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Non-tariff barriers in Ukrainian export to the EU

Maigorzata Jakubiak
Maryla Maliszewska
Irina Orlova
Magdalena Rokicka
Vitaliy Vavryschuk

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Publisher:
CASE – Center for Social and Economic Research
12 Sienkiewicza, 00-010 Warsaw, Poland
tel.: (48 22) 622 66 27, 828 61 33, fax: (48 22) 828 60 69
e-mail: case@case.com.pl
http://www.case.com.pl/

Table of Contents

The Authors

Małgorzata Jakubiak graduated from the University of Sussex (UK; 1997) and the Department of Economics at the University of Warsaw (1998). Her main areas of interest include foreign trade and macroeconomics. She has published articles on trade flows, exchange rates, savings and investments in Poland and other CEE countries. During 2000-2001 she was working at the CASE mission in Ukraine as resident consultant. Since 2002 she has been working on the doctoral thesis entitled "Role of trade and foreign investment in the transmission of innovation into Poland". She has collaborated with the CASE Foundation since 1997.

Maryla Maliszewska has been working with the CASE Foundation since 1996. Her research interests cover modelling of international trade flows, determinants of real exchange rate, location of production and agglomeration externalities in transition. Her study on the impact of Poland's accession to the EU within a computable general equilibrium framework was rewarded with the second prize at the annual GDN's Research Medals Competition for "Outstanding Research in Development" in January 2004. Between 1997-98 and in 1999, she worked as a CASE representative in the ProDemocratia advisory mission in Romania. In 2000 she was a summer intern at the World Bank, Washington DC. Maryla Maliszewska graduated from the University of Sussex (1996) and Warsaw University's Department of Economics (1997). She successfully defended her DPhil thesis at the University of Sussex in 2004.

Irina Orlova has been working with CASE Ukraine since September 2006. She is a graduate of Economics Education and Research Consortium (EERC) '2005, MA Program in Economics at National University of "Kyiv-Mohyla Academy". Irina's research interests lie in the areas of International Trade, Capital Flows, Transition Economies. Her studies presented at the international conferences include: "Trading Partners and Economic Growth in Transition Economies", "The Effect of Policies on FDI Flows: The Case of Transition Countries".

Magdalena Rokicka graduated from Warsaw University, Department of Economics in 2001. In 2002 she continued her study at University of Nantes. In 2006 she accomplished at Warsaw University post graduate programme in cross cultural relations. Her main area of interest consist on: economic growth, FDI, education and macroeconomics. Since 2004 she has been working at CASE, as a member of application team, currently, as junior researcher, she is taking part in several research projects.

Vitaliy Vavryschuk is an economist at CASE Ukraine since 2003. He graduated from EERC program at National University of "Kyiv-Mohyla Academy" and obtained MA degree in economics. Fields of specialization: foreign trade and WTO, European integration, macroeconomics.

List of abbreviations

CEEC	Central and Eastern European country
CEN	European Committee for Standardisation
CENELE	European Committee for Electrotechnical Standardisation
CIS	Commonwealth of Independent States
EAA	European Association Agreements
EC	European Commission
ETSI	European Telecommunications Standards Institute
EU	European Union
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GSP	General System of Preferences
GUAM	Georgia, Ukraine, Azerbaijan, and Moldova
HS	harmonized system (nomenclature of products)
MFN	most favoured nation
MRA	Mutual Recognition Agreements
MRP	Mutual Recognition Principle
NMC	New (EU) Member Country
NTB	non-tariff barrier to trade
OECD	Organization for Economic Co-operation and Development
PCA	Partnership and Cooperation Agreement
PECA	Protocols on European Conformity Assessment and Acceptance of Industrial Products
SME	small and medium enterprise
SPS	sanitary and phyto-sanitary measure
TBT	technical barrier to trade
UAH	Ukrainian Hryvna
UNCTAD	United Nations Conference on Trade and Development
VAT	value added tax
VER	voluntary export restraint
WB	World Bank
WTO	World Trade Organization

Introduction

The economic relations between the EU and Ukraine have intensified in recent years. Following the 2004 enlargement, Ukraine became the direct neighbour of the EU. At the same time, the country has been developing rapidly and both local production capacities and demand for foreign produce have been increasing. Ukraine also become more open to external partners. All this is reflected in the gradual effective trade integration with the EU; i.e. in growing bilateral trade flows.

The overall EU tariffs for Ukrainian products are rather low and other tradition protection measures apply to selective sectors only. Moreover they are expected to disappear gradually within the next few years, following Ukraine WTO entry and expected establishment of the free trade area in manufacturing goods between the EU and Ukraine. However, there exist other so called 'non-tariff' barriers to trade that protect and will protect the EU market. For a relatively poorer country these barriers may turn to be prohibitive. This is probably the cause that there is general perception about Ukrainian export to the EU still being below its potential. The goal of this report is to explore whether the non-tariff barriers impede Ukrainian export to the EU and to what extent.

This report is published about the time when the free trade agreement between the EU and Ukraine is negotiated. The authors hope that the findings will turn useful for designing the extent of this agreement and contribute to the discussion about it by showing the extent of non-tariff barriers faced currently by Ukrainian exporters.

The report starts from the overview of Ukraine trade policy (chapter 1), with the special emphasis put on economic relations between the EU and Ukraine. Evolution of bilateral trade flows is discussed next (chapter 2). This is supplemented with the brief discussion of recently conducted surveys on barriers hampering Ukrainian exports (chapter 3).

The experience of some current EU members from Central and Eastern Europe, which together with gradual phasing out of tariff and traditional protection measures in the 1990s faced growing non-tariff barriers to trade with the EU, seems to be relevant for Ukraine. Chapter 4 reviews the exposure of CEECs exports to the EU's non-tariff barriers, and describes how the countries were changing its trade-related legislation towards the EU laws in order to tackle these barriers. Chapter 4 also shows

the extent of the EU's technical barriers to trade in different sectors and how well CEE enterprises were prepared to meet them, once the EU commodity markets opened up completely for the new EU members in 2004.

Results of the survey on non-tariff barriers to trade that are faced by Ukrainian exporters to the EU are presented in chapter 5. This is the main empirical contribution and the focus of this paper. The survey covered such areas as certification of origin, customs procedures and technical standards. Finally, chapter 6 concludes with policy recommendations.

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1. Ukraine's trade policy: an overview

Since 1991 Ukraine gained freedom to conduct external trade policy. This coincided with the beginning of severe economic crisis following collapse of the command economy. In the early 1990s protectionist approach prevailed and government was very cautious in liberalizing external trade. However, since mid 1990s Ukrainian government switched to systemic and comprehensive liberalization of procedures connected with economic activities abroad and new institutional setup for foreign economic activities has been established. On the one hand, opening of the market was motivated by the necessity to obtain symmetric concessions from the major trading partners. On the other hand, it became increasingly obvious that higher competition induced by importers had substantial positive externalities at the domestic market.

Export sector remained the main driving force of economic growth in Ukraine since 2000 and barrier-free access of Ukrainian producers to international markets is vitally important for sustainable economic development. Companies selling abroad (especially to developed countries) are motivated to improve quality and safety of their products through investing in enlarging their production capacities and in new technologies. Thus, government priorities were to facilitate access of Ukrainian commodities and services to the markets of Ukraine's trading partners.

After disintegration of the Soviet Union the newly-independent countries made attempts to restore barrier-free trade regime within the Commonwealth of Independent States (CIS) by forming free-trade zone. However, these plans have never resulted in a multilateral agreement. The CIS countries switched to bilateral free trade zones. Currently (2006) Ukraine has free trade agreements with all the CIS countries and Macedonia[1]. Until 2004 Ukraine had free trade agreements also with three Baltic states[2]. However, these had to be abolished when the partner countries entered the EU (common customs territory). As a rule, a number of commodities are excluded from the Ukrainian free trade regimes (i.e. sugar, spirits, confectionary etc.) under bilateral agreements with trading partners.

[1] In it's essence the free trade agreement with Macedonia envisages preferential trade regime, i.e. not all tariff barriers are removed for trade between the countries.

[2] Estonia, Latvia, and Lithuania.

In 2004 Ukraine joined Common Economic Area – economic agreement between four CIS member countries envisaging formation of economic union in the long run perspective. As of January 2007 the progress was rather moderate and countries did not manage to implement any provision to ensure deeper economic integration of the members' economies. At the same time Ukraine actively participated in GUAM – organization of Georgia, Ukraine, Azerbaijan and Moldova designed to promote political and economic relations among the members. The four countries formally signed multilateral free trade agreement in May 2006.

Ukraine applied for the WTO membership in 1993 but the negotiating process was frozen until 2000. As of January 2007 the country managed to complete bilateral negotiations with all members of the Working Party except for Kyrgyzstan. The most awaited bilateral protocols with the EU were signed in March 2003, with the USA and Australia in early 2006. The reforms of Ukraine's trade regime were much driven by the necessity to ensure fulfilment of commitments under bilateral protocols and harmonization of national legislation with the WTO multilateral agreements.

Until now the country has implemented majority of reforms in order to fulfil commitments fixed in bilateral protocols and to comply with the WTO agreements. In particular, since 2004 the parliament passed a dozen of laws harmonizing trade-related legislation with the WTO norms. Adopted laws and regulatory acts refer to technical standards, antidumping and countervailing practices, customs valuation, intellectual property rights etc. During 2005 the parliament amended the law 'On Customs Tariffs' three times lowering rates for over 70% of lines of the Harmonized System. Some of the active tariffs are lower than maximum values under the schedule. Ukraine also abolished all restrictions as to the share of foreign capital in statutory funds of companies. Two remaining restrictions apply to news agencies (share of foreign capital in their statutory funds cannot exceed 35%), and companies distributing printed editions (the limit for foreign capital is 30%). The former restriction will be preserved; however, the latter should be abolished upon accession to WTO.

Ukraine's commitments and concessions fixed in bilateral protocols cover effectively the whole nomenclature of commodities and service sectors. According to the Ministry of Economy, import tariffs for industrial products will be tied at the average level of about 5% by the end of transition period. The average tariff level for agricultural products will be more than twice higher. Ukraine will maintain export duties on commodities that are subject to export charges today: scrap of ferrous metals and alloyed steel, sunflower seeds, live animals, and skins of cattle. Substantial concessions will be made in service sector. Ukraine committed to fully liberalize cross border supply of services as well as provision of services through consumption abroad. Besides, the supply of services through mode 3 (commercial presence) will be completely liberalized in 139 out of 155 sectors. Among others Ukraine will open the banking market by

allowing branches of foreign banks to operate in the country and insurance market by allowing non-resident re-insurers dealing with certain kinds of risks.

The milestone event for Ukraine was granting of the full-fledged market economy status by the EU (December 2005) and the USA (February 2006). The market economy status enhances position of Ukrainian producers in antidumping investigations conducted by the authorities of the partner countries.

1.1. Trade policy vis-à-vis the EU

Trade relations between Ukraine and the EU have been formalized in 1994 through the Partnership and Cooperation Agreement (PCA) which entered into force only in 1998 (EC 1998b). The agreement envisaged, among others, basic rules of bilateral trade in goods and services. In particular, parties agreed to grant each other most-favoured nation treatment in accordance with the GATT provisions. Goods originating in Ukraine and the EU were granted access to the market of the other party free of quantitative restrictions. Special rules were initially established for trade in textiles and steel products through separate agreements. PCA also mentioned the establishment of EU-Ukraine free trade area in manufacturing products in the future.

The textile agreement signed between the parties in 2000 required Ukraine to lower the import tariffs on textile and clothing products. In its turn, the EU lifted quotas on Ukrainian apparel (Council of the EU 2000). Bilateral agreement provided a good basis for successful and systemic dismantling of trade barriers in this sector. Gradual liberalization of textile trade created preconditions for smooth adaptation of the economy towards functioning under terms agreed during the WTO accession negotiations.

Supply of steel from Ukraine to the EU market is subject to quotas. The size of the quota is negotiated annually and equals about 1.32 million tons for 2007. Quotas have been risen for 2005-2006, following the 2004 enlargement (from 0.61 million tons in 2004, to 0.98 million tonnes in 2005, after EC 2004, EC 2005b). The situation on the EU quota front may improve further if Ukraine accedes to the WTO, which will lead to removal of the quantitative restrictions in bilateral trade, steel sector including.

Access of Ukrainian producers to the EU market has been liberalized and current tariffs are not a binding obstacle to exports from Ukraine to the EU. According to the World Bank estimates, Ukraine benefits substantially from the preferences granted by the EU under the Generalized System of Preferences (WB 2004). About one third of exports to the EU are tariff-free under the Generalised System of Tariff Preferences (GSP), one third is subject to preferential tariffs under the GSP, and only one third is subject to MFN rates.

The PCA has been concluded for the period of ten years (till the end of 2007) and currently the parties have an opportunity to negotiate a new framework agreement envisaging deeper economic integration. According to the Ukrainian and the EU officials, the future agreement will envisage free trade zone in manufacturing goods. Simultaneously the parties may negotiate formation of deeper free trade zone (FTA+). The FTA+ can envisage several dimensions of possible integration besides abolishment of tariffs – reduction of non-tariff barriers, liberalization of trade in services, harmonization of trade policy in key spheres, etc. The FTA+ is perceived as a step toward full-fledged integration of economies; however it may take as much as two decades to implement the plans. Informal consultations on an FTA started in 2006, but the EU expects Ukraine to enter the WTO first in order to formally launch the process (Kyiv Weekly 2006).

The EU-Ukraine Action Plan was approved as an element of the European Neighbourhood Policy in February 2005 (EC 2005a). The document has been concluded for an initial period of three years and identifies key spheres of reforms in Ukraine. By signing the document Ukraine committed to accelerate reforms necessary for closer relations with the EU. Trade issues are given proper attention in the document. As of the end of 2006 the fulfilment of the action plan was especially successful in the area of trade policy. Ukraine made progress in reforming the customs service, aligning technical standards with the EU regulations, improving sanitary and phyto-sanitary institutions. However, much remains to be done by the end of the implementation period (Jakubiak, Kolesnichenko 2006).

1.2. Key trade-related institutions in Ukraine

Bodies responsible for trade policy. Ministry of the Economy of Ukraine is the main body of executive branch dealing with external trade issues. In particular, it negotiates trade agreements, leads WTO accession negotiation, conducts economic analysis of trade-related decisions and represents Ukrainian producers' interests in other countries. Also, Cabinet of Ministers forms Inter-Agency Trade Commission responsible for antidumping and countervailing investigations.

Customs tariffs. Import tariffs in Ukraine are set by the law 'On Customs Tariff of Ukraine'. Tariffs are set for every commodity at a 10 digit level of classification based on HS. The law envisages two different types of import tariffs: privileged rates (on commodities subject to MFN regime) and full rates (applicable toward other commodities). Export tariffs are set by special laws; currently Ukraine charges export tariffs on four commodities: live animals and skins of cattle, scrap of ferrous metals,

scraps of non-ferrous metals and sunflower seeds. The State Customs Service of Ukraine, which is responsible for customs control is an agency within Ukrainian government. The head of the Service is appointed by the President. The customs service is responsible for customs clearance of traded services and commodities. Currently about 92 inland and 220 border customs offices function in Ukraine.

Technical regulation. The law 'On Standards, Technical Regulations and Conformity Evaluation Procedures' (adopted in 2005) is the main normative act in the sphere of technical regulation in Ukraine. It states that The State Committee of Ukraine for Technical Regulation and Consumer Policy (Derzhspozhyvstandart) is responsible for the state policy in the sphere of technical regulation. It is authorized to develop technical regulations (obligatory rules specifying commodity and production process characteristics) which are to be approved by the Cabinet of Ministers. Derzhspozhyvstandard is also responsible for assessment of product characteristics' conformity with technical regulations. The assessment is implemented through UkeSEPRO (УкрСЕПРО) certification system covering about 120 bodies throughout Ukraine.

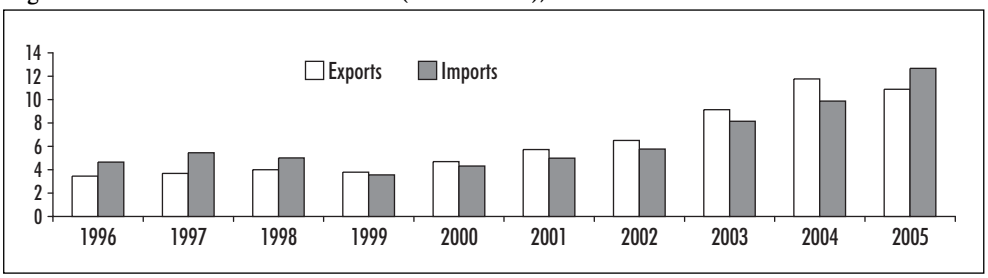
Rules of origin. The Customs Code of Ukraine envisages the key provisions on certification of rules of origin. The rules of origin are used to identify commodities which are subject to preferential customs treatment. Cabinet of Ministers delegated the right to certify origin of commodities in Ukraine to the Chamber of Commerce. The rule of origin certificate is provided for every delivery of commodities.

Sanitary and phytosanitary regulations. The sphere is regulated by two key laws: 'Law on Quality and Safety of Foodstuff and Food Materials' (the latest version approved in September 2006) and law 'On Veterinary Medicine' (the latest version approved in November 2006). The laws contain provisions on functioning of system of sanitary and phyto-sanitary control in Ukraine. The key bodies responsible for implementation of the policy in Ukraine are State Department for Veterinary Medicine and State Sanitary-Epidemiologic Service of Ukraine.

2. Ukraine's trade with the European Union[3]

Ukraine's trade with the European Union has been steadily growing throughout the last decade. In 2006 the EU was the second largest trade partner of Ukraine (after CIS – the Commonwealth of Independent States). There was a slight downturn in both Ukraine's exports to the EU and imports from the EU during the currency crisis period of 1998-1999, after which trade growth rates with the EU have outpaced its pre-crisis levels. The dynamics of Ukraine's trade in goods with the EU are reflected in Figure 1.

Figure 1. Ukraine's trade with the EU (USD billion), 1996-2005



Source: State Statistics Committee of Ukraine.

Ukraine's exports to the EU have increased from USD 3.5 billion in 1996 to USD 10.9 billion in 2005, which is more than three times. There was a somewhat smaller but also a significant growth of EU imports to Ukraine during the same period: from USD 4.7 billion to USD 12.7 billion. As can be seen from the chart, starting from 1999 until 2004 Ukraine has been running a trade surplus with the European Union. However, the last year in the chart (2005) depicts a negative trade balance.

EU-Ukraine trade relations are asymmetric. In 2005 Ukraine accounted for only 1.2% of the EU's total imports and 0.6% of its total exports. Such a small share of Ukraine in the EU trade, combined with the high significance of the EU for Ukraine's

[3] The content of the chapter is based on official trade statistics of the State Statistics Committee of Ukraine available at www.ukrstat.gov.ua

trade (i.e. 32% in 2005) means that Ukraine will feel much stronger any benefits or losses from closer economic cooperation than the EU.

For the purposes of comparison, we provide some statistics of Ukraine's trade with CIS countries for the same period of 1996-2005. In 1996, Ukrainian exports to CIS constituted USD 7.4 billion, which was more than twice as much as its exports to the EU. However, throughout the reference period exports to CIS show a declining pattern up till 2003 when a significant (almost 140%) increase occurs. As a result, in 2005 exports to CIS reach USD 10.7 billion, which is less than Ukraine's exports to the EU in the same year. As a matter of fact, starting from 1999 Ukraine has been steadily exporting more to the EU than to CIS. The share of exports to the EU in total Ukrainian exports has increased from 24% in 1996 to 32% in 2005, reaching its maximum of 40% in 2003. Whereas the share of exports to CIS has changed in the opposite direction: from 51% in 1996 to 31% in 2005. With imports the situation is a bit different because of Ukraine's dependence on gas imports from the Russian Federation. The share of imports from CIS in total Ukrainian imports never went below 50% in the reference period, except for the year 2005 (47%); while imports from the EU in 2005 comprised only 35% of total imports.

In 2005, the main trading partners (among EU countries) of Ukraine were Italy, Germany and Poland. For example, exports to Italy in 2005 increased by 16.9% compared to 2004; however, exports to Germany decreased by 32%. Ukrainian imports in 2005 increased from all EU countries except for Malta.

The largest share in Ukrainian exports to the EU is taken by ferrous metals – 21.2%, followed by energy-intensive goods, petroleum products – 19.3%, other minerals – 6.9%, textiles – 5.7%, wood and wood products – 4%, and ferrous metal products – 3.9%. The largest part of ferrous metals export goes to Italy, Germany, and Poland; energy-intensive goods, petroleum products – to Italy, Germany, and Cyprus; other minerals – Slovakia, Czech Republic, Austria; textiles – Germany, France, United Kingdom; wood and wood products – Hungary, Poland, Italy; ferrous metal products – Spain, Germany, and Italy.

As for the structure of Ukrainian imports from the EU, here the largest share comprises of mechanical equipment – 18.2%; followed by electric machinery and equipment – 11.8%; transport equipment – 10.6%; plastic products – 7.1%; pharmaceuticals – 6%; paper and cardboard – 4.8%. Mechanical equipment is mostly imported from Germany, Italy, and France; electric machinery – from Germany, Sweden, and Czech Republic; transport equipment – Germany, Poland, Hungary; plastic products – also Germany, Poland, and Hungary; pharmaceuticals – Germany, France, Hungary; paper and cardboard – Poland, Finland, Germany.

3. NTBs faced by Ukrainian exporters – results from other studies

To our best knowledge the issue of non-tariff barriers to trade for Ukrainian exporters was not studied in depth in known academic papers. The only study covering issues of barriers to exports is 'Doing Business' conducted in 2005 and 2006 by the World Bank[4]. It gives two indicators (time and cost) of different procedures related to export activities: preparation of documents for exports, inland transportation and handling, customs clearance and technical control, ports and terminal handling. The tables below summarize the main findings of the study for 2006.

Export procedures are time-consuming in Ukraine: an exporter needs as much as three times more time (33 days) to prepare the necessary documents than average exporter in the OECD countries (10.5 days). However, the time length indicator is only slightly higher than that for the European and Central Asian countries. The procedures did not become shorter compared to 2005 when preparation of documents also took 33 days. Six documents are required from exporters in Ukraine for every shipment: bill of lading, certificate of origin, commercial invoice, packing list, pre-shipment inspection clean report of finding, technical standards/test certificate. On average, an exporter spent USD 55 to get the documents ready. Costs related to exports in Ukraine were on average 25% higher than in developed OECD countries. Noteworthy, according to the study customs clearance and technical control procedures were rather cheap in Ukraine – about USD 4 per shipment.

Table 1. Trading Across Borders in Ukraine in 2006 (1)

Indicator	Ukraine	Europe and Central Asia	OECD
Documents for export (number)	6	7.4	4.8
Time for export (days)	33	29.2	10.5
Cost to export (USD per container)	1,009	1,450	811

Source: http://www.doingbusiness.org

[4] The study is conducted annually and covers many areas of economic activity. In 2005 'trading across borders' was added. See www.doingbusiness.org.

Table 2. Trading Across Borders in Ukraine in 2006 (2)

Nature of Export Procedures	Duration (days)	USD Cost
Documents preparation	23	55
Inland transportation and handling	3	800
Customs clearance and technical control	2	4
Ports and terminal handling	5	150
Totals:	33	1,009

Source: http://www.doingbusiness.org

An interview-based comprehensive study 'Export Activities of Ukrainian Companies' was conducted by the BIZPRO in 2005 (BIZPRO 2005a). According to the results, the four most important problems impeding export activities of Ukrainian companies are: irregular and partial VAT refund (29.9% of companies consider this to be a problem), customs procedures (21.9%), inefficient and changing legislation (16.6%), and big number of procedures and permits etc. (12.6%). Only 4.2% of companies stated that technical regulations and standardization are a problem for exports, and moderate 0.5% mentioned "special tariff, quotas, and duties".

According to another BIZPRO study (BIZPRO 2005b) on small and medium-sized enterprises owners ranked export-related procedures as the fifth (among seven) largest regulatory barriers to SME development. The results reveal that it took on average 11.2 days for small and medium companies to complete all the required procedures for shipment of products. SMEs officially spent 6.2% of the total cost of each shipment to complete all of the required export procedures. The main reason cited by SMEs for stopping export activities was a lack of demand for the products and services produced (29.1%). The second reason listed (24.5%) was complicated export regulations and the high cost of export procedures.

4. Experience of current new members: non tariff barriers between CEECs and the EU

Process of transformation of Central and Eastern European countries (CEECs[5]) resulted in the significant adjustment of their trade structure. Not only the scope of products for export changed but also its geographical destination. The fall of soviet block naturally caused the shift of the CEECs export towards EU countries. These changes have been accompanied by the growing liberalisation of trade, and the decreasing importance of the traditional protection measures like: tariffs, quotas, and voluntary export restraint (VER) agreements. As a result non tariffs barriers to trade, mainly: technical regulations and standards (TBT), sanitary and phyto-sanitary (SPS) measures, rules of origin, customs rules and procedures, and other administrative procedures have become the main impediment for exporters from CEECs countries, willing to enter EU market.

4.1. Legal framework for harmonisation of standards and technical regulation

The process of adjustments and trade liberalisation between CEECs and the EU was set in motion by the signature of the European Association Agreements (EAA) in 1992. These documents established a new framework for CEECs and EU economic relationship, including a free trade regime for industrial products and improved access for agricultural products. In addition, the EU committed itself to gradually eliminating tariffs and increasing quotas on 'sensitive' products-mainly textiles, iron, and steel.

With regard to the technical barriers the EAAs provided that candidate countries would set up rules and procedures equivalent to those applied in the EU. It is worth

[5] Term CEECs here refers mainly to the 8 new EU members that joined the Union in 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia).

to mention that EU approach toward technical regulation and certification is based on Mutual Recognition Principle (MRP)[6], the *new harmonisation approach*[7] implemented in 1985, and *old approach* (detailed harmonisation)[8]. Beside national institutes three European bodies are dealing with the standardisation issues on the European level: European Committee for Electrotechnical Standardization – CENELEC, European Telecommunications Standards Institute – ETSI, The European Committee for Standardization – CEN.

During 1994-1997, given the complex and non-homogenous EU rules, it was claimed that candidates countries used the EAA for protecting their own markets and imposing new standardisation norms for importers instead of facilitating the trade flow. Seen as ineffective, the negotiations of technical harmonisation with candidate countries on the product level were replaced by the introduction of Protocols on European Conformity Assessment and Acceptance of Industrial Products (PECA)[9]. PECA were considered as the major instrument of the pre-accession strategy in the field of the free movement of goods, they covered following sectors: machinery, electrical safety, electromagnetic compatibility, gas appliances, pressure equipment, hot water boilers, medical devices, good laboratory practice, and good manufacturing for medicinal products, lifts, toys, and construction products. These protocols were signed with majority of accession countries, as well as with Romania and Bulgaria.

4.2. Non-tariff barriers to trade with the EU in 1990s

Kaminski (1999) evaluated the impact of EAA on Polish and CEE exports. Using the UNCTAD classification of non-tariff barriers[10] he made distinction between all NTBs[11], and 'narrow' NTBs[12], and then analysed various non tariff measures imposed by the EU on imports in 1995. He found that Poland and Hungary are the more

[6] MRP – if product is produced and tested in accordance with the technical regulation of member state it should be recognized by other member states, and circulated free within Single Market.

[7] New harmonisation approach: instead of detailed case by case provisions of norms and standards, which occurred inefficient and unsatisfactory Community legislation is restricted to establishing the essential requirements that products must meet. These requirements fix thresholds or levels of protection for the whole of the Community in the area of health and safety.

[8] Old Approach: all agreements require unanimity and have forms of directives, which contain high degree of technical detail. Old approach applies mostly to chemicals, motor vehicles, pharmaceuticals, and foodstuff.

[9] Following EC explanation: PECAs are agreements with candidate countries by which mutual recognition operates on the basis of the *acquis communautaire* (i.e., they differ from Mutual Recognition Agreements (MRAs) in that they make use of common technical rules and standards). They also provide for the mutual acceptance of industrial products that are legally placed on the market in the territory of the parties to them.

[10] These are: para-tariff measures, price control measures, finance measures, automatic licensing measures, quantity control, monopolistic measures, and technical measures.

[11] All mentioned above.

sensitive to NTBs of the EU, while comparable low level of exposure was observed for the Czech Republic and Slovakia. It should be mentioned that the vulnerability to NTBs of each of the CEEC is closely related to its export basket.

While analysing in details the indices of NTB application to Polish export, he further revealed that VERs (voluntary export restrictions) were most common NTBs followed by the 'other extra charges', which include product certification and standardisation. In 1995 among the most NTBs affected sectors were:

- clothing, textiles (97% of trade affected)
- food (91% of trade affected)
- animal feeds (almost 65% of exported products were affected by (NTBs).

This was followed by oils and fats (56%), iron and steel production (49 %), and other Polish manufacturing products[13] (EU NTBs applied only to 33% of Polish manufacturing exports).

4.3. Technical barriers

Significant part of the non-tariff measures consists of technical barriers, which as mentioned previously are still seen as a major impediment to trade. According to Brenton (2000) almost 80% of the intra-EU trade were the subject of technical regulations in 1996, and the cost associated with existing technical barriers to trade was estimated to be as high as 2-2.4% of EU GDP (Cecchini, 1998; Emerson et al. 1988, EC 1998a). The situation was even more complex with regard to candidate countries exporting to the EU.

As the availability of the appropriate data for measuring the scope of technical barriers to trade (TBTs) for exporters to the EU are limited; several approximations were made, and only the sectors generally considered as the most prone to technical barriers were analysed. According to the study by Brenton (2000; breakdown of EU import for 1998) one third of EU import from Bulgaria and Latvia was carried out without any technical restrictions, as the exchange was mainly executed in sectors free of restrictions: non ferrous metals, footwear, sawing and processing of wood. In contrast Slovenia exported mainly machinery, which was subject to the new approach harmonisation, therefore only one fifth of its export was exempted from technical regulations. Estonia, Slovakia and Hungary were exporting to the EU mainly: motor

[12] Narrow NTBs exclude: antidumping and countervailing duties, licensing, price control, health and safety regulation, technical standards.
[13] All calculations refer to 1995.

vehicles and parts, prepared meat and petroleum products, which were regulated by the harmonisation of the old approach[14], and were highly affected by TBTs.

Sectors where technical barriers were not significant had rather high share of EU directed sales from Balkans, Romania and Baltic states. Whereas export from the Czech Republic, Hungary, Poland and Slovenia was highly influenced by the EU technical regulations.

Changing export structure (move from predominantly low-technology goods in the direction of 'middle-technology intensive' products) forced the degree of technical restrictions for at least some of the trading partners. As a result of overall development and better supply capacities Poland and Hungary shifted their export toward more technology-intensive sectors over the last decade. However, these were also the sectors to which higher technical control applies and which are mainly regulated by the new approach rules.

4.4. What happened after accession

After the EU enlargement in 2004, all tariff barriers were removed and free movement of goods facilitated. Candidate countries adopted *acquis communautaires*, which led to technical harmonisation of production and significantly reduced the cost of trade transactions. However adherence to new standards also imposed costs on producers from new member states.

According to the results of the survey done in Poland for a sample of firms producing processed food, electrical appliances and chemical products, 6 months after the accession (FEMISE, 2005) the benefits from better market access to the EU outweighed costs of adjustment to the EU technical regulations. However the attitude towards different TBTs varied by sectors.

Within food producer group, 54% of the firms claimed the increase of the cost of certification as a result of exporting to the EU market, 31% had to redesign their product so that it would meet the EU requirements, and this change was also associated with significant investments and costs. In addition cost of detailed labelling was mentioned as high by 43% of food producers. Notwithstanding this, 48% of the exporters in the food industry claimed that the unification of standards in all the EU countries was beneficial for their exports to the EU.

[14] Old approach harmonisation covers following group of products: cosmetics, chemicals, motor vehicles, foodstuffs, pharmaceuticals.

Majority of Polish chemical firms did not meet any particular difficulties in trade after EU accession. Only 35% of the firms admitted that the cost of certification has increased since the implementation of the EU legislation. Also in case of food producers, 57% of exporters perceived the unification of the technical requirements as beneficial.

Electrical sector seems to have been the most harmonized with the EU norms and standards well before the accession. Only 1% of production was removed from the market after 2004, and more than 90% of all respondents admitted that after May 2004 (date of the accession) they have not faced any particular difficulties in exporting to EU market.

In spite of this and similar studies at micro level, various macroeconomic estimations based on econometric analysis and equilibrium models were done to measure the impact of EU accession for new member states, considering harmonisation of standards and lowering of TBTs. According to one simulation (FEMISE 2005) changes in standardization policy have large welfare effects, which varied between countries and are closely related to the sectoral structure of export. It is claimed that the largest increase of GDP as a result of a decrease of the technical barriers to trade will be noticed in Lithuania and Latvia. For the Czech Republic, Estonia, Slovakia and Slovenia the simulated GDP increases are equal to 1.4% to 1.6%, while only 1% for Poland.

Although the elimination of NTBs, and especially TBTs is costly, it brings benefits which in the longer perspective can overcome the previous inconvenience and expenditures. The importance of NTBs in trade with the EU is closely related to sectoral structure of the exchange. When analysing the future Ukrainian - EU trade relations in the context of NTBs the following of the CEEC's features should be taken into account:

- the lowest TBTs are generally present in the sectors of: raw materials, low-processed products (with the exemption of food and agriculture products)
- the TBTs remain high, even in intra-EU trade
- the changes of export structure influence level and type of technical barriers to trade that the country has to deal with. Shift from exporting low-technology products to more technology-intensive goods (for example: more pharmaceutics, chemicals, machinery etc.) increases the number and the character of TBTs for exporting country.
- the harmonisation and mutual recognition of standards reduce non-tariff barriers to trade
- reduction of non-tariff barriers is beneficiary for producers, although costly
- elimination of non-tariff barriers, especially through harmonisation of standards leads to significant welfare gains.

5. NTBs faced by Ukrainian exporters to the EU – survey results

This section presents the results of the survey of about 500 companies that are located in Ukraine and have exported to the EU. The representatives of the companies were asked identical questions about their perceptions of non-tariff barriers in the EU. The survey was conducted in November and December 2006[15].

While drafting the questionnaire (attached as Appendix 2 to this report), existing methodologies and results of the research conducted so far for Ukraine, CEECs and other countries were used as a starting point. The research team went through relatively recent surveys on NTBs such as Wilson and Otsuki (2004) done for 17 developing countries including some CEECs, and Cottier et al (2004) conducted for Balkan countries. The findings regarding NTBs from WB (2006) and BIZPRO (2005a and 2005b) for Ukraine and from Michalek (2005) for the CEECs were also considered when drafting particular parts.

The questions initially covered rules of origin of goods, functioning of customs, adherence to technical regulations and standards, sanitary and phyto-sanitary measures and other NTBs. After some pilot interviews, questions regarding phyto-sanitary norms were dropped, for the reason that they mainly referred to agricultural trade and here mainly manufacturing exporters were interviewed. As the vast majority of respondents were not obliged to comply with phyto-sanitary measures, they did not understand the relevant questions and had troubles answering them. Moreover, liberalisation of agricultural trade between Ukraine and the EU is not likely to happen very soon, contrary to manufacturing trade. Hence the survey focused on questions relevant mainly for exporters of manufacturing goods[16]. Firms were also asked to provide general information about the company and about their export markets. The majority of the questions have 'closed' character, i.e. a respondent was given options to choose

[15] The survey was conducted by GFK Ukraine by the method of telephone interview.

[16] The sample consisted also of 57 companies exporting agricultural products (groups 1-14 of the Harmonised System). However, these exporters treated technical and sanitary norms as one group of barriers and it was difficult for the interviewers to get separate information on these two set of norms. As a result, the questions regarding sanitary norms were dropped. However, the interpretation of technical standards with regard to the exporters of the agricultural goods presented later in this report takes into account the fact, that some of the answers refer to sanitary and phyto-sanitary norms.

from. Also, there was a space for comments. There were also some questions asking about numerical estimate of costs (measured in money or time spent) of a particular barrier[17]. The reader is directed to the Appendix 2 for more details.

5.1. Description of sample

The sample was composed of 510 exporters to the EU[18]. The majority of the firms (281, 55% percent of the total) were rather small and employed less than 50 workers (see Table 3). When looking at the ownership structure, firms owned by Ukrainian private capital were the most numerous. They accounted for 62% of the sample (146 small and 170 large). Foreign-owned firms made up nearly 20% of the total sample (34 small and 61 large)[19]. State-owned firms (mostly large) constituted 11% of the sample[20].

Table 3. Distribution of firms by size and ownership, survey results

Description		Number of firms
small firms	private Ukrainian-owned	146
	foreign-owned	34
	state-owned	5
large firms	private Ukrainian-owned	170
	foreign-owned	61
	state-owned	50
Total of sub-samples		**466**
Whole sample		**510**

Source: Survey results.

The division into sub-groups by ownership type and by the firm size is used in the following sections of the report. In this way, the researchers could see whether any of the analysed barriers are felt stronger by any group.

About half of production of surveyed companies is exported, mostly to the EU. The most export-oriented are foreign-owned firms (especially small foreign-owned firms, see Figure 2). On the contrary, state-owned enterprises are oriented predominantly at domestic market.

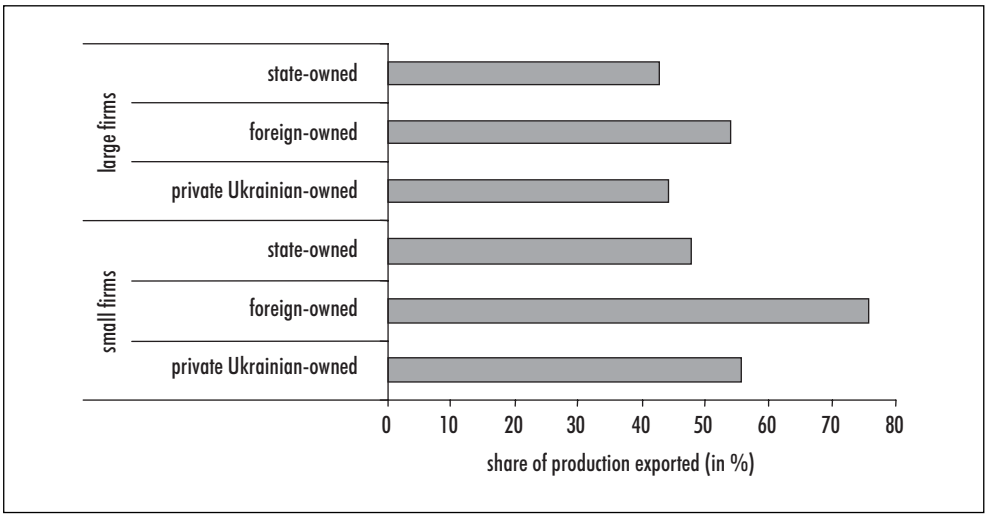
[17] Statistics covering answers to numerical questions are presented in Appendix 1.

[18] The survey is biased in a sense that it covers only exporters. We do not know how different barriers are perceived by those who would like to export to the EU, but find the costs related to compliance with standards and regulations as prohibitive.

[19] The division between Ukrainian-owned and foreign-owned firms was by the majority share of the statutory capital. If the share of foreign capital was higher than 50%, then the firm was marked as 'foreign-owned'. It was 'Ukrainian-owned' otherwise.

[20] Remaining 9% did not provide information either as to the type of ownership or as to the number of workers. Therefore, it was not used for making sub-groups.

Figure 2. Share of production exported, survey results



Source: Survey results.

Both 'old' and 'new' EU members are almost equally popular overseas sales markets for the surveyed firms. Out of total 510 companies, 604 reported exports to EU15, and 557 to EU10 (including 205 firms exporting to Baltic states). Germany (36% respondents selling there) and Poland (35%) are two by far most important export destinations. Although, if Baltic states are taken together, they account for the largest share (40%).

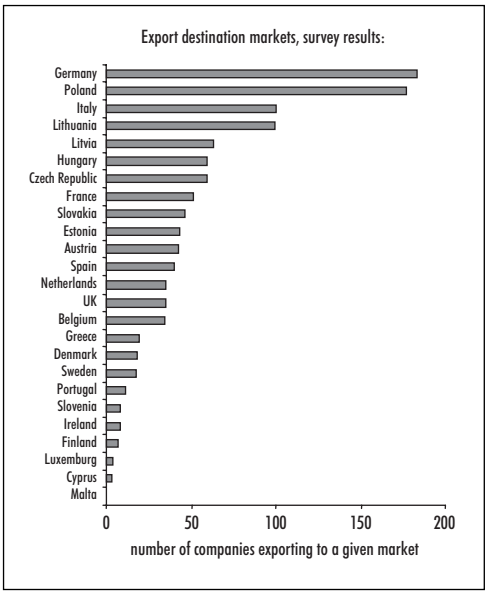
The sample looks as representative when one takes into account geographical distribution of exports. Figure 3 gives the graphical representation of export markets of all surveyed firms (left panel). On the right panel there is also geographical breakdown of total Ukrainian exports to the EU in 2005. Visual examination reveals that the positions of export partners on the two lists on both panels broadly correspond to each other. The rank correlation coefficient (between the rank of a given export market in the sample and as measured by total value of export flows in 2005) is 0.85, which allows us to believe that the sample is to a large extent representative in regard to geographical distribution of exports[21].

Quite surprisingly, the surveyed companies have long-established trade relations. When asked about for how long they had been exporting to the EU, nearly half of them answered that for more than 5 years. Figure 4 shows that this is primarily due to state-owned companies (nearly 80% of large state-owned companies had trade relations longer

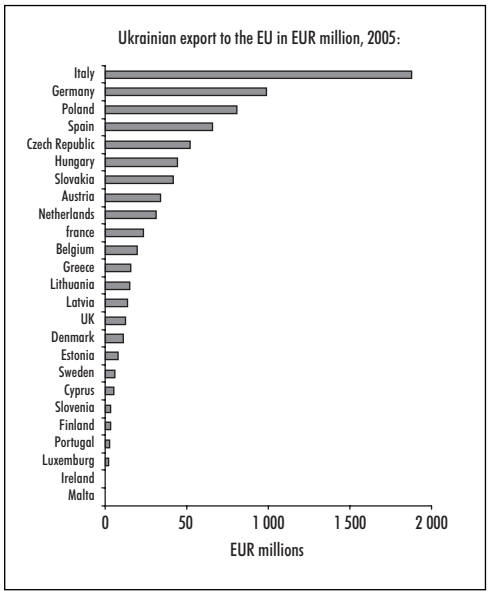
[21] The use of rank correlation is not perfect for two reasons. Firstly, one compares the fact of exporting to a given market with the value of exports to this destination. Secondly, we compare manufacturing exports (sample covers exporters of manufacturing goods only) with total exports (covering also agricultural trade). In this second situation, the difference should not be significant in this case, though.

that 5 years), which probably operate on long-term contracts. Small privately owned companies seem to have the highest percent of 'fresh' trade relations among them.

Figure 3. Export destination markets of surveyed companies vs. geographical breakdown of Ukrainian export to the EU in 2005

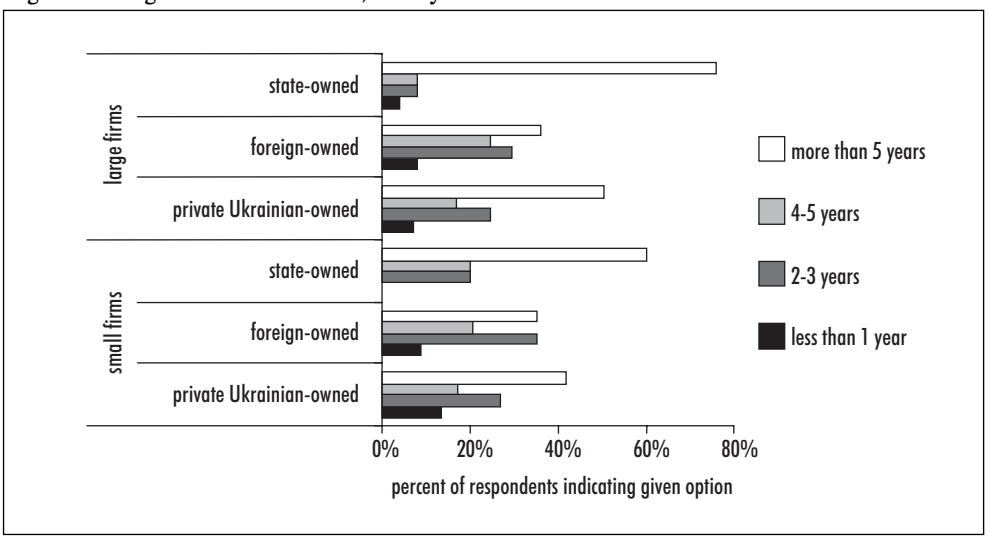


Source: Survey results.



Source: Eurostat.

Figure 4. Length of trade relations, survey results



Source: Survey results.

5.2. Certifying origin of goods

Significant proportion of Ukrainian goods entering the EU market benefit from the General System of Preferences (see also section 1 of this report on Ukraine trade policy). The EU's General System of Preferences (GSP) facilitates the access to EU market for certain countries, and for specific products. It allows to apply reduced, preferential or zero tariffs to goods which were produced or manufactured in a beneficiary country. In order to benefit from the EU GSP upon importation into the EU, the following conditions must be fulfilled:

- goods must originate in a beneficiary country in accordance with the EU GSP,
- goods must be transported directly from the beneficiary country to the EU, and
- valid proof of origin must be submitted (certificate of origin – issued by the competent authorities in the beneficiary country or invoice declaration).

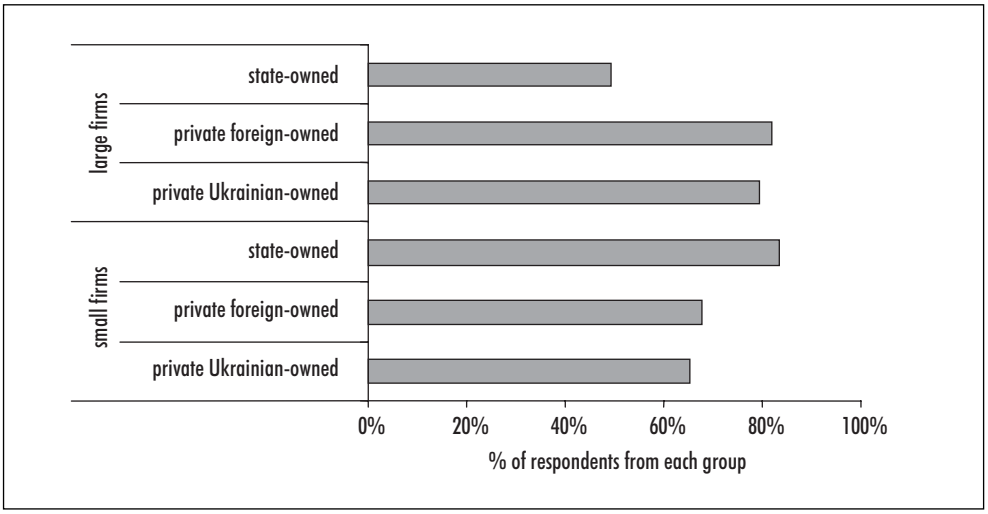
While interviewing companies, the researchers were trying to find out if exporting companies from Ukraine have experienced any difficulties in regards to the above, and whether these regulations constituted a nuisance in terms of time and expenses.

Large number of firms (76% of those who answered, 72% of the total sample) obtained certificates of origin during the last year. This means that 76% of firms used some kind of trade preferences offered by the EU. Almost 76% of private companies with foreign ownership certified the origin of their exports, and percentage was even higher in the subgroup of large foreign owned firms; it was 82%. During the same period only 29 out of 55 state-owned companies (some 53%) claimed that they applied for the proof of origin, which might be partly explained by the specification of their sector of production or activity. They may specialise in exporting goods that are not subject to trade preferences. In general there was high awareness of the requirements for rules of origin in every sub-group. Less than 6% of respondents were either not able to answer this question or were not familiar with the subject.

On average, each company 62 times per year was applying for the certificate of origin, although the dispersion was high and ranged between 1 and 3000 times per year, with larger companies more often obtaining these certificates. Among 271 respondents who answered the question: "how often per year do you have to obtain the certificate of origin?" nearly 50% claimed that up to once per month, while only 22 firms needed this document more than 110 times per year. It is worth to add that large privately-owned firms were certifying origins of their exports the most frequently. This means that they make frequent deliveries to the EU.

The questionnaire also asked about the cost of obtaining the certificates of origin. Using the approximation given by 269 companies (53% of respondents were able to assess it) it was found that the average cost of this certificate to cover one shipment of

Figure 5. Share of companies certifying origin of their export, survey results



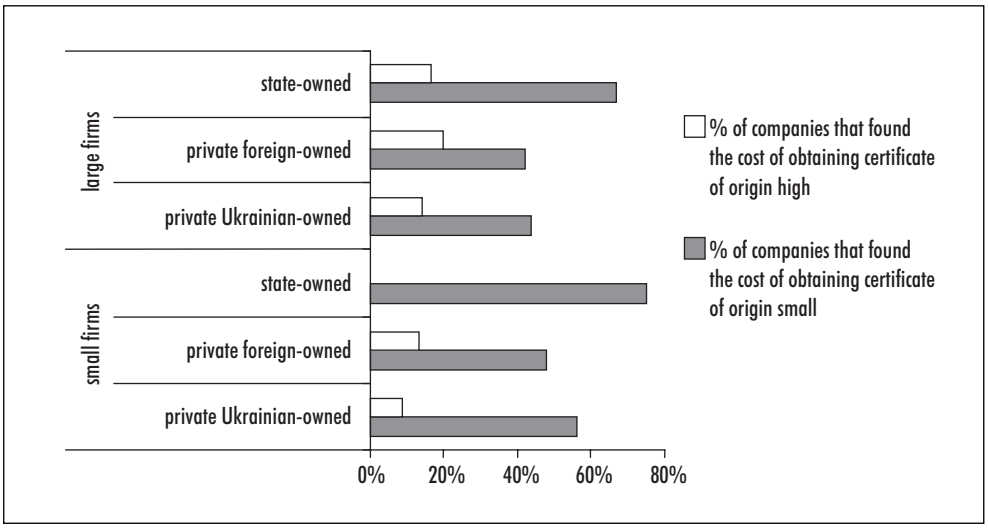
Note: Results for small state-owned companies should be treated with caution as the size of sample was rather small in comparison to other subgroups.
Source: Survey results, own calculations.

the goods reached the level of UAH 273. The distribution was skewed towards lower values. For 133 companies the cost of obtaining certificates of rules of origin was less than UAH 200 per delivery. At the other end, only 5 companies (2% of those who answered) reported that the cost was higher than UAH 1000. In general significant differences with regard to the cost of certifying origin of goods between large and small companies was noticed. Among the exporters employing less than 50 workers, private Ukrainian firms spent the most, on average UAH 366 for certifying each delivery of their goods[22]. According to the respondents from large state owned companies the average cost of the proof of origin was about UAH 180, while in large privately owned firms (both Ukrainian and foreign) these costs were a bit higher, and oscillated around UAH 245 per certificate obtained for one transport of goods. The results suggest that larger firms use economies of scale and deliver large quantities of rather homogenous products (low costs of getting certificates of origins connected with frequent deliveries). While small firms cannot deliver as frequently as the large ones (probably because of supply-side constraints), but nevertheless face higher costs of certifying origin (meaning either more heterogeneous deliveries or higher unofficial payments or both)[23].

[22] In fact, the highest average cost was obtained for small state-owned companies. But this result was due to one observation only, so it is treated here as an outlier.

[23] Checking for the relative costs of certifying origins (for example in terms of share in total production) can be more informative here. It can indicate the effective barrier to trade connected with certificates of origins. This barrier could be lower if, for example, a company would export high-quality goods sold at a higher price. And in fact it can be better indicator than a nominal value. However, this requires information on total production sold, or turnover. Although the companies were asked about their turnovers (see questionnaire in Appendix

Figure 6. Perceptions of costs of certifying origin, survey results



Note: Results for small state-owned companies should be treated with caution as the size of sample was rather small in comparison to other subgroups.
Source: Survey results, own calculations.

While asked about perceptions of costs of certifying origins, large number of interviewed companies replied that these costs were insignificant. Only 13 firms (3%) reported that those costs were very high and additional 10% claimed that they were high. Mostly, these were large firms (see Figure 6).

The costs of certificates seems to be perceived as the least disturbing by the state-owned enterprises (see Figure 6). This comes in line with state-owned enterprises certifying origins of their exports relatively infrequently, and with low costs of it per delivery. At the other end lie foreign-owned firms, which are the least optimistic when assessing costs of certifying origin. This is the only ownership group where costs of certifying origin are considered as small by less than 50% respondents. As a rule, small firms assess the costs of certificates as lower than the large firms do, in every category of ownership. It is rather unexpected, since it was shown that in fact smaller firms pay more per one delivery[24].

When asked about indicating difficulties connected with getting certificates of origin, 71% of the respondents (364 firms) answered. Out of this number, only 28% (102 companies) faced some difficulties with respect to getting certificates of origin. Those firms that faced some difficulties while obtaining documents of origin usually

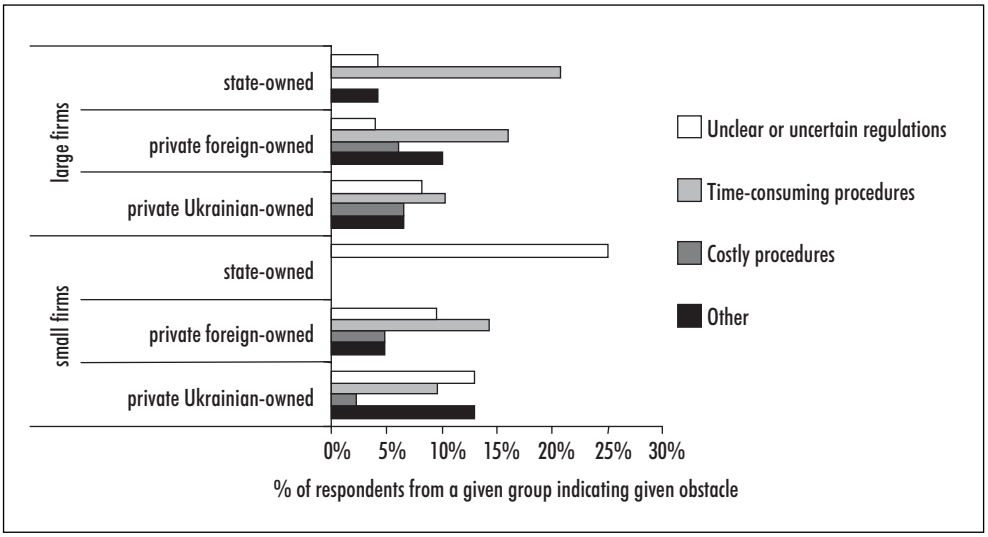
2), the response rate was low. So it was impossible to obtain information on the magnitude of effective barrier to trade in the form of getting the certificates of origins.

[24] Perhaps smaller firms sell their products at higher prices (see the previous footnote). Then this barrier may be lower for them in relative terms. However, it was impossible to measure here.

pointed to 'time-consuming procedure' (12% of the respondents), as well as to complicated and unclear regulations.

Foreign-owned and large state-owned companies were more concerned about time-consuming procedures than the private Ukrainian-owned ones. Smaller firms reported difficulties with unclear regulations more frequently. Few companies also mentioned as additional obstacles: large number of required documents, which are needed to obtain the certificate, and the access to office issuing the certificates.

Figure 7. Obstacles while obtaining certificates of origin, survey results



Note: Results for small state-owned companies should be treated with caution as the size of sample (here: 4 answers) was rather small in comparison to other subgroups.
Source: Survey results, own calculations.

About 67% of the interviewed companies did not report any problems connected with getting certificates of origin, and such high share was equally observed in all kind of companies, ranging from the 71-75% in state-owned firms to 62% in private foreign-owned companies.

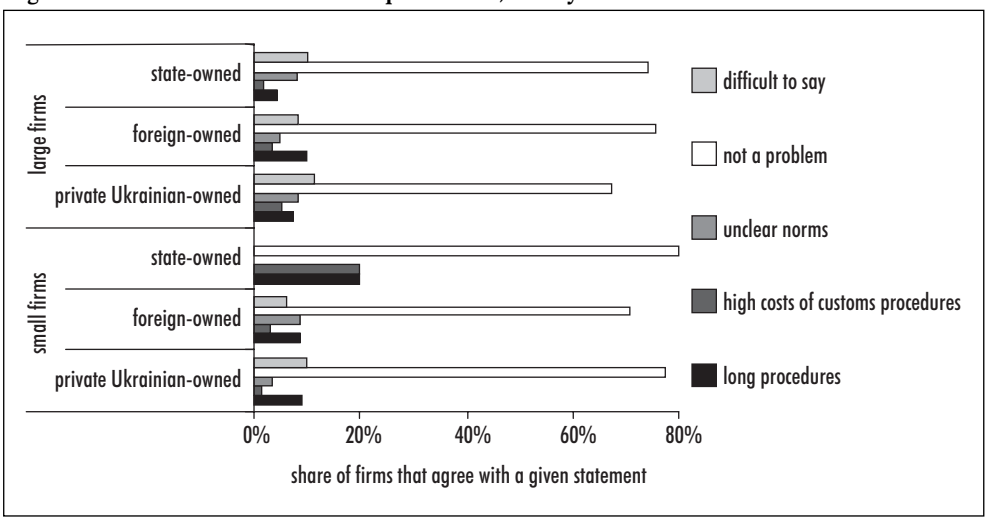
In summation, the interviewed companies seem to use extensively the EU trade preferences, and are familiar with the procedure of certifying origins of goods. While getting the certificate of origin was not considered as an important neither costly obstacle to trade, it may be the case that it was more of a barrier to smaller firms. However, one needs additional information to prove this.

5.3. Customs procedures

EU customs procedures were assessed as relatively easy by Ukrainian exporters. They did not pose a barrier for over 72% of firms. Next most frequent answer was that the degree of difficulties connected with the EU customs procedures was 'difficult to asses' (see Figure 8).

Relatively high share of state-owned small companies that perceived difficulties connected with costs and the length of procedures (20%, see Figure 8) should be treated as outliers. High result is due to small sample (altogether 5 firms) and a large weight of individual observations.

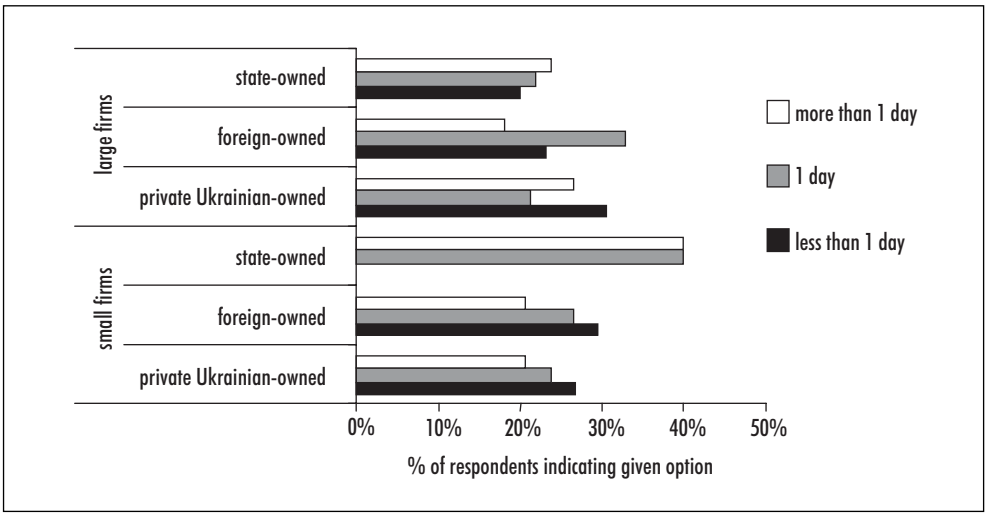
Figure 8. Assessment of EU customs procedures, survey results



Note: Results for small state-owned companies should be treated with caution as the size of sample was rather small in comparison to other subgroups.
Source: Survey results, own calculations.

The surveyed firms were asked to assess average border waiting time. To do this, they were given options of 'more than 1 day', '1 day', and 'less than 1 day'. 70% of companies that answered (376 firms or 74% of the whole sample answered this question) indicated that waiting time was 1 day or less. However, when asked precisely to give number of border waiting time only 1/5 of the sample answered and the average waiting time was then much longer – almost 3 days. It is then difficult to decide which estimate is better. On the one hand, many more firms answered the question when options were given, and this answer (less than 1 day) should be treated as a more representative one. On the other hand, it may be possible that giving own estimate of waiting times required insider knowledge, so no every respondent was able to provide this, but the estimate may be more accurate.

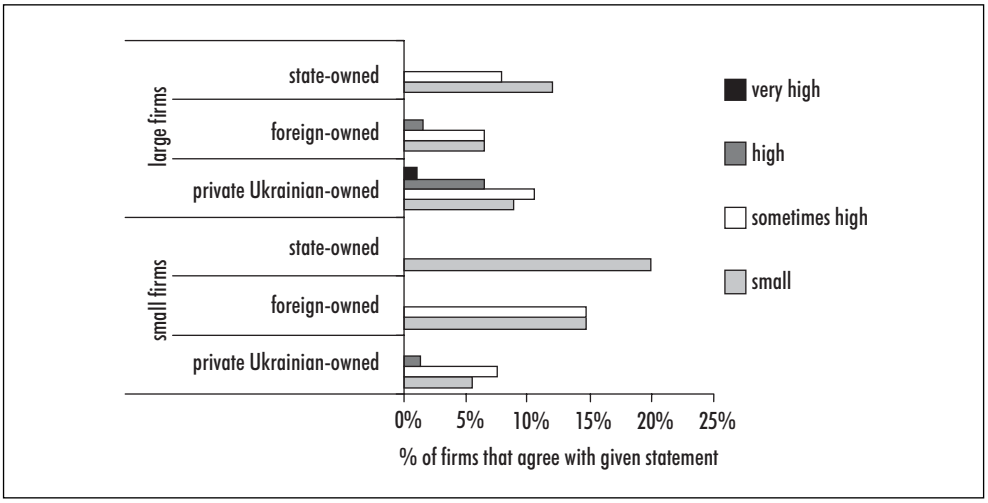
Figure 9. Border waiting times, survey results



Note: Rresults for small state-owned companies should be treated with caution as the size of sample was rather small in comparison to other subgroups.
Source: Survey results, own calculations.

Overall, the EU customs procedures were assessed as 'not costly'. Only 12% of those who answered said that costs of EU customs procedures were high or very high. 63% of companies that answered this question assessed costs as small or significant only sometimes (see Figure 10). However, less than 30% of all surveyed companies were able to answer this question. This can indicate that only some representatives of

Figure 10. Perception of costs of customs clearance, survey results

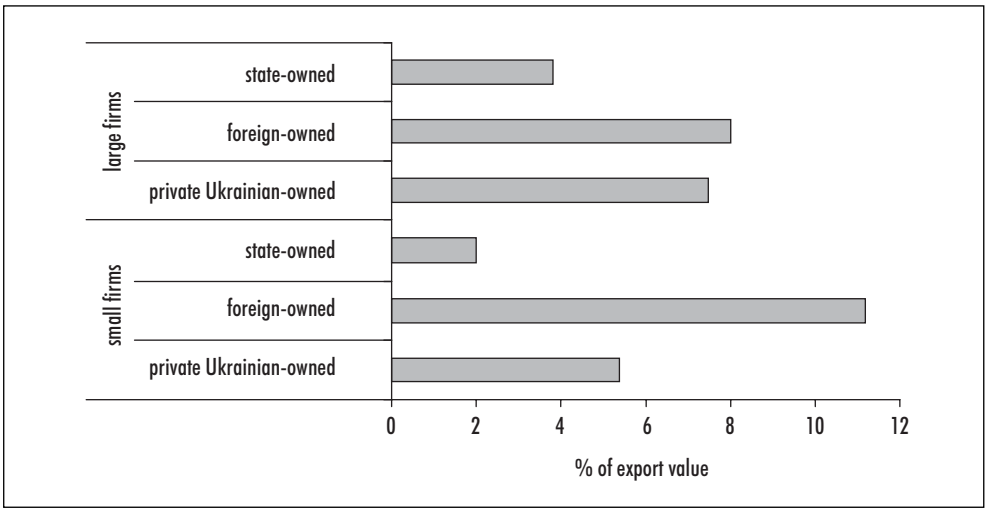


Note: Rresults for small state-owned companies should be treated with caution as the size of sample was rather small in comparison to other subgroups.
Source: Survey results, own calculations.

the surveyed firms possessed deeper knowledge about customs procedures that their deliveries have to go through. In practice, only large Ukrainian-owned firms declared some significance of costs related to customs clearance.

Respondents were also asked to give an estimate of the average costs of export clearance in terms of total value of exported goods. For all analysed firms 6% of export value is spent on average on customs clearance. This cost seems to be higher for privately-owned companies, and was the highest (over 10% of total value of exported commodities) for small foreign-owned firms (see Figure 11).

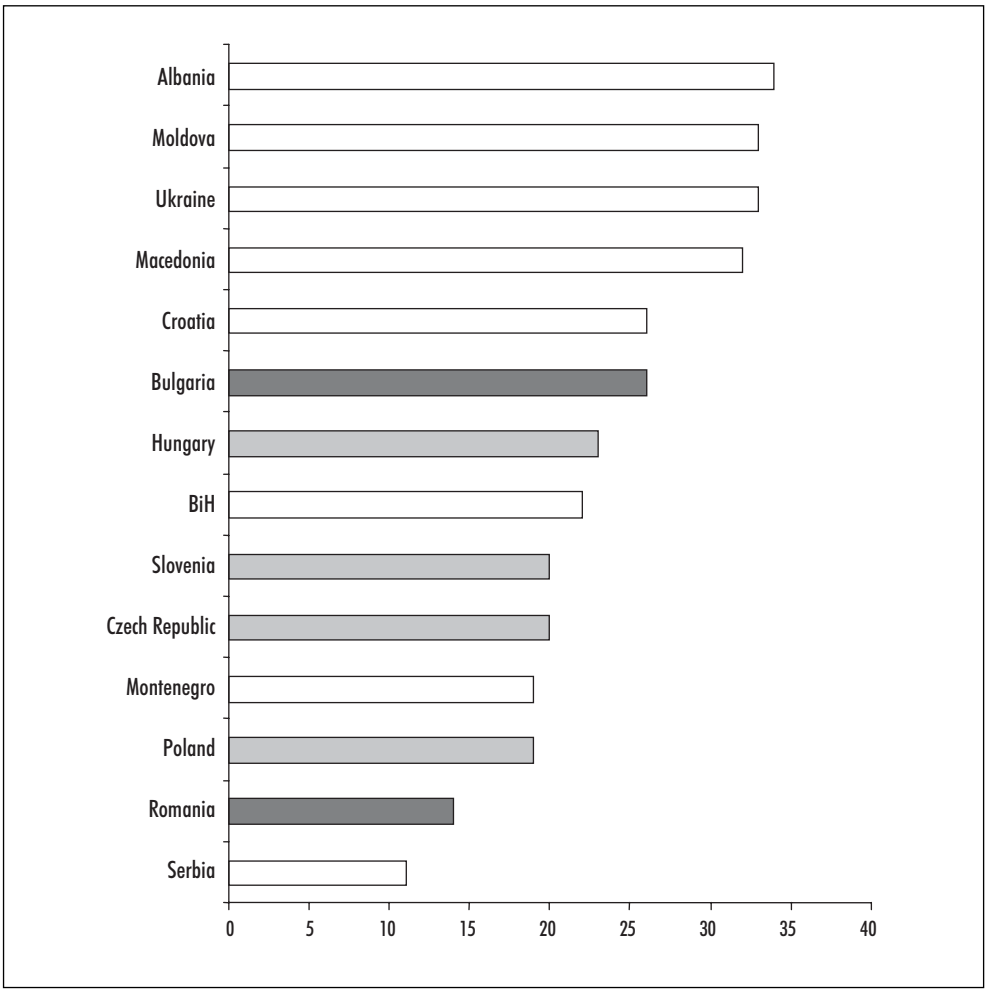
Figure 11. Average costs of customs clearance, in percent of export value, survey results



Note: Rresults for small state-owned companies should be treated with caution as the size of sample was rather small in comparison to other subgroups.
Source: Survey results, own calculations.

However, companies often complained about Ukrainian customs. Even though, they have not been asked for the assessment of the functioning of Ukrainian customs. This is not a subject of this study. However, one may compare number of days needed to complete overseas sales in Ukraine using the Costs of Doing Business study of the World Bank with that of some other countries. Procedures in Ukraine seem to be lengthy when compared with some new member countries (NMCs) and the Balkans (see Figure 12).

Figure 12. Number of days needed to complete overseas sales in 2006



Source: WB CODB www.doingbusiness.org

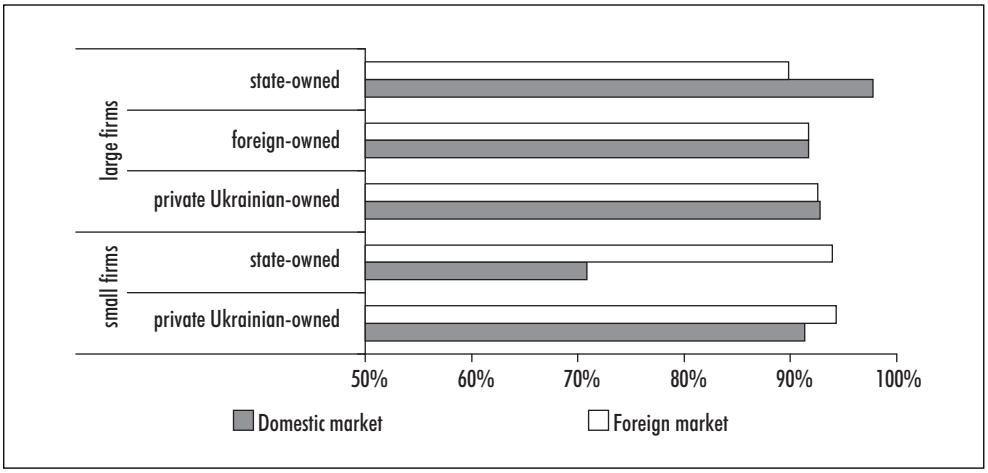
5.4. Technical standards

Observance of technical standards in the domestic and the EU market

The term 'technical standards' has rather broad meaning in the context of this survey. When asking about technical standards we meant any norms (formal and informal) regarding the characteristics of production or production process that producers have to observe in order to be able to sell in the market. Such requirements should not necessarily be fixed in official documents and be obligatory to producers or exporters.

On average 91.4% of firms drawn into the sample claimed that they have to comply with technical standards in order to sell in the domestic market, 92.8% companies must observe standards in order to sell in the EU market[25]. About 10% of exporters to the EU claimed that they do not sell in Ukraine. 63% of companies which do not have to comply with standards in the domestic market have to comply with technical norms in the EU.

Figure 13. Share of firms that have to comply with technical regulations in order to sell in the market, by size and type of ownership, survey results



Source: Survey results, own calculations.

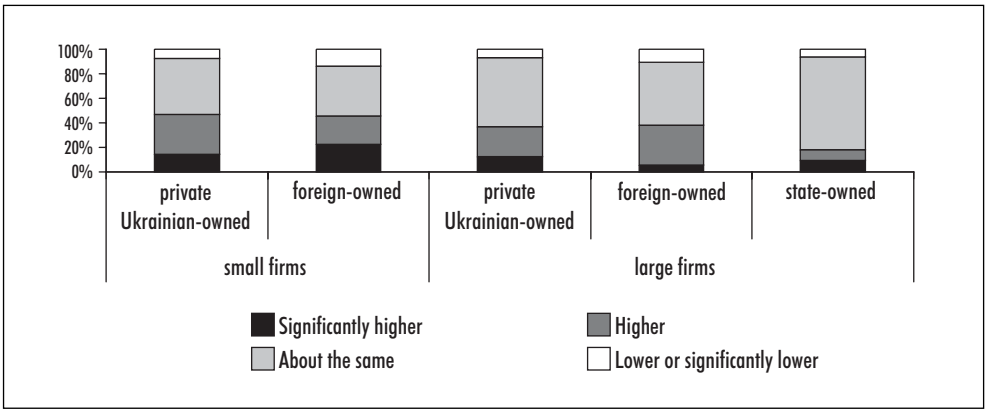
Costs of ensuring compliance with the EU technical standards

Most of companies claim that costs of compliance with the EU's technical regulations is about the same as cost of observing the technical regulations valid in Ukraine. Up to 76% of large state-owned companies declared that complying with domestic and foreign technical regulations requires identical costs. At the same time about 47% of small Ukrainian-owned firms and 46% of small foreign-owned firms consider that the costs of meeting the EU technical standards are higher or significantly higher. On average, 6.9% of respondents believe that EU's technical standards are less costly to them than domestic ones.

Exporters of agricultural products perceive domestic and foreign technical standards as very different. About 63% of companies selling agricultural products abroad state that meeting the EU standards requires higher or substantially higher expenses than compliance with the domestic ones. On the other hand, 11% of them believe that observing Ukrainian standards is more expensive.

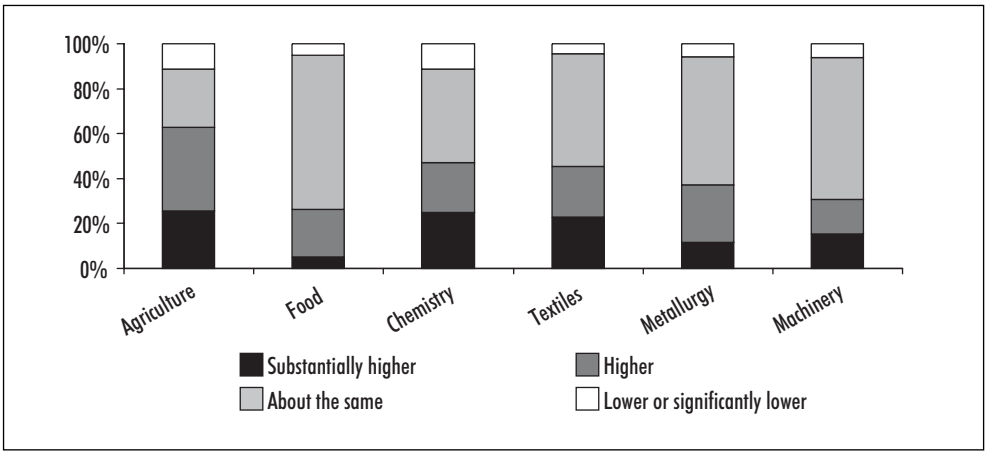
[25] Firms that sell in the domestic market and provided an answer to this question.

Figure 14. Cost of compliance with EU's technical regulations compared to observing Ukrainian technical regulations, by size and type of ownership, survey results



Source: Survey results, own calculations.

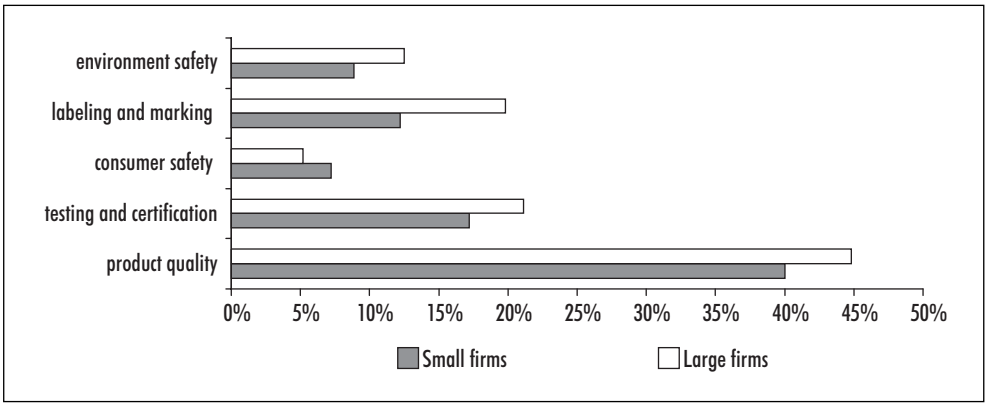
Figure 15. Cost of compliance with EU's technical regulations compared to technical regulations in Ukraine, by type of exported commodity, survey results



Source: Survey results, own calculations.

Companies were asked about types of technical standards which are the most restrictive in terms of companies' ability to expand exports to the EU countries. Large and small companies have similarly prioritized the degree of importance of different technical standards: requirements regarding product quality are the most restrictive while consumer safety norms are perceived as the least problematic. Large firms more often declare that a particular type of standard is an impediment to exports to the EU market.

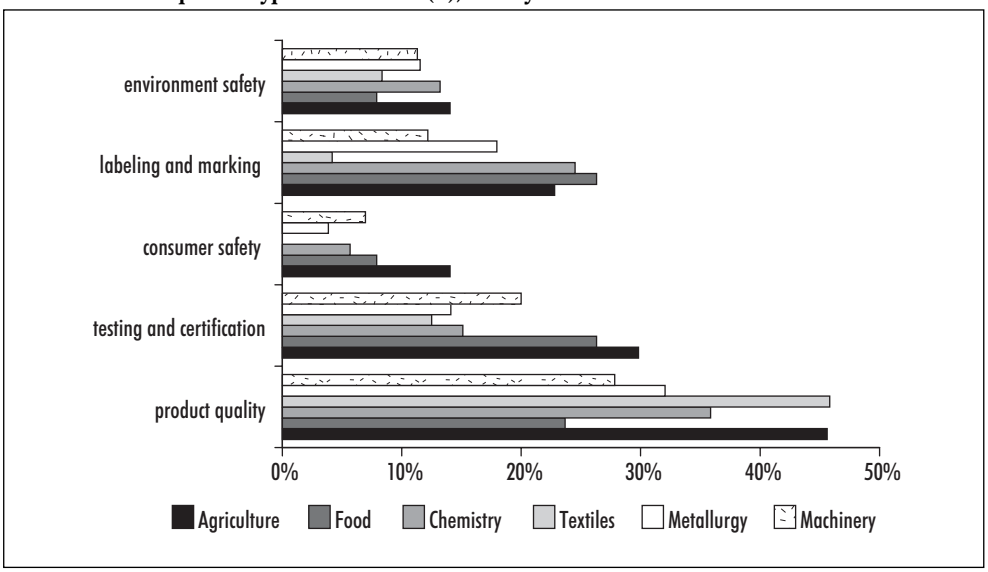
Figure 16. Types of technical standard which impede exports to the EU market (% of companies that mentioned specific type of standard) (1), survey results



Note: Numbers do not sum up to 100% since more than one answer could be provided.
Source: Survey results, own calculations.

Sectoral analysis shows that product quality standards are the most important for all types of commodities except for food products. Requirements regarding labeling and marking as well as regarding testing and certification are more restrictive than quality standards for food products. About 45% of exporters of agricultural and textile products perceive product quality standards as restrictive, while they are less important for other types of commodities.

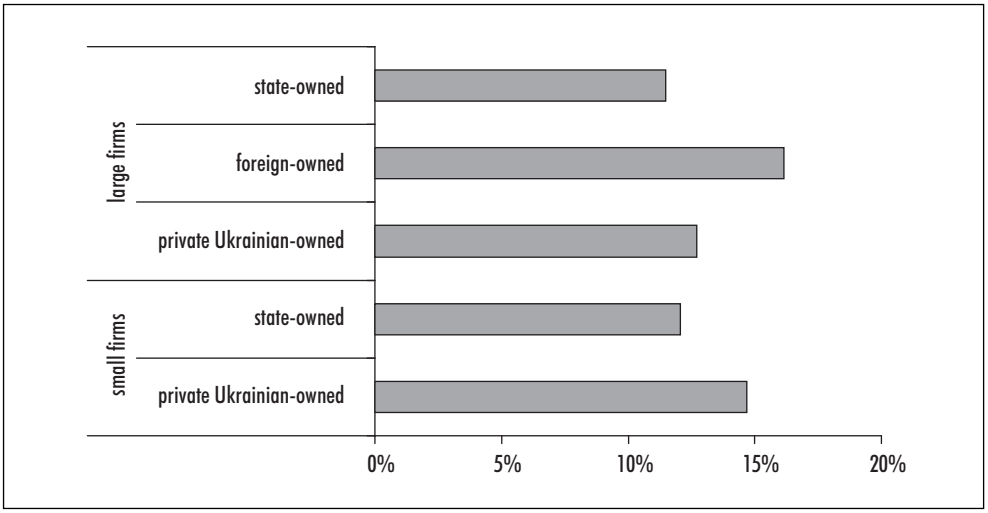
Figure 17. Types of technical standard which impede exports to the EU market, % of companies that mentioned specific type of standard (2), survey results



Source: Survey results, own calculations.

The respondents were also asked to provide estimates of the costs incurred by the companies during a year before the interview relative to total production costs in order to meet the EU technical requirements. The indicator is not easy to evaluate, especially during a telephone interview. Thus, numbers should be interpreted cautiously – they reflect intuitive estimates rather than calculation-based production indicators. Despite the shortcomings of this indicator, that we explicitly recognize, several conclusions are true with high degree of certainty. Large foreign-owned firms invested the most in order to ensure products' compliance with the EU norms. While average level of costs across the sample equaled 13.9%, large foreign-owned firms' investments constituted about 16.1%.

Figure 18. Percentage of total year production costs spent in order to ensure products compliance with the EU norms, by size and type of ownership, survey results

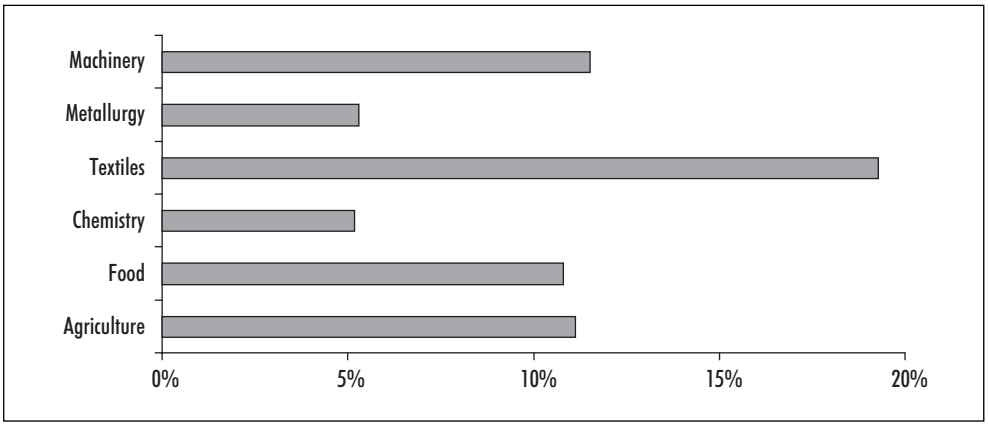


Source: Survey results, own calculations.

Breakdown by the type of exported commodities reveals that investment intensity across different sectors is uneven. Companies selling products of metallurgy and chemistry industries spent the least on upgrading the commodities up to the EU requirements. Several hypotheses can be provided for this: (i) EU and Ukrainian standards do not differ significantly in these sectors and companies can ensure products' compliance with the EU standards without additional investments, (ii) companies in these sectors made the necessary investments earlier.

Surprisingly, companies producing and selling textile and apparel were the leaders in terms of expenses related to meeting the EU requirements. Such a situation probably reveals high level of producers' involvement in international trade through tolling

Figure 19. Percentage of total year production costs spent in order to ensure products compliance with the EU norms (breakdown by type of exported commodities), survey results

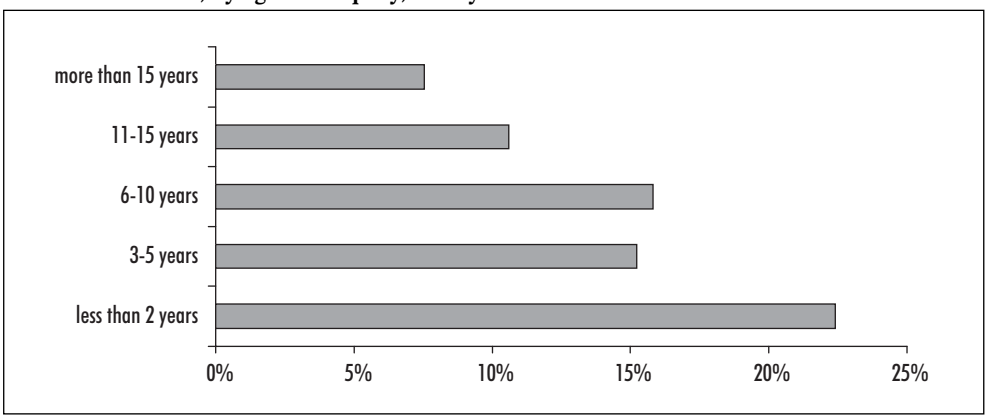


Source: Survey results, own calculations.

operations. As a result Ukrainian companies have to meet very strict requirements of their partners in the EU market.

One should also note strong relationship between the age of the company and the level of the production costs necessary to ensure the products' compliance with the EU norms. The older the company the smaller part of the production costs is spent for this purpose. Most likely this reflects the fact that companies with strong experience in domestic and international markets are more prepared to meet current technical norms. The analysis, however, does not show any relationship between the experience of the company in the EU market (expressed as number of years that the company is exporting to the EU) and the level of the investment costs.

Figure 20. Percentage of total year production costs spent in order to ensure products compliance with the EU norms, by age of company, survey results

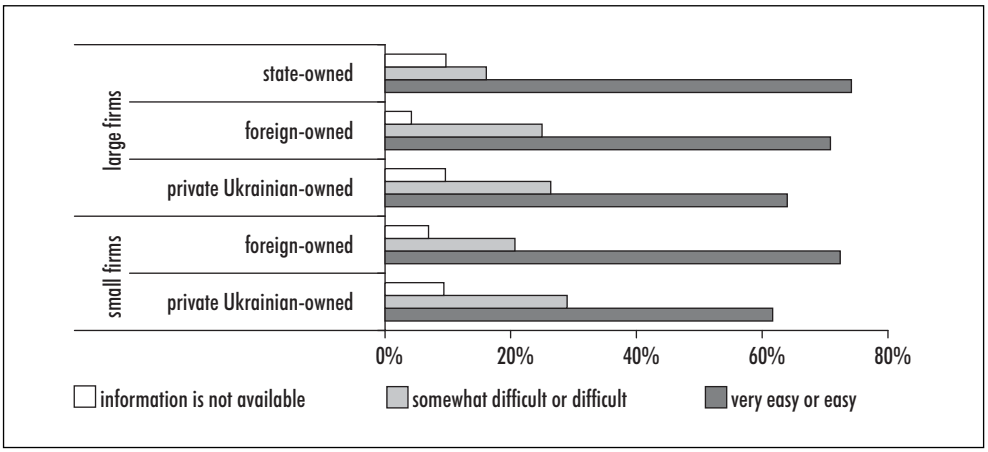


Source: Survey results, own calculations.

Ease of access to information about technical standards in the EU

Representatives of most companies claimed that they have no difficulties in obtaining information about current technical regulations in the EU. Most of respondents evaluated the access to the information as very easy or easy. Still, about 8.5% of Ukrainian resident companies declared that information about standards in the EU market is completely unavailable to them. About 25% of the companies in the sample experience difficulties in reaching the necessary information.

Figure 21. Ease of access to information about EU technical norms (share of companies in sub-sample), survey results



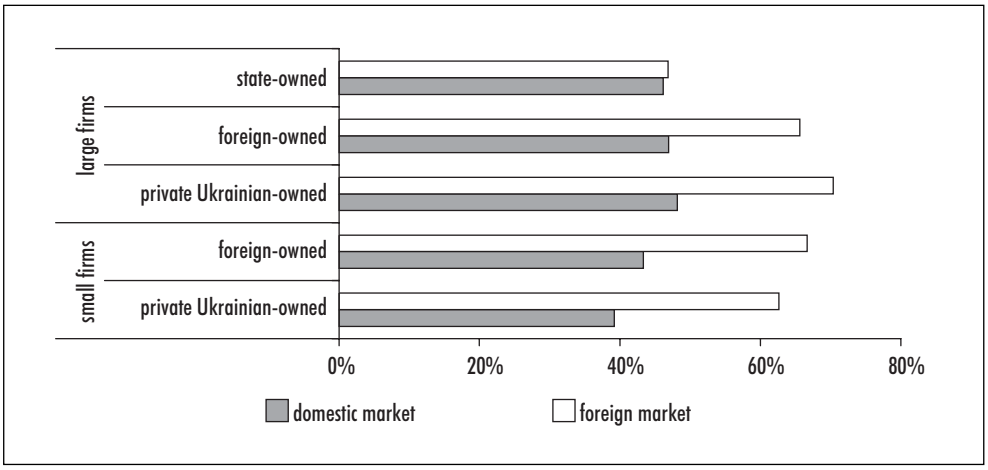
Source: Survey results, own calculations.

Testing and certification

Ukrainian exporters are more often obliged to pass testing procedures in the EU market than in Ukraine. During a year before the interview about 45% of companies had to test their production in the domestic market and close to 65% of companies had to pass the respective procedures in the EU market. While in Ukraine the frequency of checks of small companies is somewhat lower than that for big companies (40% small vs. 47.5% big companies had to test and certify their production during a year), companies equally often pass testing in the EU market (63.3% of small companies vs. 65.1% of large).

Most respondents noted that in most cases authorities of the EU countries accept test results and conformity certificates issued in Ukraine. About 28% of large companies and 21% of small companies answered that acceptance of the Ukrainian certificates is selective and sometimes test results are not valid in EU market. Very small share of exporter claimed that Ukrainian expertise is not appropriate for the EU authorities. The type of product exported to the EU matters for the customs

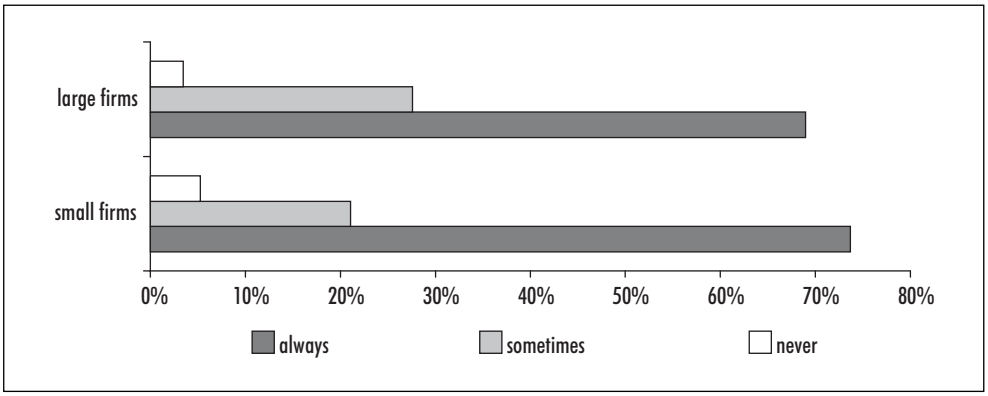
Figure 22. Share of companies that had to pass testing and certification of the production in the Ukrainian and the EU markets, survey results



Source: Survey results, own calculations.

authorities which can either reject or accept the conformity certificate issued in Ukraine. None of exporters of metallurgy products claimed that certificates are never accepted by the EU authorities (75% of companies explained that domestically-issued documents are always accepted in the EU, 25% – periodically). At the same time 17% of agricultural exporters and 14% of chemistry products exporters never obtained the test results valid in the EU. Only 62% of food exporters have never had problems with Ukrainian certificates abroad.

Figure 23. Acknowledgement of the Ukrainian testing results by the EU authorities, survey results

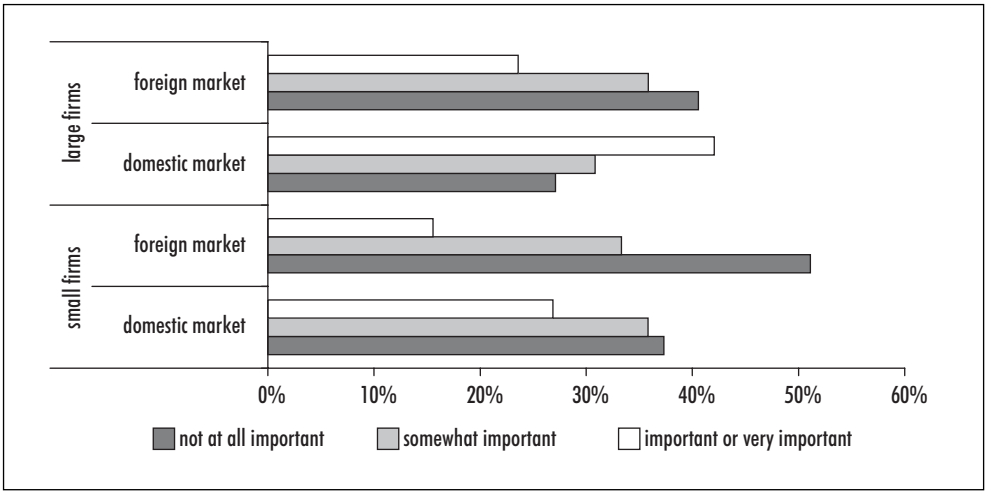


Source: Survey results, own calculations.

Costs of testing and certification

Representatives of companies claimed that costs of testing and certification are higher in Ukraine than in the EU countries. Only 31% of companies perceive that costs of testing for product's conformity with the EU standards in Ukraine is not at all important for them, while 40% perceive that testing in the EU in not expensive. 36.2% of firms evaluate the costs of testing in Ukraine as important or very important (18.4% in the EU). Noteworthy, these numbers reflect subjective opinion of the interviewees and are not based on absolute costs values. Probably, absolute costs in the EU are really lower. However, it is possible that the price of testing and certification procedures is higher in the EU countries, but it is not subjectively perceived as very high due to shorter and simpler procedures.

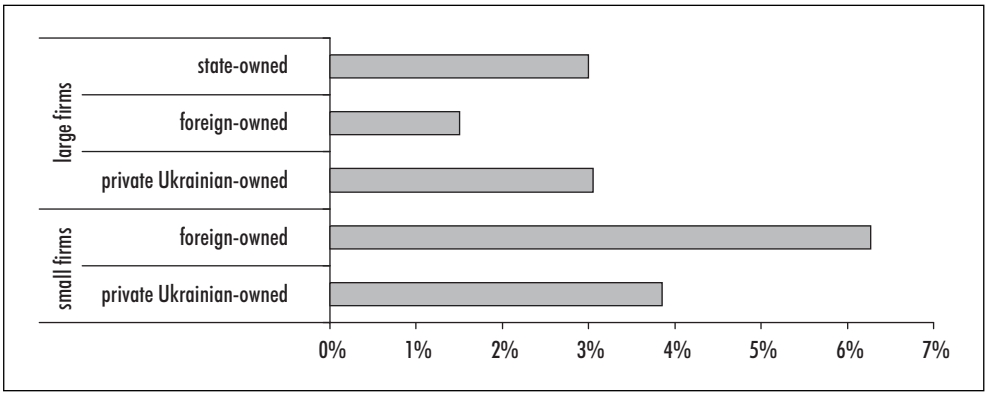
Figure 24. Costs of testing and certification for conformity with the EU standards, survey results



Source: Survey results, own calculations.

Representatives of companies were also asked to evaluate the costs of passing the testing and certification procedures as a share of total production costs incurred during a year before the interview. On average, they were estimated at the level of 4.2%. Large private foreign-owned firms managed to complete the testing procedures at the lowest price (about 1.5%). On the other hand, small foreign-owned firms paid the highest price (in terms of overall production costs) to get through the necessary procedures. Sectoral distribution of costs is very uneven. Exporters of metallurgy and machinery products spent about 4.1% and 4.4% on testing, respectively. On the other hand, textile traders need to spend only 1.1% of total production costs to complete the formal procedures.

Figure 25. Costs of testing and certification for conformity with the EU standards, in percent of yearly production costs, survey results



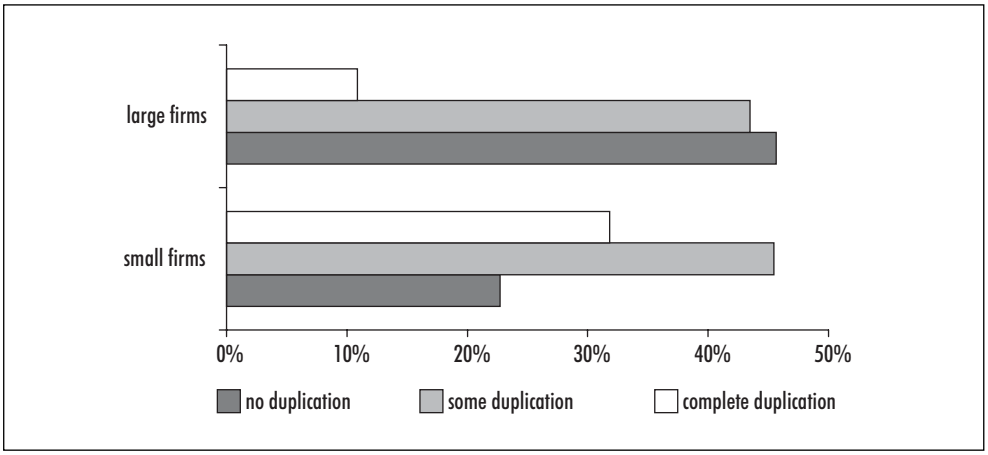
Source: Survey results, own calculations.

Duplication of efforts

Most companies indicate that there is high degree of duplication of their efforts due to necessity to test production for both Ukrainian and the EU requirements. As much as 32% of small companies and 11% of big companies note that there is complete duplication of efforts, i.e. products are independently tested for compliance with the domestic and foreign technical norms. 45% of small and 43% of large companies do not have to double test the production.

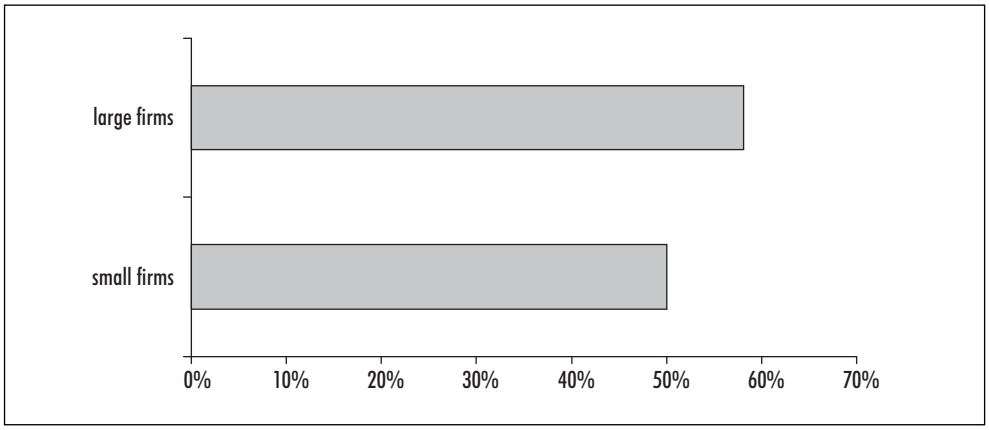
Companies exporting to more than one EU countries which passed the testing procedure in the EU during the last year acknowledged that they had to pass testing in the EU more than once in different countries, i.e. the quality conformity documents

Figure 26. Duplication of efforts involved in testing for domestic and EU technical requirements, survey results



Source: Survey results, own calculations.

Figure 27. Share of companies that had to pass testing in more than one EU country, survey results



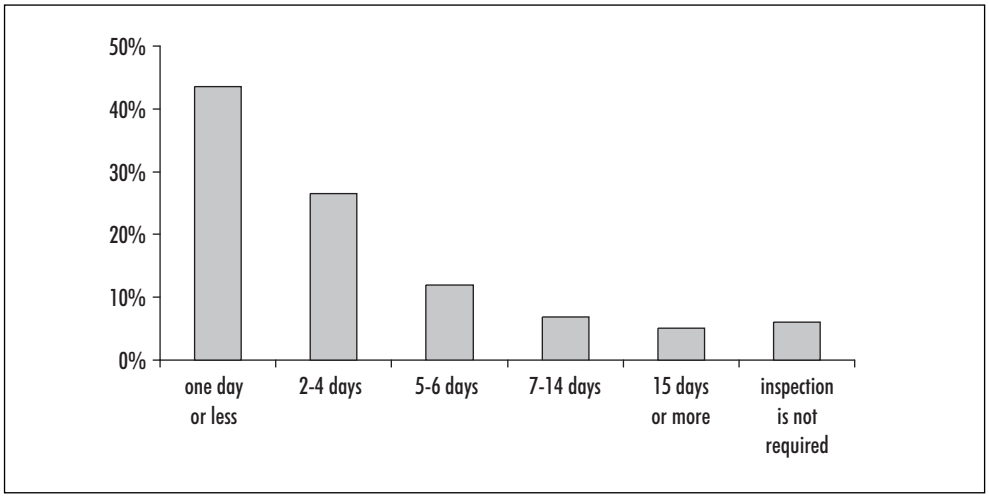
Source: Survey results, own calculations.

provided in one EU country are not always accepted in other EU countries. The problem of multiple testing in the EU in more important for large firms (58% of companies complained about it) than for small companies (50%).

Length of testing

Production of vast majority of companies is subject to inspection upon arrival to the EU country. For 44% of the respondents one day is enough to pass the inspection. About 24% of companies have to wait more than 5 days to complete the inspection procedures.

Figure 28.Number of days necessary to pass product inspection upon arrival to the EU country, survey results



Source: Survey results, own calculations.

5.5. Other NTBs

The questionnaire asked briefly also about other – expected to happen less-frequently in the current EU-Ukraine trade – impediments to trade. The respondents were asked about the following barriers:

- antidumping duties,
- countervailing duties,
- measures affecting price: minimum import price, voluntary export price,
- quantitative restrictions through non-automatic licensing,
- quotas for export/import,
- quantitative voluntary restraints.

While asking exporters about their experience with other NTBs the majority - 67% replied that they have never faced any of mentioned problems. Additional 20% of respondents reported that they are not able to answer the question, as not having enough information.

Among those who pointed at least one additional non tariff barrier, the most commonly claimed were licensing (4% of the sample), than quotas (2%) and then equally countervailing and antidumping duties (2% of answer for each of the measure). None of the other NTBs was perceived as a real barrier, and as a common obstacle for Ukrainian exporters. It is worth to highlight that none of the 'other NTBs' category was reported as taking place by more that 5% of all interviewed companies[26].

Looking closely at the breakdown by size and ownership of companies, one can notice that relatively often large state-owned companies declared that quantitative restrictions through non-automatic licensing impeded their exchange with the EU.

Table 4. Other NTBs, survey results

Other NTBs	State owned companies	Private foreign owned companies	Private Ukrainian owned companies
Antidumping duties	0%	2.0%	2.4%
Countervailing duties	1.8%	1.0%	2.1%
Licensing	8.8%	4.0%	3.9%
Quotas	0%	4.0%	1.8%
Other obstacles	3.5%	3.0%	2.1%
No obstacles	68.4%	63.0%	68.6%
Do not know	17.5%	23.0%	19.0%

Note: Percentages denote share of companies indicating given obstacle/answer.
Source: http://www.doingbusiness.org

[26] This is probably true for the EU manufacturing import from other countries as well.

Those who mentioned having some troubles with other NTBs were asked to grade the restrictiveness of each of the barrier. Licensing was pointed by the largest group of companies as important obstacle, while anti-dumping duties were reported by 27% of the firms as not very problematic. With regard to countervailing duties, 4 firms (36% of those reporting the existence of 'other NTBs') assessed it negatively, and quotas were seen as the essential barriers for EU trade by 2 firms out of those who previously reported it as a barrier. The small amount of firms claiming the existence of 'other NTBs' does not allow to draw any further conclusions.

6. Conclusions and policy recommendations

This section briefly summarises policy recommendations for short- and medium-term arising from findings of this report. The recommendations can be formulated for both external and domestic policies.

Domestic policies should be formulated in such a way that they are able to prepare Ukrainian private sector to withstand high competition from the EU enterprises. This means both the competition at the EU market, which will soon become more accessible for Ukrainian companies, as well as at the domestic market, which will be more penetrated by the EU products in the coming years[27]. In this view, the policies should be based on sound legal system harmonized in trade-related areas with the EU laws. This is for the reason that already at the moment trade with the EU has relatively high share, and that the EU norms can anchor reforms and economic development of Ukraine.

As the survey results demonstrate, inconsistency of Ukrainian and EU technical norms may be a substantial impediment for Ukrainian companies to expand their exports to the EU market. Although majority of the companies do not experience difficulties connected with meeting technical standards at different stages of overseas sales, many respondents claimed that particular trade-related technical regulations are burdensome for them. Moreover, the experience of current new EU member countries from Central and Eastern Europe shows that together with the development of the country and the changing structure of production (and export) towards more technologically-advanced products, Ukraine's exporters will be more exposed to the EU technical standards. The standards will be more important in relative terms also because of the expected elimination of the traditional protection measures like tariffs. This is to say that various EU technical norms may be even more of a barrier than they are now.

There is lot of room to make export-related technical regulations easier and more transparent. In particular, the government should ensure that the system of technical

[27] Following the expected gradual fall of protection of the domestic market connected with the WTO entry and FTA agreement with the EU.

regulation is consistent with the WTO Agreement on Technical Barriers to Trade as well as its compliance with the EU regulations.

This proposition is backed not only by the necessity (as a precondition for the expansion of exports) and due to expected increase of importance of technical barriers to trade. It should also be pursued because Ukraine already committed to ensure alignment with the EU and international regulatory and administrative practices in the sphere of standards, technical regulation and conformity assessment by signing the EU-Ukraine Action Plan. In particular, Ukraine and the EU have to jointly identify priority sectors for alignment with the EU laws as well as possible inclusion in an Agreement on Conformity Assessment and Acceptance of Industrial Products. This can also be fulfilled with the financial support of the European Commission already committed to provide technical assistance within short term TAIEX program.

Moreover, the long term strategy of the adaptation of the technical standards of the EU is approved by the Decree of the Cabinet of Ministers of Ukraine 'On the State Program for Standardization for 2006-2010'. The document envisages that throughout the implementation period 8570 standard should be developed or harmonized in line with the requirements of the EU.

While designing the harmonization measures policy-makers should remember that implementation of new standards may become a challenge for producers. For most companies compliance with the EU norms is more expensive than costs of observing Ukrainian standards. Thus, implementation of new standards may require from companies substantial upfront investment. On average, producers exporting to the EU estimated costs incurred in order to ensure compliance with the EU requirements at the level of 14% of their total production costs. It can be assumed that current exporters to the EU have more advanced technologies and quality control systems than producers selling either at domestic or the CIS markets. Thus, costs of meeting the EU technical norms for the companies out of the sample covered by our survey may be substantially higher. Therefore, any actions that may increase the understanding of the EU norms and transparency of the work of standardisation bodies are worth pursuing, since they reduce certification costs for entrepreneurs.

One more thing which requires proper attention of the authorities is product testing procedures. Producers acknowledge that costs related to testing in the EU are lower than in Ukraine. Although absolute numbers are not known from the survey, the perception of the authors of this report is that costs of passing the testing procedures are high or very high. All in all producers spent about 4% of their total production costs to pass the necessary testing procedures in Ukraine and in the EU. In this view, it is recommended that the effort is put into the proper functioning of internationally recognizable laboratories certifying production in Ukraine.

Another action worth to be put for is to stimulate implementation of the EU standards among producers in Ukraine. Many producers working for domestic market have no incentives to improve the quality of products since compliance with domestic norms in enough to stay afloat. The government should develop a credible and realistic schedule of the implementation and harmonization of technical norms consistent with the EU requirements. This will give producers and exporters a clear understanding about how long the transition period may last and by how much they should intensify investment activities in order to ensure timely and comfortable acceptance of the new regulations.

There is also a need to improve dissemination of information on existing Ukrainian and international (EU) standards among local producers. Ukraine already started to systemically implement measures to facilitate access to basic information on domestic and foreign technical requirements. Establishment of the WTO Enquiry Office at the Ministry of Economy of Ukraine may help in making the access to information easier and cheaper. The office accumulates drafts on trade-related normative acts of the trading partners and disseminates them among interested Ukrainian parties[28]. However, the office deals mostly with enquiries of the WTO and WTO members and local producers do not have an opportunity to enquire about information. It seems that the government should consider establishing a specialized agency responsible for full and timely dissemination of information on technical norms among all interested parties (which is also a requirement of the WTO).

Although agricultural trade was not a subject of this study, it is worth to consider implementation of at least some EU sanitary and phytosanitary norms. Ukraine possesses comparative advantage in agricultural trade with the EU, and this potential seems to be significantly underutilised. Even though the EU market will be for some time still highly protected by tariff and other traditional trade barriers, the adoption of sanitary and phytosanitary norms may make total effective protection lower, and allow more firms to expand their sales to the EU. Taking into account Ukraine's agriculture production (and potential), it may result in visible expansion of export.

There is also a scope for moves in the sphere of simplifying the procedures of granting rules of origins. The results of the survey show that although the procedure is not perceived as very costly, it is more of a barrier for small firms.

The reform of the Ukrainian customs service, with its lengthy procedures constituting an important obstacle to trade, should be continued. This would shorten border waiting times, ensure better cooperation with EU customs and limit possibilities for corruption. It seems highly desirable that the EU supports these

[28] The information on the Center is available at:
http://www.me.gov.ua/control/uk/publish/category/main?cat_id=90016

reforms. At the moment, it seems particularly important to adopt regulations on customs valuation, provide trainings and increase computerisation of customs posts.

Some of the firms claimed existence of troublesome non-automatic licensing in Ukraine. It seems that perhaps a closer look should be given to this restriction and perhaps it can be eliminated.

There can also be a scope for export-support policies. However, one should note that the increase in overseas sales is primarily for the private sector to solve. Nevertheless, some actions may be worth considering. Among them are programs raising export potential awareness among producers, and stimulating trade activity of SMEs. Another potential action is an effective support in the form of providing insurance to export credits or providing credit guarantees to SMEs, which often operate on tight margins and cannot insure their deliveries. The government can also support provision of regular information on trade events and changes in trade conditions for enterprises and business associations.

The recommendation for external policies arising from this report are reduced to two issues. The first one is to ensure WTO accession in 2007. The second issue relates to the coming negotiations on the shape of the EU-Ukraine free trade agreement. In its core, the agreement will deal with the gradual liberalisation of tariffs and traditional protection measures in manufacturing trade between the two sides. It seems desirable, for the reasons listed above, to strengthen it with commitments on harmonisation and some reforms to the maximum possible extent. In particular, it seems desirable that the agreement covers also support to customs service reform. Moreover, it should also relate to harmonisation and mutual recognition of standards and to adoption of EU agri-food standards by Ukraine. Liberalisation of Ukraine's financial intermediation sector could also be included, as it supports the development of companies and enlarges country's supply capacity.

Appendix 1: Selected descriptive statistics

		total	Small companies			Large companies		
			private Ukrainian owned	private foreign owned	state owned	private Ukrainian owned	private foreign owned	state owned
Share of production exported	Mean	50.3	55.6	75.7	47.8	44.04	54.04	42.70
	Std Dev	35.4	36.2	33.2	26.1	35.23	38.51	24.54
	Min	0.0	0.0	1.0	20.0	0.00	1.00	1.00
	Max	100.0	100.0	100.0	80.0	100.00	100.00	95.00
Share of total export directed to the EU market	Mean	53.5	63.3	80.0	48.8	45.03	55.02	39.60
	Std Dev	39.0	38.5	32.6	42.5	37.19	40.23	35.44
	Min	0.0	0.0	6.0	5.0	0.00	1.00	1.00
	Max	100.0	100.0	100.0	90.0	100.00	100.00	100.00
Share of companies certifying origins of their products	Mean	76.00	81.05	71.85	80.00	79.41	81.96	50.00
Border waiting time (in days)	Mean	2.71	2.66	2.67	2.50	2.66	2.50	2.38
	Std Dev	1.72	1.17	0.52	0.71	2.20	0.85	1.19
	Min	1.00	1.00	2.00	2.00	1.00	1.00	1.00
	Max	15.00	7.00	3.00	3.00	15.00	4.00	5.00
Average cost of customs clearance (as % of export)	Mean	6.95	5.38	11.20	2.00	7.46	8.00	3.82
	Std Dev	8.59	5.95	10.42	n/a	10.74	7.72	4.21
	Min	0.00	0.00	1.00	2.00	0.00	0.00	0.00
	Max	70.00	20.00	30.00	2.00	70.00	30.00	9.00
Share of firms which comply with technical standards	Mean	89.41	91.10	91.18	80.00	88.24	90.16	88.00
Percentage of total yearly production costs spent to ensure products compliance with EU norms	Mean	3.85	6.03	5.32	0.60	2.87	3.70	3.44
	Std Dev	11.23	15.01	9.29	0.89	9.35	11.40	12.96
	Min	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Max	80.00	98.00	40.00	2.00	80.00	55.00	75.00
Number of days necessary to pass product inspection upon arrival to the EU	Mean	1.58	1.49	1.50	2.00	1.81	1.41	1.28
	Std Dev	2.55	2.49	2.49	2.92	2.65	2.45	2.44
	Min	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Max	7.00	7.00	7.00	7.00	7.00	7.00	7.00

Source: Survey results, own calculations.

Appendix 2: Questionnaire

INTRODUCTION

My name is _____ I represent research company GFK Ukraine (www.gfk.com.ua). Currently, we are conducting research of companies exporting to the countries of the European Union. The goal of the study is to evaluate how non-tariff barriers to trade impede exports from Ukraine to the EU. GFK Ukraine conducts the interview at the request of Center for Social and Economic Research (CASE) and CASE Ukraine. The interview is anonymous; the results of the interview will be aggregated and presented to the public. The length of the interview is 15-20 minutes. Would you agree to answer the questions?

B1. WHAT IS YOUR POSITION?

Please code

Chief Manager/owner 1
Deputy Chief Manager 2
Head of export department 3
Head of sale department 4
Export manager 5
Sale manager 6
Other *PLEASE SPECIFY* _____ 7

INFORMATION ON EXPORT ACTIVITIES

A1. WHAT EU COUNTRIES DID YOU EXPORT TO LAST YEAR?

Please mark the country carefully. Several answers

Austria 1
Belgium 2
Great Britain 3
Hungary 4
Germany 5

Greece 6
Denmark 7
Ireland 8
Spain 9
Italy 10
Cyprus 11
Latvia 12
Lithuania 13
Luxemburg 14
Malta 15
Netherlands/Holland 16
Poland 17
Portugal 18
Slovakia 19
Slovenia 20
Finland 21
France 22
Czech Republic 23
Sweden 24
Estonia 25
Other . . . . . .26 → END IF THIS IS THE ONLY ANSWER
Did not export to the EU last year . . . . . .27 → END

A2. WHAT PERCENT SHARE OF TOTAL SALES DO YOU EXPORT?

Please specify _____ %

No answer

A3. WHAT PERCENT SHARE OF TOTAL EXPORTS DID YOU SUPPLY TO THE EU COUNTRIES LAST YEAR?:

Please write _____ %

No answer

A4. IN GENERAL, HOW LONG HAS YOUR COMPANY BEEN EXPORTING GOODS TO THE EU COUNTRIES:

One answer

Less than 1 year 1
2-3 years 2

4-5 years 3
More than 5 years 4
No answer 5

RULES OF ORIGIN

A5. DID YOU OBTAINE A RULE OF ORIGIN CERTIFICATE VALID IN EU MARKET ISSUED BY THE CHAMBER OF COMMERCE LAST YEAR:

Yes 1
No . . . . . .2 → TOWARDS A10
Do not know/Do not know about this certificate . . . . . .3 → TOWARDS A10

A6. HOW MANY TIMES DURING A YEAR DO YOU HAVE TO OBTAIN A RULE OF ORIGIN CERTIFICATE?

Please write down _____ *times*

A7. HOW MUCH ON AVARAGE DOES A RULE OF ORIGIN CERTIFICATE FOR ONE DELIVERY COST TO YOUR COMPANY?

Please write down _____ *UAH*

A8. IN YOUR OPINION, HOW IMPORTANT ARE THE COSTS OF OBTAINING THE RULES OF ORIGIN CERTIFICATE FOR YOUR COMPANY?

Not at all important 1
Somewhat important 2
Important 3
Very important 4
Cannot say 5

A9. WHAT OBSTACLES DO YOU ENCOUNTER WHILE OBTAINING THE RULE OF ORIGIN CERTIFICATE VALID ON THE EU MARKET:

Several answers

Time-consuming procedure 1
Costly procedures 2
Unclear or uncertain regulations 3
Other *PLEASE SPECIFY* _____ 4
Encountered no obstacles 5
Cannot say 6

CUSTOM PROCEDURES

A10. WHAT OBSTACLES DO YOU ENCOUNTER WHILE PASSING IMPORT CUSTOMS PROCEDURES IN THE EU COUNTRIES:

Several answers

Time-consuming procedure 1
Costly procedures 2
Unclear or uncertain regulations 3
Other *PLEASE SPECIFY* _____ 4
No problems encountered 5
Cannot say 6

A11. ASSUME THE VALUE OF YOUR EXPORTS TO THE EU IS 100%, WHAT SHARE OF YOUR TOTAL EXPORT VALUE IS SPENT TO PASS IMPORT CUSTOMS PROCEDURES IN THE EU COUNTRIES?

Please write down _____ *%*

A12. IN YOUR OPINION HOW IMPORTANT ARE THE COSTS OF PASSING IMPORT CUSTOMS PROCEDURES IN THE EU COUNTRIES?

Not at all important 1
Somewhat important 2
Important 3
Very important 4
Cannot say 5

A13. HOW MUCH TIME ON AVERAGE DOES YOUR CARRIER SPEND AT THE BORDER WITH EU COUNTRIES WHEN EXPORTING GOODS?

Less than 24 hours . . . . . .1 → A15
24 hours . . . . . .2 → A15
More than 24 hours . . . . . .3 → A14

A14. HOW MANY DAYS ON AVERAGE?

Please write down _____

TECHNICAL REGULATIONS

A15. MUST YOUR COMPANY MEET DOMESTIC TECHNICAL REGULATIONS IN ORDER TO SELL IN DOMESTIC MARKET?

Do not read

Yes 1
No 2
Do not sell in domestic market 3
Do not know 4

A16. MUST YOUR COMPANY MEET DOMESTIC TECHNICAL REGULATIONS IN ORDER TO SELL IN THE EU MARKET?

Yes 1
No . . . . . .2 → A30
Do not know . . . . . .3 → A30

A17. HOW EXPENSIVE IS THE COMPLIANCE WITH THE UKRAINE'S TECHNICAL REGULATIONS COMPARED TO EU'S TECHNICAL REGULATIONS. COMPLIANCE WITH EU'S COUNTRIES TECHNICAL REGULATIONS:

Much more expensive 1
More expensive 2
About the same 3
Less expensive 4
Much less expensive 5
Cannot say 6

A18. WHAT TYPES OF TECHNICAL STANDARDS ARE THE MOST BURDENSOME AND EXPENSIVE FOR YOUR COMPANY? STANDARDS WHICH RELATE TO:

Product quality 1
Testing and certification 2
Consumer safety 3
Labeling and packaging 4
Environment protection 5
Other 6
Cannot say 7

A19. WHAT WAS THE APPROXIMATE COST OF MEETING THE EU TECHNICAL REGULATIONS REQUIREMENTS AS A PERCENTAGE OF YOUR TOTAL PRODUCTION COSTS OVER THE LAST YEAR?

Please write down _____ %

A20. DO YOU HAVE DIFFICULTY IN OBTAINING INFORMATION ABOUT APPLICABLE TECHNICAL REGULATIONS IN THE EU COUNTRIES? HOW WOULD YOU EVALUATE THE EASE OF ACCESS TO THE NECESSARY INFORMATION:

Easy 1
Not very difficult 2
Not very easy 3
Difficult 4
Information is not available 5
Can not say 6

TESTING FOR CONFORMITY WITH TECHNICAL REGULATIONS

A21. WERE YOUR PRODUCTS TESTED FOR CONFORMITY WITH THE EU'S TECHNICAL REGULATIONS IN UKRAINE OVER THE LAST YEAR?

Yes 1
No . . . . . .2 → go to A24
Do not know . . . . . .3 → go to A24

A22. IN YOUR OPINION HOW IMPORTANT ARE THE COSTS OF TESTING FOR CONFORMITY WITH THE EU'S TECHNICAL REGULATIONS IN UKRAINE FOR YOUR COMPANY?

Not at all important 1
Somewhat important 2
Important 3
Very important 4
Cannot say 5

A23. BASED ON YOUR EXPERIENCE, ARE TEST RESULTS AND CONFORMITY CERTIFICATES ISSUED IN UKRAINE ACCEPTED BY CUSTOM BODIES OF THE EU COUNTIRES?

Always 1
Sometimes 2
Never 3
Do not know 4

A24. WERE YOUR PRODUCTS TESTED FOR CONFORMITY WITH THE EU'S TECHNICAL REGULATIONS IN EXPORTING COUNTRY OVER THE LAST YEAR?

Yes 1
No . . . . . .2 → towards A30
Do not know . . . . . .3 → towards A30

A25. IN YOUR OPINION HOW IMPORTANT ARE THE COSTS OF TESTING FOR CONFORMITY WITH THE EU'S TECHNICAL REGULATIONS IN EXPORTING COUNTRY FOR YOUR COMPANY?

Not at all important 1
Somewhat important 2
Important 3
Very important 4
Cannot say 5

Question A26 is applicable if there are more than 1 answer to Question A1

A26. IF YOU EXPORT TO MORE THAN ONE COUNTRY IN THE EU DO YOU NEED TO HAVE SEVERAL PRODUCT TESTING?

Yes 1
No 2
Do not know 3

Question A27 is applicable if A24 = 1

A27. WHAT WAS THE APPROXIMATE COST OF THE EU'S TECHNICAL REGULATIONS CONFORMITY PROCEDURES AS A PERCENTAGE OF YOUR TOTAL PRODUCTION COSTS OVER THE LAST YEAR?

Please write down _____ *%*

Question A28 is applicable if A21 = 1 and A24 = 1

A28. WHAT IS THE EXTENT OF DUPLICATION OF EFFORT INVOLVED IN TESTING FOR THE EU'S AND UKRAIN'S REQUIREMENTS?

No duplication 1
Minor duplication 2
Significant duplication 3
Complete duplication 4
Do not know 5

A29. HOW MANY DAYS ON AVERAGE DOES TECHNICAL REGULATIONS CONFORMITY INSPECTION USUALLY LAST UPON ARRIVAL AT THE EU COUNTRY?

1 day of less 1
2-4 days 2
5-6 days 3
7-14 days 4
More than 14 days 5
Inspection is not conducted 6
Do no know 6

OTHER TYPES OF NTBS

A30. ARE YOUR COMPANY'S EXPORTS TO THE EU MARKET SUBJECT TO ONE OF THE MEASURES FROM THE LIST BELOW?:

Antidumping duties 1
Countervailing duties 2
Licensing 3
Quotas 4
Other measures 5
Export of our company is not subject to any restrictive measure 6
Do not know 7

Question A31 is applicable if A30 = 1 or 2or 3 or 4 or 5.

A31. HOW WOULD YOU EVALUATE THE DEGREE OF RESTRICTIVENESS OF THE ABOVE MEASURES FOR YOUR EXPORT ACTIVITIES? ARE THEY NOT AT ALL RESTRICTIVE, SOMEWHAT RESTRICTIVE, RESTRICTIVE, VERY RESTRICTIVE OR PROHIBITIVE?

		Not at all restrictive	Somewhat restrictive	Restrictive	Very restrictive	Prohibitive	Difficult to say
1	Antidumping duties	1	2	3	4	5	6
2	Countervailing duties	1	2	3	4	5	6
3	Licensing	1	2	3	4	5	6
4	Quotas	1	2	3	4	5	6
5	Other measures	1	2	3	4	5	6

INFORMATION ON THE COMPANY

A32. WHAT IS THE OWNERSHIP OF YOUR COMPANY?

Private 1
State-owned 2
Communal 3
Other *PLEASE SPECIFY* _____ 4

A33. IS THERE FOREIGN ORIGIN CAPITAL IN THE CAPITAL FOUNDING YOUR COMPANY?

Yes 1
No . . . . . .2 → A37
Do not know . . . . . .3 → A37

A34. WHAT SHARE OF THE CAPITAL FOUNDING YOUR COMPANY IS THE FOREIGN ORIGIN CAPITAL?

PLEASE WRITE DOWN _____ *%*

A35. IS THERE EU ORIGIN CAPITAL IN THE CAPITAL FOUNDING YOUR COMPANY?

Yes 1
No . . . . . .2 → A37
Do not know . . . . . .3 → A37

A36. WHAT SHARE OF THE CAPITAL FOUNDING YOUR COMPANY IS THE EU ORIGIN CAPITAL?

PLEASE WRITE DOWN _____ *%*

A37. DOES YOUR COMPANY POSSESS ANY OF THE FOLLOWING QUALITY MANAGEMENT STANDARDS:

Please read

ISO 9000 1
ISO14000 2
Do know 3

A38. HOW MANY YEARS HAS YOUR COMPANY BEEN OPERATING?

Please code

Less than 1 year 1
1-2 years 2
3-5 years 3

6-10 years 4
11-15 years 5
More than 15 years 6
Do not know 7

A39. HOW MANY EMPLOYEES ARE WORKING FULL-TIME IN YOUR COMPANY?

Please code

1-9 persons 1
10-25 persons 2
26-50 persons 3
51-100 persons 4
More than 100 persons 5
No answer 6

A40. WHAT WAS YOUR COMPANY'S TURNOVER IN 2005?

*Please write down the value*_____

Question A41 is applicable if there is no answer to Question A40

A41. WHAT WAS YOUR COMPANY'S NET PROFIT IN 2005?

Please read

Less than 1 mln UAH 1
From 1 to 10 mln UAH 2
From 10 to 50 mln UAH 3
More than 50 mln UAH 4
No answer 5

List of Tables

List of Figures

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