

Ukraine – Progress of Reforms and Challenges Ahead:

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External Trade in the Light of the DCFTA

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Ukraine's trade regime change in 2016:

- **UA-EU DCFTA:** autonomous preferences for UA exports by the EU (since 04/2014) → full implementation starting 01/2016
- **UA-CISFTA:** suspended by Russia
- Mutual embargo by Russia and Ukraine, special transit regime, etc.

Other major background factors:

- Military conflict and political infighting
- Deep recession and macroeconomic instability
- Sharp depreciation of hryvna and pass-through to inflation
- Feeble external conditions:
 - Still weak demand in Europe, recession in Russia
 - Soft global commodity prices

UA-EU DCFTA highlights

DCFTA (15 Chapters, 14 annexes, 3 protocols)

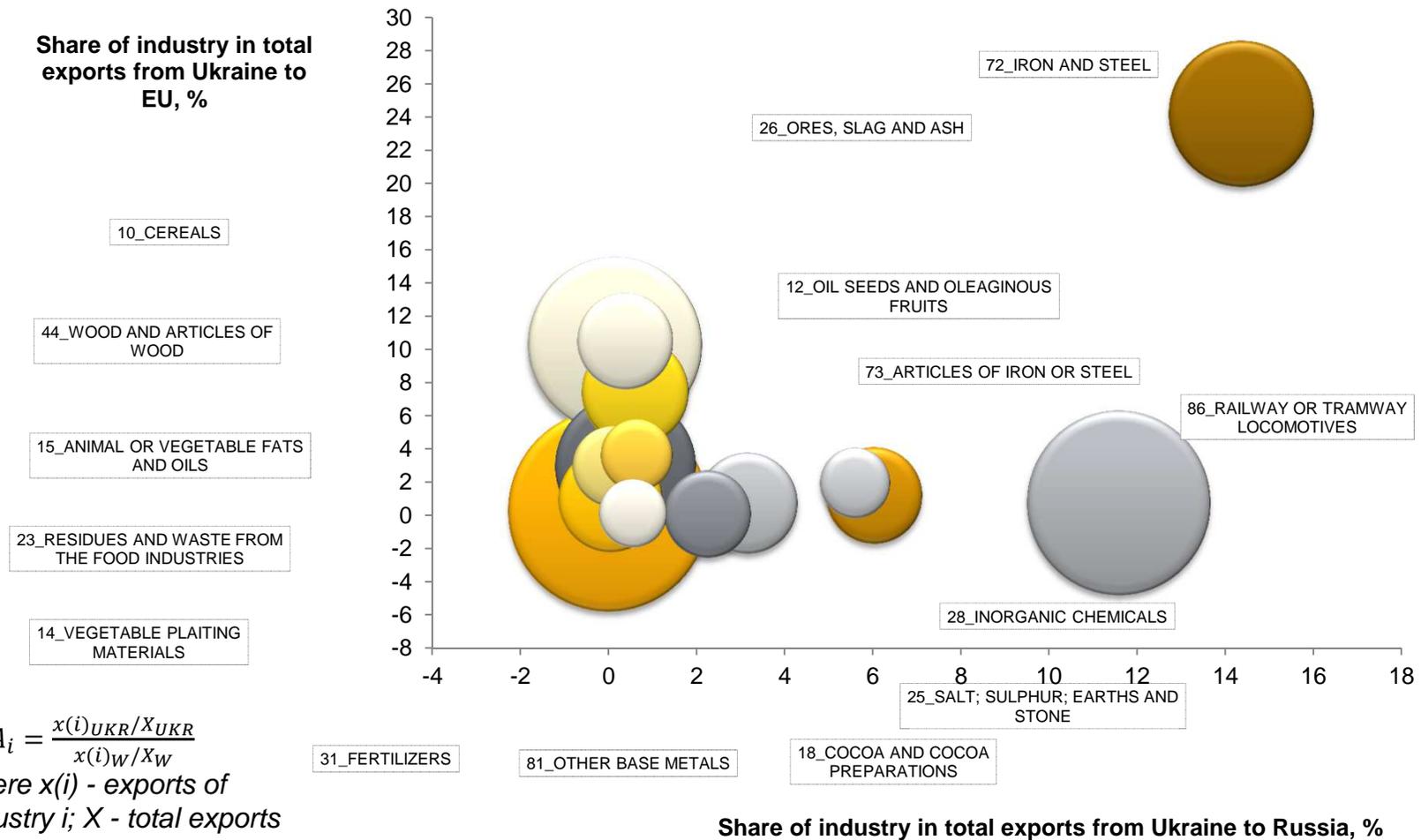
- Liberalisation of trade in goods and services, public procurement
- Approximation to the EU aquis : competition, intellectual property rights, labor market, environmental standards, SPS and technical regulations
- Technical and financial support by the EU: DCFTA Facility for SMEs, EU SURE, SME Flagship Initiative
- Autonomous concession of preferential access to the EU market (04/2014 – 12/2015)
- Barriers to trade: TRQs, technical and SPS regulations
- Transitory arrangements for certain products, special regime for worn clothing and passenger vehicles; surcharge export duties

Ukraine - Russia trade regime

- Embargo by Russia on imports from Ukraine: meat, fish, milk and dairy, vegetables, fruit, sausages, etc.
- Special transshipment regime for Ukrainian products moving via Russia to Kazakhstan
- CISFTA agreement suspended by Russia upon DCFTA implementation
- Ukraine joined the sanctions against Russia (since 01/2016, until 08/2016): meat, fish, coffee, chocolate, other food and agricultural products
- Marginal impact likely limited in light of the trade collapse resulting from recession in both countries and other factors

Top 15 most competitive industries of Ukraine, 2013

bubble size = “revealed comparative advantage” value



$$RCA_i = \frac{x(i)_{UKR}/X_{UKR}}{x(i)_W/X_W}$$

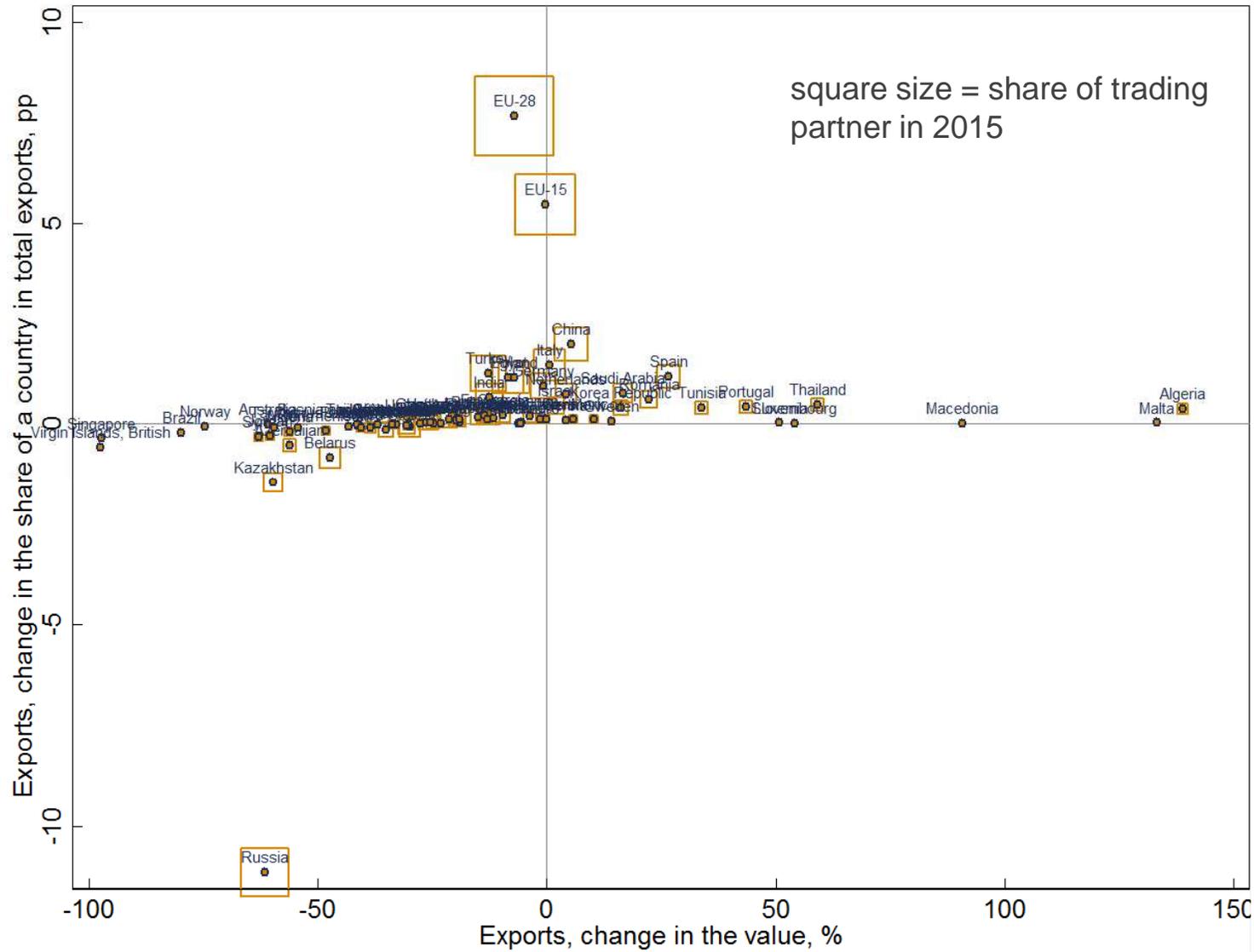
where $x(i)$ - exports of industry i ; X - total exports from UA or world

Top 15 biggest export industries of Ukraine, 2013

bubble size = export value in USD million

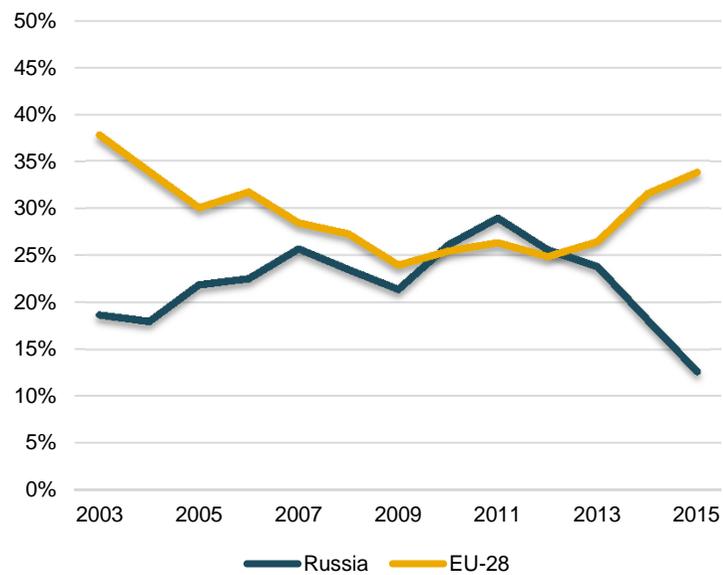


Exports from Ukraine by partner, 2013-2015

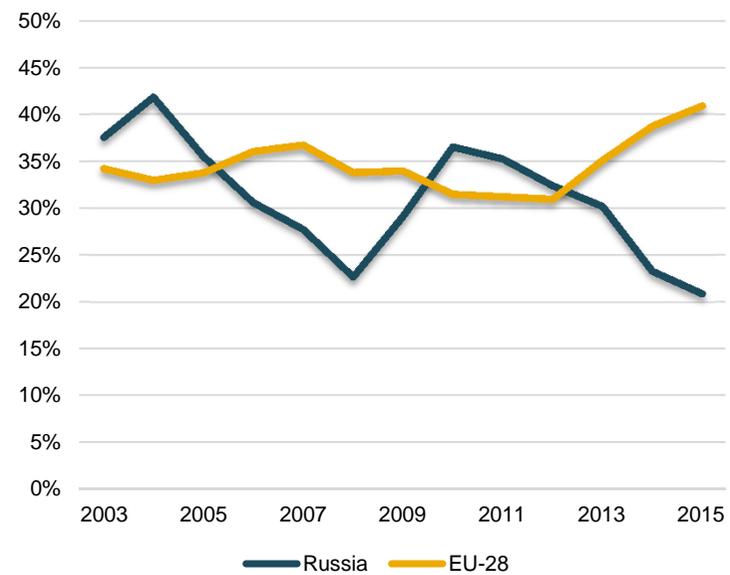


Share of the EU and Russia in total trade of Ukraine, 2003-2015

Exports (down by 29% in 2013-15)



Imports (down by 44% in 2013-15)

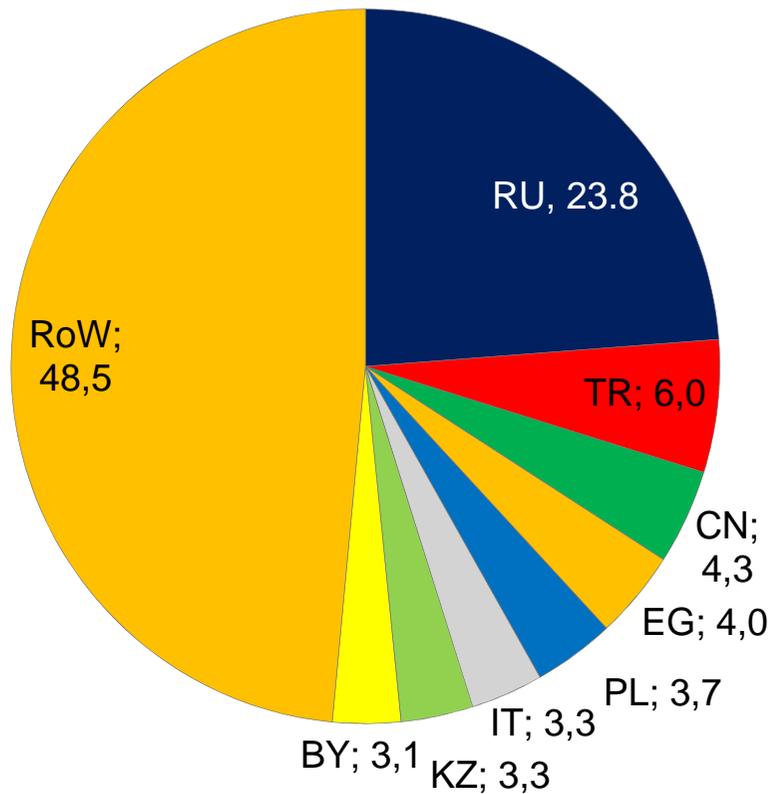


Source: Calculations based on wiiw database.

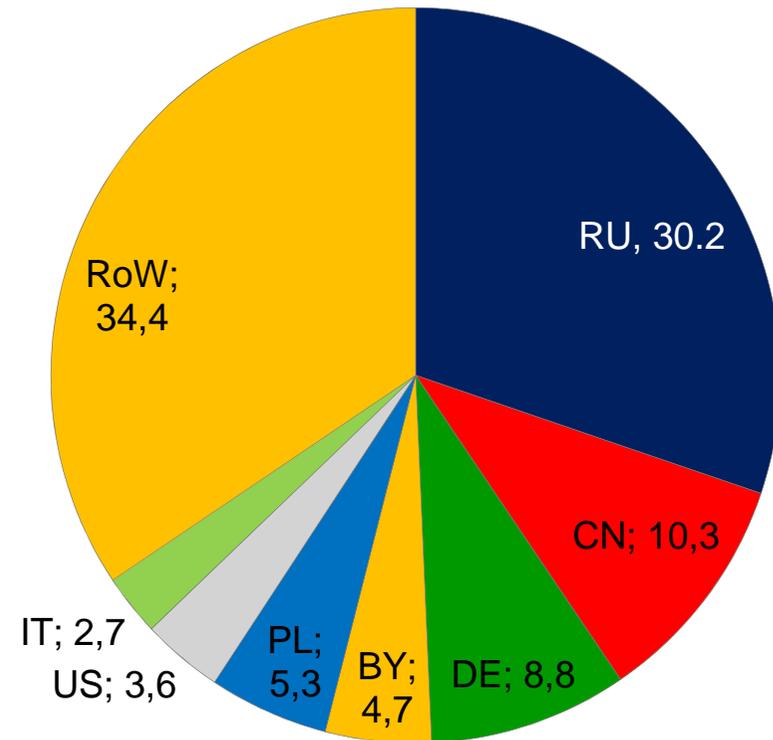
Ukraine's main trading partners

2013, in % of total

UA exports (44.5 bn EUR)



UA imports (61.2 bn EUR)

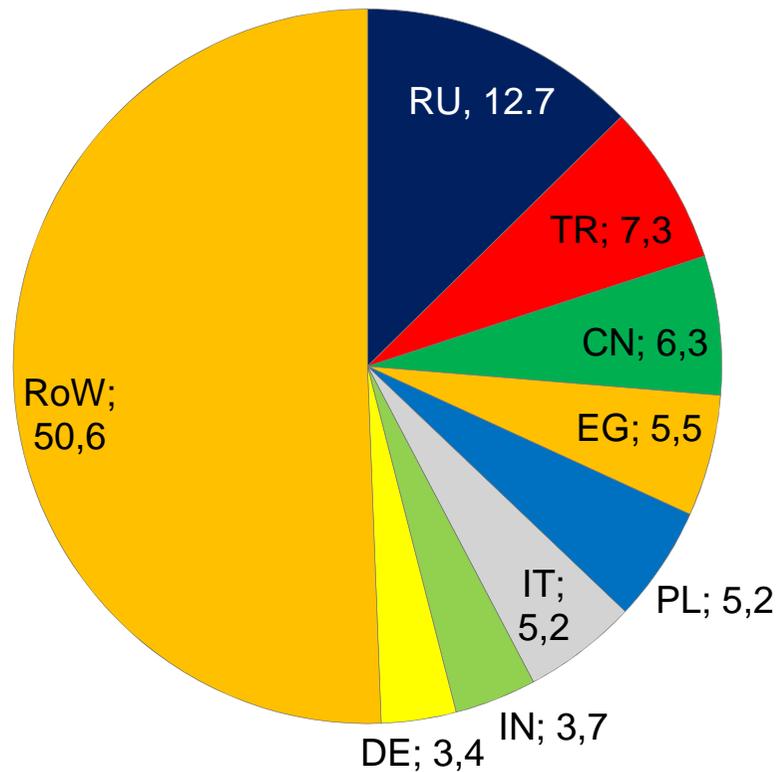


Source. wiiw Annual Database, national statistics.

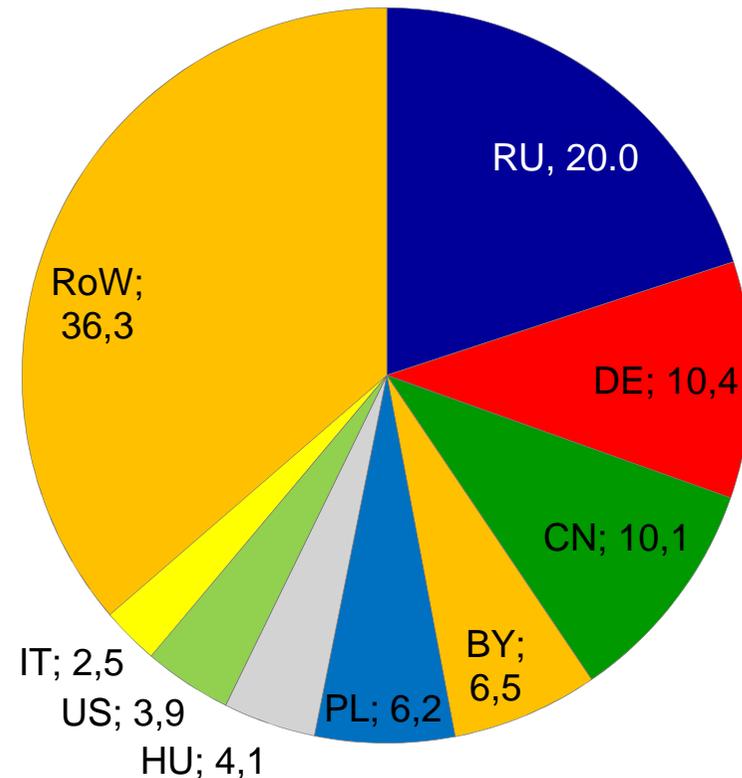
Ukraine's main trading partners

2015, in % of total

UA exports (31.7 bn EUR)
-29% less than 2013

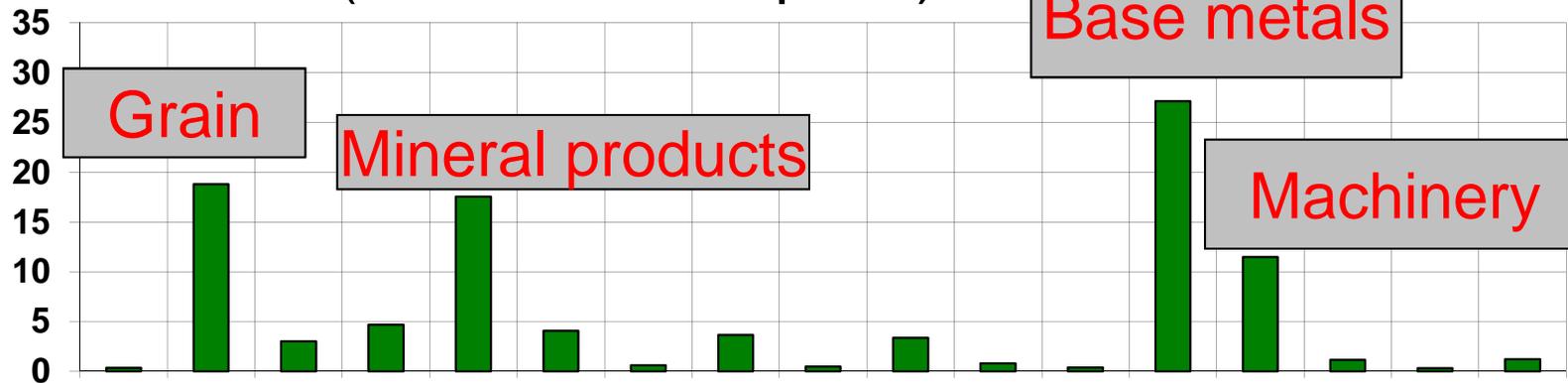


UA imports (34.6 bn EUR)
-43% less than 2013

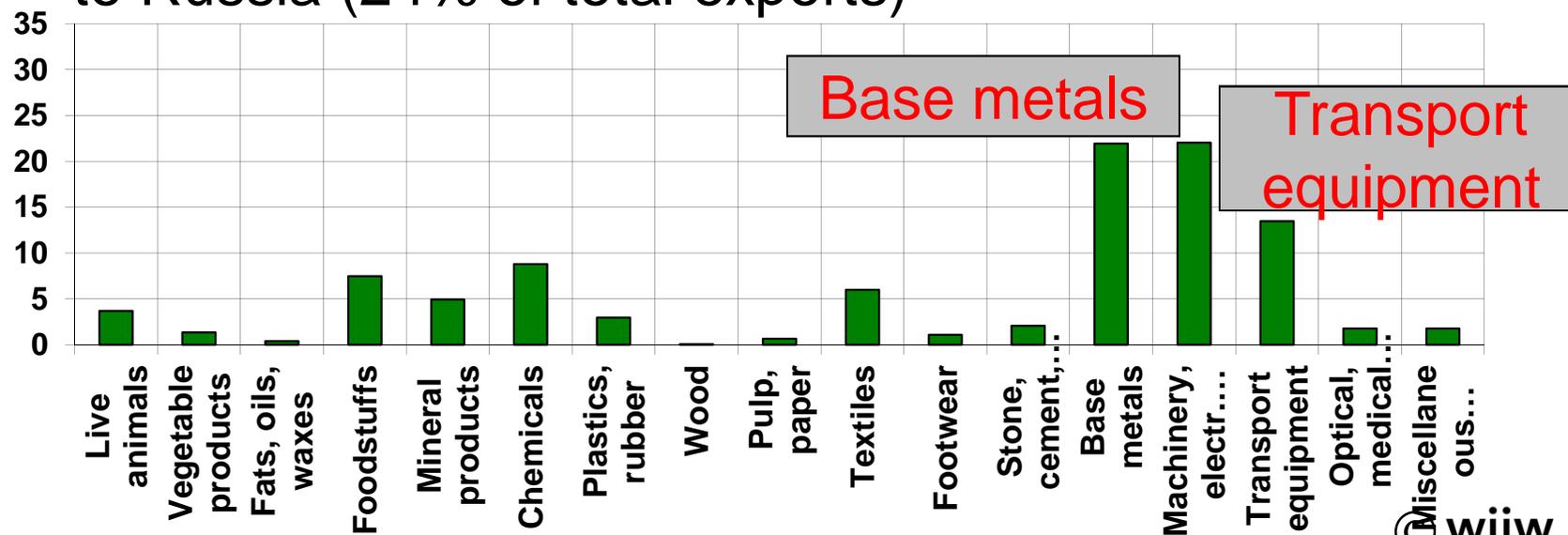


Source. wiiw Annual Database, national statistics.

Structure of Ukraine's exports, 2013, in % to EU-27 (28% of total exports)

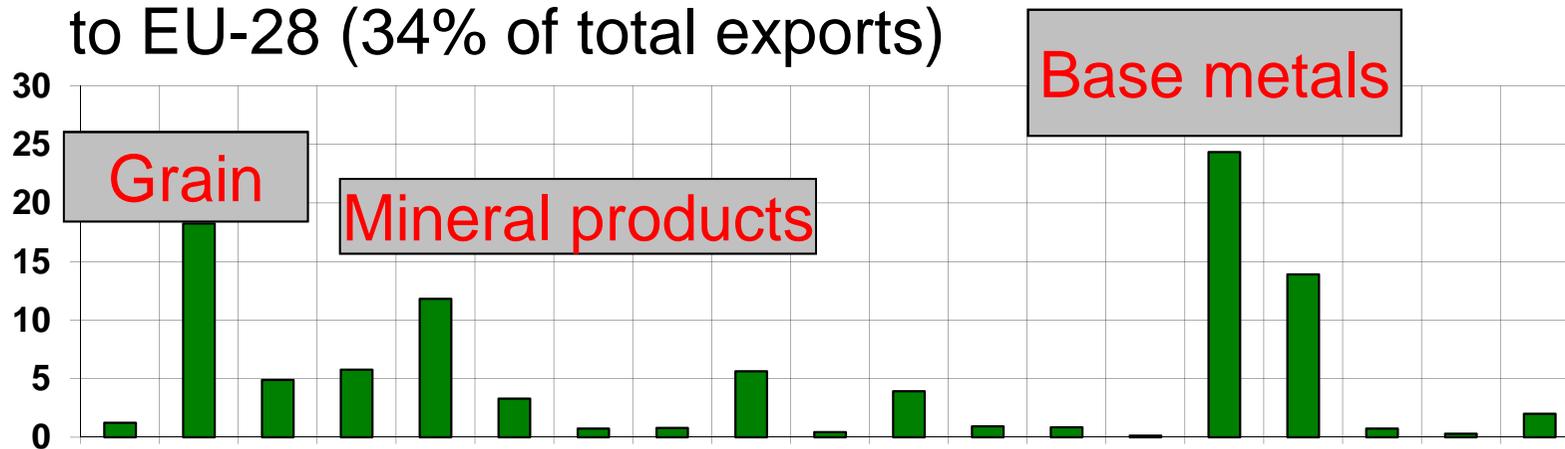


to Russia (24% of total exports)

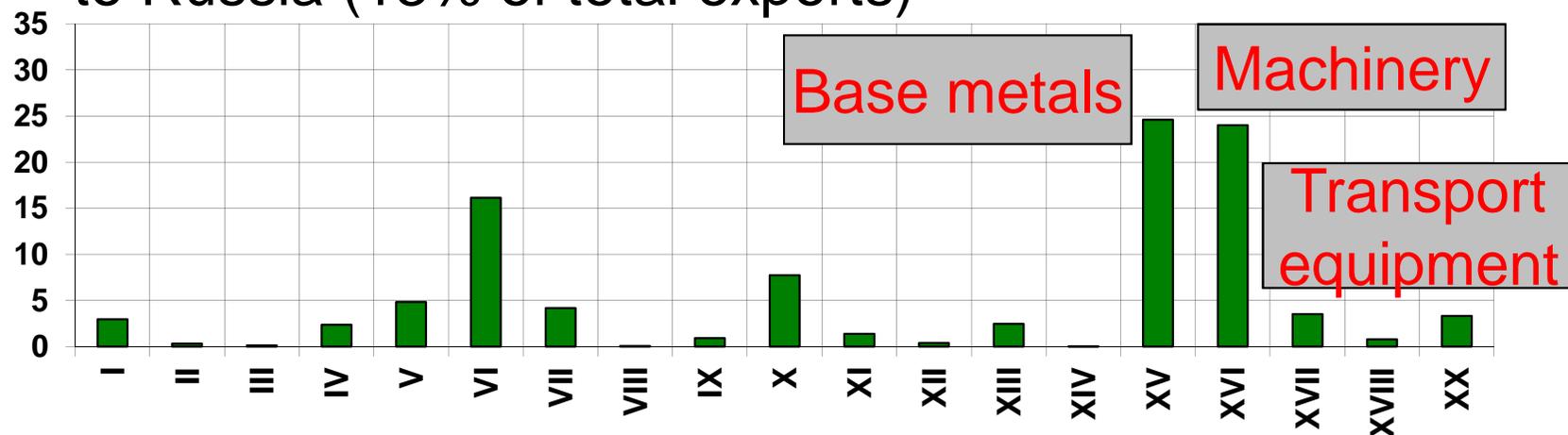


Source: Own calculations based on UKRSTAT.

Structure of Ukraine's exports, 2015, in % to EU-28 (34% of total exports)



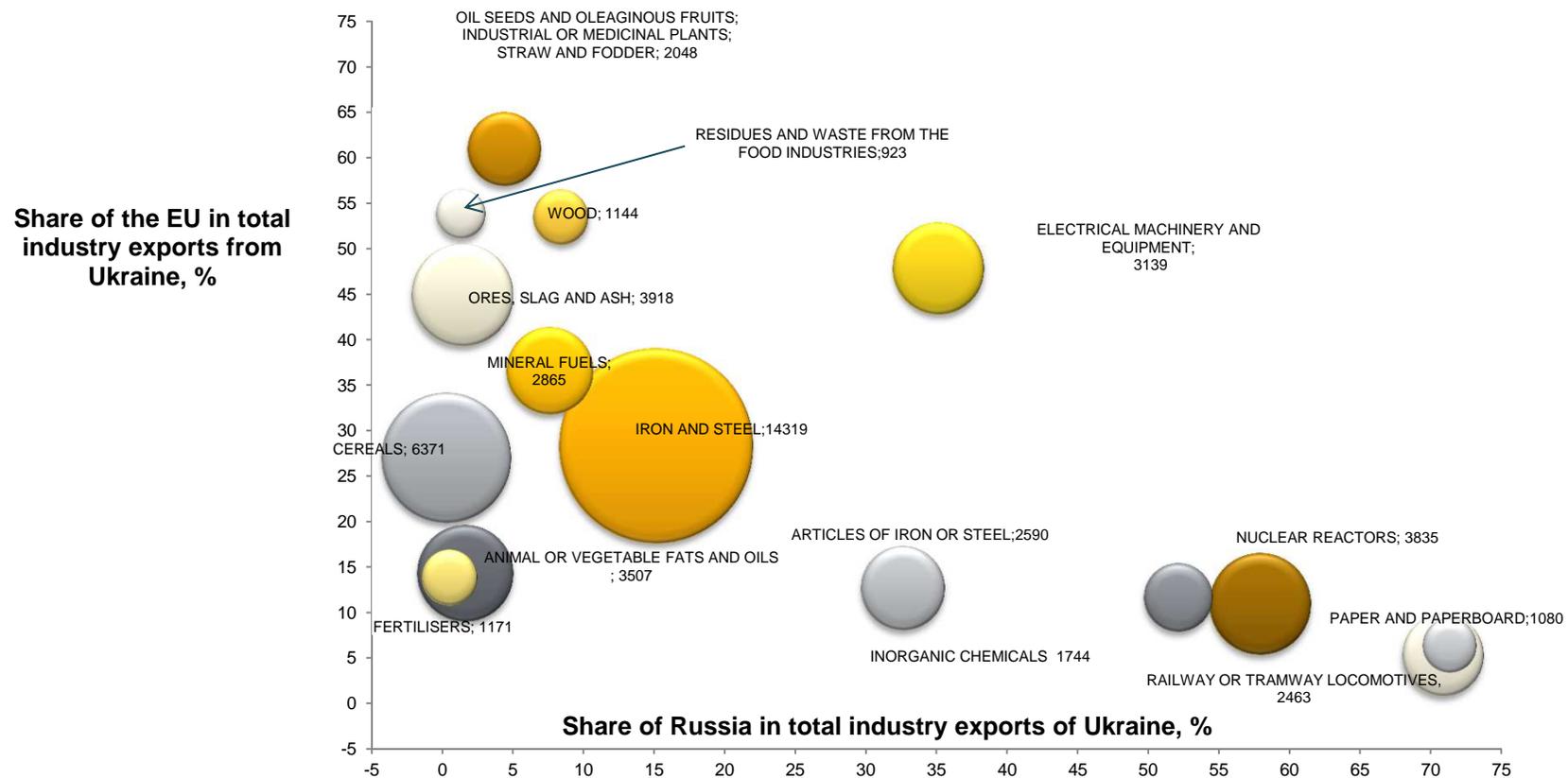
to Russia (13% of total exports)



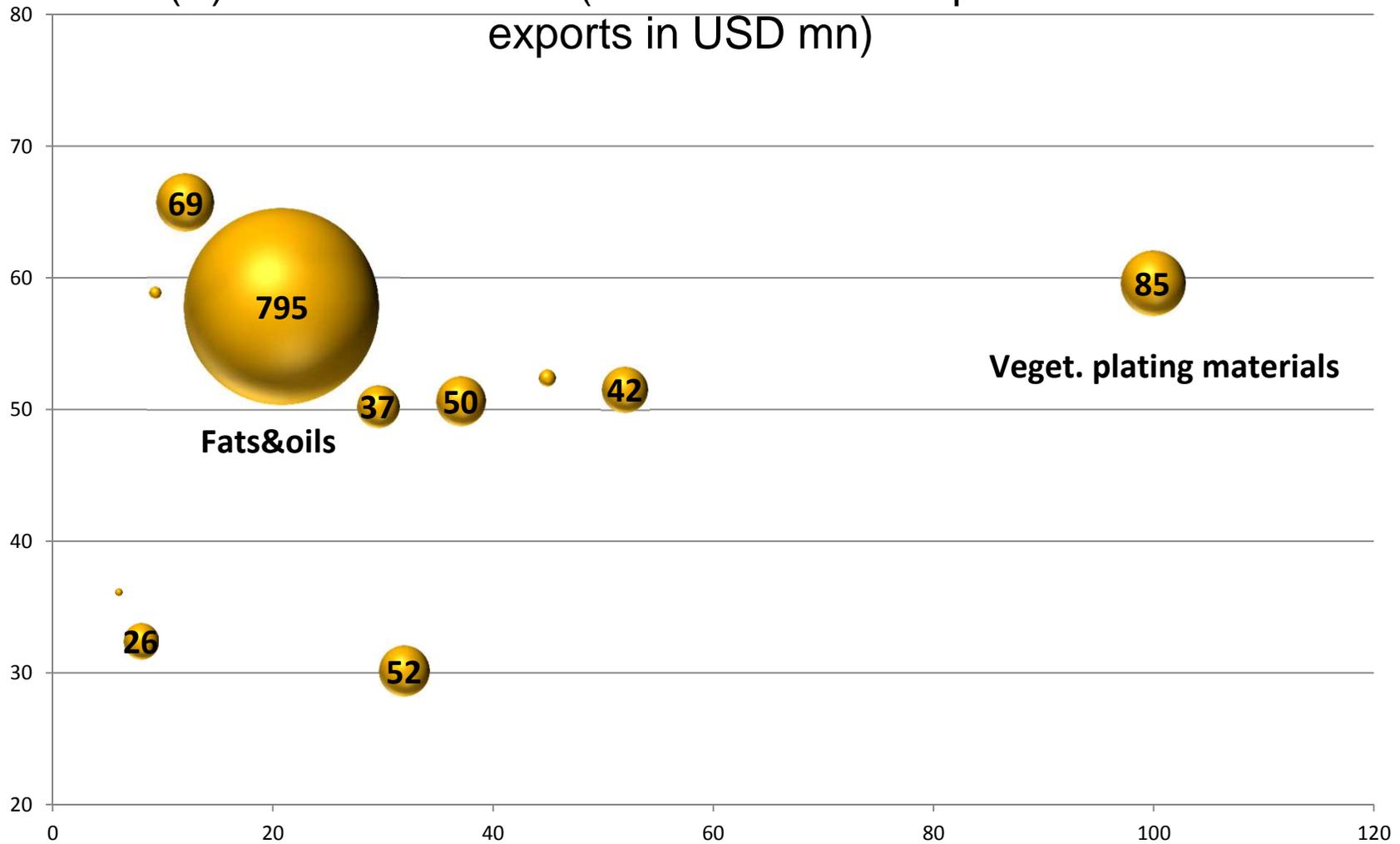
Source: Own calculations based on UKRSTAT.

Top 15 biggest export industries of Ukraine, 2013

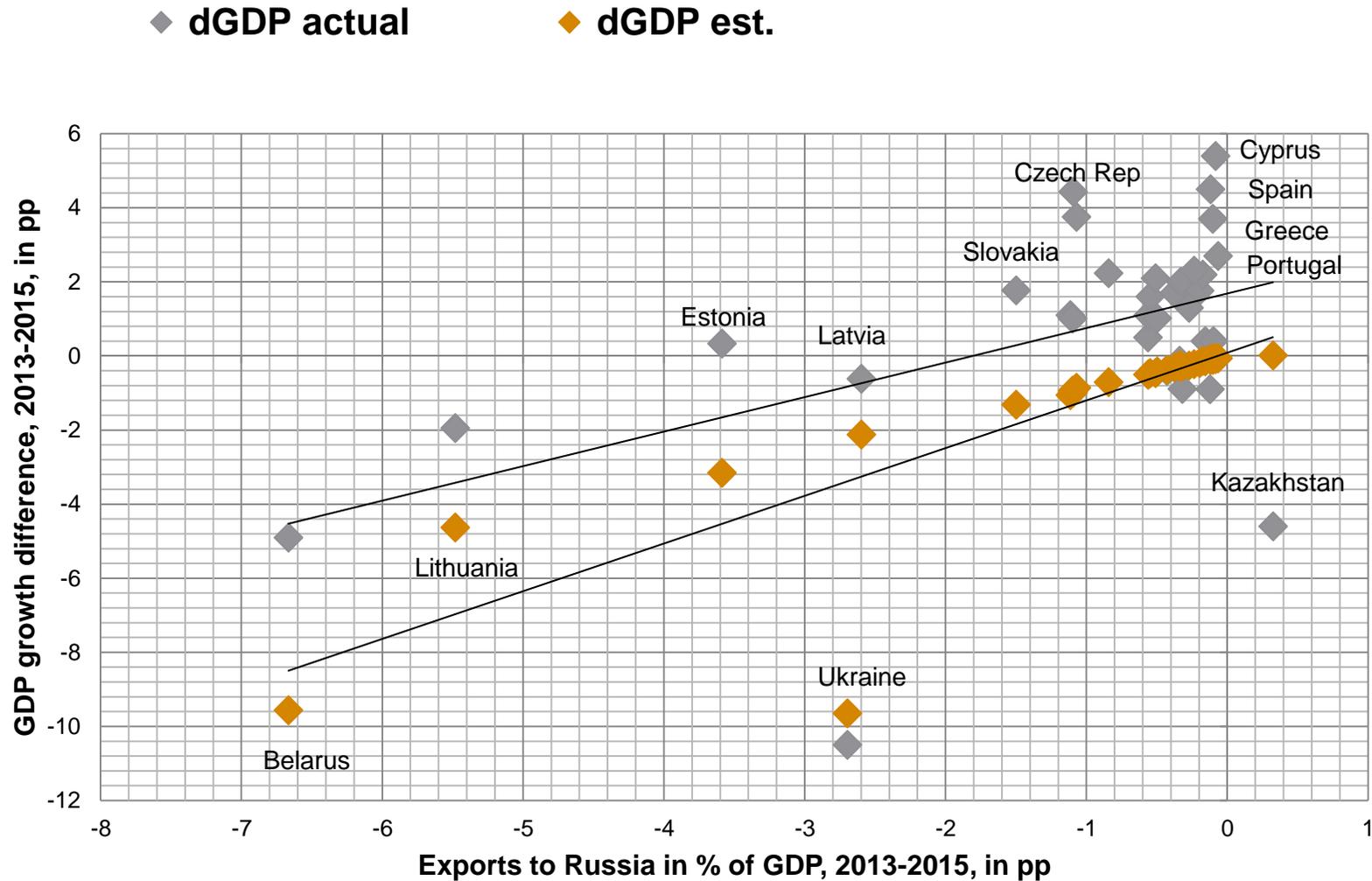
bubble size = export value in USD million



Ukraine major exports growth 2013-14 (Y) and shares (X) of the EU in total (bubble size corresponds to EU exports in USD mn)

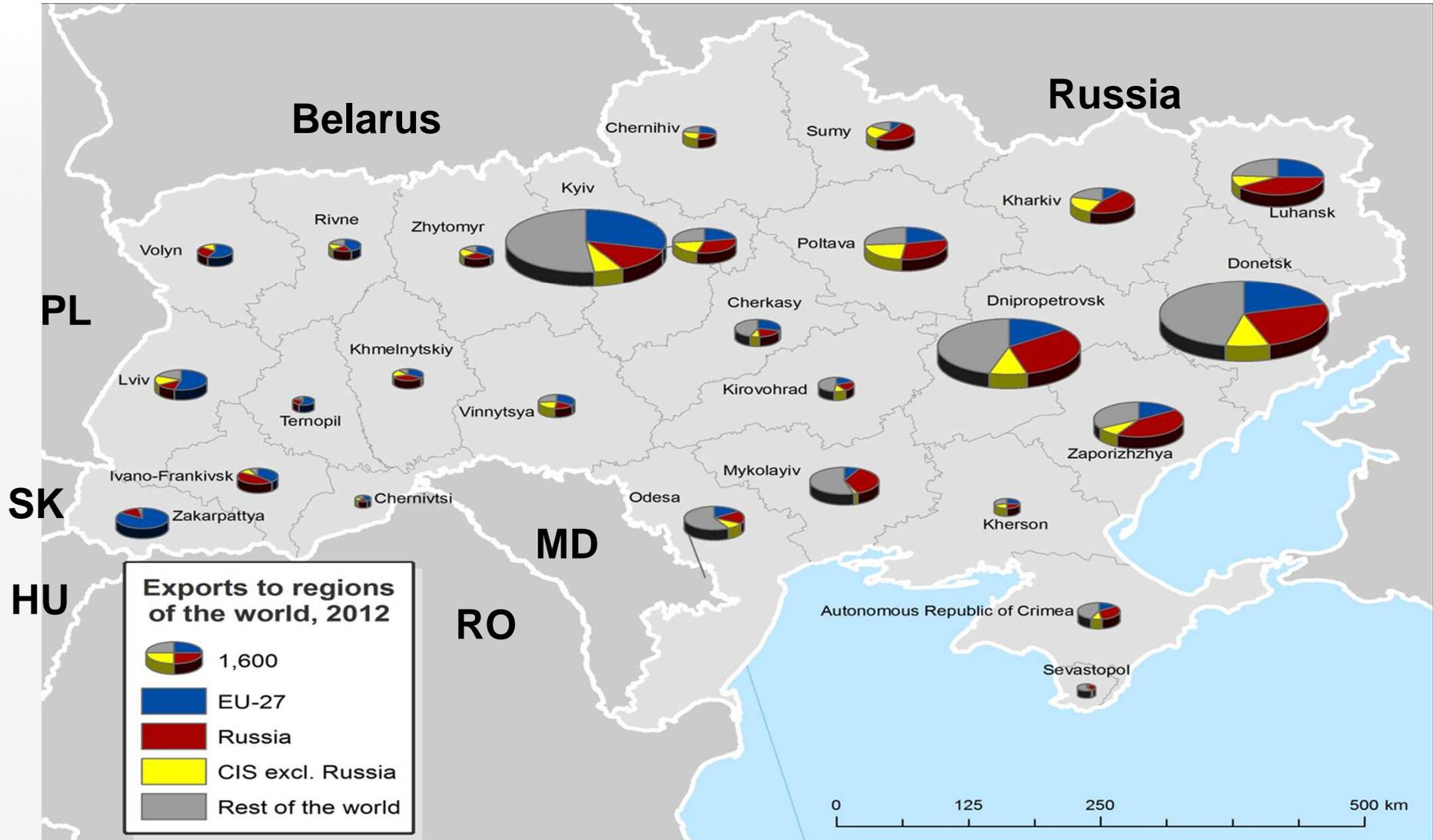


Contagion from the Russian crisis: falling exports to Russia versus actual and estimated GDP growth, 2013-2015

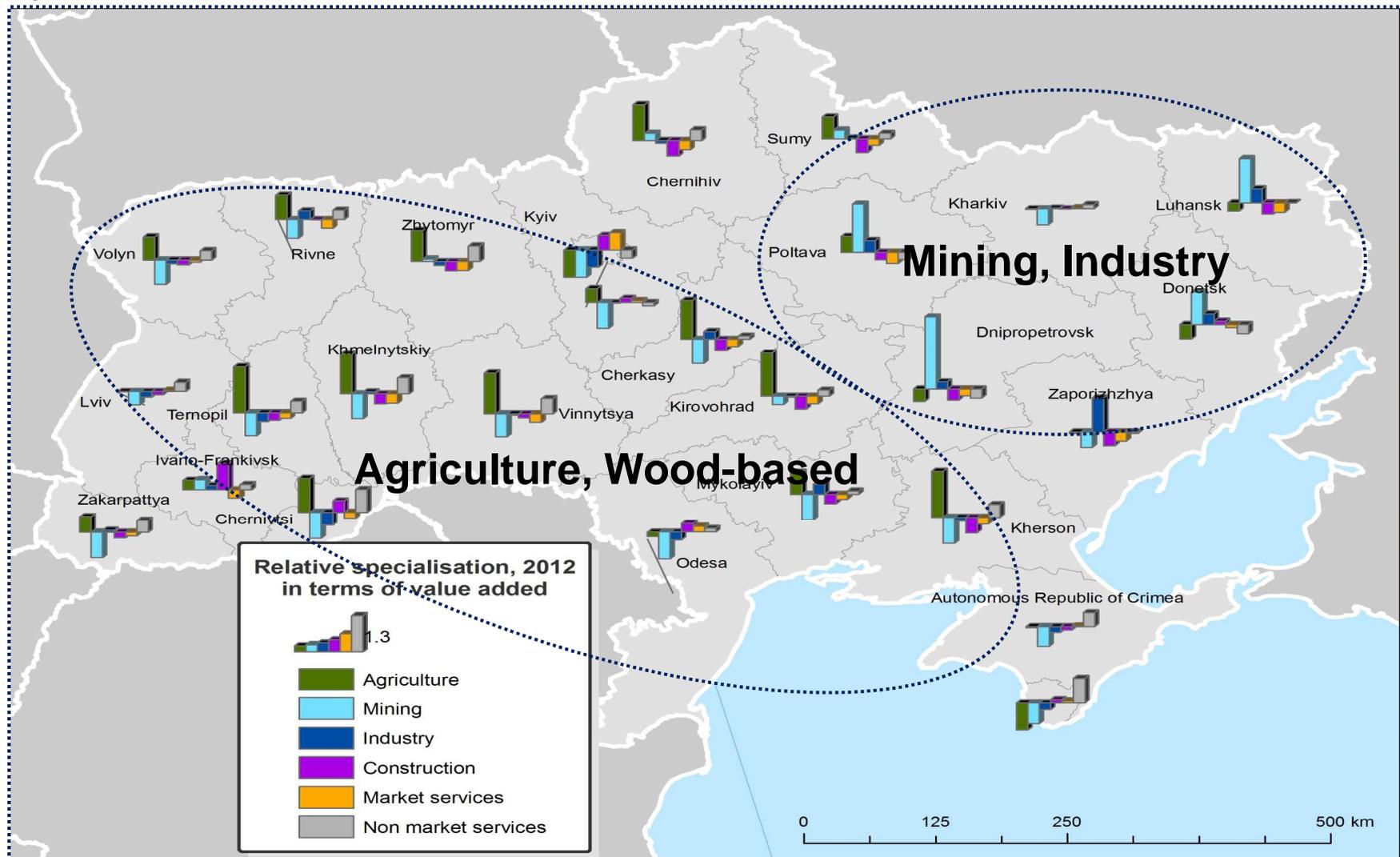


Regional composition of exports, 2012

(pies proportional to the value of exports in USD mn)



Regional specialisation, by value added of economic activities in 2012



Thank you for your attention!

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More details in the 2015 wiiw study
“How to Stabilise the Economy of
Ukraine” by Adarov, Astrov, Havlik,
Hunya, Landesmann, Podkaminer
freely available at:
<http://wiiw.ac.at/publications.html>

