

ПОСОЛЬСТВО УКРАЇНИ
У СПОЛУЧЕНИХ ШТАТАХ
АМЕРИКИ



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February 1, 2006

DEPT. OF COMMERCE
ITA
IMPORT ADMINISTRATION
FEB - 1 2006

RECEIVED

Case No. A-823-812
Total No. of Pages: 4
Changed Circumstances Review
Office of Policy

Public Document

Mr. David Spooner
Assistant Secretary
for Import Administration
U.S. Department of Commerce
14th St. and Constitution Ave., NW
Washington, DC 20230

Re: Changed Circumstances Review re Ukraine's Status as a Market Economy

Dear Mr. Spooner:

In the context of changed circumstances review in anti-dumping investigation against import of wire rods of carbon and alloyed steel (case number A-823-812) regarding recognition of Ukraine as a market economy, I was instructed by the Ministry of Economy of Ukraine to submit the following.

Current procedure of review of Ukraine's status was commenced in April 2005 and in essence has been natural and logical process that reflects market reforms that took place in economy of Ukraine since 1991.

In May and August 2005 the Ministry of Economy submitted respective comments on and responded to allegations raised as to Ukraine's compliance with market economy principles. Under the procedure set up by U.S. Department of

Commerce. by January 25, 2006 interested parties provided additional comments in support or against recognition of Ukraine as a market economy.

Three American companies submitted comments against recognition of Ukraine as a market economy: law firm Collier Shannon Scott.; American Iron and Steel Institute and R&J Trading Company International Inc.

Analysis of the above mentioned comments is provided below.

1. Comments by Collier Shannon Scott on behalf of Wire Rod Petitioners

Comments by Collier Shannon Scott don't contain any facts to support allegations that Ukraine is not a market economy. The companies refer to the comments already submitted by them in summer of 2005. (In August 2005 the Ministry of Economy provided its rebuttal and comments, including on the mentioned above).

At the same time, issues commented by Collier Shannon Scott are of political nature and could not be a subject to review in the current procedure which concerns Ukraine's economy status under the criteria set forth in the U.S. statutory provisions. The comments provided by Collier's Shannon Scott represent per se the view of the company on development of politics in Ukraine.

It should be noted that disputes among political parties in the course of election process, including the one for the Parliament, is inherent feature of democratic country and could not be considered as example of operating of Ukraine's economy under non-market principles.

Additionally, the year 2005 proved the stability and endurance of Ukrainian economy.

Despite the fact that economic development somewhat slowed down the positive tendencies continued: in 2005 GDP growth reached 2.4%, and industrial production growth was equal to 3.1%.

It should be noted that the way gas issue with Russia was settled illustrates that market principles are at the core of relation between the countries in this sphere.

2. Comments on behalf of the American Iron and Steel Institute

Development of business in Ukraine

The growth of entrepreneurial activities is the main evidence of business development in Ukraine. In 2005 a number of measures to facilitate procedures for establishment of business has been enacted.

In September 2005 the "Law on free system of entrepreneurial activities" was adopted that forms the basis for simplification of the state regulation of the entrepreneurial activities.

Currently, the system of "one window" is functioning in the regions of Ukraine. "One window" is the principle term for processing of documents twice as fast. Besides, a list of necessary permits required for registration has been substantially reduced.

Hence, at the beginning of 2006 the number of small enterprises has reached 300 thousands and the volume of products sold by them was equal to 74,3 billions UAH.

Regarding the level of wage arrears it should be noted that as of January 1, 2006 it was equal to 959,7 millions UAH. This is a 151,6 millions or 13,6% decrease comparing to the level of January 2005. This being the case, 51,9% of total amount of wage arrears is attributed to non-operational enterprises and enterprises which are in sanation or bankruptcy proceedings.

Investment climate in Ukraine

Investment climate was reviewed (described) in detail in materials submitted by the Ministry of Economy in May and August 2005. It is evident from the materials provided that no barriers for foreign investment are in place and there are favorable conditions for investment in Ukraine. This is also confirmed by a number of American companies which expressed their support for recognition of Ukraine as a market economy in the current procedure.

In addition, the last data available prove that a number of foreign investments is growing steadily.

As of October 2005 a total volume of direct foreign investments in Ukraine's economy was more than 9532,2 millions USD.

The same time Government of Ukraine introduces consistent measures to improve investment conditions and attract more foreign investments:

- Ukrainian Center of Facilitation of Foreign Investments was established recently under the Ministry of economy of Ukraine (the aim is to provide informational, analytical, technical, organizational and other support for activities of foreign investors);
- On December 30, 2005 the President adopted Decree № 1873 2005 under which the State Agency of Ukraine for Investments and

Innovation was established. The Agency has a status of state body. The key tasks of Agency include: shaping of state investments and innovation policy; expert examination of investments and innovation programs and projects; guiding and financing within scope of its authority of investments and innovation programs and projects; coordination of work on attraction of investments, loans for implementation of programs and projects; state registration of innovation projects.

3. Comments on behalf of R&J Trading Company International Inc.

The company R&J does not comment on the market economy status of Ukraine according to the criteria set by the US laws. Its comments are, in general, the comments regarding its dispute with the Borshehagivska pharmaceutical company.

The situation described by R&J is subject to proceedings in court and office of prosecutor general of Ukraine.

Conclusion:

Thus, the Ministry of Economy of Ukraine emphasizes that Ukraine meets all the statutory requirements for market economy countries and trusts that the U.S. Department of Commerce will recognize it as a market economy.

Please do not hesitate to contact me if you have any questions at (202) 349-2960.

Respectfully submitted,



Yevgen V. Burkat
Chief of the Trade and Economic Mission

Certificate of Service
A-823-812
Carbon and Certain Alloy Steel Wire Rod from Ukraine
Changed Circumstances Review (70FR21396 (Review Country Status))

I certify that a copy of this document was served on the following parties, via first-class mail on February 1, 2006.

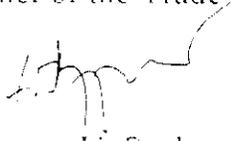
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