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Ukraine



Ukraine may charge an additional 13% import duty again

The Decision of the Constitutional Court (CCU) of Ukraine on deeming unconstitutional the law provisions regarding the right of the Cabinet of Ministers to cancel 13% extra import duty for certain goods can seriously affect agro-industrial complex.

If the cancelled by the Government import duty increase comes into force again, it will lead to price rise both for imported and domestically produced raw materials for the food industry. In its turn the rise in price of agricultural producers will stimulate the price rise for finished production.

Background of the issue

The Cabinet of Ministers has got the right to prolong, change and cancel temporary duty increase after the adoption of Ukrainian Law #923-VI dated February 4, 2009.

On March 6 the Law “On making changes to some laws of Ukraine with the purpose of improvement of the state of payment balance of Ukraine in connection with world financial crisis” that introduced 13% extra import duty for a term of 6 months came into force.

On March 18 the Cabinet of Ministers of Ukraine decided to cancel the 13% import duty markup, except cars and refrigerators. In particular, the extra import duty was cancelled on almost all types of meat and food-by products.

President of Ukraine Victor Yushchenko introduced appeal to the Constitutional Court in order to receive explanations on this issue.

According to CCU Decision dated June 23 2009, provisions of the Law of Ukraine “On Customs Tariffs of Ukraine” #2371-III dated April 5, 2001 in edition of the Law of Ukraine #923-VI dated February 4, 2009 regarding delegation of powers to the Cabinet of Ministers of Ukraine on prolongation of temporary procedure (procedure of introduction, changing and cancellation of the temporary surcharge to the existing import duties for certain goods) were deemed as unconstitutional.

According to the CCU Decision the issue on introduction or cancellation of customs rates lies exclusively within the Verkhovna Rada’s competence. “According to the constitutional provisions, the right to establish (to cancel) State taxes and duties (obligatory payments), including the import duty and the rate of the temporary import duty increase to the existing rates is vested in legislative powers of the Verkhovna Rada of Ukraine “ - the CCU Decision reads.

Implementation of the Decision

The provisions deemed as unconstitutional become invalid from the day of adoption of Constitutional Court Decision. The Decision is binding on the territory of Ukraine, final and without appeal.

However, experts consider that the Ministry of Economy or Customs authorities should clarify the extra import duty issue and to define clearly whether surcharges that were valid until March 18 will come into force again.

“The Ministry of Economy supposedly informed that CCU Decision was invalid but lawyers tend to think that it is valid. And nobody knows what in fact will be” – Head of the expert group association “Ukrainian Club of Agrarian Business” (UCAB), Vladimir Lapa said.

“It is evident that there should be clarification from the Ministry of Economy or instructions from the State Customs Committee on reintroduction of the import duty markup (that was partially cancelled by the Cabinet of Ministers on March 18)” – he added.

Experts of “Astrum Investment Management” doubt that the parliament (which has the exclusive right to establish taxes and duties according to the Decision of the CCU) will give prompt response to the Decision of the Constitutional Court. “We do not expect that deputies will respond promptly and lift extra import duties after the Constitutional Court Decision. The only authority that can speed up the adoption of the relevant Law in Parliament is the IMF” - analysts of the company consider.

Will sanctions be imposed against Ukraine?

Experts are convinced that reintroduction of the additional import duty will create preconditions for the imposition of countervailing measures by those countries that are importing Ukrainian production.

According to head of analytical department of the consulting agency “AAA” Maria Kolesnik, sanctions that WTO will impose against Ukraine can be tough and serve as demonstrative model: “Retaliatory duties may be imposed on any goods exported by Ukraine and fine sanctions may be imposed as well.”

M. Kolesnik notes that undoubtedly the introduction of 13% extra import duty contradicts the WTO rules. “Huge problems can arise in all industries” - the expert said.

According to her, the WTO hadn't imposed sanctions against Ukraine after the introduction of the import duty on March 2009 due to its quick cancellation.

“The extra import duty had been cancelled before the Meeting on this issue was to take place (*within the bounds of the WTO – editorial staff*). The meeting was scheduled for May, and we cancelled it (*import duty markup - editorial staff*) on April “- explained M. Kolesnik.

V. Lapa of UCAB considers that Ukraine theoretically had the right to introduce the import duty increase. Another question is whether the decision was implemented in compliance with WTO requirements. “As far as I understand taking such measures as introduction of temporary duties in case of a critical deterioration of the foreign trade balance is permitted by the WTO rules. Theoretically we had the right to do it. But it is difficult to say whether its implementation was in compliance with the WTO rules” - expert of UCAB added.

Consequences of reintroduction of additional 13% import duty

The project manager of Ukrainian Agrarian Confederation (UAC), Alexander Yaroslavsky, is convinced that reintroduction of the additional import duty will cause the rise in prices for imported raw materials for the food industry that in its turn will stimulate the rise in prices for finished products.

On the other hand, an increase in import prices will contribute to adequate price growth for products of domestic agricultural producers.

“Reintroduction of extra import duty will have a positive effect for producers of agricultural raw materials, but a negative one for meat processing enterprises. Meat processing enterprises will increase the purchase of domestically produced raw materials, and consumers will feel price increase,” - the expert said.

“Producers of raw meat will benefit from this decision”, the head of the analytic agency “AAA” M. Kolesnik confirms. “Domestic producers are always speaking in support of meat imports ban (*ban of meat imports to Ukraine, - editorial staff*). They will be pleased and raise prices,” - the expert said.

Meat processors, on the contrary, will feel negative effect of an additional 13 % import duty introduction as the cost price of raw meat materials will grow. “It is meat processors who buy the imported meat. It is not delivered to supermarkets... Except for chicken hams in certain regions and markets”- M.Kolesnik said.

V. Lapa also notes that the reintroduction of 13% extra import duty can lead to decrease of alternative imported raw materials for meat processors. "There is a possibility that meat processors will have to purchase more expensive domestically produced raw materials" - he added.

However, according to UCAB expert the reintroduction of extra import duty will lead to price rise of modern technologies. "If we consider techniques and equipment, we'll see that agricultural producers prefer imported ones. It means that due to 13% extra import duty equipments will be more expensive" - UCAB expert notes.

*Source: Liga.net News Agency (news.liga.net)
Translated by: usapeec.kz*

The Ukrainian Agriculture Ministry calls for cancellation of meat import licenses

The Ukrainian Agriculture Ministry has proposed to cancel licensing of meat imports, which was introduced early in 2009.

"We insist that the procedure of licensing be cancelled. Nobody needs it in such a form, and meat market is broken, rather than regulated this way," Agriculture Minister Yuriy Melnyk said on June 9th.

He said that meat import licensing was not fulfilling its main function of providing a balanced supply on the market. Melnyk criticized the Economy Ministry for issuing, in the first four months of 2009, licenses to import 4 million MT of meat, and added that this was enough to meet demand for meat in Ukraine for two years.

"How could the central executive agency responsible for the country's economy in general issue licenses to import 4 million MT of meat?" Melnyk said. He also said that over the first five months of 2009, Ukraine had imported about 140 thousand MT of meat, including a record 42 thousand MT of meat imported in May, compared to 28 - 32 thousand MT per month imported in January - April 2009.

According to him, the figure of 42 thousand MT is a critical figure from the viewpoint of national meat producers' development.

*Source: Ukrinform News Agency
(ukrinform.ua)*

The Ministry of Economy will not issue licenses on pork and poultry imports soon

Ukrainian Ministry of Economy plans to abolish import licensing of some kinds of meat and meat products, according to the draft resolution of the Ukrainian Cabinet of Ministers "On making changes to the appendix 9 of the Resolution of the Cabinet of Ministers of Ukraine dated December, 27th, 2008 # 1123".

According to the draft resolution, import licensing of the following kinds of meat products will be abolished: fresh pork, cooled or frozen (commodity item 0203 according to UCGFEA- Ukrainian Classification of Goods of Foreign Economic Activity), meat and food by-products of poultry (a commodity item 0105 according to UCGFEA), fresh, cooled or frozen food by-products of poultry (a commodity item 0207 according to UCGFEA, lard without lean parts, pork fat and poultry fat (a commodity item 0209 00 according to UCGFEA).

Currently according to the resolution of the Cabinet of Ministers of Ukraine "On confirmation of lists of goods, export and import of which are subject to licensing, and volumes of quotas in 2009" dated December, 27th, 2008 #1123 the regimen of automatic licensing of import of certain kinds of meat products and raw materials is in force.

*Source: MDOffice Agency (mdoffice.com.ua)
Translated by: usapeec.kz*

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EC launched audit of Ukrainian poultry plants

During June 15 - 16, 2009 Inspectors of the European Commission's Directorate General for Health and Consumers (SANCO) have launched a check on Ukraine's five poultry enterprises to decide on a possible export of their products to European Union, Agricultural Policy Minister Yuriy Melnyk informed.

He specified that the check involved poultry farm Druzhba Narodiv Nova and Myronivka's Lehko meat packing factory (both belonging to Myronivskiyi Khiboproduct, trademark Nasha Riaba), Complex Agromars (trademark Havrylivskiy Kurchata), poultry farm Ukraina (Yasensvit), and the Ovostar factory for the processing of eggs into half-finished goods.

He also said that the Ministry of Agrarian Policy and Ukrainian Poultry Producers Union had offered 10 enterprises for the audit. But EU inspectors have chosen only 5 of them. In case if all the five companies that were checked get export permits, the other five seekers will also be allowed to supply their goods to the EU member-countries, the Minister of Agrarian Policy said.

"On June 18 we were informed that in 20 days experts would give us preliminary conclusions. After we get preliminary conclusions we will have 15 days to express our position and send them back to experts. So in 2 months we will have final conclusions and results of the audit", - Yuriy Mel'nik informed.

However the State Veterinary Medicine Committee says the domestic producers should not count on winning permits for exports to the EU soon. It will take minimum a year - after the check the inspectors will point to the shortcomings to be removed, and then the companies will be inspected again. Therefore, the State Veterinary Medicine Committee hopes for a start of chicken and egg exports to the EU in 2010.

Source: Ukrinform News Agency; Unian News Agency (ukrinform.ua; unian.net)

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Government renews state regulation of prices for some foodstuffs

The Cabinet of Ministers of Ukraine adopted a resolution to renew state price regulation for some foodstuffs with taking into consideration the season in the form of declaring prices, the Economics Minister Bogdan Danylyshyn informed.

According to Danylyshyn, the list of products subject to state price regulation includes flour I and II grades, mass sorts of bread, boiled sausages, sausages, 2.5-3.2% fat milk, sour cream of up to 20% fatness and sunflower seed oil.

The Cabinet of Ministers excluded macaroni products from a new list and included buckwheat and semolina. In addition, by the resolution the government banned a boundary 15% markup for the designated foodstuffs set by local state administrations.

Source: Ukrinform News Agency (ukrinform.ua)

Outbreak of H1N1 in Ukraine expected in autumn

The President of Ukraine Victor Yushchenko and Minister for Health Vasyl Knyazevych on June 15 discussed the situation with spreading of influenza A (H1N1) in the world and in Ukraine.

The Minister Knyazevych reported to President Yushchenko, that as of now a series of anti-pandemic measures have already been elaborated, because, according to the experts, the outbreak of A(H1N1) in Ukraine will be most probable in autumn. He also said that all steps were taken to prevent disease being brought to the territory of the country - strict control at airports and at border crossings and many other.

According to V. Knyazevych, for now the man who was diagnosed with H1N1 being the only case in Ukraine has fully cured. The Minister also informed the President that the WHO has already sent to Ukraine the drug, which is considered the only effective against influenza A (H1N1). Vasyl Knyazevych assured Victor Yushchenko that the drug will be distributed to regions of Ukraine and that the doctors were instructed on its use.

Source: Unian News Agency (unian.net)