



U.S.  
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SERVICE  
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Department of Commerce

# U.S. Country Commercial Guides



## Ukraine 2018

## Table of Contents

|  |           |
|--|-----------|
| <b><i>Doing Business in Ukraine</i></b> _____                          | <b>5</b>  |
| Market Overview _____  | 5         |
| Market Challenges _____  | 5         |
| Market Opportunities _____   | 6         |
| Market Entry Strategy _____  | 8         |
| <b><i>Political Environment</i></b> _____                              | <b>9</b>  |
| <b><i>Selling US Products &amp; Services</i></b> _____                 | <b>10</b> |
| Using an Agent to Sell US Products and Services _____                  | 10        |
| Establishing an Office _____   | 10        |
| Franchising _____  | 11        |
| Direct Marketing _____   | 12        |
| Joint Ventures/Licensing _____   | 13        |
| Selling to the Government _____  | 13        |
| Distribution & Sales Channels _____                                    | 14        |
| Express Delivery _____   | 16        |
| Selling Factors & Techniques _____                                     | 17        |
| eCommerce _____  | 17        |
| Trade Promotion & Advertising _____                                    | 18        |
| Pricing _____  | 19        |
| Sales Service/Customer Support _____                                   | 20        |
| Protecting Intellectual Property _____                                 | 20        |
| Due Diligence _____  | 21        |
| Local Professional Services _____                                      | 22        |
| Principal Business Associations _____                                  | 23        |
| Limitations on Selling U.S. Products and Services _____                | 23        |
| Web Resources _____  | 23        |
| <b><i>Leading Sectors for U.S. Exports &amp; Investments</i></b> _____ | <b>24</b> |
| Agricultural Machinery _____   | 24        |
| Education _____  | 28        |
| Civil Nuclear _____  | 30        |
| Defense Equipment _____  | 33        |

|   |           |
|---|-----------|
| Food Processing and Packaging Equipment _____                               | 36        |
| Medical Equipment _____   | 39        |
| Oil & Gas _____   | 42        |
| Safety & Security _____   | 45        |
| Infrastructure _____  | 48        |
| <b><i>Customs, Regulations &amp; Standards</i></b> _____                    | <b>51</b> |
| Trade Barriers _____  | 51        |
| Import Tariff _____   | 51        |
| Import Requirements & Documentation _____                                   | 52        |
| Labeling/Marking Requirements _____   | 56        |
| U.S. Export Controls _____  | 57        |
| Temporary Entry _____   | 57        |
| Prohibited & Restricted Imports _____                                       | 57        |
| Customs Regulations _____   | 58        |
| Standards for Trade _____   | 58        |
| Trade Agreements _____  | 61        |
| Licensing Requirements for Professional Services _____                      | 62        |
| Web Resources _____   | 63        |
| <b><i>Investment Climate Statement</i></b> _____                            | <b>64</b> |
| Executive Summary _____   | 64        |
| Openness To, and Restrictions Upon, Foreign Investment _____                | 65        |
| Bilateral Investment Agreements and Taxation Treaties _____                 | 66        |
| Legal Regime _____  | 66        |
| Industrial Policies _____   | 70        |
| Protection of Property Rights _____   | 71        |
| Financial Sector _____  | 72        |
| State-Owned Enterprises _____   | 73        |
| Responsible Business Conduct _____  | 74        |
| Corruption _____  | 75        |
| Political and Security Environment _____                                    | 76        |
| Labor Policies and Practices _____  | 76        |
| OPIC and Other Investment Insurance Programs _____                          | 77        |
| Foreign Direct Investment and Foreign Portfolio Investment Statistics _____ | 77        |
| Contact for More Information _____  | 79        |

|   |           |
|---|-----------|
| <b><i>Trade &amp; Project Financing</i></b> _____                               | <b>80</b> |
| <b>Methods of Payment</b> _____   | <b>80</b> |
| <b>Banking Systems</b> _____  | <b>80</b> |
| <b>Foreign Exchange Controls</b> _____  | <b>80</b> |
| <b>US Banks &amp; Local Correspondent Banks</b> _____                           | <b>81</b> |
| <b>Project Financing</b> _____  | <b>81</b> |
| <b>Financing Web Resources</b> _____  | <b>82</b> |
| <b><i>U.S. Export Import Bank EBRD World Bank IFC Business Travel</i></b> _____ | <b>82</b> |
| <b>Business Customs</b> _____   | <b>83</b> |
| <b>Travel Advisory</b> _____  | <b>83</b> |
| <b>Visa Requirements</b> _____  | <b>84</b> |
| <b>Currency</b> _____   | <b>84</b> |
| <b>Telecommunications/Electric</b> _____  | <b>84</b> |
| <b>Transportation</b> _____   | <b>85</b> |
| <b>Language</b> _____   | <b>85</b> |
| <b>Health</b> _____   | <b>86</b> |
| <b>Local Time, Business Hours and Holidays</b> _____                            | <b>86</b> |
| <b>Temporary Entry of Materials or Personal Belongings</b> _____                | <b>87</b> |
| <b>Travel Related Web Resources</b> _____                                       | <b>87</b> |

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## **Doing Business in Ukraine**

### **Market Overview**

Ukraine's economy is recovering from a deep slump. Following a political and economic crisis in 2014-2015 and cumulative economic decline of 16 percent, Ukraine's economy began slowly growing in 2016 with two percent year-over-year growth. While the country's turn-around was primarily attributable to reforms implemented by Ukraine's first technocratic government, growth in 2016 was driven by a rebound in domestic investment activity and a modest recovery in household consumption. Going forward, analysts anticipate that domestic demand will continue to fuel economic growth of 2.5 percent in 2017 and 3.5 percent in 2018. The biggest reason that domestic demand will lead economic growth instead of exports is Russia's continued trade bans against Ukraine.

In addition to undergoing drastic changes in trade relations, Ukraine's exports continue to fall year over year due to global commodity prices and challenges in the domestic supply chain. In March 2017, Ukraine's government implemented new measures prohibiting trade with territories in the country's east effectively controlled by Russian-backed separatists. This prevents coal from traveling from the east to west and stops mineral inputs for the steel industry from reaching the non-government-controlled territory. Against a backdrop of falling exports, Ukraine's current account deficit increased from 0.1 percent of GDP in 2015 to 3.5 percent of GDP in 2016. All major Ukrainian exports dropped in 2016 except agricultural exports.

Despite its low economic growth and falling exports, Ukraine's economy has several bright spots, most notably agriculture, which grew 6.1 percent year-over-year in 2016. Last year Ukraine harvested 66 million tons of grain, which was the country's record high. Ukraine ranks among the world's top producers of grain crops including wheat, corn, and barley. In 2016, Ukraine's sugar exports also reached a 15-year high. Barring weather issues, 2017 harvests will likely set new records, and agriculture will continue to support the economy. Stable agricultural growth presents significant opportunities for U.S. exporters of agricultural machinery, as well as other inputs like seeds and fertilizers.

Ukraine's recent economic recovery and macroeconomic stabilization are supported heavily by the International Monetary Fund (IMF). In March 2015, the IMF opened a four-year Extended Fund Facility (EFF) program for Ukraine totaling about \$17 billion. Thanks to the country's progress on fiscal consolidation and banking and energy sector reforms in 2015 and 2016, Ukraine is currently on track to receive its fifth tranche of assistance under this program in 2017. Future IMF assistance will depend on additional reforms, including pension reform, land reform, and additional steps to fight corruption. According to the IMF, per capita GDP in Ukraine is still very low—just 20 percent of the EU average and the second lowest level of all Central and Eastern European countries. Faster, sustainable, and inclusive growth is needed to recover lost ground and improve living standards.

### **Market Challenges**

With growth potential of four to five percent per year, many market watchers agree that Ukraine could and should be the next Poland if it were to capitalize on its enormous economic potential in agribusiness, information technology, trade-related transportation, and aerospace and defense. These same analysts agree, however, that despite recent progress under enormously challenging circumstances (conflict, annexation, foreign intervention, and trade blockades), economic growth is most constrained by corruption.

While the government took several initial steps in 2015 toward tackling Ukraine's endemic corruption, reform will be a long and painful process. Progress is largely stalled by oligarchs and the politicians they promote, who continue to stymie the efforts of dedicated and motivated reform technocrats. One example of this is a lack of prosecutions related to corruption, and another is a failure to privatize state-owned enterprises indirectly controlled and fleeced by oligarchic business interests. Partially due to insufficient reforms and a high-risk

business environment, Ukraine is rated Caa3/B-/Bi by Moody's/S&P/Fitch respectively, lower than emerging markets in Latin America and above those in Africa.

In addition to corruption, other significant market challenges in Ukraine include:

- A lack of transparency within tax and customs institutions
- Harassment by tax and customs officials
- A dysfunctional court system, unable to fairly adjudicate business disputes
- A struggling banking system
- Limited export financing resources
- High tax rates
- Opaque and costly regulatory environment
- Inadequate protection of intellectual property rights
- A moratorium on agricultural land sales that dampens lease rates and prevents investment

Ukraine's government has committed to reducing these challenges in 2017. Both Ukraine's Prime Minister Volodymyr Groysman and Minister of Finance Oleksandr Danylyuk affirmed their intentions to stay the course on an extensive IMF financial support program that requires continued structural reform and anticorruption measures. Recently in 2017, both officials have moved forward on public commitments to improve Ukraine's tax authority, recently introducing an automatic register of VAT refunds. VAT refunds have historically been a contentious issue for U.S. companies in Ukraine, with VAT refund arrears in the tens on millions of dollars. The government has also followed through on the full-scale implementation of online procurement for government tenders.

### **Market Opportunities**

Agribusiness – Commercial Service-Kyiv (CS Kyiv) holds a positive long-term view on sales prospects for U.S. agricultural machinery and equipment manufacturers in Ukraine. The reason for this is that even though Ukraine is a major global producer, its agricultural sector is under-equipped and much of its existing agricultural machinery is outdated. Overall, 30 percent of agricultural machinery needs to be replaced. This need is concentrated among 10 percent of Ukrainian companies that need to replace from 70 to 80 percent of their machinery fleet. Sub-sector best prospects include:

- Soil preparation, planting, and fertilizer application technologies
- Grain storage and handling
- Livestock breeding
- Machinery for fruit and vegetable production
- Irrigation infrastructure
- Fertilizers
- Plant protection products

Defense Equipment - The Russian-backed separatist conflict in the east exposed the Ukrainian armed forces' lack of sophisticated defense equipment and need of a thorough overhaul. Unfortunately, domestic producers are incapable of providing several crucial weapons systems. In the government's 2017 budget, the Ministry of Defense received approximately \$ 2.4 billion. Of this amount, roughly \$241 million is for the procurement of weapons and military equipment, and \$2 billion is for training and operations. Because of Ukraine's acute need to reduce its dependence on Russian defense and military equipment, Ukraine seeks to diversify its equipment

supplies by purchasing equipment from the U.S. and other Western countries. Sub-sector best prospects include:

- Anti-aircraft warfare and air defense systems
- Unmanned Aerial Vehicles (UAVs) and autonomous vehicles
- Electronic warfare and communication equipment
- Trainer aircraft and helicopters
- Engineering vehicles, including armored recovery vehicles, excavators, trenches

Education - With nearly 5.7 million students in a country the size of Texas, Ukraine is among the largest and most talented international student markets in Europe. Between 2009 and 2016 the number of Ukrainians studying abroad increased by 176 percent to reach 66,648 students studying in 34 countries. According to the most recent Open Doors Report of the Institute of International Education, 1,817 Ukrainian students went to the U.S. to study in 2016-2017, which is 8.2 percent more than in 2015-2016. CS Kyiv strongly recommends that U.S. schools and universities explore Ukraine as a diversity market. Sub-sector best prospects include:

- Higher Education (particularly universities offering business education)
- Secondary Education

Food Processing and Packaging Equipment - Harmonization of product standards with the European Union (EU) is underway and this, combined with Ukraine's eventual accession to the EU, will fundamentally and positively affect Ukrainian trade in processed food. With increased trade and price competition, local producers will need to improve their competitiveness by upgrading and modernizing processing and packaging capacities. These changes will provide multiple opportunities for U.S. equipment suppliers. Sub-sector best prospects include:

- Vegetable products/processing (including oils)
- Confectionary products/processing
- Dairy products/processing
- Meat processing

Medical Equipment - According to the BMI forecast, the Ukrainian medical device market will record double-digit growth over the 2015-2018 period, but it will expand moderately in U.S. dollar terms due to local currency depreciation. In 2016, the Ukrainian medical device market was worth \$288 million, a 3.7 percent increase over 2015. Market growth is driven by extra funding allocated by the government for the purchase of cardiology equipment as well as an ongoing World Bank project approved in March 2015. Importers supply about 90 percent of the medical device market. Sub-sector best prospects include:

- Diagnostic imaging equipment (ultrasound, computer tomography, magnetic-resonance tomography)
- Laser surgery devices
- Stents, pacemakers, and other equipment used in the treatment of heart conditions

- Orthopedics & prosthetics
- Dental equipment and materials

Oil and Gas Equipment - Ukraine has taken important steps to diversify fuel supplies and improve oil and natural gas production aiming to increase energy independence. Ukraine's oil and gas industry plays a significant role in the country's national energy security strategy. The goal of increasing domestic production creates significant opportunities for U.S. companies in supplying equipment and technology. Sub-sector best prospects include:

#### Oil & Machinery

- Drilling and workover rigs
- Pumping equipment
- Valves, pumping equipment, compressors

#### E&P services:

- Exploration and production services

#### Wells workover operations

#### Hydraulic fracture works

- Reverse gas supply services

Safety & Security - Ukraine's safety and security market is currently undergoing unprecedented structural change due to multiple challenges, including the recent economic recession, the conflict in eastern Ukraine, and a nationwide crime spike. During the recession, which began in 2014 and ended in 2015, buyer purchasing power decreased, and low-cost suppliers from Asia flooded the market. In an environment of market contraction and cost-based competition, demand for relatively expensive western safety and security equipment exists primarily in the niche of advanced technology solutions where low-cost suppliers are uncompetitive. Sub-sector best prospects include:

- Document readers
- Biometric readers
- Explosives and drugs detectors
- Fire suppression equipment
- Advanced video surveillance cameras with video analytic capabilities

### **Market Entry Strategy**

The ideal market entry strategy is to find the right partner. The Commercial Service in Ukraine offers a variety of matchmaking services for this purpose.

Do your due diligence. The Commercial Service can help you with an International Company Profile (ICP), which provides a thorough assessment of a prospective company, including information such as its financial standing, as well as references from creditors and customers.

Start small, build a relationship, and test the market.

Don't forget the Foreign Corrupt Practices Act (FCPA). It is a useful tool for you and your partner, providing a solid basis for building a transparent, aboveboard relationship.

As your business grows so will your business relationship.

Remember the Commercial Service is in Ukraine to support U.S. business interests abroad – so take advantage of our counseling services.

Commercial Service can explain the processes of company registration, product certification, and licensing - whatever it takes to facilitate your market entry, including identifying financing sources if needed.

Getting up and running, the Commercial Service Team in Ukraine has significant experience helping U.S. companies and their local partners with problems from clearing Customs, to promoting business to prospective clients. Our Single Company Promotion service provides valuable support and visibility for your company.

Stay in touch with the Commercial Service if you suspect or have identified potential problems. We can guide your company and direct you to helpful resources.

### **Political Environment**

For background information on the political and economic environment of the country, please visit the [U.S. Department of State Background Notes](#) website.

## **Selling US Products & Services**

### **Using an Agent to Sell US Products and Services**

Identifying a reputable, reliable agent or distributor is vital to mitigating risk and achieving success in the Ukrainian market. In order to identify such a business partner, it is absolutely essential to conduct appropriate due diligence. Depending on your business plan, you may want to look for distributors that have nationwide capabilities, including those located in the major cities and regions of Kyiv, Kharkiv, Dnipro, Lviv, and Odessa. These regions are the most densely populated and important commercial centers of Ukraine.

Depending upon your long-term interests, using an agent or distributor is an excellent way to learn about the Ukrainian market, gauge market potential, establish connections, develop a customer base, establish a foundation for future expansion into new product lines, introduce new-to-market technologies, and develop product recognition in the market. To find a qualified potential partner, the Commercial Service recommends using one of our services, such as the Gold Key Service, to conduct initial screening and meet with potential partners, agents, or representatives. Attending or participating in Ukrainian trade exhibitions is another way to identify and gauge the qualifications of prospective partners. For more details on the trade exhibitions taking place in Ukraine, please refer to <http://2016.export.gov/ukraine/tradeevents/tradeeventsinukraine/index.asp>

The Commercial Service strongly advises against covering the Ukrainian market from regional offices in Europe, particularly from Russia. Ukrainians prefer to deal directly with local agents or representatives and subsequently an on-the-ground presence is crucial to successful business development in Ukraine. In addition, your Ukrainian partner can help you explore markets beyond Ukraine. Finally, given the ongoing conflict between Ukraine and Russia, several companies have reported that commercial relationships managed by regional offices in Russia have become very politicized and that information to U.S. headquarters companies regarding the Ukrainian market may be distorted as a result.

### **Establishing an Office**

A foreign company interested in starting a business in Ukraine has the option of forming a joint stock company, a limited liability company, a wholly-owned subsidiary, or a representative office. It is also possible to work in Ukraine through joint venture/cooperation agreements and investment funds/mutual funds. For regulatory and taxation purposes, representative offices are considered to be independent legal entities, with some exceptions. A representative office can carry out marketing, promotional, and other auxiliary functions, but it cannot sell goods or services. The Commercial Service recommends establishing a wholly-owned company in Ukraine if you intend to carry out manufacturing or other significant local commercial activities. A foreign legal entity may have both a representative office and a wholly-owned subsidiary. A limited liability company is the most popular form of a legal entity in Ukraine as it can conduct a broad range of business activities.

The Department of Trade and Economic Cooperation within the Ministry of Economic Development and Trade handles the registration of local offices of foreign companies. The process can take up to 60 days following the submission of all required documents and upon payment of the one-time \$2,500 fee. For more information, please contact the Section of Foreign Representative Offices at the Department of Trade and Economic Cooperation within the Ministry (email: [represent@me.gov.ua](mailto:represent@me.gov.ua), phone: +38 (044) 596-68-43).

To register a representative office of a foreign business entity, you must submit the following documentation:

- An application for registration of a representative office in free form
- A notarized extract from the trade (banking) register of the country, where the foreign business entity is officially registered (Certificate of Incorporation)

- A notarized reference from the banking institution where your account is officially kept, with the signature of the bank's primary officer
- A power of attorney to carry out representative functions issued under the laws of the country where the Head office of the foreign business entity is officially registered
- The protocol of the establishment of representative office in Ukraine and the appointment of the Representative Director
- Passport information and ID number of the head of representation
- The lease agreement of representation's legal address

All documents should have an official corporate stamp, be translated into Ukrainian, and the translation should be notarized. The documents should be issued no earlier than six months before submission to the Ministry. A full listing of the documents necessary for registration of a representative office is at <https://usa.mfa.gov.ua/en/ukraine-us/trade/information-for-entrepreneurs+>. All documents should be notarized by a notary at the place of issue and legalized in a consular institution of Ukraine in the United States. We recommend that U.S. companies work with local law firms, consultants, or business advisory services to ensure a smooth registration process. The Commercial Service can provide you with a list of local law firms.

U.S. companies can find professional personnel for their Ukrainian operations through many experienced local and international recruitment agencies operating in Ukraine.

## **Franchising**

Franchising is one of the popular business models for entrepreneurs and companies interested in diversifying into other business in Ukraine. Franchises are available on a per license basis for a specific city, region, or the country. For a complete report describing the opportunities and challenges for U.S. franchisors, please see the U.S. Commercial Service in Ukraine's Franchise Sector Overview Supplemented Report "2016 Franchise Indicator – Ukraine" at [https://2016.export.gov/ukraine/build/groups/public/@eg\\_ua/documents/webcontent/eg\\_ua\\_112575.pdf](https://2016.export.gov/ukraine/build/groups/public/@eg_ua/documents/webcontent/eg_ua_112575.pdf).

In 2017, Ukraine's franchise market contracted by 22 percent compared to 2016. Despite the contraction in the franchise market, there was a net increase in the number of franchise outlets. Today there are 361 franchisors working in Ukraine, and the total number of outlets is 16,136. Their annual gross income in 2017 was more than \$38 million. In 2016, 1,100 new outlets were opened, and 725 existing outlets were closed.

Domestic franchises currently dominate the Ukrainian franchise market, controlling 74 percent of market share. The origin of the foreign franchises that control the remaining 26 percent of the market includes 93 companies from countries such as Belgium, France, Poland, Belarus, Germany, China, Finland, Russia, the U.S., Italy, and Hungary. Most Ukrainian franchises operate in the services and restaurant subsectors.

Small and medium-sized entrepreneurs are beginning to express greater interest in franchises because, in an insecure macroeconomic environment, franchises offer more security and remove considerable uncertainty in business operations. Plus, as a result of the recession, undercapitalized businesses in various sectors have exited the market, leaving attractive locations to rent or buy at affordable prices for franchisees.

Potential foreign franchisors should be aware that due to the overall weakness of the economy, the demand for franchise licenses denominated in local currency has increased, while the demand for franchise licenses in hard currencies has declined. Similarly, the demand for franchise licenses that do not obligate franchisees to purchase foreign equipment in hard currency has increased. The macroeconomic reasons for this are a series of sharp local currency devaluations in 2015 - 2016 that nearly tripled the prices for foreign franchises and foreign equipment.

Trade Events

- “Franchise Think,” Kyiv, Ukraine, November 30, 2018  
<http://franchithink.com/>
- “Franchising 2019,” Kyiv, Ukraine, February, 2019  
<http://franchising.euroindex.ua/>
- International Franchising Expo (IFE) May 30-June 1, 2019, New York, NY, USA,  
<http://www.ifeinfo.com>

## Resources

- Franchise Group <http://franchisegroup.com.ua>
- Ukraine Retail Association <http://rau.ua/>
- Franchising Association Ukraine <http://www.franchising.org.ua> (in Ukrainian only)
- Franchising Development Federation Ukraine <http://fdf.org.ua/index.php?lang=en>
- Statistics <http://franch.biz/franch/franch-stats> (in Ukrainian only)
- The Ukrainian State Committee on Regulatory Policy and Entrepreneurship <http://www.dkrp.gov.ua> (in Ukrainian only)
- Ukraine CPI Consumer Price Index <http://countryeconomy.com/cpi>
- Colliers Ukraine Shopping Centers Development Pipeline  
<http://www.colliers.com/en-gb/ukraine>
- DLA Piper <https://www.dlapiper.com/en/ukraine/aboutus/>

## Direct Marketing

Direct marketing has mixed success in Ukraine, and U.S. companies should rely on the guidance of their local partner and local advertising companies when deciding on techniques. Telemarketing and direct mail are unlikely to be successful, except in niche segments. Traditionally, telemarketing consists of companies making telephone calls to potential customers. With new technology, telemarketing has expanded to include video conferencing calls, although these are typically conducted with existing customers. Excepting e-marketing, no particular law in Ukraine governs how companies may telemarket their products.

Regarding e-marketing, Ukraine’s law "On Electronic Commerce" passed in September 2015 regulates the distribution of commercial electronic messages. Commercial electronic messages may only be distributed with either the consent of the individual to whom such messages are addressed or if the recipient has an option to refuse from receiving of such messages in future.

In addition to this requirement, commercial electronic messages must also satisfy the following criteria:

- commercial electronic messages must unequivocally be identified as such
- the recipient must have easy access to information regarding the person sending the message
- commercial electronic messages regarding sales, promotional gifts, premiums, etc. must be unequivocally identified as such and the terms and conditions of promotions must be clearly stated to avoid their ambiguous understanding
- commercial electronic messages must comply with advertising legislation.

When electronic marketing involves the processing of an individual's personal data, it should take place in compliance with the requirements of Ukrainian data protection legislation. Most notably, companies must obtain appropriate consent from the individual to process his/her personal data for marketing purposes.

Despite the lack of popularity of direct marketing, direct sales have worked remarkably well in Ukraine for a variety of goods such as herbal products, cosmetics, and small-scale consumer goods. Seven U.S. direct sales companies are currently operating in Ukraine: Amway, Avon, Mary Kay, Herbalife, NuSkin Enterprises, Morinda, and Tahitian Noni International, all of which are members of the Ukrainian Association of Direct Sales, established in 2001.

## Joint Ventures/Licensing

Because Ukrainian businesses currently have limited access to financial resources, more Ukrainian companies are seeking to establish joint ventures (JV) with foreign investors as a means of accessing financing. However, concerns remain over whether Ukraine has succeeded in establishing a sufficient legal framework to protect foreign investors. U.S. companies pursuing this option should employ local legal counsel and seek to structure their entity as an off-shore business organization where international laws apply.

According to a Law No. 222-19, "On Licensing of Types of Economic Activities," adopted on March 2, 2015, and amended on September 28, 2017, the business activities set below are subject to licensing (full list of business activities subject to licensing is available at <http://zakon1.rada.gov.ua/laws/show/222-19>)

- Granting guarantees and suretyships
- Financial leasing
- Factoring
- Trust management of financial assets
- Specific types of insurance as defined by the legislation
- Lending funds with their further return
- Granting loans including financial credits
- Administration of private pension funds
- Administration of financial assets for purchase of goods for groups of purchasers
- Property management for financing constructions or real estate transactions
- professional activity in securities market
- transportation of passengers, dangerous goods and hazardous waste by river, sea, road, rail and air transport, international carriage of passengers and goods by road vehicles;
- security guard activities
- tour operator activity
- brokering in employment abroad

Import and export licenses are required for some goods. The list of goods covered by the licensing regime and the license terms are updated annually by the Cabinet of Ministers. The current list of such products can be found in the [Resolution of the Cabinet of Ministers of Ukraine No. 1018 On Approval of the List of Products subject to Import and Export Licensing and Respective Quotas for 2018, dated December 20, 2017](#). In 2018 the list includes: pharmaceuticals, paints and lacquers, dyes, hygiene products, cosmetic products, pedicure and manicure products, shaving aerosols and deodorants; lubricants, waxes, shoe polishes, insecticides, solvents, silicone, fire extinguishers and the chemicals that fill extinguishers; refrigerators and freezers, air-conditioners, humidifiers, and other selected industrial chemical products; fungicides, insecticides, herbicides, and plant growth adjusters.

## Selling to the Government

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project Financing" Section in "Trade and Project Financing" for more information.

National law regulates the public procurement of goods, works, and services. According to Ukrainian law, public tenders must be held for the procurement of goods, works, and services if the cost of goods is equal to or greater than UAH 100,000 (roughly \$4,500) and if the cost of works is equal of greater than UAH 1,000,000 (roughly \$45,000). The government must publish the announcement of the tender and its results. Open international tenders must be used when procurements are financed by foreign entities. Government procurement is also governed by international treaties to which Ukraine is a party, including Chapter 8 of Title IV of the Association Agreement with the EU, as well as the WTO Government Procurement Agreement.

Starting on August 1, 2016, all government agencies in Ukraine began using an e-procurement system, the PROZORRO portal. Ukraine's implementation of e-procurement system will create significant opportunities for American companies to participate Ukrainian government tenders. American suppliers interested in current public procurement opportunities in Ukraine may register for notifications at the Ukrainian Public Procurements Official National Web Portal: <https://tender.me.gov.ua/EDZFrontOffice/> and at the PROZORRO website <http://prozorro.org/>.

The Anti-Monopoly Committee of Ukraine has the power to review disputes arising from public procurements related to procurement procedures through its Complaint Board.

Courts may also hear government procurement-related cases. Cases must be filed on tight timelines, within 10 days of alleged violations. U.S. companies may also file a complaint with Ukraine's Business Ombudsman Council. The post of Business Ombudsman is an essential element in Ukraine's fight against corruption and is supported by the EBRD, the OECD, and multiple business associations, including the American Chamber of Commerce in Ukraine. The Business Ombudsman's regulatory status allows the ombudsman or his/her representatives in the field to report claims of unfair treatment and corruption. The Business Ombudsman Council assesses the claims. Where it concludes that the alleged business malpractice may have occurred, it can request further investigation by the relevant bodies and seek to have these complaints addressed by governmental authorities. The ombudsman periodically reports to the general public, including the business community, about the progress made in the fight against corruption.

In addition to direct government tenders, Ukraine currently receives international assistance from multiple multilateral development banks for major infrastructure development projects. These projects create significant export opportunities for U.S. companies. Tender announcements for these projects are on the websites of the World Bank, the European Bank for Reconstruction and Development (EBRD); the International Finance Corporation (IFC), and the United Nations Development Program (UNDP).

## **Distribution & Sales Channels**

### Distribution Channels

Most of Ukraine's domestic and international cargoes travel via rail or truck. The share of airfreight in domestic or international cargo transportation is insignificant compared to freight transportation made by sea, rail, or road. The state-owned railway company Ukrzaliznytsia manages the nation's rail network, which ranks third in Europe with 21,700 kilometers of rail and connections to Belarus, Russia, Moldova, Romania, Hungary, Slovakia, and Poland. Ukrainian highways link to pan-European corridors via the following highways: Gdansk-Odessa; Brussels-Dresden-Krakow-Kiev; Venice-Budapest-Lviv-Kyiv; and Helsinki-Saint-Petersburg-Gomel-Kyiv-Chisinau- Bucharest -Thrace.

Thirteen Ukrainian sea ports (Berdiansk, Bilhorod-Dnistrovskiy, Illichivsk, Izmail, Kherson, Mariupol, Mykolaiv, Odesa, Oktiabrsk, Reni, Skadovsk, Ust-Dunaisk, and Yuzhnyi) and eight river ports process container and bulk imports. In 2017, 132.6 million tons of cargo (a 0.6 percent increase compared to 2016) passed through Ukrainian ports. [Among the top five types of cargo, only coal imports demonstrated growth due to the need to compensate for the lack of its supply from the temporarily uncontrolled regions of Donbass.](#)

There are two types of customs bonded warehousing in Ukraine: 1) customs bonded warehouses, and 2) temporary storage customs bonded warehouses. An importer can use the latter to temporarily store goods that are subject to certification, awaiting sanitary, environmental, or other entry approvals, or awaiting customs clearance in Ukraine.

Like all countries, Ukraine monitors import-export flows that pass through its borders. The current Ukrainian customs regulation mandates to execute customs declarations for export or import operations. A list of licensed Ukrainian customs brokers is at: <http://sfs.gov.ua/dovidniki--reestri--perelik/reestri/94921.html>

## Sales Channels

According to the Ukrainian State Statistics Service, Ukraine's retail trade turnover in 2016 was UAH 1,175.3 billion (\$46 billion), a 4.3 percent growth compared to 2015. Data for 2017 has not been released yet. Independent retailers account for around 20 percent of total retail sales, while outdoor markets account for around 30 percent. Less than half of the overall retail market is controlled by chains, reflecting the considerable development opportunities that remain in Ukrainian retail.

Fast Moving Consumer Goods (FMCG) - Retail superstore chains are available in the main Ukrainian cities and primarily specialize in FMCG, consumer electronics, Do-it-Yourself (DIY), automotive parts and accessories, cosmetics and toiletries, pharmaceuticals, and health care goods.

The major international investors in the Ukrainian retail FMCG market are METRO GROUP (<http://www.metro.ua>), Auchan (<http://www.auchan.ua>), Rewe Group (Billa) (<http://www.billa.ua>), and Spar.

The top four national FMCG retailers in the market are the Fozzy Group (<http://www.fozzy.ua>), ATB Market (<http://www.atbmarket.com>), Retail Group ([www.kishenya.com.ua](http://www.kishenya.com.ua)), and Furshet (<http://furshet.ua>).

Regionally, the top retailers include: Tavria V (<http://www.tavriav.ua>) and Kopeyka (<http://kopeyka.com.ua>) in southern Ukraine; and Pakko (<http://pakko.ua>), Barvinok (<http://barvinok.ua>), and Kolibris (<http://colibris.com.ua>) in western Ukraine.

The most popular FMCG outlet formats that opened in Ukraine in the recent years were discounters, corner shops, and supermarkets.

Consumer Electronics and Household Appliance Chains - Currently, the largest household appliances and electronics market players are Foxtrot (<http://www.foxtrot.com.ua>), Eldorado (<http://www.eldorado.com.ua>), and Comfy (<http://comfy.ua>). These chain operators sell most of the consumer electronics and household appliances through their retail outlets located throughout Ukraine.

"Do-It-Yourself" Chains - The national chain Epicenter (<http://www.epicentrk.com.ua>) remains the leading DIY player, with a market share of more than 50 percent. The only foreign player in the market is Leroy Merlin (<http://leroymerlin.ua>, part of Groupe Adeo), which operates three stores in Kiev.

Branded Apparel and Footwear - Multiple national premium fashion outlet chains sell branded clothing and footwear including Argo (<http://argo.com.ua>), Helen Marlen Group (<http://helen-marlen.com>), and Melon Fashion Group (<https://www.melonfashion.com/>), Intertop (<http://intertop.ua>) is a Ukrainian chain for branded footwear.

Automotive Parts and Accessories Chains - Three nationwide chains, Auto Trade Line (ATL), ZipAvto, and AIS, along with numerous independent retail outlets sell car parts and accessories. There are also regional wholesale chains like Planetauto, Stop -Transit, Pitstop, and Avtostiv.

Beauty and Toiletries Chains - The top four nationwide beauty chains in Ukraine include Eva (560 stores), DC-Watsons (440 stores), Prostor (280 stores), and Kosmo (106 stores).

Drug (Pharmacy) Chains – Pharmaceuticals are sold through more than 21,000 private and municipal pharmacies and pharmacy retail points. Private pharmacies dominate at 875 of the market, while the remaining 13 percent of pharmacies are owned by municipalities. Many regions and municipalities have been looking to expand or launch so-called 'social pharmacies', which stock essential medicines and charge little or no mark-up.

Consolidation levels in retail pharmaceutical sales in Ukraine are still low, with no chains that have a presence in all regions of Ukraine. The three largest pharmacy chains (Pharmacy-Magnolia, brand “Apteka Nyzkyh Tsin”), Med-Service Group and Titan (“Zdorovyе” brand), account for only eight percent of total pharmacy sales. Given the low level of concentration in retail pharmaceutical sales, there is significant opportunity for international chains to enter the Ukrainian market.

### **Express Delivery**

The international express delivery of documents, parcels, and freight is carried out by over 32 companies, including international companies such as DHL, FedEx, TNT Express, and UPS, and several smaller international and domestic companies such as Meest Express, Pony Express, and Nova Poshta. The Ukrainian national mail operator is Ukrposhta, which has an extensive network and delivery fleet and is the only carrier able to deliver mail to the most remote corners of the country.

On average, international express delivery takes from one to seven days, depending on the type of dispatch, type of shipment, and destination. Please visit the web sites of the operators to calculate the cost and time for delivery.

When sending express shipments to Ukraine, there are several factors to consider. First, some goods are deemed to be documents and only require a waybill to be delivered, while others must be accompanied by an invoice and, in some cases, additional customs documentation.

According to Articles 234-235 of the Customs Code of Ukraine, goods (except excise goods) sent express internationally from one sender to one beneficiary (person or legal entity) in one dispatch are not subject to customs duties if the total invoice amount does not exceed the equivalent of 150 Euros. If the total invoice amount exceeds the equivalent of 150 Euros, however, the shipment is subject to customs duty and VAT. All permissible excise goods are subject to customs duty and other taxes, regardless of the total invoice amount,

Please note that some types of goods are prohibited for international express delivery into Ukraine:

- firearms and ammunition
- explosives, flammables, other dangerous substances
- military equipment (unless otherwise provided by law)
- narcotics, psychotropic substances, and their analogs
- items including obscene and immoral content
- permits for the right to bear arms
- employment records and identification (except Ukrainian passports for traveling abroad)
- live animals

The complete list of prohibited goods is available on the web-site of the State Fiscal Service of Ukraine. In addition to the prohibited items above, Ukraine prohibits the shipment of goods that fall within groups 1 through 24 of the Ukrainian Classification of Goods in Foreign Economic Activity are not permitted unless the gross weight of the shipment is less than ten kilograms and the goods are shipped in manufacturer’s packaging.

## **Selling Factors & Techniques**

The most important sales factors in Ukraine include promotion (localized promotional advertising, TV advertising, direct sales, and online advertising) and sales channels (traditional retail, online sales). Common Ukrainian online advertising channels include: <http://www.topshoptv.com.ua> and <http://www.telemedia.ua>; and <http://www.ua.all.biz/>

Ukrainian consumers do not like Western brand name products manufactured in Asia. U.S. goods tend to have strong reputations but are not widely available on the local consumer market, consequently, a tag “made in the USA” increases consumer interest and confidence.

## **eCommerce**

The volume of non-cash transactions using mobile banking and e-commerce in the fourth quarter of 2017 compared to the same period in 2016 rose by 69.1%, to UAH 105.5 billion.

According to the website of the National Bank of Ukraine (NBU), the number of such transactions increased by 28.9% amounting to 275.8 million units.

The central bank noted a significant increase of 54% in the volume of operations for transferring funds from one card to another, to UAH 73.4 billion (with the number of transactions increasing by 39.2%, to 43.2 million), as well as the volume of transactions in trade networks by 35.9%, to UAH 79.8 billion (the amount increased by 34.9%, to 329 billion deals).

The volume of transactions using self-service devices grew by 60.9%, to UAH 7.6 billion, and their number by 8.5%, to 14.4 million.

The total volume of non-cash transactions in 2017 was up by 46.16%, to UAH 835 billion. In particular, 38.8% of the total volume were transactions in the Internet, 31.9% were payments in trade networks, 26.4% transfers from card to card, and 2.9% transactions using self-service devices.

The total number of non-cash transactions last year increased by 30.2%, to 2.311 billion. In particular, 50.6% in the total number of payments were made in trade networks, 41% in the Internet, 6.1% were transfers between cards, and 2.3% transactions using self-service devices.

The top three e-commerce platforms in Ukraine are:

- OLX.ua (40.4 percent of users);
- Rozetka.com.ua (32.5 percent of users)
- Prom.ua (26.5 percent of users).

To support businesses towards e-Commerce development in Ukraine, the IT Association of Ukraine became a member of the European e-Commerce and Omni-Channel Trade Association (EMOTA) in April 2017.

<https://webexpert.com.ua/ua/elektronna-komertsiya-v-ukrayini-2016>

<https://ain.ua/2017/03/13/kak-razvivaetsya-ukrainskij-e-commerce-infografika>

<http://www.uadn.net/2017/01/31/9-in-10-ukrainian-internet-users-have-shopped-online-at-least-once-says-nielsen-report/>

## Trade Promotion & Advertising

Despite the continuing political and economic complexities in Ukraine, the advertising and communication industry has begun to rebound. According to the All-Ukrainian Advertising Coalition, total volumes in the advertising media market will increase by 26 percent in 2018 to reach nearly \$800 thousand (UAH 20.5 million). The most rapidly growing channels will be TV advertising (26 percent growth), Out-of-Home Media (24 percent), and Internet advertising (30 percent).

Ukraine's Top 5 TV Channels (according to MediaBusiness Review):

- Channel Ukraine <http://kanalukraina.tv/>
- 1+1 <http://www.1plus1.ua/>
- ICTV <http://www.ictv.ua/>
- Inter <http://inter.ua/en/>
- STB <http://www.stb.ua/>

Ukraine's Top 5 Radio Stations (according to the Independent Association of Broadcasters):

- Hit FM <http://www.hitfm.ua/>
- Lux FM <http://lux.fm/>
- Radio Piatnitsa <http://radiopyatnica.com.ua/>
- Russkoe Radio <http://www.rusradio.ua/>
- Retro FM <http://www.retro.ua/>

Ukraine's Major Newspapers/Journals:

- Segodnya <http://www.segodnya.ua/>
- Fakty i Kommentarii (Facts and Commentary) [www.facts.kiev.ua/](http://www.facts.kiev.ua/)
- Vesti <https://vesti-ukr.com/>
- Express <http://expres.ua/>
- Komsomolska Pravda Ukraina <http://kp.ua/>

Ukraine's Major English-language Newspapers/Journals:

- Kyiv Post [www.kyivpost.com](http://www.kyivpost.com)
- Business Ukraine <http://www.bunews.com.ua/>
- KyivWeekly [www.kyivweekly.com](http://www.kyivweekly.com)
- What'sOn [www.whatson-kyiv.com](http://www.whatson-kyiv.com)

Upon request, the U.S. Commercial Service can provide a list of advertising and public relations agencies, as well as print and television media sources operating in Ukraine. See our Contact List service at <http://www.export.gov/ukraine/servicesforu.s.companies/index.asp>

National trade shows and exhibitions continue to be an effective way to introduce products to local buyers. A full listing of the international, nationwide and, or regional trade shows is available at <http://expoua.com>.

Major local trade show organizers and trade fair authorities include:

- Euroindex (<http://www.euroindex.ua/indexe.php>)
- Medvin (<http://medvin.kiev.ua>)
- PremierExpo (<http://www.pe.com.ua/en/>)
- ACCO International (<http://acco.ua/en>)
- International Exhibition Center (<http://www.iec-expo.com.ua/en/>)
- KyivExpoPlaza (<http://www.expoplaza.kiev.ua/eng/main>)

The U.S. Commercial Service actively promotes the products and services of U.S. companies at local major trade shows by organizing and staffing U.S. Product Literature Centers.

## **Pricing**

**Business-to-Consumer:** Like most consumers, the most important factor for Ukrainians is price, followed by quality, durability, and after sales service. The type of product also influences the importance that consumers place on the product's country of origin. The same holds true for Ukrainian businesses representing foreign companies as agents, distributors, or representatives.

When establishing prices it is important to take into consideration the purchasing power of the average Ukrainian consumer. According to the State Statistics Committee of Ukraine, the average monthly salary in Ukraine in 2017 was UAH 8,777 (approx. \$323), which represents a 35.5 percent year-over-year increase in UAH.

For pricing it is also important to consider the ages of potential end-users and the regions where they live. The demand for higher-priced Western-manufactured products is far greater among the younger generation, with the sharpest contrasts seen between the "under 55" and "over 55" age groups. The widest differences are observed in the purchase of vehicles, personal care products, candy, jewelry, household goods, and electronics.

To review the prices for a wide variety of other products, please refer to <http://price.ua> (in Ukrainian) and <http://www.ua.all.biz/en/> (in English).

**Business-to-Business:** The most important factor for Ukrainian companies when purchasing equipment is quality, followed by new technology, efficiency, reliability, training support, and after-sales service. This is especially true in the agriculture, power generation, oil and gas, pharmaceutical, aviation, and information and communications technology sectors.

## **Pricing Regulations**

Ukraine's price setting regulations are stipulated in the Law of Ukraine on Prices and Price Establishment. Price-regulating authorities in specific industries include:

- The National Commission for State Regulation of Communications and Informatization, which regulates fees for telecommunication services
- The National Commission for State Energy and Public Utilities Regulation, which is the government regulator of prices for energy and utilities

In April 2017 the Government of Ukraine began regulating the prices of medicines to treat cardiovascular diseases, type II diabetes (oral medications), and asthma. For other products and services, Ukrainian companies and individual entrepreneurs are granted liberty to set prices themselves.

## **Pricing and Value Added Tax (VAT)**

Most businesses in Ukraine are organized primarily as individual private entrepreneurs, LLC companies, or joint stock companies. American exporters working with a Ukrainian partner to jointly price goods in Ukraine should be aware that individual private entrepreneurs are exempt from the obligatory 20 percent VAT on goods resold to customers. They should also know that the price a customer pays for goods in retail outlets, wholesale, or distribution warehouses already includes 20 percent VAT.

LLC companies and joint stock companies should include 20 percent VAT into the price of their goods or services. The option of sale through an individual private entrepreneur is limited to sales revenues performed

by an individual private entrepreneur over a one year period. For VAT purposes, three groups exist with different limits of annual sales revenues for each group: group I UAH 300,000 (up to approximately \$ 12,000), group II UAH 1,500,000 (up to approximately \$ 59,000); and Group III UAH 5,000,000 (up to \$196,000). LLC companies and joint stock companies are not limited by a ceiling in annual sales revenues since they are required to include 20 percent VAT in the price.

Depending on the scope of sales in goods and their nature, one can implement a mandatory ceiling in annual sales revenues by partnering with a team of several entrepreneurs. Businesses that sell their products through dozens of salespeople classified as individual private entrepreneurs use this option widely.

### **Sales Service/Customer Support**

Ukraine's standards of after-sales service and customer support are lower than in the West. Nonetheless, Ukrainian consumers are increasingly demanding better warranties and after-sale services. These services are typically performed by Ukrainian repair shops, under contract with the distributor of the manufacturer or sales representatives. Ukrainian consumers have high expectations for after-sales services and product warranties. The level and quality of customer support offered can be a determining factor in winning and keeping customers in Ukraine. Legally, Ukraine has strong consumer rights protection laws of which consumers are well aware.

According to Ukrainian legislation, a manufacturer of technically sophisticated products must guarantee a product's compliance with the specifications described in the product's manual and offer warranty service for a minimum of six months from the date of purchase. During the warranty period, consumers are entitled to a free-of-charge repair, complete replacement of malfunctioning products within a 14-day period after purchase, or full reimbursement of the purchase price of the product if the product is returned within seven days of purchase. If the consumer has violated the operation manual of the product, all subsequent necessary repair work is at the expense of the consumer. Warranty service starts from the date of purchase.

Technically sophisticated products include:

- Household radio and electronic appliances, and electric powered household appliances
- Household and computing devices
- Personal communication devices
- Mechanical devices including clocks, watches, and timers or stop watches
- Musical instruments, including electric powered
- Any devices with warranty obligations
- Machining devices for household use
- Medical devices
- Products for physical exercise, and sport or tourism
- Personal regular or rubber bullet firearms, tear gas (PP) guns, carbonate gas (CP) guns, ball bullet (BB) guns, air or spring guns
- Household measuring and rationing devices

The obligatory exchange or reimbursement of goods due to poor performance does not apply to foodstuffs, drugs and pharmaceuticals, personal hygiene products, perfumes and cosmetics, underwear, sprays, books and other printed goods. Such exchanges are done on a goodwill basis and at the discretion of the seller. The after sale support for motor vehicles and other self-propelled devices are regulated by a separate law.

### **Protecting Intellectual Property**

Ukraine remains on the U.S. Trade Representative's (USTR) Priority Watch List in 2016. The three primary problems related to intellectual property (IP) protection in Ukraine are: 1) the unfair, nontransparent administration of the system for collecting societies, which are responsible for collecting and distributing

royalties to U.S. and other rights holders; 2) widespread (and admitted) use of illegal software by Ukrainian government agencies; and 3) a failure to implement an effective means to combat the widespread online infringement of copyright and related rights. Ukraine has taken some positive steps under extremely trying circumstances. The government created a special unit within the National Police of Ukraine to investigate IPR violations, and enforcement officials have participated in international training on investigating IPR crimes. More broadly, the government appears to be working to address long-standing concerns about endemic corruption and mismanagement, including in IPR protection and enforcement. However, evidence of real progress is still not apparent, and enforcement remains inadequate.

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

The U.S. Commerce Department has positioned IP attachés in several markets around the world. You can get contact information by contacting the IP attaché who covers Ukraine at:

#### OFFICE LOCATION

Embassy of the United States of America

4, Igor Sikorsky Street

Kyiv, 04112, Ukraine

OFFICE PHONE: +380 44 521-56-22

EMAIL: [office.kyiv@trade.gov](mailto:office.kyiv@trade.gov)

#### **Due Diligence**

Conducting due diligence on prospective business partners and customers is essential in Ukraine. It is critical to confirm the legitimate registration, financial status, and reputation of potential customers and partners, before entering into a contractual relationship or selling your products/services. Doing so requires engaging the services of a law firm or using the International Company Profile (ICP) service offered by the U.S. Commercial Service. This service provides a detailed report including a financial background report, a check of references, the company's history, and a site visit by an American Commercial Service officer. For a full description of this service go to [http://export.gov/ukraine/servicesforu.s.companies/eg\\_ua\\_027310.asp](http://export.gov/ukraine/servicesforu.s.companies/eg_ua_027310.asp)

Although there is little reliable open source information on Ukrainian firms, there are three nationwide web-based databases that can be useful: 1) a listing of bankrupt companies; 2) a list of companies in liquidation, and 3) a list of companies and individuals under civil or criminal prosecution. Unfortunately, the databases are available in Ukrainian only. To get access, you must register online or send a written request together with the subscription fee.

Interested American companies may try:

- the Bankruptcy Information and Inquiry System, administered by the Informational Court Systems State Enterprise (see <http://info.bankrut.gov.ua/>) to verify if a Ukrainian company is in insolvency court or has been declared bankrupt by a commercial court
- the Unified State Register of Court Decisions (see <http://reyestr.court.gov.ua>) to learn if a company or individual is under civil or criminal prosecution.

## Local Professional Services

In Kyiv, there are a growing number of high-quality professional service providers, including most major global consultancy firms. The American Chamber of Commerce in Ukraine (<http://www.chamber.ua>) is a good point of contact for locating foreign professional services firms. There are also some prominent business service providers listed on our website at <http://export.gov/ukraine/businessserviceproviders/index.asp>

Contacts of other organizations or consultants which may be useful for American exporters are at:

### Customized Market Research and Consultancy

- SC Derzhzovnishinform <http://dzi.gov.ua/en/>

### Translators and Interpreters

- Ukrainian Translators Association - <http://www.uta.org.ua/en>

### Real Estate and Office Rent

- Association of Real Estate Specialists of Ukraine <http://www.asnu.net/>

### Customs Brokerage

- Association of Customs Brokers of Ukraine <http://www.ambu.org.ua/english/about>

### Logistics and Warehousing

- Ukrainian Logistics Association <http://ula-online.org/>

### Cargo Transportation

- Association of International Freight Forwarders of Ukraine <http://www.ameu.org.ua/en>
- Association of Ukrainian International Cargo Multi-Modal Transportation "UKRZOVNISHTRANS" <http://atfl.org.ua/en>
- Association of International Automotive Cargo Transportation <http://www.asmap.org.ua/>

### Attorneys

- National Associations of Attorneys in Ukraine <http://uba.ua/eng/>
- Ukrainian National Bar Association for Foreign Affairs <http://ukrinur.com/>

### Project Evaluation and Credit Rating

- Ukrainian Credit Rating Agency <http://www.credit-rating.ua/en/about/common/>

### Banking and Investment

- Ukrainian Association of Investment Business <http://www.uaib.com.ua/eng.html>
- The Independent Association of the Banks of Ukraine <https://nabu.ua/en.html>

### E-Commerce

- Ukrainian Association of Electronic Business - <http://onlineretail.com.ua/>
- Ukrainian Internet Association - <http://www.inau.org.ua/en/ukrainian-internet-association-ua>
- Association of Information Technology Enterprises of Ukraine - <http://apitu.org.ua>

Most of the services from the above-listed organizations are rendered on a fee basis. Interested American companies can contact such organizations and negotiate directly.

### **Principal Business Associations**

The two primary business associations representing U.S. companies in Ukraine are:

- The American Chamber of Commerce in Ukraine: <http://www.chamber.ua/>
- The U.S.-Ukraine Business Council: <http://www.usubc.org/>

Both organizations actively lobby the Government of Ukraine and most major U.S. companies operating in Ukraine maintain membership in both organizations.

### **Limitations on Selling U.S. Products and Services**

Please refer to "Trade Barriers" Section in "Customs, Regulations & Standards" [insert link] for more information.

### **Web Resources**

- U.S. Commercial Service Service in Kyiv

<https://2016.export.gov/Ukraine/servicesforu.s.companies/index.asp>

- Ukraine CPI Consumer Price Index <http://countryeconomy.com/countries-cpi/ukraine>
- EU-Ukraine DCFTA [http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc\\_150981.pdf](http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_150981.pdf)
- The Ukrainian State Regulatory Service <http://www.drs.gov.ua/>
- Patent, trademark, or copyright issues <http://www.stopfakes.gov/>
- Unified State Register of Court Decisions <http://reyestr.court.gov.ua>
- Bankruptcy Information and Inquiry System <http://info.bankrut.gov.ua/>
- Chamber of Commerce in Ukraine <http://www.chamber.ua>
- Ukrainian Chamber of Commerce and Industry <http://www.ucci.org.ua/en/about.html>
- Regional Chambers of Commerce and Industry [http://www.ucci.org.ua/en/list\\_cci.html](http://www.ucci.org.ua/en/list_cci.html)

## Leading Sectors for U.S. Exports & Investments

### Agricultural Machinery

#### Overview

Data in USD thousands

|                        | 2015      | 2016      | 2017      | 2018<br>(Estimated) |
|------------------------|-----------|-----------|-----------|---------------------|
| Total Local Production | 253,780   | 300,384   | 348,271   | 400,000             |
| Total Exports          | 121,211   | 104,514   | 132,052   | 150,000             |
| Total Imports          | 677,766   | 1,355,301 | 1,724,168 | 1,900,000           |
| Imports from the US    | 138,899   | 286,205   | 338,300   | 400,000             |
| Total Market Size      | 810,335   | 1,551,172 | 1,940,386 | 2,150,000           |
| Exchange Rates         | 21.84 UAH | 25.55 UAH | 26.60 UAH | 29.3 UAH            |

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: State Statistics Service of Ukraine  
[http://www.ukrstat.gov.ua/operativ/operativ2013/pr/orp/orp\\_u/orp1217\\_u.htm](http://www.ukrstat.gov.ua/operativ/operativ2013/pr/orp/orp_u/orp1217_u.htm)

Total Exports: Global Trade Atlas <https://www.gtis.com/gta/>

Total Imports: Global Trade Atlas <https://www.gtis.com/gta/>

Demand for agricultural machinery is directly tied to the health of Ukraine's agribusiness sector, which remains the most promising sector of the economy. With 41.5 million hectares of agricultural land covering 70 percent of the country, agriculture is Ukraine's largest export industry. In the context of a total export volume decrease, the share of agricultural exports is increasing. During the last five years, the share of agriculture in export revenues for Ukraine increased from 26 percent in 2012 to 42 percent in 2016. In 2017, compared to 2016, agricultural products exports grew by 16 percent amounting to \$17.8 billion, almost reaching the historic 2012 record of \$17.9 billion. However, the basis of agricultural exports is still exports of raw materials, namely products of plant origin, including wheat, corn, barley and soybeans. In 2016, the total share of these products in exports amounted to 46 percent. Agriculture, including the processing industry, generated 16-17 percent of GDP in 2017.

Ukraine's record setting increases in output are driving capital investment in agriculture, which grew to \$2.17 billion, a 30.7 percent increase compared to 2016.

Ukrainian farmers prefer imported machinery. All self-propelled sprayers, 98% of combine harvesters, 95% of tractors, 89% of plows, 55% of spreaders of mineral and organic fertilizers, 46% seeders, and 25% of disk harrows sold in 2017 in Ukraine were imported.

Over the last two years, greater political stability, a stronger economy, a more stabilize hryvnia (the country's currency) and delayed demand enabled and encouraged Ukrainian farmers to resume badly-needed capital investment, including agricultural equipment. Farm machinery and equipment imports increased nearly 2.5 times in 2017 compared to 2015, returning to 2013 levels. Leasing services, which also showed signs of recovery after a dramatic downturn in 2014-2015, are expected to grow at 20 percent due primarily to more thoughtful approaches to tax planning by farmers.

Two main groups of producers (e.g. agricultural machinery buyers) generate Ukraine's gross agricultural output— agricultural enterprises and households. The former produces 55 percent of gross output and consists of 32,000 farm enterprises, 10,000 corporate agricultural enterprises, and 241 state enterprises. The second group consists of more than 4 million households cultivating on average 1.23 hectares of land each and generating nearly 45 percent of gross agricultural output. It is important for U.S. companies to understand that the influence of large agricultural holdings extends beyond the companies within their ownership structure to include independent small and medium-sized producers. These holdings are often the landlords to smaller sized independent farmers who lease land from them. The large agricultural holdings also own distributorships that sell equipment to independent small and medium-sized companies. Finally, there is a dearth of financing in Ukraine's agriculture sector and larger companies that have attracted passive foreign investment are often the only distributors able to provide equipment financing to smaller farms.

The major factor restricting agricultural development is access to credit and working capital. Domestic loans are expensive, and Ukraine's challenging business climate prevents local companies from attracting cheaper international funds. Therefore, the competition among suppliers of agricultural machinery in Ukraine is not only about quality, but also about a supplier's financial terms. Because the availability of financing is a key factor for buyers when considering equipment purchases, for many years Ukraine was the U.S. ExIm Bank's most active portfolio in the region with close to \$140 million of long-term guarantees provided in 2012. Unfortunately, today the U.S. ExIm Bank has suspended its activities in Ukraine.

Leading banks in agricultural credit market are Credit Agricole, UkrisibBank, Aval, Piraeus, Alfa Bank, OTP Bank and Agroprosperis Bank.

Major trend in agricultural banking industry is operational capital financing for the purchase of plant protection products, seeds, fertilizers, and fuels. Bankers are more willing to credit agricultural commodities producers of grains, cereals, and oilseeds.

U.S. agricultural machinery companies considering entering the Ukrainian market should also consider the competitive landscape. U.S. brands such as John Deere, AGCO, Great Plains, and Case are widely available in the Ukrainian market, but face tough competition from European manufacturers (e.g. German, Danish, and Italian manufacturers). Competition is particularly fierce for tractors and harvesters. In the combine harvesters segment, German manufacturers hold almost fifty percent (both new and used) of the market, while U.S. manufacturers have less than ten percent. Competition from European suppliers is likely to increase for a variety of reasons related to Ukraine's pending entrance into the European Union (EU). The Deep and Comprehensive Free Trade Area (DCFTA) agreement, which is part of Ukraine's EU Association Agreement includes the gradual removal of customs tariffs and quotas and an extensive harmonization of laws, norms, and regulations in various sectors. Additionally, Canada-Ukraine Free Trade Agreement (CUFTA) envisages improved market access, by eliminating tariffs across many export groups. Duty-free access for Canadian products may also result in turning Ukrainian customers to Canadian competitors.

Local agricultural machinery production is also expected to grow due to the Ukrainian Government support program envisaging 20 percent compensation of the purchase of Ukrainian machinery and equipment. Key

local manufacturers include Chervona Zirka, Lozova Machinery, Herson Machine-Building Plant, and Kharkiv Tractor Plant. Other significant regional competitors include the Minsk Tractor Plant, which holds a large market share (80 percent) of tilled tractors. While this Belarusian machinery is reliable, it has not been modified since 1993.

Regarding distribution, in Ukraine, it is easier for U.S. companies to sell equipment and machinery to local distributors rather than end-users. This is because distributors have local exposure, meaning they know who needs the products and most importantly, who can pay for it. Also, a local distributor may handle customs clearance, tax payments, and certification procedures. If a U.S. exporter is seriously interested in the Ukrainian market, they should consider opening a representative office here. A rep office will broaden the scope of expected support functions (marketing, promotion, and other auxiliary functions), serve as a base from which to expand to neighboring countries, and allow the company to manage the demand for spare parts and repair services.

#### Leading Sub-Sectors

In addition to the prospects for agricultural machinery used for plant cultivation already discussed above, the following agribusiness sub-sectors are promising for U.S. companies:

- Grain Storage and Handling
- Fruit and vegetables
- Irrigation Infrastructure
- Fertilizers
- Plant Protection Products (PPPs)

#### Opportunities

Commercial Service-Kyiv holds a positive long-term view on sales prospects for U.S. agricultural machinery and equipment manufacturers in Ukraine. The reason for this is that even though Ukraine is a major global producer, its agricultural sector is under-equipped and much of its existing agricultural machinery is outdated. Overall 30 percent of agricultural machinery needs to be replaced. This need is concentrated among 10 percent of Ukrainian companies that need to replace from 70 to 80 percent of their machinery fleet. Types of agricultural machinery that are the most outdated include various forms of plant cultivation machinery, such as tractors, harvesters, seed drills and sprayers, and tillage equipment. Due to anticipated increase of grains output and exports, Ukraine also needs significant capital investment in its grain storage and handling equipment. Due to loss of traditional export markets, Ukraine is already diversifying its exports and turned to new trading partners in Asia, EU, and Africa for poultry and beef to apples and berries.

#### Web Resources

##### Trade Events

- InterAgro, October 30- November 1, 2018 Kyiv, <http://www.interagro.in.ua/en>
- Fresh Business Expo, December 4-6, 2018, Kyiv <http://www.freshbusinessexpo.com/>
- Grain Tech Expo, February 19-21, 2019, Kyiv, <http://www.grainexpo.com.ua/en>
- Agro Animal Show, February 19-21, 2019, Kyiv, <http://www.animal-show.kiev.ua/en>
- Fruit. Vegetables. Logistics, February 19-21, 2019, [www.freshexpo.kiev.ua](http://www.freshexpo.kiev.ua)
- AGRO 2019, June, 2019, <http://www.agro-expo.com/>

##### Useful links

- Ministry of Agrarian Policy of Ukraine, <http://www.minagro.gov.ua/>

- Ministry of Infrastructure <http://mtu.gov.ua/>
- Ukrainian Agribusiness Club <http://ucab.ua/>
- Association Ukrainian Agribusiness Club <http://agribusiness.kiev.ua/en/>
- APK Inform <http://www.apk-inform.com/>

## Education

### Overview

After decades of standing in Russia's shadow, Western institutions are gradually taking more notice of Ukrainian students. With nearly 5.7 million students in a country the size of Texas, Ukraine is among the largest and most talented international student markets in Europe. The country ranks fourth in the world in the number of people with a higher education, and the literacy rate is 100 percent among its youngest generations.

In 2016/17 the number of students in primary and secondary school reached 3,846,000, in vocational school – 285,800 and in higher education – 1,586,700 students.

Despite its track record in producing talented, literate students, over the last twenty years, Ukraine's educational system has suffered, which in turn has caused increasing numbers of students to look for study abroad programs. Between 2009 and 2016 the number of Ukrainians studying abroad increased by 176 percent to reach 66,648 students studying in 34 countries. The most attractive countries to study are Poland, Germany, Russia, Canada, Italy, Czech Republic, USA, Spain, Austria, France, and Hungary.

According to the most recent Open Doors Report of the Institute of International Education, 1,817 Ukrainian students went to the U.S. to study in 2016-2017, which is 8.2 percent more than in 2015-2016. According to EducationUSA, 42 percent of Ukrainians studying in the U.S. pursue bachelor degrees, 41 percent enroll in master's programs, 11 percent take optional practical training, and five percent go for non-degree programs.

To gain more insight into Ukraine's international student market, in the summer of 2016 the U.S. Commercial Service in Kyiv (CS Kyiv) conducted two online surveys regarding the demand for study abroad programs – one among Ukrainian students and one among Ukrainian education companies (i.e. agents). The survey results revealed that the most popular destinations for prospective students are the U.S., followed by Canada, the U.K, and Western Europe.

When selecting a country, Ukrainians base their decisions on a country's reputation for helping a student with career preparation and the strength of a country's overall education system. When comparing schools, prospective students consider first the quality and then the cost of tuition. As for programs, the most popular programs for Ukrainians are Master's Degrees, English courses, and Bachelor Degrees.

Due to a limited number of high-quality business education programs in Ukraine, business administration is the number one field of study for Ukrainian international students. Regarding competition for U.S. universities, according to agents, Canada is the U.S.' primary competitor in recruiting Ukrainians to study in primary and higher education programs, whereas the U.K. is the major competitor for language schools and programs.

### Leading Sub-Sectors

- Higher Education
- Secondary Education

### Opportunities

Of the students who have not already studied abroad in the past five years, 70 percent report that they plan to study abroad in the next three years. At the same time, more than half of the recruiting agents indicate that interest in studying abroad grew by an average 37 percent among Ukrainian students in 2016 comparing to 2015. Agents experiencing growth say it was due to increased awareness of international educational programs and the favorable perceptions regarding the return on investment in an international education. Agents

experiencing a decline in interest say it was due to the increasing cost of living and tuition fees abroad as well as the poor economic situation in Ukraine. While it is impossible to predict the future, historical growth trends combined with the positive experience of the most agents probably mean that student interest in international education is indeed growing.

#### Web Resources

Ministry of Education and Science of Ukraine <http://mon.gov.ua/>

Osvita.Ua (Education portal) <http://osvita.ua/>

Analytical Center CEDOS - <https://www.cedos.org.ua/?locale=en>

## Civil Nuclear

### Overview

Data in TWh

|                             | 2016                                | 2017                       |
|-----------------------------|-------------------------------------|----------------------------|
| Total Net Generation (TWh)  | 154.8                               | 155.4                      |
| Of which Nuclear            | 80.95                               | 85.57                      |
| Of which Thermal (coal)     | 56.5                                | 44.96                      |
| Of which Hydro              | 7.5                                 | 10.57                      |
| Of which CHP                | 6.7                                 | 10.88                      |
| Of which Hydro-Accumulative | 1.6                                 | 1.53                       |
| Of which Wind               | 1                                   | 1.1                        |
| Of which Solar              | 0.4                                 | 0.5                        |
| Of which Biomass            | 0.3                                 | 0.3                        |
| Final Consumption (TWh net) | 118.3                               | 126.5                      |
| Generation Park             | 2016 GW Gross<br>Installed Capacity | 2017 Production Share<br>% |
| Thermal (gas, coal)         | 27.8                                | 28.9                       |
| Nuclear                     | 13.8                                | 55.1                       |
| Hydro / Hydro-Accumulative  | 6.2                                 | 6.8                        |
| CHP, other co-generation    | 6.5                                 | 8.0                        |
| Wind, solar, bio            | 1.0                                 | 1.2                        |
| Total                       | 55.3                                | 100.00                     |

Because Ukraine relies heavily on nuclear power; there are significant opportunities for U.S. equipment suppliers in Ukraine's civil nuclear sector. Due to the Russian-backed separatist conflict in Eastern Ukraine, energy has become a high-profile political and economic issue. First, because of the conflict in the east, Ukraine's coal production has fallen by about one-fifth since 2014, thereby increasing the importance of the nuclear energy sector in limiting large-scale electricity shortages. Second, before this conflict, Ukraine significantly relied on Russia for energy. Though it is working to diversify its energy production, in this time of conflict and crisis, 52 percent of the country's electricity comes from nuclear power plants.

Ukraine currently operates 15 nuclear reactors at four facilities with a total installed capacity of 14,148 MW: Zaporizhzhya (6,000 MW, 6 VVER-1000 units), South-Ukraine (3,000 MW, 3 VVER-1000 units), Rivne (2,835 MW, 2 VVER-100 units and 2 VVER-440 units) and Khmelnytska (2,000 MW, 2 VVER-1000 units). Ukraine's nuclear power utility, Energoatom, operates all of these facilities, generating 85.57 billion kWh, more than half the nation's electrical needs. Ukraine's nuclear power utility, Energoatom operates all of these facilities. Planned dates for withdrawal of most of Ukraine's operating nuclear reactors accounts will occur by 2020. Currently, all units are Russian VVER pressurized water reactors. Rivne 1 and 2 are 440 MWe V-312 models, and the rest are larger 1,000 MWe units, V-320 models. Energoatom's current priorities are to increase safety, bring load factors up to 83-85 percent, and extend the working lives of the reactors by 10-15 years (at about US\$ 150 million per VVER-1000 reactor).

#### Leading Sub-Sectors

**Life Extension and Upgrades** - In 2008 and 2009, Energoatom successfully extended the operating licenses of three of its reactors by 20 years. Based on these and other subsequent success with NPP life extensions, Energoatom is working with the European Bank for Reconstruction and Development (EBRD) as well as Euratom to upgrade additional reactors. Though the life extension program is being challenged under the UN Convention on Environmental Impact Assessment in a Transboundary Context, Energoatom continues with life extensions. In 2017, Ukraine extended the Zaporozhe-3 nuclear plant's 10-year operational license

**Fuel** - For decades, Ukraine had been nearly entirely dependent on Russian nuclear fuel procurement from Rosatom because Ukraine does not convert, enrich, or fabricate its fuel. Despite a lack of domestic enrichment capacity, Ukraine does possess mineral uranium resources, including approximately 2 percent of the world's uranium reserves. Traditionally, Ukraine sent its uranium concentrate and zirconium alloy to Russia for enrichment.

To reduce the risk of complete dependence on Russia, however, in December 2014, Ukraine signed the contract with Westinghouse Electric Company to begin diversifying its nuclear fuel supply. Historically, Russia supplied 100% of fuel, but in 2017 it dropped to 60%, with 40% supplied by Westinghouse. Ukraine took an additional step towards diversification in August 2016 when it signed a supply contract for enriched uranium with the Anglo- German-Dutch company, URENCO.

**Waste Management** - Ukraine has an open fuel cycle and two storage facilities for spent fuel, one dry at the Zaporozhye plant and one wet at the Chernobyl plant. Currently, Ukraine sends its spent fuel to Russia and Energoatom pays Russia \$150-200 million per annum to accept and store this spent nuclear fuel. In January 2015, Energoatom and the U.S. firm Holtec signed a contract to construct a centralized dry storage facility for spent fuel (CSFSF) in the Chernobyl Exclusion Zone to reduce Ukraine's reliance on Russia. In January 2017, Energoatom announced a tender for the preparation of the construction site for CSFSF, which it will commission in the third quarter of 2018.

#### Opportunities

Prospects and opportunities in Ukraine's civil nuclear sector are based on the goals of the "Energy Strategy of Ukraine - 2030." This strategy foresees Ukraine producing 20-21 mln kW in 2030. To do this, Ukraine will increase power plant capacity, including the commissioning of new HPPs and NPPs power units to ensure the country's energy security. Procurements related to the construction of these new units will be posted at: <http://www.energoatom.kiev.ua/en/press/nngc/45169-energoatom-plans-to-purchase-nuclear-materials/>

U.S. suppliers should note that alongside local manufacturers of equipment for the nuclear industry, such as Turboatom, UTEM, and Westron, are major foreign competitors. These include Germany (Siemens),

Switzerland (ABB) and France (Alstom, Areva), Rosatom, TVEL (Russia), Westinghouse (Japan) and Holtec (U.S.). Ukrainian manufacturers supply turbines, generators, transformers, and electric cable at very competitive prices, but they are less efficient and longlasting.

#### Web Resources

The Ministry of Energy and Coal Industry <http://mpe.kmu.gov.ua/>

NNEGC Energoatom <http://www.energoatom.kiev.ua>

World Nuclear Industry Status report <http://www.world-nuclear.org/information-library/country-profiles/countries-t-z/ukraine.aspx>

Energobusiness Magazine (energy sector news, statistics and facts - in Ukrainian only)

<http://www.e-b.com.ua/>

## Defense Equipment

### Overview

Data in USD thousands

|                                  | 2016<br>(estimated)     | 2017<br>(estimated)     | 2018<br>(forecast)      | 2019<br>(forecast)      |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total Local Production**         | 1,730,000               | 1,900,000               | 2,090,000               | n/a                     |
| Total Exports**                  | 769,500                 | 900,000                 | 990,000                 | n/a                     |
| Total Imports                    | 2,464,550               | 2,645,055               | 2,709,464               | n/a                     |
| <b><u>Total Market Size*</u></b> | <b><u>3,425.050</u></b> | <b><u>3,645.055</u></b> | <b><u>3,809.464</u></b> | <b><u>4,124.750</u></b> |
| Exchange Rate: 1 USD             | 25.55 UAH               | 27.2 UAH                | 29.3 UAH                | n/a                     |

(total market size = (total local production + imports) - exports)

Source: BMI/US Dept. Of State WMEAT\*; Ukrainian State Concern UkrOboronProm annual reports\*\*

Defense spending growth, high demand for defense equipment, and strong local manufacturing capabilities in some segments of the defense industry are boosting Ukraine's defense sector. However, factors such as corruption, limited investment openness, and non-transparent governance in the defense sector weigh on the sector's overall performance. Strong demand for defense equipment domestically, improvements in the sector's structure and procurement processes, as well as growing international defense industry collaboration and trade ties, will benefit Ukrainian defense manufacturers in the longer term.

The budget for 2018 allocates UAH 163.3 billion (approx. \$ 6.26 billion) for defense and security, UAH 20 billion more than in 2017. Ministry of Defense financing is planned at UAH 83.3 billion (approx. \$ 3.2 billion). Over \$ 600 million goes for procurement and modernization of weapons and military equipment - 65,7% growth compared to 2017. Ministry of Internal Affairs financing will reach \$ 2.4 billion.

In recent years, given budget constraints, many Ukrainian armed forces acquisitions have been organized through military assistance programs with allies. Key suppliers of defense equipment to Ukraine have been the US and the UK.

Ukraine is undertaking a reform of the defense industry establishing clusters within the state-owned company UkrOboronProm (UOP) and improving UOP's management efficiency and governance. Also, legislation has been drafted to grant the authority to import and export defense products to enterprises of various forms of ownership. Approval of these laws, awaited in fall of 2018, will eliminate a long-standing monopoly of state-owned special exporters within the UOP umbrella.

The primary suppliers of defense and military equipment to Ukraine's armed forces are the state-owned company UkrOboronProm (UOP), established in 2010, and a growing number of private enterprises. In 2016, UOP reported approximately \$97.7 million in profits and \$1.1 billion net revenue (data for 2017 has not been released yet). The share of private companies supplying the national defense sector will reach 60 percent in 2018.

Because of Ukraine's acute need to reduce its dependence on Russian defense and military equipment, the GOU seeks to diversify its equipment supplies by purchasing equipment from the U.S. and other Western countries.

The Russian market has historically accounted for a large share of Ukrainian defense component exports, and currently Ukrainian defense companies have worked to strengthen industry cooperation and exports to other countries, with a particular focus on the Middle East and Asia. Ukraine is an attractive partner for countries looking to develop and expand their own defense industries, as Ukrainian defense manufacturers have substantial capabilities in segments such as ground and aerospace, and face fewer restrictions on technology transfer than many other players on the international market. Facilitating this process, in July 2016, the Ukrainian parliament passed regulation enabling Ukrainian aircraft manufacturers to enter international joint ventures (JVs) and produce equipment overseas.

#### Leading Sub-Sectors

Ukraine's defense industry most urgent needs include:

- Components for radio communication equipment and radio-electronic components;
- Engines for military vehicles;
- Optics

#### Opportunities

Ukraine recognizes the U.S. as a leader in the worldwide defense industry and international market for military and dual-use equipment. The GOU seeks to cooperate with U.S. companies in a variety of ways including:

- forming joint U.S.-Ukrainian production enterprises
- subcontracting with U.S. companies
- issuing direct work orders to U.S. companies
- selling equity ownership in select Ukrainian defense companies
- concession agreements with defense enterprises
- leasing Ukrainian defense industry enterprise's workshops and infrastructure for up to 49 years
- creating U.S.-Ukrainian consortiums among several U.S. and Ukrainian defense industry enterprises

The portfolio of joint projects includes aircraft engines, early warning systems, first-aid and battlefield evacuation vehicles, a NATO-compatible self-propelled 155-mm gun system, as well as steel armor, AFV engines, weapons control systems.

Potential exports and investors should note that Ukraine may access various U.S. and international defense acquisition programs. These include U.S. Foreign Military Financing (FMF), U.S. Foreign Military Sales (FMS), U.S. Direct Commercial Sales (DCS), the U.S. Congress Ukraine Freedom Support Act of 2014, the European Reassurance Initiative, and NATO Trust Funds.

#### Web Resources

##### Trade Events

Arms and Security, the 15th International Trade Fair, October 9-12, 2018, Kyiv, Ukraine <http://www.iec-expo.com.ua/en/as-2018.html>

##### Useful Links

- Ukroboronprom State Defense Industry Concern, <http://www.ukroboronprom.com.ua>
- Ministry of Defense of Ukraine, <http://www.mil.gov.ua>

- National Guards of Ukraine, <http://ngu.gov.ua>
- Ministry of Internal Affairs of Ukraine, <http://mvs.gov.ua/en/>
- State Security Service of Ukraine, <https://www.sbu.gov.ua>

## Food Processing and Packaging Equipment

### Overview

Data in USD thousands

|                        | 2015      | 2016      | 2017      | 2018 estimated |
|------------------------|-----------|-----------|-----------|----------------|
| Total Local Production | 60,993    | 68,129    | 81,065    | 100,000        |
| Total Exports          | 16,752    | 14,946    | 21,633    | 17,000         |
| Total Imports          | 75,839    | 81,414    | 79,257    | 90,000         |
| Imports from the US    | 290       | 2,051     | 1,764     | 2,000          |
| Total Market Size      | 120,080   | 134,598   | 138,689   | 173,000        |
| Exchange Rates         | 21.84 UAH | 25.55 UAH | 26.60 UAH | 29.3 UAH       |

(total market size = (total local production + imports) - exports)

Data Sources:

Total Local Production: <http://www.ukrstat.gov.ua/>

Total Exports: <https://www.worldtradestatistics.com/gta/>; <http://sfs.gov.ua/ms/f11>

Total Imports: <https://www.worldtradestatistics.com/gta/>; <http://sfs.gov.ua/ms/f11>

Imports from U.S.: <https://www.worldtradestatistics.com/gta/>

In 2017, total processed food production in Ukraine was \$17 billion making up 21 percent of the total industrial output. In trade terms, processed food exports reached \$4.6 billion accounting for 25.7 percent of Ukraine's agricultural products and processed food exports.

Altogether, there are two thousand small, medium, and large food processing enterprises in Ukraine, 200 of which are partners of international companies. Global giants that are well established in Ukraine include Mondelez, Nestle, Danone, PepsiCo, CocaCola, Carlsberg, Jacobs, East Balt Bakery, and Wim-Bill-Dann. In 2017, capital investments made in food processing companies increased by \$11.7 million compared to 2016 and amounted to \$674.6 million or 13 percent of total industrial capital investments.

While Ukraine's food processing industry includes more than 40 different sectors ranging from cereal, to sugar, to alcohol, to canned vegetables, vegetable and animal oils and confectionary dominate the industry. Vegetable oil account for 25.1 percent of all Ukraine's exports and the confectionary for nearly one percent of all Ukraine's exports.

Along with the vegetable oil and confectionary subsectors, there are significant opportunities in vegetable and fruit processing. For example, Ukraine is the leading producer of tomato paste in the former Soviet Union and an active competitor vis a vis European producers. Ukraine is also one of the five largest European suppliers of

apple concentrate. Finally, Ukraine's share of global potato production is 6.2 percent and the with its GMO-free potato, Ukraine is well positioned to develop a strong position in the potato flour and starch market and to increase the volume of potato exports to the EU.

Given the obligatory implementation of HACCP by 2020 and new export markets such as China and Africa, major dairy companies are investing in milk production to control the full production chain from livestock breeding and milk processing to manufacturing and packaging.

Large vertically integrated poultry producers, assisted by international financial institutions, will continue to expand and increase their market share. This growth will be driven by exports to the European Union (EU), Middle East, and Asia and harmonization with EU standards. The level of concentration in Ukraine's meat processing sector is high, with the top 20 companies accounting for 10 percent of cattle livestock, 28 percent of pig livestock, and 58 percent of poultry livestock.

U.S. food processing companies should consider the competitive landscape. Germany, Italy, Turkey, the Netherlands, and Poland are the major exporters of food processing and packaging machinery and equipment. Italy and Germany exports account for 73 percent of the machinery used for confectionary. Spain's share of sugar manufacturing machinery exports accounts for 40 percent. The Netherlands, Germany, and Poland's share of poultry processing equipment is 81 percent. Italy and Netherlands together account for 33 percent of the equipment for bakery and macaroni production. Overall U.S. exports food processing machinery and remain very low compared to the European suppliers'.

The Commercial Service in Kyiv identified food processing equipment as a "best prospect" following the beginning of the implementation of the Deep and Comprehensive Free Trade Agreement (DCFTA) between Ukraine and the European Union (EU) in January 2016. This agreement includes the gradual removal of customs tariffs and quotas and the extensive harmonization of Ukraine's laws, norms, and regulations in various sectors. Harmonization, in turn, will create an even greater competition for U.S. suppliers.

U.S. suppliers need to consider that despite fierce competition from European suppliers, Ukraine growing the potential of agri-food chain development is very high as food processing companies will need to modernize their production. Harmonization of the Ukrainian food safety legislation in compliance with EU norms, the requirement to implement Hazard Analysis and Critical Control Points (HACCP) by 2020, and expansion to foreign markets will increase demand for higher quality food processing and packaging materials.

Regarding distribution, in Ukraine, it is easier for U.S. companies to sell equipment and machinery to local distributors rather than end-users. This is because distributors have local exposure, meaning they know who needs the products and most importantly, who can pay for it. Also, a local distributor may handle customs clearance, tax payments, and certification procedures, as well as service and maintenance. If a U.S. exporter is seriously interested in the Ukrainian market, they should consider opening a representative office here. This will broaden the scope of expected support functions (marketing, promotion, and other auxiliary functions), serve as a base from which to expand to neighboring countries, and allow the company to manage the demand for spare parts and repair services.

#### Leading Sub-Sectors

- Animal fats and vegetable oil production
- Vegetable products/processing (including oils)
- Confectionary products/processing
- Dairy products/processing
- Meat processing

- Food packaging

## Opportunities

Despite the challenges listed above of a lack of financing for equipment purchases and a lack of highly qualified personnel, the Ukrainian food processing industry has many advantages. Most significantly, Ukraine has an abundance of domestic raw materials. Additionally, Ukraine may serve as an export base to both East and West. In 2015, the Government of Ukraine also made many notable reforms and structural adjustments that will positively impact food processing, including the progressive removal of customs tariffs and quotas and the extensive harmonization of laws in compliance with the DCFTA as discussed above. Together, these strengths are creating opportunities in oil production, vegetable processing (including oils), confectionary, dairy, and meat processing.

## Web Resources

### Trade Events

- Bakery Ukraine, September 11-13, 2018, Kyiv  
<http://www.bakery-expo.com.ua/>
- Inprod mash and Upakovka, September 11-13, 2018, Kyiv <http://inprod mash.ua/en/>
- Ukrainian Food Expo 2018, November 21-23, 2018, Kyiv  
<http://www.ukrainian-food.org/en>
- Grain Tech Expo, February 19-21, 2018, Kyiv  
<http://www.grainexpo.com.ua/en>
- Agro Animal Show, February 19-21, 2018, Kyiv  
<http://www.animal-show.kiev.ua/en>
- Fruit. Vegetables. Logistics 2018, February 19-21, 2018, Kyiv  
[www.freshexpo.kiev.ua](http://www.freshexpo.kiev.ua)

### Useful Links

- Ministry of Agrarian Policy of Ukraine, <http://www.minagro.gov.ua/>
- Ukrainian Agribusiness Club <http://ucab.ua/>
- Association Ukrainian Agribusiness Club <http://agribusiness.kiev.ua/en/>
- Landlord <http://landlord.ua/main/>
- UNIAN <http://www.unian.info/>
- Agro-Business <http://www.agro-business.com.ua>
- APK Inform <http://www.apk-inform.com/en>

## Medical Equipment

### Overview

Data in USD thousands

|                        | 2016<br>(estimated) | 2017<br>(estimated) | 2018<br>(forecast) | 2019<br>(forecast) |
|------------------------|---------------------|---------------------|--------------------|--------------------|
| Total Local Production | 63.5                | 72.7                | 81.7               | 85.5               |
| Total Exports          | 29.7                | 30.0                | 33.0               | 36.0               |
| Total Imports          | 303.9               | 332.1               | 357.1              | 372.0              |
| Imports from the U.S.  | 32.8                | 39.4                | 45.4               | 50.0               |
| Total Market Size      | 337.7               | 374.8               | 405.8              | 421.5              |
| Exchange Rate: 1 USD   | 25.55 UAH           | 27.2 UAH            | 29.3 UAH           | n/a                |

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Source: National Sources/BMI; Total Imports and Imports from U.S.: TradeStat Express

\*There is no accurate statistical data on the size of the medical equipment market.

On January 1, 2018, the laws launching healthcare reform in Ukraine became effective. This marks the first step in the transformation of the country's Soviet era health system into a Western-style, health insurance-based system. This program is launched on the primary medical care level starting from July 1, 2018. During the period of 2018-2019, it will cover certain other medical services in specific healthcare institutions as a pilot project, and it will be fully implemented on all levels of medical care starting from January 1, 2020.

The approved 2018 budget outlines growth in public healthcare expenditure (\$5.85 billion). The Ministry of Health projects a gradual reduction in private healthcare contributions which currently represent around half of total health care expenditures, and 94 percent of these payments are paid out-of-pocket.

There is no accurate statistical data on the size of the Ukrainian medical equipment market. According to the BMI forecast, the Ukrainian medical device market will record double-digit growth in local currency terms, over the 2018-2020 period.

In 2017, the Ukrainian medical device market was worth \$374.8 million, and is projected to reach \$405.8 in 2018 (Source: National Sources/BMI). Multiple factors are driving the growth: new healthcare legislation, which changes the way healthcare is financed; the comprehensive hospital sector; the ongoing World Bank project that was approved in March 2015; the Ministry of Health plans to expand the network of clinics in rural areas.

In 2017, imports accounted for 88.6 percent of medical device sales in Ukraine. Major suppliers were China, the U.S., Germany, and Japan. The U.S. share was about 12 percent of total imports, and almost 25 percent in orthopedics and prosthetics imports.

Though Ukraine has a strong scientific research base, capable of developing highly advanced treatments and products, it lacks an accompanying strong manufacturing sector. Domestic manufacturers produce a limited range of equipment including radiology, electrocardiography and ultrasound machinery, refrigeration and cryogenic equipment, specialized medical furniture, orthopedic appliances, respiratory anesthetic equipment, hearing aids, surgery and dentistry tools, sterilizing equipment, electro-diagnostic equipment, and electrical stimulators.

About 250 companies are developing and producing medical equipment in Ukraine. Domestic medical device production was worth over \$72.7 million in 2017. Historically, exports tended to be largely at the lower end of the technology scale, but in 2017, diagnostic imaging exports accounted for nearly 40 percent of the total. Around half of exports are destined for other former Soviet countries.

Ukraine continues to move towards harmonization with European standards in the field of medical equipment/devices. In July 2015, a national conformity assessment procedure governing the registration of medical devices was introduced. New products can enter the Ukrainian medical device market if they conform with the technical regulations that based on the EU Directives for medical devices. The new system introduces the following requirements for Ukrainian medical device registrations:

- Foreign registrants must appoint Authorized Representatives based in Ukraine
- Expanded list of documentation and sample submissions required for registrations
- Manufacturing site inspections for Classes I, IIa, IIb and III
- Special symbols of national conformity are required for medical devices imported into Ukraine
- National conformity certifications are valid for five years

Although the new Ukrainian registration system bears many similarities to the CE Marking process for medical devices in Europe, no simplified or expedited market pathways are planned for devices already approved or cleared for sale in major markets such as Europe or the US. Manufacturers should also be aware that Ukrainian regulations will require inspection of facilities even if those sites are already ISO 13485-compliant.

#### Leading Sub-Sectors

- Diagnostic imaging equipment (ultrasound, computer tomography, magnetic-resonance tomography)
- Laser surgery devices
- Stents, pacemakers, and other equipment used in the treatment of heart conditions
- Orthopedics and prosthetics
- Dental equipment and materials

## Opportunities

Ukraine's implementation of e-procurement system in August 2016 presents opportunities for American companies to participate in Ukrainian public tenders. American suppliers interested in current public procurement opportunities in Ukraine may register for notifications at the Ukrainian Public Procurements Official National Web Portal PROZORRO: <https://tender.me.gov.ua/EDZFrontOffice/> and at the PROZORRO website <http://prozorro.org/>.

The World Bank's \$261 million "Serving People, Improving Health" project approved in March 2015 runs until September 2020. The project provides financing for medical infrastructure aimed at the prevention, early detection, and treatment of cardiovascular diseases and cancer in eight regions across the country. The project will also finance activities clustered around five thematic areas: payment system reform, e-Health, public health, information and communications, and capacity building.

## Web Resources

### Trade Events

Public Health, Ukraine's major medical equipment & pharmaceutical industries trade show – October 2-4, 2018, Kyiv, Ukraine

<http://www.publichealth.com.ua/en-GB/>

### Useful links

Ministry of Health of Ukraine: <http://www.moz.gov.ua>

## Oil & Gas

### Overview

Data in bcm

|  | 2016 | 2017 | 2018<br>(estimated) | 2019<br>(estimated) |
|--|------|------|---------------------|---------------------|
| Total Local Production                 | 20.0 | 20.8 | 21.8                | 23.0                |
| Total Exports                          |      |      |                     |                     |
| Total Imports                          | 11.1 | 11.1 | 9.2                 | 7.0                 |
| Total Market Size<br>(Consumption) bcm | 33.3 | 31.9 | 31.0                | 30.0                |

(total market size = (total local production + imports) - exports)

Data Source: Naftogas Ukraine, Gas traders of Ukraine Association

\*There is no accurate statistical data on the size of the oil & gas machinery equipment market.

The Government of Ukraine (GOU) considers the oil and gas industry as a strategic sector to achieve independence from foreign oil and gas imports. Since the Revolution of Dignity in 2014, Ukraine has taken necessary steps to diversify fuel supplies, improve the output and production of electricity, oil, and natural gas, all efforts aimed at increased energy independence. Ukraine continues to follow its path to energy security and independence through legislative reforms. In 2017, the GOU finally reduced the royalty rates for gas exploration to 12 % (from 28%) for wells up to 5,000 meters and to 6% (from 14%) for deeper wells. This makes Ukraine's royalty tax one of the lowest in the EU.

The Ukrainian Government adopted a Concept for Development of Ukrainian Gas Production Industry. According to this concept, Ukraine should increase gas production to 27 bcm by 2020, a 23% increase. There is a great opportunity for U.S. companies to play a significant role in achieving this 27 bcm goal by supplying new equipment, technology, and best practices to help Ukraine achieve its ambitious target. Oil and Gas Production - Ukraine has tremendous natural resources for ensuring domestic needs in energy resources, with estimates of approximately 900 billion cubic meters of proven reserves of natural gas. In Europe, Ukraine ranks # 2 in Europe for gas reserves. Three Ukrainian regions contain hydrocarbons resources: the Dnipro-Donetsk basin, the Carpathian region in western Ukraine, and the Black Sea and Crimea region in the south. The Dnipro-Donetsk basin is a major oil and gas producing region accounting for 90 percent of all current Ukrainian production. The structure of hydrocarbons production in Ukraine is following: natural gas 89 percent, oil 7.9 percent, and gas condensate 3.1 percent. The primary source of hydrocarbons in Ukraine is natural gas, though the most lucrative gas reserves are located below 5,000 meters. Gas imports cover lapses in domestic production. For 2017, Ukraine consumed a total of 31.9 bcm of natural gas, of which 11.1 bcm is supplied via reverse flow from the European Union.

The leading position in gas production in Ukraine belongs to the state-owned companies, namely: PJSC Ukrgasvydobuvannya, PJSC Ukrnafta – accounting for 74 percent and five percent of production respectively. Six major Ukrainian private companies produce 18% and the remaining 3% of gas production comes from 45 small private gas producers. Overall, for 2016 the breakdown of gas production in Ukraine in bcm is as follows: PJSC Ukrgasvydobuvannya – 15.3 bcm, PJSC Ukrnafta – 1.1 bcm, and private companies 4.4 bcm.

Oil & Gas Machinery - Boosting domestic oil and gas production will require Ukrainian companies to upgrade their obsoleted drilling fleet and improve oil and gas services. The exact market size for oil and gas equipment is unknown. Though, following results from an industry survey that CS Kyiv conducted and available data from open sources, there are approximately 150 drilling rigs with different lifting capacity in Ukraine and around 75 percent of them obsolete. For example, there are only five drilling rigs with Top Drive systems in Ukraine. There are around 5,000 drilled producing wells in Ukraine and approximately the same number of depleted/sealed wells. By providing well workovers and utilizing new enhancement technologies, the Ukrainian oil and gas industry can recover at least 1,000 of the wells.

Primary market obstacles in Ukraine's oil and gas sector include currency devaluation, customs clearance problems, delays in reforms (permit system and licensing). Although there is a sufficient number of potential local partners and subcontractors in oil and gas industry, the lack of a qualified and well-experienced workforce is also a major hindrance.

#### Leading Sub-Sectors

##### E&P services:

- Drilling Works
- Wells workover operations
- Technical upgrade of capabilities
- 3D seismic, deposits development and geological exploration works
- Hydraulic fracture works
- Drilling bits service support

##### Oil & Machinery

- Mobile workover rigs with 125 ton and 180 ton lifting capacity
- Casing pipes for wells, oilwell tubing/drilling tubing
- Drilling muds and related services
- Downhole drilling motor and services

Opportunities - Several reform measures by the GOU are creating opportunities for renewed production and exploration in 2018-2019. Most notably, these include the steps towards deregulation of the oil and gas sector including the Law on the Natural Gas Market, which was adopted in October 2015. The law established legal and organizational rules for how the gas market should function, provides for gas market de-monopolization, offers consumer protection and enables consumers to freely choose their gas supplier.

#### Web Resources

Ministry Energy and Coal Industry of Ukraine: <http://mpe.kmu.gov.ua/fuel/control/uk/index>

Naftogaz Ukrainy National JCS: <http://www.naftogaz.com/www/3/nakweben.nsf/>

Ukrigasvydobuvannya PJSC <http://ugv.com.ua/en/>

Ukrtransnafta National Joint-Stock Company: <http://www.ukrtransnafta.com/en/>

Ukrnafta Open Joint-Stock Company: <http://nadraukrayny.com.ua/?lang=en>

Oil Market Magazine: <http://www.oilmarket-magazine.com/eng/index.phtml>

## Safety & Security

### Overview

Ukraine's safety and security market is currently undergoing unprecedented structural change due to multiple challenges, including a recent economic recession and a Russian-backed separatist conflict in eastern Ukraine. At the same time, an explosion in crime has increased demand in business-to-consumer markets for safety and security equipment and services.

The country's economic recession, which began in 2014 and ended in 2016, led to decreased buyer purchasing power, a slump in the construction sector (a major demand driver for safety and security equipment), and an influx of low-cost suppliers. Under these conditions, the smallest safety and security service providers exited the market, and only the largest players remained. The recession and decreased buyer purchasing power also led to an influx of low-cost competitors, particularly in Kyiv, where some regional protection service companies moved in and initiated price dumping. In an environment of market contraction and cost-based competition, today the demand for relatively more expensive western safety and security equipment exists primarily in the niche of advanced technology solutions where low-cost suppliers are uncompetitive.

The primary segments of Ukraine's safety and security industry are fire safety and technology; protection services; alarm systems; and video surveillance systems. The most developed segments among these include fire safety and technology, protection services, and video-surveillance.

**Fire Safety and Technology** - Fire safety and technology is the most developed segment in Ukraine's safety and security sector. It consists of four sub-segments; fire alarm systems, fire suppression systems, automatic fire detection software, and fire notification and evacuation systems. According to Ukraine's State Emergency Service, there are 2,300 small and medium-sized companies currently working in fire safety and technology, making this segment fragmented and competitive. Growth trends in this segment strongly correlate with trends in the construction of commercial real estate, which has been in decline since 2013. However, in the first quarter of 2018, the vacancy rate of commercial real estate approached 10%, which could create an increase in rental prices over the next three years due to an insufficient supply of properties. This will in turn stimulate the construction of commercial real estate.

The most influential organization in this segment is the Certification Center of Ukraine's State Emergency Service, which controls all aspects of licensing. In Ukraine, all fire prevention equipment and services are subject to licensing and certification. Depending on the facility's fire risk category – high, medium or low – businesses are provided with various license types. Government building codes also regulate the design, installation, operation and maintenance of fire security systems.

**Protection Services** - According to the Antimonopoly Committee of Ukraine, in 2014 there were 3,357 companies providing protection services in Ukraine, and their gross annual revenues totaled \$320 million. This market size is comparable to the Bulgarian market (with gross annual revenues of \$413 million in 2010) and the Romanian market (with gross annual revenues of \$637 million in 2012). In contrast to the fire safety and technology segment, Ukraine's protection service segment is highly concentrated and dominated by the government. Though the number of companies in this segment has increased in recent years, a few large companies (e.g. companies with \$20 million or more in annual revenues) still dominate. While these large, primarily Kyiv-based, organizations make up only 15 percent of the number of market players, they control 80 percent of the market. The government, which is included among these large organizations, controls 30 percent of the market, making it the single largest market player. In 2016, the government protected over 160 thousand properties, had 50 specialists and 750 response teams. Other major players are Yavir-2000, Protection Holding, and Venbest. Yavir-2000 covers 61 localities, has 112 response teams, and 35 thousand clients.

Venbest has 2,500 staff, 150 response teams, and manufactures technical solutions. Protection Holding works with large industrial enterprises.

In Ukraine, all protection services are subject to licensing, which is regulated by “The Law of Ukraine on Protection Services.” Licensing falls under the aegis of Ukraine’s Ministry of Interior, which requires all companies and individuals working in this segment to be licensed and to demonstrate compliance with all regulations related to providing protection services.

Video-Surveillance - The exact size of the video surveillance segment cannot be calculated using traditional methods due to difficulty in obtaining reliable statistical data from the GOU. Like the protection service segment, the video surveillance segment is highly concentrated, but unlike protection services, the primary players in this corner of the market are foreign private companies. According to Ukraine’s leading trade journal, the top five players in this segment (Axis, ACTi, Hikvision, Samsung Techwin, and Dahua) controlled 62 percent of the market in 2015. The most popular equipment in this segment includes analog cameras, which still prevail over digital surveillance cameras in the Ukrainian market (75 percent versus 25 percent market share correspondingly). In 2014, market demand for video surveillance equipment decreased by 33 to 35 percent in volume terms and by 38 to 40 percent in monetary terms. Decreased consumer purchasing power has benefited low-cost Asian producers of multifunctional systems that combine video surveillance, access control, fire and burglar alarm systems. At the same time, according to industry experts, the global market for video surveillance will grow at average rate 22 percent per year until 2020, with the key driver in the wireless equipment segment. There are no regulations or licensing requirements in this sub-segment, as long as the video surveillance systems and services are used for surveillance production processes.

The Ukrainian safety and security market is served by a diverse mix of domestic and foreign suppliers. The following systems are produced locally: counter-espionage systems, data protection systems, optical registration devices, systems for the technical safety of buildings, fire alarm systems, signal receiving equipment, radiation detectors, and cryptographic security units. Foreign companies supply equipment and systems for personal protection, perimeter security, CCTV and video surveillance systems, access control systems, screening equipment, and fire protection systems. French, German, Polish, Israeli, Japanese, Chinese, and Taiwanese companies are active in the market. As mentioned above, competition from low-cost suppliers from China and Taiwan is growing due to sharp budget decreases caused by the economic recession.

Despite the recent influx of low-cost competitors, U.S. exporters have become more active in the Ukrainian market in the last few years. For example, since the start of the military conflict in eastern Ukraine, Motorola Solutions has won several government tenders to supply digitally encrypted radios to the Ministry of Defense, National Guard, and State Border Guard Service. 3M, which established a representative office in Ukraine in 2005, has also sold its products and solutions in the area of road and public safety for more than 10 years. More recently, companies like Morpho Detection began actively promoting a wider variety of products (e.g. scanning solutions, and drug and explosive detection equipment) in response to increased security and smuggling threats in the country.

#### Leading Sub-Sectors

- Document readers
- Biometric readers
- Explosives and drugs detectors
- Fire suppression equipment
- Advanced video surveillance cameras with video analytic capabilities

#### Opportunities

Participants, of the recently held by the U.S. Commercial Service two focus groups with industry experts, have a positive long-term outlook on the development of Ukraine's safety and security sector. They, like many Ukrainian sociologists, predict that Ukraine will enter a permanently heightened security state similar to Israel's that will drive demand in the safety and security sector. Participants also anticipate further market consolidation, during which only the largest and most capable companies will prevail.

#### Web Resources

#### Trade Events

- Global Security Exchange, Las Vegas, Nevada, the USA, September 23-27, 2018, <https://securityexpo.asisonline.org/Pages/default.aspx>
- Arms and Security – 2018, Kyiv, Ukraine, October 9-12, 2018, <http://www.iec-expo.com.ua/uk/zb-2018.html>
- BEZPEKA 2018 - Exhibition, Kyiv, Ukraine, October 23-26, 2018, <http://www.bezpeka.ua/>

#### Useful links

- The State Service of Emergencies of Ukraine: <http://www.mns.gov.ua/>
- The Ministry of Internal Affairs of Ukraine: <http://www.mvs.gov.ua/>
- Ukrainian Security Industry Federation (USIF): <http://www.ufib.com.ua/eng/>
- Ukrainian Union Fire and Technological Safety (UFTSU): <http://usptb.org/?language=EN>
- Ukrainian Security portal: <http://www.security-ua.com/>
- CZX Ukrainian Federation of Security Specialists <https://opendatabot.com/c/38050283>

## Infrastructure

### Overview

Ukraine's strategic location can be a powerful catalyst for the development of the country as well as for the West. Historically, Ukraine has been at the crossroads of world trade routes and a major stronghold on the way from Europe to Asia. Ukraine's transit potential is 200 million metric tons per year, while its utilization is only 25-30 percent. In 2017, the Ukrainian Government prepared a package of planned reforms to bring to changes to Ukraine's infrastructure. The scale of the package is comparable only with the integration of Eastern European countries into the European Union's infrastructure in the 1990's and 2000's.

Ukraine is essential for the European Union as one of the key countries for the transportation of goods to and from the EU, especially since the European Parliament approved the new concept of transportation infrastructure development and turning the national transportation systems of European countries into a unified trans-European network (the TEN-N program) in 2013. The cost of the project phase 1 is estimated to reach 250 billion euros by the year 2020. Within the framework of the work completed on integrating Ukrainian and European transport networks and following the results of the Brussels Eastern Partnership Summit, Ukraine was included in the indicative maps of the European transport network TEN-T.

For the successful implementation of reforms, Ukrainian infrastructure needs to secure additional \$20-25 billion of investments by 2030. Development of the infrastructure requires \$8-10 billion of private investments annually over the course of 12-15 years. On its own Ukraine is only able to finance about \$1.5 billion of infrastructure projects annually.

The primary segments of Ukraine's infrastructure industry are sea and river, airports, roads, railway, and postal services.

*Sea and River* – 13 ports operate in the Azov and the Black Sea basins and the Danube River Delta, and their total cargo capacity exceeds 230 million tons per year. The reform of the maritime transport industry has been launched. The State Service for Marine and River Transport was established and will begin operations on August 1, 2018. Also, the special Maritime Doctrine has been developed to ensure the entire fulfillment of Ukraine's maritime potential. Beginning January 1, 2018, the port fees and charges have been reduced by 20 percent. A draft method of calculating port fees has been developed. Port fees will be based on two components: a prime rate and investment component. Work with the leading port investors including BUNGE, DP World and Hutchison Ports towards port development in Ukraine has begun. 2,715 km of navigable inland waterways stretch out all over the country. The inland water transport system, typically the most cost-effective way to ship cargo, runs at only eight percent of capacity due to neglected locks, drawbridges, and navigation channels. The potential inland waterways transport capacity can be up to 35 million tons per year. Donors provided \$3.75 million provided for the reconstruction of the Dnipro canal locks.

*Airports* – Ukraine has a differentiated network of direct and transit air traffic. Ukrainian airlines performed 92.2 thousand commercial flights in 2017, a 16 percent increase over 2016. In particular, international flights amounted to 77.7 thousand, a 14 percent increase over 2016. The Boryspil air hub generally manages air transit via Ukraine. In 2017, Boryspil Airport had the largest number of flights in the airport's history. The number of serviced passengers increased by 2 million, to 10.55 million, which is 23 percent more than in 2016. On December 1, 2017, the second major airport Lviv Danylo Halytsky International Airport served a million passenger a year. The last time record was achieved in 1991. The total number of passengers was 1,080 thousand passengers, which is a 36 percent increase compared to 2016. The Ministry of Infrastructure of Ukraine will focus on the development of regional air traffic and expansion of budget airlines in Ukraine in coming years. This initiative will include deregulation of procedures to open ground handling services to

private operators, withdrawal of restrictions on the basis of parity regarding the number of airlines and their flights between Ukraine and EU states, and approval by the Cabinet of Ministers of Ukraine of the Aviation Transport Strategy of Ukraine for the period through 2030. Almost all 22 Ukrainian airports need modernization/reconstruction.

*Roads* – The national network of public automobile roads is 169,652 km long, including 47,000 km of state roads and 122,000 km of local roads. In 2017 major road restoration projects took place in Ukraine with 2,177 km of public roads repaired. The State Road Fund was established and began operations on January 1, 2018. For the first time in the country's history, Ukraine has a dedicated source of revenues for road repair and construction. Approximately 120,459 km of local public roads were transferred to the local governments with appropriate funding. An open infrastructure data portal has been developed, which contained about 400 road repair projects in 2017, monitored according to CoST standards. The work on the introduction of weight control on roads was intensified. The development strategy for the electric transport market in Ukraine has been implemented. The objectives of the strategy include a full cycle production of electric vehicles in the country and provision of opportunities to Ukrainians to purchase affordable cars in the future. From January 1, 2018, the prices of electric cars went down by 17 percent with the help of removal of excise tax and cancellation of value added tax.

*Railway* – Ukraine's operational railway network is one of the largest in Europe, stretching over 20,952 km, of which 9,926 km (47 percent) were electrified. The rail system, which moves 60 percent of the country's total exports, is nearly completely outdated. The Ministry of Infrastructure estimates that 97 percent of the rolling stock required modernization or replacement. On February 23, GE Transportation, Ukrainian Railways, and UkrExIm Bank signed the final contract for the purchase of 30 new U.S.-made locomotives and officially announce the agreement to the public. Under this ten-year agreement modernization and service of additional 150 locomotives and supply of another 195 locomotives are planned. Also, certain work will be localized in Ukraine to further bolster job creation and economic development in the country. In 2017 the purchase and manufacture of rail fleet valued at about \$117.8 million, including 50 passenger cars and 2,721 freight wagons. The deregulation of the freight wagon tariff component for the transport of goods by Ukrainian Railways' owned rail cars has been carried out, making it possible to create an equal market playing field for all enterprises and to reduce corruption during the distribution of Ukrainian Railways' wagons. The draft law "On Railway Transport of Ukraine" introduces a new regulatory framework for the functioning of the industry (tariffs, rules for access to infrastructure, new market access procedures – licensing, security certification, locomotive driver access, etc.).

*Postal Services* – The corporatization of the Ukrainian state postal company "Ukrposhta" was completed on March 1, 2017, along with the state registration of the public joint stock company "Ukrposhta." The tariffs for the general services have been revised, the range of services has been expanded. The service of express delivery has been restarted, new services "Ukrposhta Standard" and "Ukrposhta SmartBox" were launched. The work with corporate clients in the e-commerce segment has been intensified, and the efficiency of the post office has increased. "Ukrposhta" is actively implementing an investment program, for which in 2017 \$26.7 million were allocated: for upgrading motor transport for regional routes - \$5.1 million, departmental computerization -\$6.9 million, POS terminals purchase – \$1.1 million, equipment for international mail – \$1.1 million. "Ukrposhta" now provides an opportunity for money transfers. The permission of the National Bank of Ukraine should facilitate money transfer for residents of rural and remote areas of Ukraine.

On May 30, 2018, during the session of the Cabinet of Ministers of Ukraine, the National Transport Strategy up to 2030 "Drive Ukraine 2030" has been approved. Minister of Infrastructure of Ukraine Volodymyr Omelyan called the Strategy a program document that envisages the development of transport and infrastructure industries in the coming 12 years. The major goal is to create a safe and efficient transport complex of Ukraine,

which would be integrated into the world transport network, meeting people's needs in transportation services, and improving conditions of doing business to ensure competitiveness and efficiency of the national economy.

#### Leading Sub-Sectors

- Sea and river
- Airports
- Roads
- Railway
- Postal services

#### Opportunities

Sea and river: concession of three sea ports and state-owned stevedoring company "Olvia", and privatization of Ukrainian Danube shipping company; reconstruction of Dnipro locks (\$57 mln)

Airports: reconstruction of five regional airports (CAPEX up to \$500 mln) and modernization of the air navigation system (\$136 mln)

Roads: upgrade of five regional roads (\$2.5 bln)

Railway: construction of European 1435 mm rail track high speed connection with EU and Odessa-Kyiv-Lviv route (\$8.5 bln), Electrification of the railway line Dolinska - Nikolaev - Kolosovka (\$416 mln), electrification of the railway section Berdychiv-Korosten-Berezhest (\$162 mln), and construction of Kyiv Boryspil train connection

Postal Services: construction of new mail sorting centers (\$150 mln), track fleet renovation (\$100 mln), and computerization of the network (\$15 mln)

#### Web Resources

#### Trade Events

- Ukrainian Infrastructure Week, Kyiv, Ukraine, April 16-18, 2019: <http://a7conf.com/en/>

#### Useful links

- Ministry of Infrastructure of Ukraine: <https://mtu.gov.ua/en/>
- Ukrainian Sea Ports Authority: <http://www.uspa.gov.ua/en/>
- State Aviation Administration of Ukraine: <https://avia.gov.ua/en/>
- State Agency of Automobile Roads of Ukraine: <http://ukravtodor.gov.ua/>
- Ukrainian Railways: <https://www.uz.gov.ua/en/>
- Ukrainian Postal Service: <https://ukrposhta.ua/en/>
- Centre for Transport Strategies: <https://en.cfts.org.ua/>

## Customs, Regulations & Standards

### Trade Barriers

The Ukrainian government has been actively analyzing and addressing unnecessary trade barriers that encumber trade, working to make the business environment more simple and transparent for local and foreign companies. While the environment is improving, many trade barriers in Ukraine persist, including unpredictable discriminatory fees and product certification procedures. Non-tariff barriers include non-transparent standards and certification requirements, cumbersome procedures for phytosanitary certifications, import licenses, and labeling requirements.

Over the past few years the Government of Ukraine occasionally temporarily restricted imports of U.S. agricultural products, allegedly because of food safety concerns. In addition, in November 2010, the Ministry of Health of Ukraine signed Order #971, approving a list of food products that require monitoring for genetically engineered or genetically modified organism (GMO) content. Among the groups of products to be tested and monitored are soybeans and soybean products, corn and products made with corn, potatoes and potato-derived products, tomatoes, and tomato products, rice and rice products, wheat and products made of wheat, baby food made with such products, food additives.

For more information and help with trade barriers please contact:

International Trade Administration

Enforcement  
(202)

and

Compliance  
482-0063

ECCommunications@trade.gov

<http://trade.gov/enforcement/>

### Import Tariff

According to Article VII of the Law of Ukraine on Foreign Economic Activity, Ukraine's tariff schedule includes three rates of import duties:

- Full - The full rate of import duties can be from two to 10 times higher than the Most Favored Nation rate
- Most Favored Nation (MFN) - Upon becoming a WTO member in 2008, Ukraine applied new, lower MFN rates to all goods originating from WTO members, in agreement with Article I of the 1994 GATT
- Preferential - Preferential rates (lower than the MFN rates) apply to imports from countries with which Ukraine has a Free Trade Agreement (FTA) or other preferential trade agreement, i.e., imports primarily from CIS countries.

U.S. exports to Ukraine usually receive the MFN rate if they meet the following three criteria: 1) the company is registered in the United States; 2) the goods have a certificate to prove U.S. origin, and 3) the goods are imported directly from the U.S. Most customs tariffs are levied at ad valorem rates, and only 1.5 percent of tariff line items are subject to specific or combined rates of duty. The average applied tariff rate fell to 4.95 percent after WTO accession and further decreased to 4.8 percent in 2011.

Current customs duty rates are set by two Supplements to the Law on Customs Duty Rates of Ukraine № 584-VII. Interested American exporters can learn about current Ukrainian customs duty rates by first browsing the U.S. Harmonized Tariff Schedule for the specific numeric code(s) for the exported product, and then match the code(s) to the Ukrainian Customs Tariff Schedule.

In addition to customs duties, the following goods are also subject to excise tax pursuant to the Law of Ukraine of 24.12.2015 №909 “On Amendments to the Tax Code of Ukraine and certain laws of Ukraine to ensure the balance of budget revenue in 2016.” These are:

- Ethyl alcohol and other distillates, alcoholic beverages, beer
- Tobacco products, tobacco, and manufactured tobacco substitutes
- Fuel
- Passenger cars, body thereto, trailers, motorcycles, vehicles designed for transportation of 10 persons or more, goods-carrying vehicles
- Electricity

Excise duties are assessed as a percentage of the sum of the declared customs value, customs duties, and fees paid for importing products. Excise rates are in the Article 215 of the Tax Code of Ukraine № 2755-VI. Tariffs and excise payment must be made in Ukrainian currency at the Ukrainian National Bank exchange rate effective on the day of payment.

The VAT rate is 20 percent on most goods.

Because VAT repayments have historically been a contentious issue, with many foreign companies owed millions of dollars in VAT refunds in 2015 and 2016, the Government of Ukraine introduced significant changes to the VAT refund procedure. In January 2017, the Law of Ukraine No. 1797-VIII “On Amendments to the Tax Code of Ukraine and Improving Investment Climate in Ukraine” came into effect. This law requires the State Treasury (not Ukraine's tax agency) to process VAT refunds. Refunds are now based on the Register of VAT Refund Claims. Also, VAT refunds are paid automatically in chronological order of the receipt of VAT refund applications.

### **Import Requirements & Documentation**

Starting January 1, 2018, a new electronic system (“Single Window”) was introduced for all importers according to the Decree of the Cabinet of Ministers #364 dated May 25, 2016. The “Single Window” is a single electronic data exchange system that allows different control and customs authorities to automatically exchange information about the goods crossing the border of Ukraine and the results of state customs control. Single Window simplifies customs and state control procedures, reduces the time for customs clearance, minimizes the human factor influence, lessens corruption risks, and introduces digital document flow and customs e-declaration.

Resolution No. 364 stipulates that the importer needs to submit scanned copies of documents together with an electronic message containing an electronic signature pursuant to the Resolution of the Cabinet of Ministers of Ukraine # 1452 revised on August 17, 2017. An authorized officer of the controlling body shall, within four working hours after receipt of the electronic message and scanned documents, decide on the completion of the relevant state control or the need for additional review or other actions. In the absence of any decisions and actions of the controlling bodies, within four hours after receipt of the scanned copies of documents, the System automatically forms a decision on the implementation of the appropriate type of state control, which is the basis for the completion of customs control and customs clearance of goods moving through customs border of Ukraine.

Despite some procedural improvements made by Ukraine, U.S. companies exporting goods to Ukraine should continue to expect a slow working bureaucracy and a large volume of paperwork when dealing with Ukraine’s State Customs Service. Because of this many firms choose to use licensed customs brokers to navigate through the often-changing and seemingly inconsistent customs clearance procedures. For a list of

licensed customs brokers contact the [Association of Customs Brokers of Ukraine](#). The list of registered customs brokers is also available on the [website of the State Fiscal Service](#).

The [Ukrainian Classification of Goods of Foreign Economic Activity](#) was compiled on the basis of harmonized system and the Combined Nomenclature of the European Union and its text in the original language prevail over the text translated into Ukrainian. Depending on the code of goods in [Ukrainian Classification of Goods of Foreign Economic Activity](#) some products may require prior approval, be subject to sanitary and epidemiological control, veterinary control, phytosanitary control or environmental control. The complete list of products with respective control requirement is available at <http://zakon3.rada.gov.ua/laws/show/452-2012-%D0%BF>

Products that require prior approval from the relevant administrative agency before an import license that may or may not be automatic, are issued by the Ministry of Economic Development and Trade subject to [Resolution of the Cabinet of Ministers](#) of Ukraine.

In 2016, a new agency, the State Service of Ukraine on Food Safety and Consumer Protection (SSUFSCP) was established. The SSUFSCP exercises the powers of the State Veterinary and Phytosanitary Service of Ukraine, the State Inspection of Ukraine for Protection of Consumers' Rights, as well as the functions of state control over compliance in: the formation, determination, and application of state regulated prices; state supervision in tourism and resorts; consumer rights protection with regard to goods of precious metals and gemstones; and control of the rights to plant varieties in seed and plant production.

Every year the government of Ukraine composes the list of products subject to import and export licensing. The current list of such products can be found in the Regulation of the Cabinet of Ministers of Ukraine No. 1018 [On Approval of the List of Products subject to Import and Export Licensing and Respective Quotas for 2018](#), dated December 20, 2017. In 2018 the list includes: pharmaceuticals, paints and lacquers, dyes, hygiene products, cosmetic products, pedicure and manicure products, shaving aerosols and deodorants; lubricants, waxes, shoe polishes, insecticides, solvents, silicone, fire extinguishers and the chemicals that fill extinguishers; refrigerators and freezers, air-conditioners, humidifiers, and other selected industrial chemical products; fungicides, insecticides, herbicides, and plant growth adjusters.

Most import licenses are granted through the Ministry of Economic Development and Trade, Regional and Kyiv City Administration. Other import licenses or approvals are issued by other agencies including:

- Ministry of Internal Affairs - sporting weapons and self-defense articles
- National Commission for the State Regulation of Communications and Informatization (NCSRCI) – radio electronic devices and emitters
- State Service of Ukraine on Medicines and Drugs Control – medicine and drugs
- Ministry of Agriculture and Food Industry - agricultural chemicals, seeds, veterinary medicines
- Ministry of Health - pharmaceutical products, cosmetics, and hygiene products
- Ministry of Ecology and Natural Resources of Ukraine - ozone-depleting chemical substances including propellants, paint-solvents, fire extinguishers and refills, oil-sprays, air-conditioners and refrigerating equipment, refrigerated vending machines; agricultural chemicals contained in sprays; and pharmaceutical products, cosmetics, and hygiene products contained in sprays

A listing of Ukrainian agencies that issue licenses for business activities in Ukraine is available (in Ukrainian only) at <http://zakon1.rada.gov.ua/laws/show/609-2015-%D0%BF>.

Customs clearance is conducted in designated customs clearance locations. The main document required for customs clearance is a customs declaration completed by an importer of record (or by a customs broker acting on his behalf).

In accordance with Article 335 of the Customs Code of Ukraine the following documents are required for customs clearance procedures:

1. For goods moving via road transportation:
  - a) **documents for the vehicle, including** those containing information about its state registration (nationality)
  - b) travel (transportation) documents (international consignment note)
  - c) documents defined by the Universal Postal Union to accompany international postage (if any postage is present)
  - d) commercial documents (if any) for transported goods that contain information including the name and address of the carrier, the name of the country of departure and country of destination of goods, the name and address of the sender (or seller) and the recipient of the goods
  - e) information on the number of packages and type of packaging;
  - f) name of the goods
  - g) gross weight of goods (in kilograms) or volume of goods (in cubic meters), except for bulky cargo;
2. For goods moving via water:
  - a) general declaration
  - b) declaration of the goods
  - c) declaration of supplies (ship's stores)
  - d) a declaration of personal belongings of the crew
  - e) information on the crew including names, citizenship etc.
  - f) the passenger list
  - g) documents defined by the Universal Postal Union to accompany international postage (if any postage is present)
  - h) transportation documents for the goods which contain, in particular, information on the total number of goods, number of packages, description of goods, type of packaging
  - i) commercial documents (if any) for products and information about product placement on board
  - j) information about the presence (absence) on board of goods import of which into Ukraine is prohibited or restricted, including currency values available to the crew, medicines, which include narcotic, potent, psychotropic and poisonous substances
  - k) information about the presence (absence) on board of dangerous goods, weapons and ammunition
3. For goods moving via air:
  - a) standard carrier document envisaged by current international agreements in the field of civil aviation (general declaration)
  - b) documents containing information on goods carried on board (cargo information, airway bill)
  - c) a document containing information about the stores (on-board supplies) and the number of stores (board supplies) loaded on board and unloaded from it
  - d) transportation (transportation) documents
  - e) commercial documents (if available to the carrier) for the goods transported
  - f) documents defined by the Universal Postal Union to accompany international postage (if any postage is present)
  - g) information on the signs of nationality and registration marks of the vessel, flight number, flight route, point of departure and arrival of the vessel
  - h) information about the name of the company (organization, institution), which operates the vessel and the number of crew members

- i) list of passengers with their number on the vessel, names and initials, drop-off points and landing; information on passengers' luggage (passenger list)
  - j) name of goods, airway bill, the number of seats for each consignment, goods loading and unloading points
  - k) information about the presence (absence) on board of goods the import of which into Ukraine is prohibited or restricted
  - l) information about the presence (absence) on board of dangerous goods, weapons and ammunition
4. For goods moving via rail:
- a) transport (transportation) documents
  - b) transfer roll on railway rolling stock
  - c) document certifying the availability of supplies (if there are any)
  - d) documents defined by the Universal Postal Union to accompany international postage (if any postage is present)
  - e) commercial documents (if available) for the goods transported

Regardless of the type of transportation, the documents confirming compliance with the prohibitions and/or restrictions under Ukrainian law regarding the crossing of goods across the customs border should be provided in paper and electronic form during the arrival of the goods at checkpoints. A bill or other document that defines the value of the goods should be submitted together with the customs declaration. According to the Customs Code the declarant or his authorized representative should provide in the customs declaration the information on:

1. documents certifying the authority of the person submitting the customs declaration;
2. foreign trade agreement (contract) or other documents confirming the right of possession, use and / or disposal of goods;
3. transportation documents;
4. commercial documents available to the person submitting the declaration;
5. if necessary, documents confirming compliance with non-tariff regulation of foreign economic activity;
6. documents confirming compliance with the restrictions arising from the use of protective, antidumping and countervailing measures (if such restrictions exist);
7. in certain cases documents confirming the country of origin;
8. if necessary, documents confirming the payment and / or secured payment of customs duties;
9. if applicable, documents confirming the right to benefits for customs duties payment, full or partial exemption from customs duties under the chosen customs regime; and
10. if necessary, documents confirming the change of customs duties payment terms;

Imported products are subject to radiological control which is, in most cases, performed at the customs.

A Certificate of Origin is required when preferential customs duty rates are applied, when certain quantitative restrictions on movement of goods across the customs border of Ukraine are applied, and if it is required by Ukrainian law or international treaties.

According to Article 49 of the Customs Code the customs value of goods is defined as the cost of goods used for customs purposes, based on the price actually paid or to be paid for the goods, which usually includes the cost of goods, insurance cost and transportation cost. Other costs under certain conditions may be required to include into the customs value of goods, such as royalties, license fees. The Customs Code establishes one main and several secondary methods of determining the customs value of imported goods. The basic method of determining the customs value of goods imported into Ukraine according to Article 57 is the price of contract (the transaction value of the imported goods). The Customs Code requires an exhaustive list of documents to be submitted to determine the custom value of goods.

Because the list of the required documents to be presented to customs authorities changes frequently, and because under the Customs Code, the importer of record may be required to submit additional documents specified by the applicable legislation, American exporters are advised to vest customs clearance in Ukraine as contract liabilities of the Ukrainian trading partner or end-user customer. For a list of licensed customs brokers contact the [Association of Customs Brokers of Ukraine](#) and the [website of the State Fiscal Service](#).

## **Labeling/Marking Requirements**

Labels on nonfood items, as stipulated in Article 15 of the law [“On Consumer Rights” № 1023-XII](#), must feature the following information in the Ukrainian language:

- The name of the product;
- The main characteristics such as volume, weight etc., rules and conditions for effective and safe use of the product;
- Information about hazardous substances in the product;
- Goods containing Genetically Modified Organisms (GMOs) and GMO-free goods must be labeled accordingly;
- Information about the price (tariff), terms and conditions of purchase;
- The date of manufacture of the product;
- Conditions for storage;
- Guarantee commitments of the manufacturer;
- Usage and safety instructions;
- The expiration date, shelf-life period and instruction for disposal after expiration, and warnings of consequences if the product is mishandled;
- The name and location of the manufacturer, authorized importer or trader to be addressed for complaints, reclamations or after-sale service; and
- A note on Certification of the product and compliance to production standards.

Labels on food items as stipulated in Article 39 of the law of Ukraine [“On Safety and Quality of Foodstuffs” № 771/97-BP](#) of and in [Technical Guideline on Food Labeling Regulations](#) must include:

1. The name of the product;
2. Food contents (name of basic ingredients/additives/preserves/scents and other substances);
3. Amount of certain ingredients stipulated in the respective article of the law;
4. The weight/volume of the product in defined measurement units;
5. The expiration date (or production date and period of storage);
6. The conditions for storage;
7. The terms and conditions of use.
8. The name, address and telephone number of the official importer;
9. The name, address and telephone number of an authorized company to be addressed for complaints;
10. The serial number of the product batch;
11. Goods containing Genetically Modified Organisms (GMOs) and GMO-free goods must be labeled accordingly;
12. The country of origin;
13. The nutritional value and content of proteins, carbohydrates and fats per 100 grams of the product and calories expressed in kJ or kcal per 100 grams (100 ml) of product;
14. Warning information with regard to consumption of product by certain category of consumers (children, pregnant women, elderly people, sportsmen, allergic individuals), if consumption of such product may affect their health; and
15. The trade mark for goods and services (if any) under which the product is sold.

## **U.S. Export Controls**

Relatively few exports to Ukraine require an export license. Licenses are required in certain situations involving national security, foreign policy, nuclear non-proliferation, missile technology, chemical and biological weapons, regional stability, crime control, or due to terrorist concerns and are issued by State Service of Export Control. License requirements are dependent upon an item's technical characteristics, the destination, the end-use, the end-user, and other activities of the end-user.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here: <http://developer.trade.gov/consolidated-screening-list.html>

## **Temporary Entry**

According to Article 108 of the Customs Code of Ukraine the period of temporary admission of goods is set by the customs collections office on a case by case basis, but the general term should not exceed three years from the date of placement of goods under the customs regime of temporary admission. Depending on the purpose of importation, this preset temporary admission period may be extended by the appropriate customs collections office upon written request of the owner of the goods or his authorized representative.

The Convention on Temporary Admission (Istanbul, 1990) Annexes B1-B9, C, D, E and Chapter 18 of the Customs Code regulate which products are eligible for temporary admission with complete or partial conditional exemption from customs tax payments. Prior to their customs declaration expiration, temporarily imported goods should be:

- Shipped outside the customs territory of Ukraine;
- Declared at customs for further use;
- Passed to customs for storage in a bonded warehouse; or
- Demolished under customs control if these items cannot be used as goods, products, or equipment.

The following documents are required for temporary importation of demonstration samples:

- A customs declaration;
- Permission from the respective Ministry, if required; and
- Other documents outlined in the customs declaration.

Some goods temporarily imported to Ukraine require the issuance of guarantee as stipulated in Resolution #461 of the Cabinet of Ministers of Ukraine of May 21, 2014. The guarantee can be provided in the form of document issued by a guarantor or depositing cash to the account of the revenues and fees body in an amount equal to the amount of taxes and duties under the import regime in respect of such goods. In cases where goods are imported on the basis of ATA carnet, no guarantee is needed, as in accordance with 1990 Istanbul Convention carnet book serves as an international guarantee for temporary import.

Prior to exiting the country, samples are inspected by customs authorities to ensure that the quantity and description of goods match those registered at the time of importation. Demonstration samples to be returned outside Ukraine are exempt from customs fees.

## **Prohibited & Restricted Imports**

The Ukrainian government strictly controls and restricts the transit, import, and export of weapons, narcotics, chemical and hazardous substances, and certain pharmaceutical and communications products. Licensing of prohibited and restricted imports is regulated by the Law of Ukraine "On State Control for International Transfer of Military and Dual-Use Goods" № 549-IV, which outlines the conditions and terms of licensing; names the control agencies in charge of transit; and sets criteria for the transit, import, and export of military

or dual-use goods. The approval of the transit, import, or export of military or dual-use goods can take up to 90 days from the time of application and receipt of the necessary supporting documentation. These documents must be submitted to the State Service of Export Control of Ukraine. U.S. companies or the respective Ukrainian trading partner of the end-user goods wishing to import these goods should contact the State Service of Export Control of Ukraine in advance, before any prohibited or restricted goods are shipped to Ukraine.

Additionally, The Resolution of the Resolution #436 of the Cabinet of Ministers of Ukraine of May 21, 2012 established restrictions on the cross-border movement of certain groups of goods, including experimental varieties of plants, products subject to certification, food products, military and dual-use products, goods subject to conformity assessment according to the requirements of technical regulations, seeds and propagating material, electronic equipment and emitters for special purposes. A detailed list of these goods is at <http://zakon0.rada.gov.ua/laws/show/436-2012-%D0%BF>

### **Customs Regulations**

The Customs Code of Ukraine regulates imports and exports. This Code was adopted in March 2012 and most recently amended in March 2018. The Customs Code outlines procedures for import, exports, re-export, temporary entry and transit of goods for customs clearance, duty, excise and other customs tariffs payments, activity of customs brokers and customs bonded warehouses, etc. In addition to the Customs Code, current Ukrainian legislation on customs includes two [Supplements to the Law - On Customs Duty Rates of Ukraine № 584-VII, most recently updated in January 2018](#), where duty rates are set forth. The main law governing import and export VAT and refund of export VAT is the Tax Code of Ukraine of December 2, 2010, Section V.

According to Ukrainian legislation both individuals and legal entities can act as importers of record in connection with customs clearance of goods imported to Ukraine, though a business entity must be accredited with its local customs office. The procedure and list of required documents are set forth in the Procedure for Registration of Entities that Carry Out Operations with Goods.

Current business practice in Ukraine is that an American exporter or shipper usually does not deal directly with Ukrainian Customs unless registered as a company under Ukrainian jurisdiction. In most business practices customs clearance of imports is vested to a locally registered Ukrainian business partner or to a Ukrainian end-user customer.

For consultations and complaints contact:

State Fiscal Service of Ukraine

8, Lvivska Ploscha, Kyiv 04655 Ukraine

Tel: 0-800-501-007, +380 44 454-16-13, +380 44 272-51-59

Fax: +380 44 272-08-41

E-mail: [Kabmin\\_doc@sfs.gov.ua](mailto:Kabmin_doc@sfs.gov.ua)

Website: <http://sfs.gov.ua>

### **Standards for Trade**

Overview

U.S. and other foreign companies have long regarded Ukraine's system of technical regulations as a significant obstacle to trade and investment. Ukraine has passed several new laws and governmental decrees in recent years aimed at bringing Ukrainian practices in this area into line with the WTO Agreement on Technical Barriers to Trade (TBT), but significant problems remain. With the move towards Europe and OECD countries, Ukraine is currently developing its standards to match them with the EU's. In 2015 Ukraine has cancelled 15,000 old technical regulations and adopted 3,996 national standards, in 2016 it developed and adopted 1,300 standards

which were harmonized with European and international respective standards. To be able to do this Ukraine adopted and introduced amendments, among them:

- The Law of Ukraine “On Standardization” of June 05, 2014 № 1315-VII The Law of Ukraine “On Standardization” of June 05, 2014 № 1315-VII
- The Law of Ukraine On metrology and metrological activity of February 10, 2014 # 1314-VII
- Law of Ukraine On amendments to some legislative acts of Ukraine regarding deregulation in agriculture # 867-VIII of December 08, 2015

## Standards

Technical regulations in Ukraine are coordinated by the Department for Technical Regulations of the Ministry of Economic Development and Trade of Ukraine and developed by the State Enterprise Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality (SE “UkrNDNC) which serves as a national standardization body. Enforcement of the quality of products and their compliance to the national standards is done by the State Inspection for Food Safety and Consumer Protection. Certification is a fee-based service in Ukraine. This certification service is delegated to about 100 accredited certification agencies (full listing is available at <http://naau.org.ua/reyestr-akreditovanix-ooov/?lang=en>), whose authority is supervised by the National Accreditation Agency of Ukraine.

An importer, or its Ukrainian trading partner, are free to choose one of the accredited certification agencies and order a product certification needed for sale or production use of products in Ukraine. Depending on the type of product, testing, and applicable certification scheme, the certification process can take up to 30 days.

## NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus>.

**Conformity Assessment** - In September 2017, the Cabinet of Ministers of Ukraine amended the Law of Ukraine On Standardization cancelling the mandatory application of national standards. Voluntary application of standards meets the requirements of the Agreement on Technical Barriers to Trade of the World Trade Organization, as well as European principles of standardization. Certification is no also longer mandatory per repeal of an order effective March 2018 <http://zakon1.rada.gov.ua/laws/show/z0466-05>.

According to Article 15 of Economic Code of Ukraine revised on June 17, 2018, standardization is required by this Law for participants of agreements for products development, production or supply which refer to certain standards, if a manufacturer or supplier of products has made a declaration of conformity of production to certain standards or indicated a standard on its label, and other cases where application of standards or codes of established practice is regulated by certain regulatory acts.

Importers can request that a foreign facility be certified in compliance with Ukraine's technical regulations. This option usually involves a costly inspection visit by Ukrainian government officials to the facility. If approved, the supplier receives a certificate of conformity valid for 2 years to 5 years and avoids the necessity of certifying each shipment and mandatory laboratory testing of goods upon arrival into Ukraine.

More information about product certification options and the process in Ukraine at the site of State Enterprise “UkrMetrTestStandart” <http://www.ukrcsm.kiev.ua> and State Enterprise “Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality” <http://uas.org.ua/ua/>.

According to the [Decree of the Cabinet of Ministers #1149](#) “Technical Regulation of Low-Voltage Electrical Equipment” and [#1057](#) “On Approval of the Technical Regulation for Restricting the Use of Certain Hazardous Substances in Electrical and Electronic Equipment” the Declaration of Conformity is required for certain goods during customs clearance and for release in the Ukrainian market.

Declaration of Conformity can be issued by a Ukrainian official certification center. Contact information for official certification centers can be found at the official website of the National Accreditation Agency of Ukraine (NAAU) (see <http://naau.org.ua/reyestr-akreditovanix-ooov/?lang=en>)

### Testing, inspection and certification

Importers can choose which type of technical standard certificates they would like to apply for:

- A certificate for a single batch of goods;
- A certificate for up to one year, which is valid for all imported goods during that year with one or two additional selective tests; and
- A certificate for up to two years, for which inspection of production facilities is mandatory.

The certification and approval process is lengthy, duplicative, and expensive, with politics and corruption still often behind arbitrary application of regulations.

Depending on the market strategy and prospects in the market, American exporter may consider applying for certification of their products in Ukraine. Since all paperwork for submission to a Ukrainian certification agency should be in the Ukrainian language and in person, it is recommended that American exporter hire an attorney from a local or international law firms for certification of products in Ukraine. Other option is to delegate any required certifications in Ukraine to a Ukrainian trading partner or end-user. As a rule, the following documents issued outside Ukraine confirming a product's conformity to specific requirements are to be submitted to a Ukrainian certification agency:

- An application stating that the company wishes to certify imported products;
- A certificate of conformity;
- User manuals, if available
- Standards (technical conditions) of production and the procedures for certification;
- A certificate of accreditation from the testing laboratory;
- A protocol/summary of test results;
- A certificate of quality control; and
- A certificate of origin (manufacturing).

Because the list of documents issued outside Ukraine confirming a product's conformity changes frequently, businesses should contact one of the accredited certification agencies (see “Product Certification Bodies” at <http://naau.org.ua/reyestr-akreditovanix-ooov/?lang=en> ).

### Publication of technical regulations

Legislation development, publications and information regarding Ukrainian standards and technical regulations is vested on State Enterprise “[Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality](#)” (SE “UkrNDNC”).

Ukrainian technical regulations are compiled in compliance with the EU Council Directives for conformity of industries and products, international standards, and Ukrainian domestic standards. The list of technical regulations and standards and EU Council Directives are available at the [website of the Ministry of Economic Development and Trade](#).

#### Contact Information

For market feasibility or research purposes, interested U.S. manufacturers can order for a fee a full package of Ukrainian technical regulations relating to their products through mailing to [ushop@uas.org.ua](mailto:ushop@uas.org.ua)

Department for Technical Regulations of the Ministry of Economic Development and Trade of Ukraine

12/2, Hrushevskiy Street, Kyiv, 01008, Ukraine

Phone: +380 44 528-85-64, Fax: +380 44 528-90-14

Email: [dtr@me.gov.ua](mailto:dtr@me.gov.ua)

<http://www.me.gov.ua>

SE “Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality”

2, Svyatoshynska Street, Kyiv, 03115, Ukraine

Phone: +380 44 452-3396; Fax: +380 44 452-6907

<http://uas.org.ua>

State Inspection on Consumer Rights Protection of Ukraine

174 Antonovycha St, Kyiv, 03680, Ukraine

Phone: +38 044 528 9244

<http://www.consumer.gov.ua/>

State Regulatory Service of Ukraine

9/11, Arsenalna Street, Kyiv, 01011, Ukraine

Phone: +380 44 254 56 73

Fax: +380 44 254-43-93

E-mail: [inform@dkrp.gov.ua](mailto:inform@dkrp.gov.ua)

<http://www.drs.gov.ua>

#### **Trade Agreements**

The United States has a bilateral investment treaty (BIT) with Ukraine, which took effect in 1996. The BIT guarantees U.S. investors non-discriminatory treatment, the right to make financial transfers freely and without delay, international legal standards for expropriation, including compensation, and access to international arbitration in the event of an investment dispute.

The “United States Income Tax Treaties – Convention” between the U.S. and Ukraine regarding the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital became effective January 1, 2001.

The United States and Ukraine signed a Trade and Investment Cooperation Agreement (TICA) on April 1, 2008. The TICA established a joint U.S.-Ukraine Council on Trade and Investment, which addresses a wide range of trade and investment issues including market access, intellectual property, labor, and environmental issues. <https://usa.mfa.gov.ua/en/ukraine-us/legal-acts>

On May 16, 2008, Ukraine became the 152nd member of the World Trade Organization (WTO). Upon becoming a member of the WTO Ukraine became subject to the requirements of the Agreement of the World Trade Organization on Trade Related Aspects of Intellectual Property Rights "TRIPS Agreement".

In March 2016 Ukraine officially joined the WTO Agreement on Government Procurement. This gives Ukrainian companies the right to participate in public procurement of 45 countries participating in the WTO agreement on government procurement (GPA), including EU countries, Japan, the United States, Korea, Taiwan, Singapore, Hong Kong and Canada. In addition to opening foreign government procurement markets, this agreement will also require Ukraine to follow WTO rules for government procurement.

Although Ukraine was one of the three founding countries and ratified the Creation Agreement in December 1991, Ukraine did not choose to ratify the CIS Charter. In 1993 Ukraine became an "Associate Member" of CIS. Ukraine has signed Free Trade Agreements (FTA) with 9 CIS countries: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan, Russia. On March 14, 2014 a bill was introduced to Ukraine's parliament to withdraw from CIS following the annexation of Crimea by Russia.

Ukraine has a Partnership and Co-operation Agreement (PCA) with the European Union. Under the terms of the agreement, Ukraine enjoys most favored nation status with the EU, but is not required to bind its own tariffs.

On March 21, 2014 the European Union and Ukraine signed the core elements of a political association agreement precursor to the Deep and Comprehensive Free Trade Agreement (DCFTA) which they started applying on January 1, 2016.

Ukraine has concluded trade agreements with 20 countries - Austria, Argentina, Armenia, Bulgaria, Canada, Estonia, Finland, Georgia, Iceland, Kyrgyzstan, Latvia, Liechtenstein, Macedonia, Moldova, Montenegro, Norway, Russia, Switzerland, Turkmenistan, and Switzerland. The Canada-Ukraine Free Trade Agreement (CUFTA) was signed on July 11, 2016 and is now ratified by the parliaments of both countries. These agreements grant, on a reciprocal basis, most favored nation (MFN) status on the exports -imports with signatory countries. As in the case of the PCA, Ukraine benefits via these agreements from the tariff concessions made by its partner countries who are WTO members without binding its own tariffs. Ukraine is negotiating the creation of free trade zones with Turkey and Israel.

Other Important U.S. - Ukraine agreements. On February 7, 2017, Ukraine signed an intergovernmental agreement implementing the Foreign Account Tax Compliance Act (FATCA), which implies that Ukraine agreed to centrally share information on U.S. accounts with IRS on a non-reciprocal basis. Ukraine will further initiate the necessary amendments to existing legislation aimed at enabling the smooth and proper implementation of FATCA. On March 23, 2017 Ukraine became the 47th country to adhere to the OECD Declaration on International Investment and Multinational Enterprises. The Declaration commits Ukraine to provide an open and transparent environment for international investment and to encourage the positive contribution foreign investment can make to economic and social progress.

### **Licensing Requirements for Professional Services**

Licensing requirements for all types of businesses in Ukraine are governed by the Law On Licensing of Types of Business Activities Law On Licensing of Types of Business Activities. This law requires licenses for 33 types of business activities, many of which are professional services. Among them:

- Granting guarantees and suretyships
- Financial leasing
- Factoring
- Trust management of financial assets

- Specific types of insurance as defined by the legislation
- Lending funds with their further return
- Granting loans including financial credits
- Administration of private pension funds
- Administration of financial assets for purchase of goods for groups of purchasers
- Property management for financing constructions or real estate transactions
- professional activity in securities market
- transportation of passengers, dangerous goods and hazardous waste by river, sea, road, rail and air transport, international carriage of passengers and goods by road vehicles;
- security guard activities
- tour operator activity
- brokering in employment abroad

### **Web Resources**

- [Department for Technical Regulations of the Ministry of Economic Development and Trade of Ukraine](#)
- [Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality](#)
- [Ukrainian accredited certification agencies](#)
- [National Institute of Standards and Technology](#)

# Investment Climate Statement

## Executive Summary

Ukraine four years after the 2014 Revolution of Dignity, continues to pursue the vision of a modern, thriving, European economy. It also continues to struggle with years of corruption and government mismanagement, and impulses to preserve the privilege and income of oligarchs and rent-seekers. Hard-won reforms since 2014 have brought macro-economic stability, and the government still professes a commitment to reform.

Ukraine is an attractive investment option for a variety of reasons, including its large consumer market, a highly-educated and cost-competitive work force, and abundant natural resources. The Ukrainian government actively seeks foreign investment and has established investment promotion agencies that have been helpful in facilitating U.S. and other foreign investments. Ukraine’s Association Agreement (AA) with the European Union (EU), which includes a Deep and Comprehensive Free Trade Area (DCFTA), gives Ukraine preferential market access and is accelerating Ukraine’s economic integration within the EU. Ukraine’s economy demonstrated real GDP growth of 2.5 percent in 2017, and the IMF forecasts growth of 3.2 percent in 2018.

U.S. companies have found success in Ukraine, particularly in the agriculture, consumer goods, and technology sectors. Ukraine is an agricultural powerhouse, and is the world’s third-largest grain exporter. The agricultural sector has been a profitable host for foreign investors. Ukraine’s IT service and software R&D sectors show great potential due to the country’s large, skilled workforce. An array of local IT outsourcing companies serve clients worldwide.

Foreign direct investment (FDI) remains low, with net FDI in 2017 equal to only 2 percent of GDP. The most significant constraints on FDI remain the business climate and corruption. Foreign investors cite corruption in the judiciary, poor infrastructure, powerful vested interests, and weak protection of property rights as some of the major challenges to doing business. Increasing labor migration abroad, particularly to the EU, is reducing Ukraine’s labor force.

The Ukrainian government recognizes these problems and has passed and implemented a number of reforms to improve the business environment. Over the past four years, the government has established transparent government procurement through the ProZorro online system and established new institutions to prevent and investigate corruption, including the National Anti-Corruption Bureau of Ukraine (NABU) and the Special Anti-Corruption Prosecutor’s Office (SAP). In 2017, the government passed a law to improve regulation of law enforcement agencies’ investigations of businesses after companies complained of harassment.

In addition to continued concerns with corruption, the conflict with Russia continues to impede greater investment in Ukraine. In the non-government controlled areas in the Donbas region of Ukraine, the conflict with Russia-led forces has wrought significant damage to freight rail, mines, and industrial facilities (historically centered in the Donetsk and Luhansk regions). This in turn has reduced Ukraine’s heavy industry exports. Investors should note that the situation in both Crimea (unlawfully occupied by Russia since the spring of 2014) and in occupied areas of Donbas remains dire. The investment climate in Donbas is characterized by a lack of governance, transparency, rule of law, and stability. U.S. companies are prohibited from participating in certain transactions in Crimea, which is subject to U.S. sanctions.

Table 1

| Measure | Year | Index/Rank | Website Address |
|---------|------|------------|-----------------|
|---------|------|------------|-----------------|

|  |      |            |   |
|--|------|------------|---|
| TI Corruption Perceptions Index                      | 2017 | 130 of 176 | <a href="https://www.transparency.org/news/feature/corruption_perceptions_index_2017">https://www.transparency.org/news/feature/corruption_perceptions_index_2017</a> |
| World Bank's Doing Business                          | 2017 | 76 of 190  | <a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>   |
| Global Innovation Index                              | 2017 | 50 of 128  | <a href="http://globalinnovationindex.org/content/page/data-analysis">http://globalinnovationindex.org/content/page/data-analysis</a>                                 |
| U.S. FDI in partner country (M USD, stock positions) | 2016 | USD 618.0  | <a href="https://www.bea.gov/international/factsheet/factsheet.cfm?Area=344">https://www.bea.gov/international/factsheet/factsheet.cfm?Area=344</a>                   |
| World Bank GNI per capita                            | 2016 | USD 2,310  | <a href="https://data.worldbank.org/indicator/NY.GNP.PCAP.CD">https://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>   |

## **Openness To, and Restrictions Upon, Foreign Investment**

### Policies toward Foreign Direct Investment

The government of Ukraine actively seeks FDI. In 2014, the president established the National Investment Council as consultative and advisory body under the President, and in 2016 the Ukrainian government also established the Ukraine Investment Promotion Office (UkraineInvest) as an independent advisory body with a mandate to attract and support FDI. Ukraine also established a Business Ombudsman in 2015 to provide a forum for domestic or foreign businesses to file complaints about unjust treatment by state or municipal authorities, state-owned or controlled companies or their officials.

Ukrainian legislation provides for national treatment of foreign investors, in line with its World Trade Organization (WTO) commitments. Due in part to conflicts in the body of laws that govern investment and commercial activity in Ukraine, and persistent issues with corruption, however, foreign investors have found it difficult to pursue cases in Ukrainian courts and often seek arbitration outside of the country.

### Limits on Foreign Control and Right to Private Ownership and Establishment

The regulatory framework for the establishment and operation of business in Ukraine by foreign investors is generally similar to that for domestic investors. However, accreditation of representative offices of foreign companies and their branches significantly lags behind the simplified registration procedures for Ukrainian businesses. Accreditation by the Ministry of Economic Development and Trade takes 60 days and typically costs USD 2,000. Non-Ukrainian citizens establishing a business are required to receive a registration through the Office of Immigration in the Ministry of Foreign Affairs and to receive a taxpayer identification number through the State Fiscal Service. Registering a foreign investment is governed by "The Law on Foreign Investments" (2013). Foreign and domestic private entities can establish and own business enterprises and engage in all forms of remunerative activity, with the exceptions that foreign companies are restricted from owning agricultural land, manufacturing carrier rockets, producing bio-ethanol, and some publishing activities. In addition, Ukrainian law authorizes the government to set limits on foreign participation in strategically important areas, although the definition is vague and the law is rarely used in practice. Generally, these restrictions limit the maximum permissible percentage of foreign investment in Ukrainian firms in the defense and energy sectors.

## Other Investment Policy Reviews

The Organization for Economic Cooperation and Development (OECD) and the WTO conducted formal reviews in 2016, and can be found at OECD: <http://www.oecd.org/investment/oecd-investment-policy-reviews-ukraine-2016-9789264257368-en.htm>; WTO: [https://www.wto.org/english/tratop\\_e/tpr\\_e/tp434\\_e.htm](https://www.wto.org/english/tratop_e/tpr_e/tp434_e.htm). The United Nations Conference on Trade and Development (UNCTAD) so far has not conducted a formal review of Ukraine's investment policy.

## Business Facilitation

The Ukrainian government has taken several steps over the past year to facilitate the ease of doing business. Some of these actions included: a new law on limited liability companies (LLCs) that liberalized corporate regulations for LLCs and increased protection of minority shareholders' rights; a new privatization law designed to streamline the process of selling 3,000 state companies, and better protect investors' rights; simplified procedures from the National Bank of Ukraine for companies to open and manage bank accounts; eased payment of dividends to foreign investors by allowing payment of a maximum amount of USD 7 million per month; and a new law to stop abusive practices by law enforcement agencies, including the State Fiscal Service's tax police, Prosecutor General's Office, and State Security Service, during investigations of businesses.

A website for registration of private entrepreneurs and legal entities is available at <https://poslугy.gov.ua/> and <https://online.minjust.gov.ua/dokumenty/choise/>. Usually, it can take up to six days to register. Companies are able to submit documents online while the Registrar shares the data with the State Committee of Statistics of Ukraine, the State Pension Fund, State Fiscal Service, the Employment Insurance Fund, the Social Security Fund, and the Fund for Social Insurance.

## Outward Investment

As of December 31, 2017 Ukraine's investments in foreign countries totaled more than USD 8.156 billion, according to the National Bank of Ukraine (NBU),

## **Bilateral Investment Agreements and Taxation Treaties**

Ukraine has signed more than 70 bilateral investment treaties. The Bilateral Investment Treaty between the United States and Ukraine has been in force since 1996. A list of Ukraine's bilateral investment treaties can be found at <https://feao.org.ua/news/ukraines-bilateral-treaties-investments/?lang=en>. Ukraine has over 60 bilateral taxation treaties, including with the United States. A list of Ukraine's bilateral taxation treaties can be found at <http://sfs.gov.ua/en/sts-activity/international-tax-relations/international-treaties--conventions--on-taxation/>. Ukraine also has a number of free trade agreements (FTAs), and information on these treaties is available at <http://mfa.gov.ua/en/about-ukraine/economic-cooperation/trade-agreements>. Ukraine is currently negotiating FTAs with Turkey and Israel.

## **Legal Regime**

### Transparency of the Regulatory System

Ukraine is struggling to build a transparent, consistent regulatory environment. Regulatory institutions are characterized by outdated, contradictory, and burdensome regulations, a high degree of favoritism in decisions by government officials, weak protection of property rights and minority shareholders' interests, and irregular payments and other bribes. The country, however, is generally moving in the right direction toward clearer rules and fairer competition. Ukraine's efforts to implement its EU Association Agreement (AA), including the Deep and Comprehensive Free Trade Area (DCFTA), should help boost overall transparency and legal certainty

as Ukraine strives to meet EU standards. Continued deregulation is also one of Ukraine's key commitments under its IMF program.

Information on existing and draft legislation is available on the Verkhovna Rada and Cabinet of Ministers websites. Proposed legislation may be published on the corresponding Ministry website for public commentary, but often draft legislative initiatives are not publicly available or they reappear in dramatically different form. In a sign of increased openness, the government in the past few years has consulted with NGOs and business associations such as the American Chamber of Commerce and the European Business Association when drafting business- or finance-related regulations and legislation. These organizations have provided feedback and proposed amendments during the review and approval process.

Proposed regulations are required by law to be publicly available for review and comment for at least one month, but not more than three months. The draft text is published on the website of the relevant ministry or regulatory agency. Comments are received online, at public meetings, and through targeted outreach to stakeholders. At the end of the consultation period, the relevant ministry or regulator must publish the results on its website.

Post is not aware of any informal regulatory processes managed by non-governmental organizations or private sector associations. Such processes fall under the purview of the government.

#### International Regulatory Considerations

Ukraine is not a member of the EU, but it is working to harmonize many of its standards to meet EU requirements and facilitate access to EU markets. As Ukraine drafts laws, it often incorporates or references EU norms and standards. Ukraine is a member of the WTO and a signatory to the WTO Trade Facilitation Agreement.

#### Legal System and Judicial Independence

The legal system in Ukraine is based on a civil system of codified laws passed by the parliamentary body, the Verkhovna Rada. In the event of a commercial dispute, a foreign investor may seek recourse through a number of institutions. Generally, the Foreign Investment Law provides that a dispute between a foreign investor and the state of Ukraine must be settled in the Ukrainian courts, unless otherwise provided for by international treaties.

Courts of general jurisdiction are organized by territory and specialty and include: local courts; appellate courts; specialized high courts for civil and criminal cases; and supreme courts. Local courts are either courts of general jurisdiction (including military courts) or specialized courts (i.e. commercial and administrative courts). Local commercial courts exercise jurisdiction over commercial and corporate disputes, while local administrative courts administer justice in legal disputes connected with state government and municipalities, with the exception of military disputes.

The judicial system is independent of the executive branch; however, extensive corruption exists throughout the court system, and the judiciary provides an opening for outside influence. Among the major problems of the Ukrainian judicial system are its overall lack of capacity and the existence of prosecutorial influence on judges. Ukraine is ranked 129 out of 140 countries with regard to judicial independence by the Global Competitiveness Index 2016-2017 (up three spots since the 2015-2016 report) (<https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1>).

In general, regulations are appealable, but it depends on the nature and origin of the regulation to determine whether it is appealable in the national court system.

#### Laws and Regulations on Foreign Direct Investment

The Law of Ukraine on Investment Activity (1991) establishes the general principles for investment and was subsequently followed by additional legislative acts, most recently the Law of Ukraine #2058-YIII of May 2017 “On Amendments to Some Laws to Remove Obstacles for Attracting Foreign Investments.”

#### Competition and Anti-Trust Laws

The Antimonopoly Committee of Ukraine (AMCU) is the Ukrainian state authority for protection of economic competition. AMCU’s functions include investigating and prosecuting anticompetitive conduct, granting permissions for mergers, considering applications regarding violations of public procurement as an appeal body, monitoring and control of the state aid system, competition advocacy within the government, and forming competition policy.

#### Expropriation and Compensation

Current legislation permits legal expropriation of property in certain criminal proceedings or in cases of failure to fulfill investment obligations during privatization procedures. Additionally, the Law on Legal Regime of Martial Law and the Law on Confiscation of Property During Legal Regime of Martial Law allow for voluntary or forced expropriations for military purposes with compensation to be provided either immediately or following cancellation of the “special regime/martial law” in place due to military operations in eastern Ukraine.

Post has not received any expropriation claims from U.S. companies, and is not aware of any particularly high-risk sectors prone to expropriation actions.

#### Dispute Settlement

##### ICSID Convention and New York Convention

Ukraine is a Party to both the International Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. On October 20, 2015, the Government of Ukraine submitted a formal UN communication, noting that Ukraine’s ability to implement its obligations under the New York Convention in the occupied territories of Crimea, Donetsk, and Luhansk is limited and not guaranteed until Ukraine regains effective control from the Russian Federation. The full text of the communication is available at: <https://treaties.un.org/doc/Publication/CN/2015/CN.597.2015-Eng.pdf>.

The procedure for recognition and enforcement of foreign arbitral awards in Ukraine is regulated by the following legislative acts:

- The Law on International Commercial Arbitration (ICAL, 1994). ICAL is almost a literal translation of the UNCITRAL Model Law.
- The Code of Civil Procedure of Ukraine (CPC, 2004). Pursuant to Article 390 of the CPC, Ukrainian courts shall enforce foreign court decisions provided that: recognition and enforcement are stipulated under an international treaty ratified by the Verkhovna Rada; or on the basis of the reciprocity principle under an ad hoc agreement with a foreign country, whose court decision shall be enforced in Ukraine.

## Investor-State Dispute Settlement

American investors continue to make claims under the Bilateral Investment Treaty between the United States and Ukraine, but this is rare, with two known filings since 2016. The Embassy only tracks disputes at the request of U.S. businesses or individuals involved in the case, and cannot provide a comprehensive number for all investment disputes involving U.S. or other foreign investors in Ukraine. Such disputes are a significant problem, however, both in fact and in terms of public perception. As of early 2018, the Embassy was tracking approximately 20 active disputes, some very protracted. Going back 10 years, the Embassy has tracked almost 100 disputes involving a U.S. business or individual. The majority of disputes are related to customs and tax issues, or corporate raids.

ICAL limits the jurisdiction of international arbitration tribunals to civil law disputes arising from international economic operations (provided that the commercial enterprise of at least one party exists outside of Ukraine), disputes between international organizations and enterprises with foreign investments in Ukraine, and intracompany disputes of these enterprises. ICAL does not address foreign arbitral awards issued against the government.

Extrajudicial action against foreign investors in the form of official acts of government (e.g. unwarranted inspections, investigations, fines) and illegitimate acts by private parties (e.g. corporate raiding) has been and remains fairly common in Ukraine. The current Ukrainian government has made it a stated priority to improve the business environment and attract more foreign investment, but progress has been uneven.

## International Commercial Arbitration and Foreign Courts

The Law on Arbitration Courts (2004) stipulates that parties can now refer most of their commercial or civil law disputes to courts of arbitration, which are non-state bodies. Article 51 stipulates that awards of the aforementioned courts of arbitration are final, and Article 57 stipulates that they can be subject to mandatory enforcement via a competent state court. The Embassy, however, is not aware to what extent arbitration is used by the business community.

Ukraine's International Commercial Arbitration Court (ICAC) and Maritime Arbitration Commission at the Ukrainian Chamber of Commerce and Industry are both annexed to the ICAL, which itself is a near-direct translation of the UNCITRAL model law. ICAL distributes the functions of arbitration assistance and supervision between the district courts and the President of the Chamber of Commerce and Industry of Ukraine for both ad hoc and institutional arbitrations. Local courts are obliged to recognize and enforce foreign arbitral awards under ICAL and the CPC, per Ukraine's obligations under the ICSID and the New York Convention of 1958. However, the reliability, consistency, and timeliness of implementation are unknown.

The Embassy is not aware of any investment disputes that have involved state-owned enterprises (SOEs).

## Bankruptcy Regulations

The Law on Bankruptcy (1992) does not require approval by creditors for selection or appointment of an insolvency representative, nor does it require approval by creditors for sale of substantial assets of the debtor. The creditor does not have the right to request information from the insolvency representative, and provides that a debtor has the right to object to decisions accepting or rejecting creditors' claims. The Verkhovna Rada is considering a draft law to reform the bankruptcy system.

In February 2018, the Verkhovna Rada passed legislation to create a national credit registry administered by the National Bank of Ukraine. This EU-mandated legislation seeks to reduce lending risks through publication of credit history, including bankruptcies.

## **Industrial Policies**

### Investment Incentives

Foreign investors are exempt from customs duties for any in-kind contribution imported into Ukraine for the company's charter fund. Some restrictions do apply and import duties must be paid if the enterprise sells, transfers, or otherwise disposes of the property. Ukraine also offers generous depreciation rates for most fixed assets, including property, plant, and equipment for both foreign and domestic investors.

### Foreign Trade Zones/Free Ports/Trade Facilitation

Ukraine does not maintain special or free economic zones (SEZs-FEZs).

### Performance and Data Localization Requirements

In most cases, Ukrainian laws regulating employment apply to foreign nationals in Ukraine. There are a few exceptions to this rule related to foreign nationals working for other foreign organizations, such as diplomatic missions or international organizations. In other cases, a Ukrainian employer and a foreign national employee cannot choose a foreign law to govern the employment contract.

Citizens of EU countries, the United States, Canada, Japan and some other countries do not require a visa to enter Ukraine for a stay up to 90 days within a 180-day period. The list of countries and respective visa requirements are available on the website of the Ministry of Foreign Affairs of Ukraine (<http://mfa.gov.ua/en>). Citizens of other countries wishing to formalize their employment relations in Ukraine must obtain a long-term type D visa.

An employer wishing to employ a foreign national must obtain a work permit for this person. Authorities issue work permits on a case-by-case basis, for a particular applicant and a particular position in a company. A work permit is normally issued for the period of employment indicated in the employment contract, but for not more than one year. A work permit can be renewed for the same term, for an unlimited number of times and free of charge.

A foreign citizen with a valid work permit must normally spend more than 90 days within a 180-day period in Ukraine. When this occurs, the foreign national can obtain a temporary residence certificate. The temporary residence certificate is issued for a term of one year and can be renewed for consecutive terms.

There are no age or nationality restrictions on who can be a manager or company director in the private sector.

Ukraine has no forced localization policies or requirements for foreign IT providers to turn over any source code or provide backdoors into hardware or software applications. Ukraine's overall regulation of IT infrastructure and Internet Service Providers is largely free and unregulated.

The regulatory framework for processing personal data in Ukraine is generally aligned with the Convention for the Protection of Individuals with Regard to Automated Processing of Personal Data of 1981 adopted by the Council of Europe. Ukraine adopted a law in 2011 on protection of personal data, which is based on the framework EU Directive 95/46/EC. The EU-Ukraine AA requires Ukraine to revise legislation on personal data protection to bring it in compliance with the EU's General Data Protection Regulation (GDPR). The adoption of regulations harmonized with the EU's GDPR in Ukraine is expected by the end of 2018.

Government Agencies involved in personal data protection are:

- The Ukrainian Parliament's Commissioner for Human Rights (regarding control over processing of personal data);
- The State Service of Ukraine for Special Communications and Information Protection (regarding protection of e-signatures and other encrypted information);
- The National Commission for State Regulation of Communications and Information (regarding issues related to regulation of internet access).

Under Article II, clause 6 of the Bilateral Investment Treaty between the United States and Ukraine, neither Party shall impose performance requirements as a condition of establishment, expansion or maintenance of investments, which require or enforce commitments to export goods produced, or which specify that goods or services must be purchased locally, or which impose any other similar requirements.

## **Protection of Property Rights**

### Real Property

Ukraine has a regulatory framework protecting property interests, as well as mortgages and liens. The record system is generally reliable and maintained by the Ministry of Justice. Still, judicial reform is needed to ensure efficient enforcement of property rights. Ukrainian media estimates that 5 percent of land in Ukraine does not have clear title. The government in 2017 ordered the transfer of the State Land Cadaster to blockchain technology in order to allow for reliable data synchronization, which will prevent data manipulation and improve control over the system.

### Intellectual Property Rights

While the Government of Ukraine has demonstrated some limited progress in IPR reforms to date, Ukraine continues to have serious IPR challenges. The U.S. Trade Representative has placed Ukraine on the Priority Watch List since 2017. Three main IPR concerns are: nontransparent administration of collecting and distributing royalties to U.S. and other rights holders; widespread use of unlicensed software by government institutions; and failure to combat widespread online copyright infringement. In 2017, the USG announced a partial suspension of Generalized System of Preferences benefits due to Ukraine's inability to address IP issues.

Large internet pirate sites are still operating in Ukraine, though cyber police investigators opened 18 criminal digital piracy investigations in 2017, and 45 pirate sites were closed by the police or sites' owners. Police investigators told post that courts dismissed many of their cases, and the sites reopened. There was not a single online piracy-related conviction in Ukraine in 2017. Ukraine improved its anti-piracy legislative framework in 2017. In particular, the Law on State Support of Cinematography criminalized unauthorized recording of copyrighted works, as well as the financing of pirating operations. The new law also established detailed procedures and timelines for takedown notices and responses. Its proper enforcement would considerably improve regulation of the online environment in Ukraine.

In the area of software piracy, the Government of Ukraine continued limited efforts to license the business software it uses. The government plans to allocate USD 28 million for legalization measures, up from USD 5.6 million in 2017. The government admits that 35 percent of software in government ministries and enterprises in 2017 was unlicensed, although this is down from 40 percent in 2016.

In addition to digital piracy, Ukraine's many open-air markets continue to sell illegally copied music, films, and entertainment software. Other counterfeit goods, including products containing protected trademarks, also remain readily available. Industry experts reported that criminal prosecution for selling counterfeit goods are

stalled and ineffective, and that seized goods are not disposed of or released in a timely manner. The government does not provide public statistics on seizures of counterfeit goods.

A number of rogue collective management organizations (CMOs), out of 19 total, continue to operate freely in Ukraine, collecting royalties but not distributing those royalties to any legitimate rights holders. Industry representatives estimate that the majority of broadcast and public performance market places are unlicensed. As of April 2018, parliamentarians were close to passing a CMO reform law.

Civil IPR lawsuits remain rare because of a general lack of confidence in Ukraine's legal system, and because few judges are properly trained in IPR law. In October 2017, the Verkhovna Rada established a dedicated high court for intellectual property cases. Once the court is fully functioning, it should provide a forum for IPR cases heard by specially selected and trained judges. Appeals will be considered by the Appellate Chamber of the IP court, while the Commercial Cassation Court of the Supreme Court will consider appeals from the IP Appellate Chamber.

## **Financial Sector**

### Capital Markets and Portfolio Investment

The capital market for portfolio investment is small and lacks liquidity. The local institutional investment sector, including private pension investment, is weak. A foreign investor may open an account in a bank operating in Ukraine and transfer in funds for further investment, or invest directly to an account of a Ukrainian resident company. In 2017, the National Bank of Ukraine began allowing foreign investors to use escrow accounts to make investments in Ukraine. Only Ukrainian-licensed securities traders may handle securities transactions (subject to certain exceptions). In 2014, the National Bank temporarily banned the transfer of receipts from the sale of securities of Ukrainian issuers into foreign currency, with the exception of securities traded at stock exchanges. The measure was set to expire in June 2016, but remains in place.

Ukraine's capital market includes nine operational privately-owned stock exchanges, including five licensed exchanges, hundreds of commodity exchanges, two central securities depositaries, and one settlement center. In addition, some of the exchanges offer clearing services for derivatives.

Credit is largely allocated on market terms and foreign investors are able to get credit on the local market, utilizing a variety of credit instruments, though interest rates remain high. The market environment has long lacked transparency; enforcement of key laws and regulations has been weak; and investors, both domestic and foreign, continue to face significant uncertainty.

### Money and Banking System

Ukraine's banking sector has seen remarkable progress following the 2014-2015 crisis thanks in large part to the authorities' banking sector cleanup, resulting in the closure of 90 banks for insolvency or for money laundering activities. The banking sector's recovered net assets grew by 6.4 percent to USD 50 billion in 2017, with nearly all key performance indicators of financial institutions improving. In 2017, 14 banks left the market, of which four became non-bank financial companies and one merged with another bank. Concentration in the banking sector increased by 1.3 percent, with the top 20 banks accounting for 90.7 percent of net assets.

The market share of state-owned banks (Privatbank, Ukreximbank, Ukrgasbank and Oshchadbank) in terms of net assets rose by 3.6 percent to nearly 55 percent. Due to significant provisioning, the banking sector booked losses of USD 920 million in 2017. The number of loss-making banks decreased from 33 in 2016 to 18 in 2017. The losses were mostly generated by PrivatBank, which was nationalized in December 2016, and two banks with Russian capital that faced sanctions from the government. In 2015, the government impose sanctions on

five Ukrainian banks with Russian state capital: Sberbank PJSC, VS Bank PJSC, Prominvestbank PJSC, VTB Bank PJSC, and BM Bank PJSC. The sanctions prohibit these banks from transferring capital outside the territory of Ukraine in favor of any affiliated entities.

Since July 2017, the share of non-performing loans (NPLs) has been decreasing in all groups of banks, apart from PrivatBank. As of the reporting period, the shares of NPLs stood at 55.6 percent in state-owned banks (apart from PrivatBank, where it has increased sharply to 87.6 percent), 41 percent in foreign banks, and 27.2 percent in privately owned banks. In 2017, the banks' total liabilities increased by 3.6 percent to USD 44 billion.

Foreign-licensed banks may carry out all activities conducted by domestic banks, and there is no ceiling on participation in the banking system, including operating via subsidiaries. A foreign company can open a bank account in Ukraine for the purposes of investment operations, otherwise it needs to register a representative office in Ukraine. A nonresident private person can open a bank account in Ukraine.

#### Foreign Exchange and Remittances

The National Bank in 2017 continued to liberalize currency controls and restrictions on dividend repatriation, which were put in place to stabilize the Ukrainian foreign exchange market during the 2014 economic crisis. In particular, the National Bank relaxed some restrictions on repatriation of investment proceeds, cross-border lending, and restrictions on individuals transferring money from Ukraine for non-trading operations. In addition, the National Bank amended the rules for registering cross-border loans of Ukrainian borrowers such that a Ukrainian bank, responsible for the registration of a cross-border loan with the National Bank, will be required to establish the ultimate beneficial owners of each foreign lender under such loan before submitting the documents for registration. The National Bank also decreased the mandatory foreign currency sales share from 65 to 50 percent, originally imposed to safeguard the stability of the foreign exchange market. Certain restrictions are likely to remain in place until the Ukrainian economy further strengthens, allowing the National Bank to further liberalize currency controls.

The National Bank in early 2018 revised its methodology for calculating remittances, factoring in the new data on labor migration and estimates by the central banks of Poland and Russia —the two largest sources of remittances to Ukraine. The improved methodology revealed an average USD 2 billion more in remittances inflows each year, in particular: USD 7 billion in 2015, USD 7.5 billion in 2016 and USD 9.3 billion in 2017.

#### Sovereign Wealth Funds

Ukraine does not maintain or operate a sovereign wealth fund.

#### **State-Owned Enterprises**

The Government of Ukraine operates 1,833 SOEs out of 3,350 registered SOEs, with an economic output of approximately 10 percent of GDP. SOEs, which are defined as companies in which the state owns at least 50 percent +1 share, employ 900,000 people. SOEs are active in areas such as energy, machine-building, and infrastructure. There is no common public list of all SOEs in Ukraine. Each Ministry publishes a list of SOEs under its management.

The corporate governance law, which entered into force in 2016, requires SOEs to publicize their annual financial reports on their official websites, including information on financial indicators, officials, transactions, etc. SOEs must also publish their annual financial statements and audits.

The majority of SOEs rely on government subsidies to function and cannot directly compete with private firms. Most of the SOEs capable of making a profit have already been privatized, leaving mainly inefficient firms in

government hands. The Government of Ukraine heavily subsidized its SOEs (especially in the coal mining, rail transportation, gas, and communal heating sectors) and has supported debts of many SOEs with sovereign loan guarantees. SOE access to extensions of tax payment deadlines remains nontransparent, especially where SOEs are directed to sell their products at below-market prices.

SOE senior managers traditionally report directly to the relevant ministry. Ukrainian law specifies that ministries are not permitted to interfere with the daily economic activities of an SOE, but anecdotal reports indicate that this restriction is often ignored. Ministries have the power to decide on the creation, reorganization, and liquidation of SOEs; adopt and enforce SOE charters; conclude and cancel contracts with SOE executives; grant permission to the State Property Fund to create joint ventures with state property; and prepare proposals to divide state property between the national and municipal levels. Amendments from 2015 to the Law on Joint-Stock Companies enabled owners of 50 percent +1 share in a company to call shareholder meetings.

#### Privatization Program

On March 7, 2018 a new law on privatization of state property, aimed at attracting more investors, came into force in Ukraine. The legislation allows investors to settle disputes under international law, makes it obligatory to employ international advisers for the sale of larger firms, and also bans Russian and offshore companies from participating in privatizations.

In addition to the sale of large SOEs, Ukraine plans to privatize about 600 small SOEs in 2018. Assets assessed at less than USD 10 million—generally real estate and small businesses—will be sold at electronic auction, using the ProZorro Sales platform.

The State Property Fund oversees privatizations. Privatization rules generally apply to both foreign and domestic investors and, on paper, a relatively level playing field exists. Observers note numerous instances of past privatizations adjusted to fit a pre-selected bidder. The government has stated that there will be no revisions of past privatizations. Still, some court cases have surfaced wherein private companies are challenging earlier privatizations. In 2017 the budget received approximately USD 125 million from privatizations, which was 20 percent of the original plan, but still the best result in recent years.

#### **Responsible Business Conduct**

There is limited but growing awareness in Ukraine of internationally accepted standards for responsible business conduct, including corporate social responsibility (CSR). Primary drivers for the introduction of these standards have been Ukraine's vibrant civil society, international companies and investors, and efforts by business associations such as the American Chamber of Commerce and the European Business Association. The Government of Ukraine has put in place corporate governance standards to protect shareholders, however, these are voluntary.

On March 15, 2017, Ukraine became the 47th country to adhere to the OECD Declaration and Decisions on International Investment and Multinational Enterprises. Ukraine established its National Contact Point in 2016 under the Ministry of Economic Development and Trade, with an official website due to launch in April 2018.

There are independent NGOs, investment funds, worker organizations/unions, and business associations promoting or monitoring responsible business conduct. Post is aware of the NGO Center "Development of Corporate Social Responsibility" (CSR, <http://csr-ukraine.org/>) along with joint projects on development of corporate social responsibility involving NGOs and charity organizations. The Embassy is not aware of cases of sanctions or restrictions on such activities.

Ukraine has been a member of the Extractive Industries Transparency Initiative (EITI) since 2013. Participation by companies in Ukraine, however, is still voluntary. Ukraine has not joined the Voluntary Principles on Security and Human Rights.

## **Corruption**

Ukraine has numerous laws to combat corruption by public officials, and following the Revolution of Dignity in 2014 the government launched new anti-corruption institutions, including the National Anti-Corruption Bureau (NABU) to investigate corruption by public officials, the Special Anti-Corruption Prosecutor's Office (SAP), and the National Agency for Prevention of Corruption (NAPC). In addition, a law mandated that public officials declare their assets on a publicly viewable online system. These new institutions, however, have had an uneven track record. After the successful 2016 launch of the asset declaration system for public officials, the NAPC failed to fulfill its mandate to verify officials' declarations and to fairly manage political party finance reporting. NABU and SAP have taken 107 corruption cases to court since 2015, including indictments of high-level officials, but have failed to obtain a single conviction as cases became mired in court proceedings. The Verkhovna Rada at the time of this report was considering draft legislation to establish a specialized anti-corruption court, which is an IMF program condition.

Foreign businesses, including U.S. companies, continue to identify corruption in many sectors as a significant obstacle to FDI. Reform of public procurement has been a success story, with the introduction of the online ProZorro system providing transparency for most procurement, except in the defense sector, which remains non-transparent and a continuing source of corruption. The energy sector has seen some improvements, including on-going reforms at the large oil and gas SOE Naftogaz, but participants in the sector continue to complain of significant corruption. There are also allegations of corruption at SOEs in a variety of sectors.

There are a number of NGOs actively involved in investigating corruption and advocating for anti-corruption measures. In 2017, the Verkhovna Rada passed a law with broad requirements for non-governmental individuals engaged in anti-corruption activities to file public asset declarations, which activists fear could undermine their advocacy and be used to increase law enforcement harassment of their activities. The declaration requirements for anti-corruption activists went into effect in early 2018, despite calls from the international community for the Verkhovna Rada to scrap the requirement.

### Resources to Report Corruption

NABU, established in October 2014, is the appropriate resource for the reporting of high-level corruption.

Government of Ukraine contact for combating corruption:

Mr. Artem Sytnyk, Director  
National Anti-Corruption Bureau  
3, Vasyl Surikov St, Kyiv, Ukraine 03035  
Hot-line: 0-800-503-200  
[info@nabu.gov.ua](mailto:info@nabu.gov.ua)  
Corruption Reporting eForm:  
<http://nabu.gov.ua/povidomlennya-pro-kryiminalne-pravoporushennya>

Contact at Transparency International:

Mr. Yaroslav Yuchyshyn  
Executive Director  
Transparency International Ukraine

2A provulok Kostia Hordiiienka, 1st floor, Kyiv, Ukraine 01024  
+38(044) 360-52-42  
[office@ti-ukraine.org](mailto:office@ti-ukraine.org)

### **Political and Security Environment**

The military conflict continues in parts of Donetsk and Luhansk oblasts between Ukrainian government troops and forces that Russia leads, arms, and funds. Residents of Russia-controlled areas are subject to political violence at the hands of Russia's proxy authorities. Civilian casualties occur regularly due to landmines and shelling, as fighting occurs in and around major population centers. Infrastructure for water, gas, and electricity are also frequently damaged by fighting. Ukraine lacks control over 500 km of its border in Donetsk and Luhansk, allowing Russia to freely supply its proxies with equipment, weapons, and soldiers. Russia continues its illegal occupation of the Autonomous Republic of Crimea and the City of Sevastopol.

There were several protests and demonstrations during 2017 against the government, mainly evoking populist messaging against economic conditions in the country and perceptions of the government failing to fight corruption. These protests, however, have generally been peaceful with few instances of violence. Politically, the country's ruling coalition remains in power, albeit legislatively the coalition often needs support from opposition parties to pass important legislation. Political campaigns are beginning to increase in preparation for the 2019 presidential and parliamentary elections.

### **Labor Policies and Practices**

Ukraine has a well-educated and skilled labor force of about 26 million people with a nearly 100 percent literacy rate. As of December 2017, the unemployment rate of the population aged 15-70 (ILO methodology) averaged 9.5 percent, and the unemployment rate of the population of working age individuals averaged 9.9 percent, although unemployment in some regions, particularly in western Ukraine and central Ukraine, was significantly higher. In December 2017, the unemployment insurance allotted to each worker amounted to USD 85 per month. Unemployment increased in 2017 in the industrial eastern regions, and many big enterprises faced lay-offs due to severe economic challenges, including the loss of access to Russian and CIS markets. In addition, some enterprises were destroyed, robbed, dismantled, and shipped to Russian territory.

Wages in Ukraine remain low by Western standards. As of January 1, 2018, the minimum monthly wage for private-sector workers was USD 140. In December 2017, the nominal average monthly wage increased by 35.5 percent year-on-year to USD 328, while the real average wage increased by 11.6 percent year-on-year during the same period. The highest wages are traditionally in the financial and aviation sectors; the lowest wages are paid to agricultural and public health workers.

Ukrainian law allows workers to organize, and unions are prevalent in most industries. The law provides most workers with the right to form and join independent unions and to bargain collectively without previous authorization. By law, trade unions are equal, and a union's establishment does not require government permission. Within classic sectors of the economy, sector-specific collective bargaining agreements involve representative employers' associations (e.g., chemical employers), sector trade unions, and some participation of the government through the Ministry of Social Policy. Such agreements can also take place at the regional level.

The independence of unions from government or employer control, however, has been disputed by certain labor groups. Independent trade unions alleged that the country's largest trade union confederation, the Federation of Trade Unions of Ukraine (FPU), enjoyed a cozy relationship with employers and members of some political parties. Unions not affiliated with the FPU were denied a share of disputed trade union assets

inherited by the FPU from Soviet-era unions. There were cases of workers, who renounced membership in an FPU-affiliated union and joined a new union, facing loss of pay, undesirable work assignments, and dismissal.

During 2017, the State Labor Service and its predecessor, the State Labor Inspectorate, was responsible for enforcing labor laws. Inspectors were limited in number and funding. Although the Government of Ukraine renewed planned and unplanned labor inspections in 2016, the number of completed inspections continued to fall, and experts assessed the number to be inadequate relative to the size of the Ukrainian economy.

The law provides for the right to strike “to defend one’s economic and social interests,” as long as strikes do not jeopardize national security, public health, or the rights and liberties of others; the government generally respects this right. It does not extend the right to strike to personnel of the Prosecutor General’s Office, the judiciary, armed forces, security services, law enforcement agencies, the transportation sector, or public servants. Workers who strike in prohibited sectors may receive prison terms of up to three years. A new law established the National Mediation and Reconciliation Service (NMRS) to mediate labor disputes. According to official Ukrainian statistics, during 2017 the NMRS resolved 216 labor disputes, which involved 1.5 million employees and 6,767 economic entities.

### **OPIC and Other Investment Insurance Programs**

The U.S.-Ukraine Overseas Private Investment Corporation (OPIC) Agreement was signed in Washington in 1992. OPIC currently provides political risk insurance to several U.S. companies operating in Ukraine and has the capacity to insure other U.S. eligible investors if such coverage is sought. Ukraine is a member of the Multilateral Investment Guarantee Agency (MIGA). OPIC has an active pipeline of projects in Ukraine across various sectors. OPIC’s projects through FY 2016 and 2017 totaled USD 865 million, with a number of potential projects in the early stages.

### **Foreign Direct Investment and Foreign Portfolio Investment Statistics**

In previous years, Ukraine’s FDI growth was driven partly by recapitalization of domestic banks when banks conducted operations of converting debt into equity. According to the National Bank of Ukraine, net inflow of FDI to Ukraine in 2017 was USD 2.3 billion or 2.1 percent of GDP (USD 1.8 billion excluding banks recapitalization), falling from USD 3.4 billion in 2016 and bringing the total FDI stock to USD 39.1 billion.

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

|   | Host Country Statistical Source |         | USG or International Statistical Source |        | USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other  |
|---|---------------------------------|---------|---|--------|---|
| Economic Data                                     | Year                            | Amount  | Year                                    | Amount |   |
| Host Country Gross Domestic Product (GDP) (M USD) | 2017                            | 113,752 | 2016                                    | 90,620 | <a href="https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/index.aspx">https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/index.aspx</a> |
| Foreign Direct Investment                         | Host Country Statistical Source |         | USG or International Statistical Source |        | USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other  |
| U.S. FDI in                                       | 2017                            | 539     | N/A                                     |        | BEA data available at <a href="http://bea.gov/international/direct_">http://bea.gov/international/direct_</a>   |

|  |     |     |   |
|--|-----|-----|---|
| Partner Country (M USD, stock positions)                         |     |     | investment_multinational_companies_comprehensive_data.htm   |
| Host Country's FDI in the United States (M USD, stock positions) | N/A | N/A | BEA data available at <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a> |
| Total Inbound Stock of FDI as % host GDP                         | N/A | N/A | N/A   |

Table 3: Sources and Destination of FDI

| Direct Investment from/in Counterpart Economy Data                                  |        |        |                                       |       |      |
|---|--------|--------|---------------------------------------|-------|------|
| From Top Five Sources/To Top Five Destinations <i>(in millions of U.S. Dollars)</i> |        |        |                                       |       |      |
| Inward Direct Investment (2016, IMF)  |        |        | Outward Direct Investment (2017, NBU) |       |      |
| Total*  | 27,481 | 100%   | Total Outward                         | 8,156 | 100% |
| Netherlands   | 6,333  | 23.0%  | Cyprus                                | 5,932 | N/A  |
| Cyprus  | 4,112  | 14.96% | Russia                                | 151.0 | N/A  |
| Germany   | 2,789  | 10.15% | Latvia                                | 75.2  | N/A  |
| UK  | 1,791  | 6.52%  | Virgin Isl.                           | 61.0  | N/A  |
| France  | 1,396  | 5.08%  | Hungary                               | 17.5  | N/A  |

"0" reflects amounts rounded to +/- USD 500,000.

\*Inward investment data are from the IMF, but is far less than the National Bank of Ukraine (NBU)'s inward investment calculation of USD 48.858 billion in 2016 and USD 51.653 billion in 2017 (which is closer to the USD 47.777 billion figure cited in the 2017 ICS. The IMF's CDIS data do not include information on outward direct investment from Ukraine.

Table 4: Sources of Portfolio Investment

| Portfolio Investment Assets, June 2017, million USD |    |      |                          |   |      |                              |    |      |
|---|----|------|--------------------------|---|------|------------------------------|----|------|
| Total *   |    |      | Equity Securities (2017) |   |      | Total Debt Securities (2017) |    |      |
| All Countries                                       | 98 | 100% | Total                    | 1 | 100% | Total                        | 97 | 100% |

|               |    |       |     |   |      |               |    |       |
|---------------|----|-------|-----|---|------|---------------|----|-------|
| Cyprus        | 66 | 67.3% | USA | 1 | 100% | Cyprus        | 66 | 68.0% |
| UK            | 29 | 29.6% |     |   |      | UK            | 29 | 29.9% |
| USA           | 1  | 1.0%  |     |   |      | Not Specified | 3  | 3.1%  |
| Not Specified | 3  | 3.1%  |     |   |      |               |    |       |

\*IMF data match those provided by the National Bank of Ukraine (NBU), though NBU indicates information is current as of December 31, 2017. Ukrainian nationals and firms may be the ultimate beneficial owners of a large percentage of the assets, nearly all of which held by non-financial corporations and households in Cyprus and UK.

**Contact for More Information**

Valeria  
Economic  
U.S.  
[SolanoLV@state.gov](mailto:SolanoLV@state.gov)

Embassy

Kyiv,

Solano  
Officer  
Ukraine

## **Trade & Project Financing**

### **Methods of Payment**

Payment methods and terms vary depending upon the U.S. company's business model and relationship with its Ukrainian trading partner. For new-to-market companies, requesting advance payment for goods and services from a Ukrainian customer may be a prudent course to follow until both parties establish a record of payment. While all internationally acceptable forms of payment are available in Ukraine (e.g. checks, bills of exchange, letters of credit, and collection arrangements), the recommended method of receiving payment for U.S. exports is through an irrevocable letter of credit.

Payment transfers in foreign currencies are made either through a cover at a foreign partner-bank or the International Settlements Department of the National Bank of Ukraine (NBU). The EBRD trade finance partners in Ukraine are Credit Agricole Ukraine, Oschadbank, OTP Bank, Raiffeisen Bank Aval, State Export-Import Bank of Ukraine, Ukrsibbank. To conduct hard currency transactions a bank has to be authorized by the NBU. All authorized Ukrainian commercial banks are members of SWIFT (Society for Worldwide Interbank Financial Telecommunications).

Ukrainian legislation allows settlement under export or import contracts between a Ukrainian resident and a non-resident to be carried out in foreign currency as well as in hryvnia. On June 21, 2018, Draft Law 8152 on 'Foreign Currency' was issued lifting this restriction on export-import contracts, and will come in force in six months after publication. Goods prepaid by a Ukrainian resident in foreign currency, under an import contract concluded with a non-resident, must be imported and cleared through the Ukrainian customs within a 120-day term from the date on which such resident's prepayment was made. Also, 50 percent of foreign currency proceeds of individual entrepreneurs, legal entities, and foreign representative offices are subject to the mandatory sale for (conversion into) hryvnia.

### **Banking Systems**

The Ukrainian banking sector has a two-tier structure made up of the National Bank of Ukraine (NBU) and commercial banks of various types and forms of ownership. The NBU is responsible for monetary policy, licensing of commercial banks, and the oversight of their activities. Current Ukrainian legislation distinguishes between "universal" (general) commercial banks and "specialized" commercial banks, with the latter including savings, investment, mortgage, and settlement (clearing) banks. A commercial bank carries out its banking activities under a banking license issued by the NBU.

In 2017, fourteen banks were liquidated. As a result, in early 2018, there were 82 solvent banks in Ukraine. According to the NBU data, in 2017 total bank assets in Ukraine grew by 8.2% to UAH 1,336 billion. This resulted primarily from injections of additional capital into state-owned banks and the consequent increase in their domestic government bond portfolios. The state's share of total banking assets reached nearly 55 percent. Foreign capital represented 31 percent of the total capital in the banking sector. The locally owned private banks accounted for the remaining 14 percent of the asset base.

### **Foreign Exchange Controls**

In December 2014, the government implemented several temporary "anti-crisis" currency restrictions aimed at regulating the foreign currency exchange market and preventing capital outflows from Ukraine. In 2017 and 2018 the NBU gradually liberalized these restrictions to:

- Decrease the mandatory sale of foreign currency proceeds received from foreign entities (except banks) from 75 to 50 percent.
- Partially lift the ban on the repatriation of unrestricted dividends for 2017, allowing companies to repatriate up to \$7 million per company per month.

- Ukrainian borrowers are no longer required to sell 50 percent of the foreign currency proceeds that they receive in connection with cross-border loans for the purposes of refinancing existings loans or loans from non-residents or Ukrainian banks.
- Ukrainian borrowers are now allowed to make early repayments of cross-border loans in an amount of up to \$2 million per month.

On July 4, 2018, the President of Ukraine signed a new Law on Foreign Currency. The law will come in force in six months after publication. This law will liberalize the foreign currency regulations and allow:

- Ukrainians to invest abroad without any individual licenses,
- Lift the administrative pressure on banks and its clients,
- Eliminate extra foreign currency control on transactions of UAH 150 000 or less, and
- Remove the penalties for violating foreign currency regulations

The new Law will correspond to EU principles and allow the free flow of capital in the future.

### **US Banks & Local Correspondent Banks**

Citi Bank is the only American bank currently operating in Ukraine. The bank is located at the address: 16-G Delovaya Street, Kyiv; Tel.: +38 (044) 490-10-00.

### **Project Financing**

The Export-Import Bank of the United States of America (Exim Bank) typically supports short-term and medium-term transactions in both the public and private sectors. In past years, Exim Bank supported U.S. exports in the agricultural, metallurgical, information technology and the telecommunications sectors in Ukraine. In June 2014, however, Exim Bank’s board of directors suspended consideration of new transactions in Ukraine until further notice when it enacted an Administrative Hold on transactions in Ukraine. This suspension is due to the uncertainty of repayment caused by Ukraine’s current economic crisis and the Russian-backed conflict in eastern Ukraine. This administrative hold will remain in place until Exim is able to evaluate with a high degree of confidence that transactions in Ukraine have a “reasonable assurance of repayment” over the short to medium term. Exim Bank is continually monitoring the credit situation in Ukraine, as it does in every market in which it operates, and will advise its clients of any further changes in its posture as they occur.

Multilateral Development Banks:

The European Bank for Reconstruction and Development (EBRD) is the single largest foreign investor in Ukraine. With debt and equity investments in the financial sector for small and medium sized businesses, food production and processing enterprises, municipal and state infrastructure and transport, agricultural machinery, and electric and nuclear power generation. It is important to note that the U.S. is the single largest investor in the EBRD. As of today, the cumulative EBRD investment in Ukraine amounts €12,161 million and current investment portfolio is around €3,749 million. In 2016-2017 EBRD invested €1,321million in Ukraine in total. In 2018, the bank plans to expand its investments in projects in Ukraine up to € 1 billion.

The World Bank provides loans and grants in the central government, agriculture, energy, trade and services, banking institutions, public administration, environmental protection, healthcare, as well as private sector development. Since Ukraine joined the World Bank in 1992, Bank commitments to the country have totaled \$12 billion in 98 projects and programs. Since May 2014, the World Bank Group has provided a total of more than \$5 billion to Ukraine (including four development policy loans, seven investment operations and one guarantee) from the International Bank for Reconstruction and Development. The World Bank’s current investment project portfolio in Ukraine amounts to about \$2.5 billion.

The International Finance Corporation (IFC) is a leading investor in agriculture private sector in Ukraine and has invested more than \$1 billion in the last seven years. Through a combination of investment and advisory services IFC continues to partner with clients in strategic sectors crucial for Ukraine's sustainable development, and with a particular focus on agribusiness, infrastructure, energy efficiency/cleaner production, and financial markets. IFC has invested over \$3.2 billion, including \$918 million in syndicated loans, in 92 projects across a variety of sectors. In fiscal year 2014, IFC's commitments to Ukraine totaled about \$470 million, including mobilization. In 2017, IFC invested \$15 million of equity in Emerging Market Europe Growth Fund III, a closed-end private equity fund from Ukraine with a target size of \$150 million. Based in Ukraine and having an investment focus around the region, the fund will be managed by Horizon Capital Associates III.

### **Financing Web Resources**

**[U.S. Export Import Bank](#)**

**[EBRD](#)**

**[World Bank](#)**

**[IFC](#)**

## **Business Travel**

### **Business Customs**

Relationships are crucial in Ukrainian culture, and as a result, it is advisable to discuss important face-to-face. The format and mood of business meetings greatly depend upon the size of the Ukrainian company and its previous experience with foreign business representatives. Regardless of size, all companies will observe the niceties, offering coffee, tea, water, and thank you for the meeting.

Taking into consideration the language barrier and the importance of body language, finding an interpreter you know and trust is imperative to ensure that the message you wish to convey to prospective business partners or clients is accurate. Take your hints from your counterparts. Be prepared with a meeting agenda, be on time or apologize if you are late. Be flexible, but firm in your objectives and ask questions if you aren't clear on something under discussion.

It is polite to give at least one week's notice when requesting a meeting. Appointments should be reconfirmed shortly before the meeting day.

For additional tips on conducting effective business meetings in Ukraine, please read the U.S. Commercial Service in Ukraine's "Tips for Effective Business Meeting in Ukraine" [https://build.export.gov/build/groups/public/@eg\\_ua/documents/webcontent/eg\\_ua\\_100830.pdf](https://build.export.gov/build/groups/public/@eg_ua/documents/webcontent/eg_ua_100830.pdf)

Background Notes are available on the U.S. Department of State's Travel & Business website: <http://www.state.gov/r/pa/ei/bgn/3211.htm>

Background information on Ukrainian culture and traditions is also available at the Embassy of Ukraine (in Washington D.C.) website: <https://usa.mfa.gov.ua/en>

### **Travel Advisory**

Please review the Consular Information Sheet available on the U.S. Department of State's Bureau of Consular affairs web site for the latest travel advisories: <http://travel.state.gov/content/passports/english/country/ukraine.html>

U.S. citizens are urged to follow the guidance in the Travel Warning for Ukraine and defer all travel to the eastern regions of Donetsk and Luhansk and the Crimean Peninsula at this time: <https://travel.state.gov/content/passports/en/alertswarnings/ukraine-travel-warning.html>

Despite the signing of a ceasefire agreement in September 2014, violent clashes between Russia-backed separatists and Ukrainian forces continue in parts of the eastern regions of Donetsk and Luhansk, resulting in thousands of injuries and deaths. In addition, Russian military forces continue to occupy the Crimean Peninsula and are present on the eastern border of Ukraine.

The Federal Aviation Administration (FAA) prohibits U.S. civil aviation from flying in the Ukrainian Simferopol (UKFV) and Dnepropetrovsk (UKDV) Flight Information Regions. This prohibition remains in effect. For additional background information regarding FAA flight prohibitions and advisories for U.S. civil aviation, consult the FAA's Prohibitions, Restrictions and Notices web page.

U.S. citizens living or traveling in Ukraine are strongly encouraged to enroll in the Department of State's Smart Traveler Enrollment Program (STEP) to receive the latest travel updates and to obtain updated information on security within Ukraine: <https://step.state.gov/step/>. By enrolling, U.S. citizens make it easier for the Embassy to contact them in case of an emergency.

## Visa Requirements

A passport valid for six months beyond the planned date of travel is required for entry to Ukraine. U.S. citizens do not need a Ukrainian visa as long as their stay in Ukraine does not exceed 90 days and the purpose of travel is tourism, private travel, or business.

U.S. citizens whose stay in Ukraine exceeds 90 days must have a visa. U.S. citizens also must have an appropriate visa regardless of the length of stay if their purpose of travel is other than tourism, private travel, or business. The Government of Ukraine does not issue visas at its borders or ports of entry. Visas must be obtained from a Ukrainian embassy or consulate abroad. For additional information about Ukrainian visas and related policies, please contact the Ukrainian Embassy or Consulate nearest you.

- Embassy of Ukraine in Washington D.C: <http://usa.mfa.gov.ua/en>
- Consulate General of Ukraine in New York: <http://ny.mfa.gov.ua/en>
- Consulate General of Ukraine in San Francisco: <http://ny.mfa.gov.ua/en/index/city/id/89>
- Consulate General of Ukraine in Chicago: <http://ny.mfa.gov.ua/en/index/city/id/30>

U.S. Companies that require travel of foreign business persons to the U.S. should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links. State Department Visa Website: <https://travel.state.gov/content/travel/en/us-visas.html>

For more details please visit the U.S. Embassy Ukraine's web site: <https://ua.usembassy.gov/u-s-citizen-services/>

## Currency

The currency of Ukraine is the hryvnia (UAH), pronounced GREEV-NA. There are 100 kopecks in a hryvnia. The hryvnia is not fixed to the dollar or any other currency. For current exchange rates please visit: <http://www.xe.com/currency/uah-ukrainian-hryvnia>

You cannot use foreign currency for transactions in Ukraine. You will need to change your money at an exchange point, of which there are multiple in large and small towns alike. Exchange rates will be clearly displayed on boards outside of the exchanges. Remember to bring crisp, clean bills to exchange, as old and damaged currency will not be accepted at exchange points. Ukrainian currency is nearly impossible to exchange outside of Ukraine, so make sure to change your money back to dollars before leaving.

ATMs are commonplace in major cities, but it is best to avoid using ATMs outside of the U.S. embassy in Ukraine due to high levels of fraud and identity theft associated with using these machines in Ukraine. Credit cards are also widely accepted in Ukraine, but for the same reasons it is not advisable to use ATMs, do not use your credit cards outside of globally branded hotels.

## Telecommunications/Electric

Includes information on internet accessibility, the cellular phone technology in use, which U.S. cell phone services work in this country, the prevalence of Wi-Fi in hotels, what types of voltage and plugs are used, and other technological information of interest to U.S. businesses please visit the following web sites:

<http://www.visitkievukraine.com/essential/internet/>

<https://www.power-plugs-sockets.com/ukraine/>

For telephone service information please visit:

<https://www.howtocallabroad.com/ukraine/>

Phone codes for Ukrainian cities and regions are available on the following web sites:

<http://www.visitkievukraine.com/essential/ukraine-area-codes/>

<http://www.brama.com/ukraine/citycode.html>

## **Transportation**

City bus and trolleybus services in Kyiv are inexpensive, cold in the winter and hot in the summer, and can be crowded and slow at times. If you aren't familiar with the city and do not read Cyrillic, it is best to take a taxi.

The Metro (subway/local train) is probably the quickest public transport method and a bargain. Metro tokens can be purchased at individual stations; monthly passes are available at transportation kiosks. Metro maps are available at <http://www.metro.kiev.ua/node/101>.

As mentioned, taxi service is probably the most efficient form of transportation within the city. Private cars can also be hired for a reasonable price; however most drivers do not speak English. Be sure to agree on a price beforehand. You may order a taxi by phone.

Taxi services are listed at <http://www.go2kiev.com/view/taxi.html> and <http://www.kievtaxi.com.ua/>. UBER has also been available in Ukraine since July 2016.

Car rental services are offered by both U.S. and European Car rental companies:

- Avis (<http://www.avis.com.ua/avisonline/ua-gb/avis.nsf?open&~Default> , tel.: +380 (44) 502-2010),
- Budget (<http://www.budget.ua/en> , tel.: +380 (44) 490-1088),
- Europcar (<http://www.europcar.ua/> , tel.: +380 (44) 220-3500),
- Hertz (<http://www.hertz.com.ua/> , tel.: +380 (44) 359-0991), and
- SIXT (<http://www.sixt.com/car-rental/ukraine/>) run operations in Kyiv, Boryspil Airport, and other large cities.

Train travel is one of the least expensive and convenient methods of travel to reach just about any location in Ukraine. Although train travel is slow, it is generally safe. Train schedules are available on <http://www.uz.gov.ua/en/passengers/timetable/>. Overnight trains are inexpensive and particularly convenient if you are traveling a long distance.

Almost all international flights to Kyiv arrive at Boryspil International Airport (<https://kbp.aero/en/>) located 30 kilometers from Kyiv City center. Zhuliany-Kyiv is the other main airport, which handles most domestic flights (<http://www.airport.kiev.ua/en/>). It is located 7 kilometers from the center of Kyiv.

United Airlines operates code-share flights with Austrian Air and Lufthansa; Delta Airlines code-share with Air France; Northwest with KLM; and American Airlines with Swiss Air Lines. Flight schedules are available on <http://air.pilot.ua/en/raspisanie-aviarejsov/> or <http://www.kiyavia.com/en/index.htm>.

## **Language**

Ukrainian is the official state language of Ukraine (since 1990). However, Russian is widely used in Kyiv and especially in the cities of eastern Ukraine (and to a much lesser extent in western Ukraine). Although those in the political world and the local media use both languages, official documents are in Ukrainian. The number of English speakers is growing yearly. Some useful Ukrainian vocabulary to remember is DOBRIY DEHN (hello, good day); DYA-KOO-YOU (thank you); BOOD LASKA (please/you're welcome). For more information please visit the web site of the Embassy of Ukraine in Washington D.C.: <http://usa.mfa.gov.ua/en>.

## Health

Bring prescriptions with you and avoid drinking tap water, including in hotels. Bottled water is available in major hotels and supermarkets at a reasonable cost. It is wise to make sure that all foods and utensils are thoroughly washed before use. Prior to travel, make sure your immunizations are up-to-date. Medical information, including information about medical evacuation, insurance and medical services in and outside of Kyiv is available on the U.S. Embassy in Ukraine's web site: <https://ua.usembassy.gov/u-s-citizen-services/emergency-contact/>.

Information on medical facilities and insurance is available on the U.S. Department of State's Bureau of Consular affairs web site:

[https://travel.state.gov/content/passports/en/go/checklist.html#checklist\\_parentitem\\_1](https://travel.state.gov/content/passports/en/go/checklist.html#checklist_parentitem_1)

<https://travel.state.gov/content/passports/en/country/ukraine.html>

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's web site:

[https://wwwnc.cdc.gov/travel/destinations/traveler/none/ukraine?s\\_cid=ncezid-dgmq-travel-single-001](https://wwwnc.cdc.gov/travel/destinations/traveler/none/ukraine?s_cid=ncezid-dgmq-travel-single-001)

## Local Time, Business Hours and Holidays

Ukrainian time is GMT+2 (Helsinki) and EST+7 (Eastern Standard Time). Ukraine observes daylight savings time from the last Sunday in March through the last Sunday in October. To find the exact time in Ukraine, please visit: <http://www.timeanddate.com/worldclock/city.html?n=367>

Work week: 40 hours per week, Monday through Friday. Normal business hours: 9 a.m. – 6 p.m.

The Embassy will be closed to the public on the following American and Ukrainian holidays in 2018:

January 1, 2018 New Year's Day

January 8, 2018 Orthodox Christmas (Ukrainian Holiday)

January 15, 2018 M. L. King's Birthday

February 19, 2018 Presidents' Day

March 8, 2018 International Women's Day (Ukrainian Holiday)

March 9, 2018 Observed governmental day

April 9, 2018 Orthodox Easter (Ukrainian Holiday observed)

April 30, 2018 Observed governmental day

May 1, 2018 International Labor Day (Ukrainian Holiday)

May 9, 2018 Victory Day (Ukrainian Holiday)

May 28, 2018 Memorial Day

June 28, 2018 Constitution Day (Ukrainian Holiday)

July 4, 2018 Independence Day

August 24, 2018 Independence Day (Ukrainian Holiday)

September 3, 2018 Labor Day

October 8, 2018 Columbus Day

October 15, 2018 Ukrainian Defenders Day (Ukrainian Holiday)

November 12, 2018 Veterans Day

November 22, 2018 Thanksgiving Day

December 25, 2018 Christmas Day (observed)

### **Temporary Entry of Materials or Personal Belongings**

According to Ukrainian law, a traveler can take cash in the amount, not exceeding the equivalent of €10,000 across the Ukrainian state border under an oral declaration. If the amount exceeds the equivalent of €10,000, the total amount must be declared in writing on the Customs Declaration Form upon entry/exit and supported by documents showing the origin of money (e.g. bank statements).

Information on customs regulations is available on the U.S. Department of State's Bureau of Consular affairs web site: <https://travel.state.gov/content/passports/en/go/customs.html>

### **Travel Related Web Resources**

U.S. Government:

CIA World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/geos/up.html>

U.S. Embassy in Ukraine: <http://ua.usembassy.gov/>

U.S. Department of State's Bureau of Consular Affairs' Travel Advisories: <https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/Ukraine.html>

Government of Ukraine:

Cabinet of Ministers of Ukraine: <https://www.kmu.gov.ua/en>

Embassy of Ukraine in Washington D.C.: <http://usa.mfa.gov.ua/en>

Other

Ukraine's tourist information (general overview, main attractions and places of special interest): <http://www.traveltoukraine.org/>

Maps of Ukraine: <https://www.google.com/maps/d/viewer?oe=UTF8&ie=UTF8&msa=0&mid=z5yqLoztmQOU.kUkji0e6r2Hs>

Web-search engines for Ukraine:

<http://meta.ua/en/>

<http://www.google.com.ua/>

