for expansion of produce sold on foreign markets; and
 - to harmonize the national trade law according to the EU requirements (in particular, regarding certification and standardization requirements).

Further, the following draft laws, which were drafted by the Government of Ukraine and will come into force in the years 2002-2003, making the process of reforming the agricultural sector of Ukraine irreversible:

- "On Amendment of the Law of Ukraine "On Collective Agricultural Enterprise" (it was prepared for the second reading on 7 February 2002);
- "On Mortgage" (it was considered in the second reading on 17 January 2002 and it was returned for the completion of its development);
- "On Amendment of the Law of Ukraine "On State Regulation of Agricultural Produce Imports" (the draft Law was submitted to the Verkhovna Rada of Ukraine on 22 February 2002. It was registered for consideration on the Verkhovna Rada of Ukraine);
- "On Amendment of the Law of Ukraine "On Quality and Safety of Food Products and Food Raw Materials" (the draft Law was submitted to the Verkhovna Rada of Ukraine. It was registered with the Verkhovna Rada of Ukraine);
- "On Grain and Grain Market in Ukraine" (the Verkhovna Rada of Ukraine approved it in the second reading on 7 March 2002);
- "On Amendment of the Law of Ukraine "On Commodity Exchange (it was submitted to the Committee of the Verkhovna Rada of Ukraine in February 2002);
- "On the Agrarian Chamber of Ukraine (it is under consideration in the Verkhovna Rada of Ukraine);
- "On Amendment of the Law of Ukraine "On Plants Quarantine" (it was approved as a basis for further development and prepared for the second reading);
- "On Amendment of the Law of Ukraine "On Seeds" (the Verkhovna Rada approved this draft as a basis for further development).
- The following draft laws are being developed:
- "On State Registration of Real Estate";
- "On Private Peasant Farms"; and
- "On Lands Protection".

Therefore, during 2001, the process of reforming property relations in the agrarian sector of the economy continued. Beginning in 2000, significant changes of property relations and forms took place. In the course of fulfillment of the Presidential Decree "On Urgent Measures Regarding Acceleration of Reforming the Agrarian Sector of Economy", No.1599/99 dated 3 December 1999, the structure of non-state-owned agricultural enterprises underwent significant changes. Currently, agricultural producers are represented by private and corporate forms, which occupy 97 per cent of all agricultural lands of Ukraine (except for an insignificant number of state farms).

In the year 2001, further steps in the reform of enterprises in the grain-products system took place. 100 per cent of grain-purchasing enterprises were privatized with a sale depth of over 70 per cent.

The results for 2001 confirm that creation of conditions for formation of a class of private owners and the development of transparent market relations in the agrarian sector continues.
