

January 31, 2007

Ukraine



PM Yanukovich forecasts Ukraine's entering WTO by July

The Prime Minister Viktor Yanukovich is predicting that Ukraine will enter the WTO by July 2007. Yanukovich said that Kyiv had yet to settle some questions in relations with the United States (there are two questions: imports of meat to Ukraine, and the export of Ukrainian grain), the question of subsidies to the country's agriculture sector, and the question of the so-called "Kyrgyz debt."

The Prime Minister said that Ukraine performed all the necessary procedures on the meat import issue and informed the United States on that.

As to the debts to Kyrgyzstan, the PM said Ukraine does not recognize them and that this question does not touch upon the WTO. He informed WTO Director General - Pascal Lami of this and the latter basically agreed with him but the final decision will be made at the WTO commission conference. - *Source: Interfax Ukraine, Ukrainian News Agency; Edited by: usapeec*

Cattle and poultry livestock in 2006

As of January, 2007 cattle livestock constituted 6.33 million heads. Pig livestock increased by 9% and totaled 7.68 million heads. At the same time poultry livestock increased by 3.6% to the amount of 167.81 million heads. - *Source: UkrBiz.Net; Translated by: usapeec.kz*

Ukraine's foreign prospects for 2007

Ukraine's foreign prospects for 2007 look poor. The domestic crisis and the failure to re-establish an Orange coalition following the March 2006 parliamentary elections has led to a de facto return of multi-vectorism in Ukraine's foreign policy.

Multi-vectorism is a product of different foreign policy orientations espoused by the President and Prime Minister. One anticipated foreign policy success is Ukraine's entry into the WTO ahead of Russia, which will give Kyiv added leverage in its trade and energy negotiations with Moscow.

In addition, the EU has offered to begin negotiations with Ukraine on a free trade area following its WTO membership. These negotiations will begin in the second half of 2007, but they are unlikely to be concluded until the first half of 2008. Ukraine will also negotiate a visa-free regime with the EU.

This year will be the last of the ten-year Partnership and Cooperation Agreement (PCA) between the EU and Ukraine. An Enhanced Agreement and European Neighborhood Policy-Plus (ENP+) will replace the PCA. However, neither of these two formulations, like the PCA, offers future EU membership for Ukraine.

These developments will strengthen the European vector in Ukraine's foreign policy and, coupled with an increasingly more belligerent Russia, will make the CIS Single Economic Space less attractive for Ukraine's elites.

The greatest disappointment in 2007 will be in Ukraine's relations with NATO. Ukraine's opportunity of being invited into a Membership Action Plan (MAP) at NATO's November 2006 Riga summit was squandered by the inability of President Yushchenko and Our Ukraine to place national interests above personal conflicts with Tymoshenko.

Ukraine's recent cooperation with NATO is at a higher level than that under Kuchma, as Ukraine was invited in 2005 to join the Intensified Dialogue on Membership.

Nevertheless, Ukraine is continuing the

Kuchma-era policy of intensive cooperation with NATO while not seeking membership. NATO membership will not return to the domestic agenda until the country's next election cycle (in 2009-2011) is completed. Intensive cooperation with NATO could be undermined if Defense Minister Anatoliy Hrytsenko is removed, as the anti-crisis coalition has threatened following its unconstitutional dismissal of Foreign Minister Borys Tarasyuk in November 2006.

Hrytsenko is the only Orange minister left in the Yanukovich government, and his support for Ukraine's NATO membership is at odds with that of the anti-crisis coalition and government.
- Source: *The Jamestown Foundation*

Ukraine-macroeconomic situation

Over January-November, GDP grew by 6.7% yoy. Robust economic growth in 2006, despite the price hike on imported energy resources, gives reason to be optimistic about Ukraine's economic performance in 2007. For the first time since 1998, the rate of industrial output in Ukraine was slower than the rate of GDP growth in 2006.

The IMF worsened Ukrainian inflation forecast from 12.5% to 13.5% in 2007, and improved the GDP growth forecast from 5% to 6% in 2006 and from 2.8% to 4.5% in 2007.

The Economics Ministry of Ukraine forecasts that the inflation in January 2007 will be not lower than in January of the last year – at 1.2-1.5% (in January of 2006 it was 1.2%)

According to the State Statistics Committee, the GDP rose by 7% in 2006.

As a rule, the State Statistics Committee announces information about annual dynamics of a real GDP in January next year, following which in late February it specifies this information and declares a nominal index of the GDP.

In December, the 2007 State Budget Law was adopted; however, it is likely to be amended early next year. The ongoing tariffs adjustment was the primary cause of consumer price inflation soaring to 11.6% yoy in November.

Though the cumulative merchandise trade

deficit continued to deteriorate, current account performance has been improving. In the third quarter, the current account balance returned to a surplus of \$460 mln, bringing the cumulative deficit to less than 0.5% of period GDP.

Ukraine has demonstrated generally good reform progress in 2006 despite a long period of political instability. However, the progress in deregulation and liberalization was uneven.

- Source: *AUR, Unian, Ukrainian News Agency*;
Edited by: *usapeec.kz*

Moldova



Summary of the GOM Decision #1363 on Permits for Meat Imports

The Government of Moldova's (GOM) Decree # 1363 from November 29, 2006 establishes regulations for the issuance of meat import permits. The decree was published on December 1 and entered into force on December 10, 2006.

According to the decree, the import of meat requires a permit, which must be presented to Moldovan customs. The permits will be issued by a Special Commission (SC) approved by the GOM. Attachment # 2 of the regulation lists the eight members of the Special Commission, which is headed by the Deputy Minister of Agriculture and Food Industry Anatolie Spivacenco.

The Special Commission can issue and revoke import permits. The Special Commission will also determine the amount of meat to be imported into Moldova, depending on local market demands and taking into consideration "market stability."

The regulation provides a sample of the permit form (Annex B) and Section 3 of the regulation describes what information is necessary, including information about the number and validity of the permit, name of the meat importing company, fiscal code, the company's address, the amount of meat to be imported, the address of the warehouse, exporting country and number of agreement with the meat exporter, customs post (where the meat is to be imported

through), etc.

Section 4 stipulates the requirements for meat importers. These include:

- Ownership/rental of a cold-storage facility with a total capacity of over 150 tons, which has to be authorized by the veterinary service;
- Ownership/rental of a specialized (refrigerated) vehicle for transportation (also authorized);
- Disinfection of the vehicle in a specialized transportation unit designed for this purpose;
- An agreement with the State sanitary-veterinary service for the importer's inspection; and
- No pending tax issues.

Section 5 describes procedures for the issuance and revocation of permits. It lists several documents that must be presented in order to receive a permit. These include:

- A request from the company,
- The company's statute (original) and a copy of it,
- The company's registration form and a copy of it;
- A document that proves that the company owns or rents a cold-storage warehouse and this facility is authorized by the Sanitary-veterinary service for meat storage;
- A copy of the agreement with a company that provides disinfection of the vehicles;
- A conclusion of the State Sanitary-Veterinary Service about inspection of the meat exporter company, except for those certified by the EU;
- A written confirmation that the company has committed no economic crimes;

- An agreement with the meat exporter company; and

- A confirmation from the Tax inspectorate about any debts owed to the government. The maximum amount of meat allowed per permit is limited to 110 tons. The permit should be issued within 20 working days from the date of application and is valid for 2 months from the date of issuance. A new import permit may only be solicited after the company brings documentation of use or commercialization of the meat imported with the previous permit. The Special Commission may refuse or revoke import permits in the following situations:

- The meat does not meet sanitary-veterinary requirements;
- The company does not meet all the requirements of the regulation; and
- The company has not observed other provisions stipulated by Moldovan law. - *Source: FAS Sofia*

Moldova's agricultural output to rise in 2007

Moldova expects its total agricultural output to be around \$787million in 2007, up 12.9 % from 2006. Presumably, the growth will be due to a 13.5 % rise in crop output and an 11.7 % increase in meat production. Crops are to account for 67.6 % of the total agricultural production.

Experts from Moldova's Agriculture Ministry forecast that animal and poultry breeding (live weight) will go up 6.6 %, dairy production will grow 21 %, and 11.1 % more eggs will be produced. - *Source: RosBusinessConsulting*