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(УкрMet)



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ASSOCIATION OF FERROUS
METALLURGY ENTERPRISES
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January 25, 2006

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Changed Circumstances Review

PUBLIC DOCUMENT

The Honorable David Spooner
Assistant Secretary for Import Administration
U.S. Department of Commerce
ATTN: Import Administration
Central Records Unit, Room 1870
14th Street and Constitution Ave., N.W.
Washington, D.C. 20230

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

Dear Assistant Secretary Spooner:

This paper is submitted pursuant to the Federal Register Notice of January 18, 2006 (71 Fed. Reg. 2904) by the Ukrainian Association of Ferrous Metallurgy Enterprises (UAFME), the national producers association of ferrous metal producers in Ukraine, and its members,¹ in support of the request of the Ministry of Economy and European Integration dated April 2, 2005 that Ukraine be recognized as a market economy. We focus on information and developments since August 31, 2005, as stated by the Federal Register Notice.

¹ All of the members are privately owned. Ukraine has the largest iron ore and coking coal reserves in Europe. Iron has been produced in Ukraine since antiquity, and modern steel facilities were built in the 1870s, shortly after the invention of the technology. The members of UAFME are Alchevsk Iron & Steel Works, Azovstal Iron & Steel Works, Dniprovsky Iron and Steel Works, Donetsk Metal-Rolling Plant, Donetsk Metallurgical Plant, Dnepropetrovsk Metallurgical Plant, Enakievo Metallurgical Plant, JSC Zaporizhstal Integrated Iron & Steel Works, Mini Steel Mill ISTIL (Ukraine), Ilyich Iron and Steel Works of Mariupol, Kerch Iron and Steel Works, JSC Kramatorsk Iron and Steel Works, Mittal Steel Krivi Rig, Makeevka Metallurgical Plant, Dnepropetrovsk Metallurgical Plant, Nikopol Ferro-Alloys Plant JSC, and Panteleymonovka Refractory Plant.

The U.S. statute requires Commerce to examine the extent to which Ukraine has implemented market economy reforms with respect to six factors. Information as to Ukraine and those six factors is presented here:

GENERAL

1. The Heritage Foundation/Wall Street Journal's Index of Economic Freedom² has ranked Ukraine well above Russia and Kazakhstan, and at a comparable level or above most of the countries which Commerce has considered to be market economies comparable to Ukraine³:

| <u>Rank</u> | <u>Country</u> | <u>Status</u> |
|-------------|----------------|---|
| 92 | Sri Lanka | comparable market economy |
| 97 | Morocco | comparable market economy |
| 98 | Philippines | comparable market economy |
| 99 | UKRAINE | |
| 110 | Pakistan | comparable market economy |
| 113 | KAZAKHSTAN | recently graduated to market economy status |
| 122 | RUSSIA | recently graduated to market economy status |
| 128 | Egypt | comparable market economy |
| 134 | Indonesia | comparable market economy |

2. Freedom House's Report on Freedom in the World⁴ has ranked Ukraine above Russia, Kazakhstan, and all the countries which Commerce has considered to be market economies analogous to Ukraine:

| <u>Rank</u> | <u>Country</u> |
|-------------|----------------|
| 2.5 | UKRAINE |
| 2.5 | Indonesia |
| 3.0 | Sri Lanka |

² See Heritage Foundation/Wall Street Journal *Index of Economic Freedom 2006* (January 4, 2006).

³ See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Carbon and Certain Alloy, Steel Wire Rod From Ukraine, 67 Fed. Reg. 17367 (Apr. 10, 2002) (*see* Memorandum from Jeff May, Director, Office of Policy, to James C. Doyle, Program Manager, AD/CVD Enforcement, Group III, dated November 7, 2001 ("Surrogate Country Memorandum")).

⁴ See Freedom House Report on Freedom in the World (December 19, 2005).

| | |
|-----|-------------|
| 3.0 | Philippines |
| 4.5 | Morocco |
| 5.5 | Egypt |
| 5.5 | RUSSIA |
| 5.5 | KAZAKHSTAN |
| 5.5 | Pakistan |

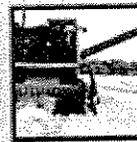
3. Transparency International⁵ has rated Ukraine tied with Kazakhstan, and well above Russia, and also above many of the countries which Commerce has stated to be market economies analogous to Ukraine:

| <u>Rank</u> | <u>Country</u> |
|-------------|-------------------|
| 70 | Egypt |
| 78 | Morocco |
| | Sri Lanka |
| 107 | UKRAINE |
| | KAZAKHSTAN |
| 117 | Philippines |
| 126 | RUSSIA |
| 137 | Indonesia |
| 144 | Pakistan |

⁵ See Transparency International Corruption Perceptions Index (October 18, 2005).

2006 Index of Economic Freedom

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Countries

ECONOMIC FREEDOM CATEGORY

 FREE (Score: 1-1.99)

 MOSTLY FREE (Score: 2-2.99)

 MOSTLY UNFREE (Score: 3-3.99)

 REPRESSED (Score: 4-5)

List Alphabetically

Click on country to view in-depth analysis

| Country | Rank | Score | Country | Rank | Score | Country | Rank | Score |
|----------------|------|--------|------------------------|------|--------|--------------------------|------|--------|
| Hong Kong | 1 | [1.28] | Croatia | 55 | [2.78] | Zambia | 111 | [3.34] |
| Singapore | 2 | [1.56] | Greece | 57 | [2.80] | China | 111 | [3.34] |
| Ireland | 3 | [1.58] | Jordan | 57 | [2.80] | Kazakhstan | 113 | [3.35] |
| Luxembourg | 4 | [1.60] | Macedonia | 57 | [2.80] | Mozambique | 113 | [3.35] |
| United Kingdom | 5 | [1.74] | Mexico | 60 | [2.83] | Niger | 115 | [3.38] |
| Iceland | 5 | [1.74] | Mongolia | 60 | [2.83] | Dominican Republic | 116 | [3.39] |
| Estonia | 7 | [1.75] | Saudi Arabia | 62 | [2.84] | Benin | 117 | [3.40] |
| Denmark | 8 | [1.78] | Peru | 63 | [2.86] | Central African Republic | 118 | [3.41] |
| United States | 9 | [1.84] | Bulgaria | 64 | [2.88] | Algeria | 119 | [3.46] |
| Australia | 9 | [1.84] | United Arab Emirates | 65 | [2.93] | Cameroon | 119 | [3.46] |
| New Zealand | 9 | [1.84] | Uganda | 66 | [2.95] | India | 121 | [3.49] |
| Canada | 12 | [1.85] | Bolivia | 67 | [2.96] | Russia | 122 | [3.50] |
| Finland | 12 | [1.85] | Cambodia | 68 | [2.98] | Azerbaijan | 123 | [3.51] |
| Chile | 14 | [1.88] | Georgia | 68 | [2.98] | Gambia, The | 123 | [3.51] |
| Switzerland | 15 | [1.89] | Malaysia | 68 | [2.98] | Rwanda | 125 | [3.53] |
| Cyprus | 16 | [1.90] | Thailand | 71 | [2.99] | Nepal | 125 | [3.53] |
| Netherlands | 16 | [1.90] | Kyrgyz Republic, The | 71 | [2.99] | Guinea | 127 | [3.55] |
| Austria | 18 | [1.95] | Lebanon | 73 | [3.00] | Egypt | 128 | [3.59] |
| Sweden | 19 | [1.96] | Bosnia and Herzegovina | 74 | [3.01] | Suriname | 129 | [3.60] |
| Germany | 19 | [1.96] | Guatemala | 74 | [3.01] | Malawi | 130 | [3.63] |
| Czech Republic | 21 | [2.10] | Oman | 74 | [3.01] | Guinea Bissau | 131 | [3.65] |
| Belgium | 22 | [2.11] | Mauritius | 77 | [3.03] | Burundi | 132 | [3.69] |
| Lithuania | 23 | [2.14] | Qatar | 78 | [3.04] | Ethiopia | 133 | [3.70] |
| Malta | 24 | [2.16] | Swaziland | 78 | [3.04] | Togo | 134 | [3.71] |
| Bahrain | 25 | [2.23] | Nicaragua | 80 | [3.05] | Indonesia | 134 | [3.71] |
| | 26 | [2.25] | | 81 | [3.08] | | 136 | [3.74] |

| | | | | | |
|----------------------|-----------|------------------|------------|---|------------|
| Barbados | | Brazil | | Equatorial Guinea | |
| Armenia | 27 [2.26] | Mauritania | 81 [3.08] | Sierra Leone | 137 [3.76] |
| Bahamas | 27 [2.26] | Senegal | 83 [3.10] | Tajikistan | 137 [3.76] |
| Japan | 27 [2.26] | Moldova | 83 [3.10] | Yemen | 139 [3.84] |
| Portugal | 30 [2.29] | Turkey | 85 [3.11] | Angola | 139 [3.84] |
| Botswana | 30 [2.29] | Guyana | 85 [3.11] | Bangladesh | 141 [3.88] |
| Norway | 30 [2.29] | Namibia | 85 [3.11] | Vietnam | 142 [3.89] |
| Spain | 33 [2.33] | Ivory Coast | 88 [3.14] | Congo, Republic of | 143 [3.90] |
| Slovak Republic, The | 34 [2.35] | Mali | 88 [3.14] | Uzbekistan | 144 [3.91] |
| El Salvador | 34 [2.35] | Fiji | 90 [3.15] | Syria | 145 [3.93] |
| Israel | 36 [2.36] | Colombia | 91 [3.16] | Nigeria | 146 [4.00] |
| Taiwan | 37 [2.38] | Romania | 92 [3.19] | Haiti | 147 [4.03] |
| Slovenia | 38 [2.41] | Sri Lanka | 92 [3.19] | Turkmenistan | 148 [4.04] |
| Latvia | 39 [2.43] | Tanzania | 94 [3.20] | Laos | 149 [4.08] |
| Hungary | 40 [2.44] | Djibouti | 94 [3.20] | Cuba | 150 [4.10] |
| Poland | 41 [2.49] | Kenya | 94 [3.20] | Belarus | 151 [4.11] |
| Trinidad and Tobago | 42 [2.50] | Morocco | 97 [3.21] | Venezuela | 152 [4.16] |
| Italy | 42 [2.50] | Philippines, The | 98 [3.23] | Libya | 152 [4.16] |
| France | 44 [2.51] | Tunisia | 99 [3.24] | Zimbabwe | 154 [4.23] |
| Korea, South | 45 [2.63] | Ukraine | 99 [3.24] | Burma | 155 [4.46] |
| Uruguay | 46 [2.69] | Lesotho | 99 [3.24] | Iran | 156 [4.51] |
| Cape Verde | 46 [2.69] | Burkina Faso | 102 [3.28] | Korea, North | 157 [5.00] |
| Costa Rica | 46 [2.69] | Gabon | 102 [3.28] | Serbia and Montenegro - <i>Not Graded</i> | |
| Panama | 49 [2.70] | Honduras | 102 [3.28] | Sudan - <i>Not Graded</i> | |
| South Africa | 50 [2.74] | Chad | 105 [3.29] | Congo, Dem. Republic of - <i>Not Graded</i> | |
| Kuwait | 50 [2.74] | Ghana | 105 [3.29] | Iraq - <i>Not Graded</i> | |
| Albania | 52 [2.75] | Argentina | 107 [3.30] | | |
| Madagascar | 52 [2.75] | Ecuador | 107 [3.30] | | |
| Jamaica | 54 [2.76] | Paraguay | 109 [3.31] | | |
| Belize | 55 [2.78] | Pakistan | 110 [3.33] | | |



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A. Freedom in the World, 2005

Since 1978, Freedom House has published Freedom in the World, an annual comparative assessment of the state of political rights and civil liberties around the world. Widely used by policy makers, journalists, and scholars, the 600-page survey is considered the definitive report on freedom around the globe. The 2005 ratings reflect global events from Dec. 1, 2003, through Nov. 30, 2004. According to the survey, 89 countries are free. Their 2.8 billion inhabitants (44% of the world's population) enjoy a broad range of rights. Fifty-four countries representing 1.2 billion people (19%) are considered partly free. Political rights and civil liberties are more limited in these countries, in which corruption, dominant ruling parties, or, in some cases, ethnic or religious strife is often the norm. The survey finds that 49 countries are not free. The 2.4 billion inhabitants (37%) of these countries, nearly three-fifths of whom live in China, are denied most basic political rights and civil liberties. In 2004, Russia was the only country to register a negative category change, moving from partly free to not free. The list below features only independent countries. Freedom House's separate listing of territories reveals that four territories received the lowest possible political rights rating: Chechnya (Russia), Kashmir (Pakistan), Tibet (China), and Western Sahara (Morocco); of those, Chechnya and Tibet also received the lowest possible civil liberties ratings.

1. FREE¹

- | | | | |
|---------------------|--------------------|------------------------------|-------------------------|
| • Ranking: 1 | • Liechtenstein | • Ranking: 1.5 | • Ghana |
| • Andorra | • Luxembourg | • Belize | • Guyana |
| • Australia | • Malta | • Bulgaria | • Israel |
| • Austria | • Marshall Islands | • Greece | • Lithuania |
| • Bahamas | • Mauritius | • Grenada | • Mali |
| • Barbados | • Micronesia | • Japan | • Mexico |
| • Belgium | • Nauru | • Latvia | • Mongolia |
| • Canada | • Netherlands | • Monaco | • Samoa |
| • Cape Verde | • New Zealand | • Panama | • Sao Tome and Principe |
| • Chile | • Norway | • St. Kitts and Nevis | • Vanuatu |
| • Costa Rica | • Palau | • St. Lucia | • Ranking: 2.5 |
| • Cyprus | • Poland | • St. Vincent and Grenadines | • Brazil |
| • Czech Republic | • Portugal | • South Africa | • El Salvador |
| • Denmark | • San Marino | • South Korea | • India |
| • Dominica | • Slovakia | • Suriname | • Jamaica |
| • Estonia | • Slovenia | • Taiwan | • Lesotho |
| • Finland | • Spain | • Ranking: 2 | • Namibia |
| • France | • Sweden | • Antigua and Barbuda | • Peru |
| • Germany | • Switzerland | • Argentina | • Philippines |
| • Hungary | • Tuvalu | • Benin | • Romania |
| • Iceland | • United Kingdom | • Botswana | • Senegal |
| • Ireland | • United States | • Croatia | • Serbia and Montenegro |
| • Italy | • Uruguay | • Dominican Republic | • Thailand |
| • Kiribati | | | |

2. PARTLY FREE¹

- | | | | |
|---------------------|---|-----------------------|---------------------|
| • Ranking: 3 | • Sri Lanka | • Bangladesh | • Gabon |
| • Albania | • Trinidad and Tobago | • Colombia | • Jordan |
| • Bolivia | • Turkey | • Comoros | • Kuwait |
| • East Timor | • Ranking: 3.5 | • The Gambia | • Liberia |
| • Ecuador | • Bosnia and Herzegovina | • Guatemala | • Morocco |
| • Honduras | • Fiji | • Guinea-Bissau | • Singapore |
| • Kenya | • Georgia | • Malawi | • Uganda |
| • Macedonia | • Indonesia | • Malaysia | • Ranking: 5 |
| • Madagascar | • Moldova | • Nigeria | • Bahrain |
| • Nicaragua | • Mozambique | • Tonga | • Burundi |
| • Niger | • Sierra Leone | • Zambia | • Djibouti |
| • Papua New Guinea | • Tanzania | • Ranking: 4.5 | • Ethiopia |
| • Paraguay | • Ukraine | • Armenia | • Nepal |
| • Seychelles | • Venezuela | • Burkina Faso | • Yemen |
| • Solomon Islands | • Ranking: 4 | • Congo, Rep. of | |

3. NOT FREE¹

- **Ranking: 5.5**
- Afghanistan
- Algeria
- Angola
- Azerbaijan
- Bhutan
- Brunei
- Cambodia
- Central African Republic
- Chad
- Egypt
- Guinea
- Kazakhstan
- Lebanon
- Maldives
- Mauritania
- Oman
- Pakistan
- Qatar
- Russia
- Rwanda
- Tajikistan
- Togo
- Tunisia
- **Ranking: 6**
- Cameroon
- Congo, Dem. Rep. of
- Cote d'Ivoire
- Iran
- Iraq
- Swaziland
- United Arab Emirates
- **Ranking: 6.5**
- Belarus
- China
- Equatorial Guinea
- Eritrea
- Haiti
- Laos
- Somalia
- Uzbekistan
- Vietnam
- Zimbabwe
- **Ranking: 7**
- Cuba
- Libya
- Myanmar (Burma)
- North Korea
- Saudi Arabia
- Sudan
- Syria
- Turkmenistan

1. Countries are ranked according to political rights and civil liberties on a scale from 1.0 (most free) to 7.0 (least free). *Source: Freedom in the World, 2005*, published by Freedom House. www.freedomhouse.org/research/survey2005.htm.

| Country Rank | Country/territory | 2005 CPI Score* | Confidence range** | Surveys Used*** |
|--------------|----------------------|-----------------|--------------------|-----------------|
| 1 | Iceland | 9.7 | 9.5 - 9.7 | 8 |
| 2 | Finland | 9.6 | 9.5 - 9.7 | 9 |
| | New Zealand | 9.6 | 9.5 - 9.7 | 9 |
| 4 | Denmark | 9.5 | 9.3 - 9.6 | 10 |
| 5 | Singapore | 9.4 | 9.3 - 9.5 | 12 |
| 6 | Sweden | 9.2 | 9.0 - 9.3 | 10 |
| 7 | Switzerland | 9.1 | 8.9 - 9.2 | 9 |
| 8 | Norway | 8.9 | 8.5 - 9.1 | 9 |
| 9 | Australia | 8.8 | 8.4 - 9.1 | 13 |
| 10 | Austria | 8.7 | 8.4 - 9.0 | 9 |
| 11 | Netherlands | 8.6 | 8.3 - 8.9 | 9 |
| | United Kingdom | 8.6 | 8.3 - 8.8 | 11 |
| 13 | Luxembourg | 8.5 | 8.1 - 8.9 | 8 |
| 14 | Canada | 8.4 | 7.9 - 8.8 | 11 |
| 15 | Hong Kong | 8.3 | 7.7 - 8.7 | 12 |
| 16 | Germany | 8.2 | 7.9 - 8.5 | 10 |
| 17 | USA | 7.6 | 7.0 - 8.0 | 12 |
| 18 | France | 7.5 | 7.0 - 7.8 | 11 |
| 19 | Belgium | 7.4 | 6.9 - 7.9 | 9 |
| | Ireland | 7.4 | 6.9 - 7.9 | 10 |
| 21 | Chile | 7.3 | 6.8 - 7.7 | 10 |
| | Japan | 7.3 | 6.7 - 7.8 | 14 |
| 23 | Spain | 7.0 | 6.6 - 7.4 | 10 |
| 24 | Barbados | 6.9 | 5.7 - 7.3 | 3 |
| 25 | Malta | 6.6 | 5.4 - 7.7 | 5 |
| 26 | Portugal | 6.5 | 5.9 - 7.1 | 9 |
| 27 | Estonia | 6.4 | 6.0 - 7.0 | 11 |
| 28 | Israel | 6.3 | 5.7 - 6.9 | 10 |
| | Oman | 6.3 | 5.2 - 7.3 | 5 |
| 30 | United Arab Emirates | 6.2 | 5.3 - 7.1 | 6 |
| 31 | Slovenia | 6.1 | 5.7 - 6.8 | 11 |
| 32 | Botswana | 5.9 | 5.1 - 6.7 | 8 |
| | Qatar | 5.9 | 5.6 - 6.4 | 5 |
| | Taiwan | 5.9 | 5.4 - 6.3 | 14 |
| | Uruguay | 5.9 | 5.6 - 6.4 | 6 |
| 36 | Bahrain | 5.8 | 5.3 - 6.3 | 6 |
| 37 | Cyprus | 5.7 | 5.3 - 6.0 | 5 |
| | Jordan | 5.7 | 5.1 - 6.1 | 10 |
| 39 | Malaysia | 5.1 | 4.6 - 5.6 | 14 |
| 40 | Hungary | 5.0 | 4.7 - 5.2 | 11 |
| | Italy | 5.0 | 4.6 - 5.4 | 9 |
| | South Korea | 5.0 | 4.6 - 5.3 | 12 |
| 43 | Tunisia | 4.9 | 4.4 - 5.6 | 7 |
| 44 | Lithuania | 4.8 | 4.5 - 5.1 | 8 |
| 45 | Kuwait | 4.7 | 4.0 - 5.2 | 6 |
| 46 | South Africa | 4.5 | 4.2 - 4.8 | 11 |
| 47 | Czech Republic | 4.3 | 3.7 - 5.1 | 10 |
| | Greece | 4.3 | 3.9 - 4.7 | 9 |
| | Namibia | 4.3 | 3.8 - 4.9 | 8 |
| | Slovakia | 4.3 | 3.8 - 4.8 | 10 |
| 51 | Costa Rica | 4.2 | 3.7 - 4.7 | 7 |
| | El Salvador | 4.2 | 3.5 - 4.8 | 6 |
| | Latvia | 4.2 | 3.8 - 4.6 | 7 |
| | Mauritius | 4.2 | 3.4 - 5.0 | 6 |
| 55 | Bulgaria | 4.0 | 3.4 - 4.6 | 8 |
| | Colombia | 4.0 | 3.6 - 4.4 | 9 |
| | Fiji | 4.0 | 3.4 - 4.6 | 3 |
| | Seychelles | 4.0 | 3.5 - 4.2 | 3 |
| 59 | Cuba | 3.8 | 2.3 - 4.7 | 4 |
| | Thailand | 3.8 | 3.5 - 4.1 | 13 |
| | Trinidad and Tobago | 3.8 | 3.3 - 4.5 | 6 |
| 62 | Belize | 3.7 | 3.4 - 4.1 | 3 |
| | Brazil | 3.7 | 3.5 - 3.9 | 10 |
| 64 | Jamaica | 3.6 | 3.4 - 3.8 | 6 |
| 65 | Ghana | 3.5 | 3.2 - 4.0 | 8 |
| | Mexico | 3.5 | 3.3 - 3.7 | 10 |
| | Panama | 3.5 | 3.1 - 4.1 | 7 |
| | Peru | 3.5 | 3.1 - 3.8 | 7 |
| | Turkey | 3.5 | 3.1 - 4.0 | 11 |
| 70 | Burkina Faso | 3.4 | 2.7 - 3.9 | 3 |
| | Croatia | 3.4 | 3.2 - 3.7 | 7 |
| | Egypt | 3.4 | 3.0 - 3.9 | 9 |
| | Lesotho | 3.4 | 2.6 - 3.9 | 3 |
| | Poland | 3.4 | 3.0 - 3.9 | 11 |
| | Saudi Arabia | 3.4 | 2.7 - 4.1 | 5 |
| | Syria | 3.4 | 2.8 - 4.2 | 5 |
| 77 | Laos | 3.3 | 2.1 - 4.4 | 3 |
| 78 | China | 3.2 | 2.9 - 3.5 | 14 |
| | Morocco | 3.2 | 2.8 - 3.6 | 8 |
| | Senegal | 3.2 | 2.8 - 3.6 | 6 |

Transparency International commissioned Prof. Dr J. Graf Lambsdorff of the University of Passau to produce the CPI table. For information on data and methodology, please consult the frequently asked questions and the CPI methodology: www.transparency.org/surveys/#cpi or www.icgg.org

Explanatory notes

* **CPI Score** relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt).

** **Confidence range** provides a range of possible values of the CPI score. This reflects how a country's score may vary, depending on measurement precision. Nominally, with 5 percent probability the score is above this range and with another 5 percent it is below. However, particularly when only few sources are available, an unbiased estimate of the mean coverage probability is lower than the nominal value of 90%.

*** **Surveys used** refers to the number of surveys that assessed a country's performance. 16 surveys and expert assessments were used and at least 3 were required for a country to be included in the CPI.

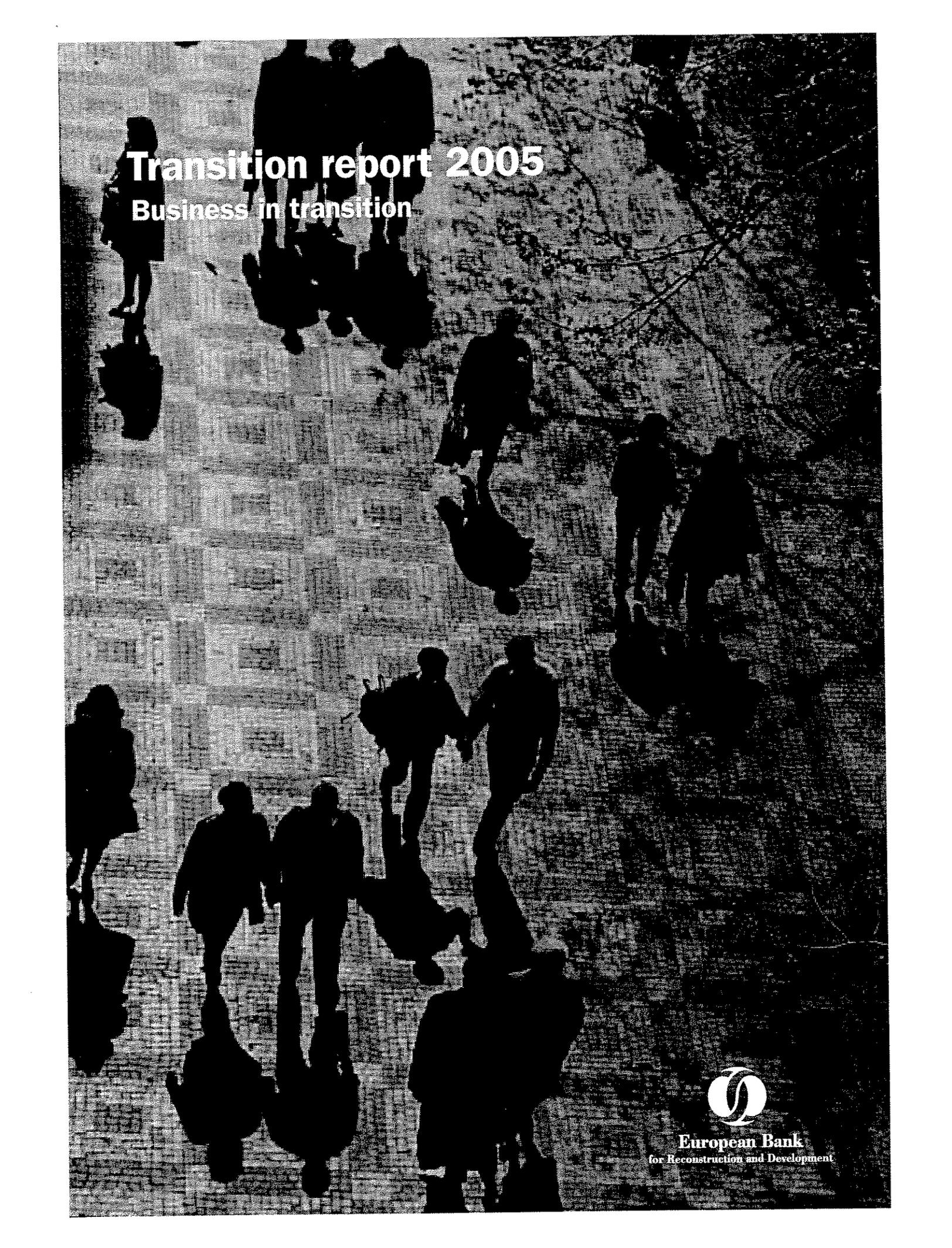
| Country Rank | Country/territory | 2005 CPI Score | Confidence range | Surveys Used |
|-----------------------|----------------------------|----------------|------------------|--------------|
| 78 | Sri Lanka | 3.2 | 2.7 - 3.6 | 7 |
| | Suriname | 3.2 | 2.2 - 3.6 | 3 |
| 83 | Lebanon | 3.1 | 2.7 - 3.3 | 4 |
| | Rwanda | 3.1 | 2.1 - 4.1 | 3 |
| 85 | Dominican Republic | 3.0 | 2.5 - 3.6 | 6 |
| | Mongolia | 3.0 | 2.4 - 3.6 | 4 |
| | Romania | 3.0 | 2.6 - 3.5 | 11 |
| 88 | Armenia | 2.9 | 2.5 - 3.2 | 4 |
| | Benin | 2.9 | 2.1 - 4.0 | 5 |
| | Bosnia and Herzegovina | 2.9 | 2.7 - 3.1 | 6 |
| | Gabon | 2.9 | 2.1 - 3.6 | 4 |
| | India | 2.9 | 2.7 - 3.1 | 14 |
| | Iran | 2.9 | 2.3 - 3.3 | 5 |
| | Mali | 2.9 | 2.3 - 3.6 | 8 |
| | Moldova | 2.9 | 2.3 - 3.7 | 5 |
| | Tanzania | 2.9 | 2.6 - 3.1 | 8 |
| | Algeria | 2.8 | 2.5 - 3.3 | 7 |
| | 97 | Argentina | 2.8 | 2.5 - 3.1 |
| Madagascar | | 2.8 | 1.9 - 3.7 | 5 |
| Malawi | | 2.8 | 2.3 - 3.4 | 7 |
| Mozambique | | 2.8 | 2.4 - 3.1 | 8 |
| Serbia and Montenegro | | 2.8 | 2.5 - 3.3 | 7 |
| 103 | | Gambia | 2.7 | 2.3 - 3.1 |
| | Macedonia | 2.7 | 2.4 - 3.2 | 7 |
| | Swaziland | 2.7 | 2.0 - 3.1 | 3 |
| | Yemen | 2.7 | 2.4 - 3.2 | 5 |
| 107 | Belarus | 2.6 | 1.9 - 3.8 | 5 |
| | Eritrea | 2.6 | 1.7 - 3.5 | 3 |
| | Honduras | 2.6 | 2.2 - 3.0 | 7 |
| | Kazakhstan | 2.6 | 2.2 - 3.2 | 6 |
| | Nicaragua | 2.6 | 2.4 - 2.8 | 7 |
| | Palestine | 2.6 | 2.1 - 2.8 | 3 |
| | Ukraine | 2.6 | 2.4 - 2.8 | 8 |
| | Vietnam | 2.6 | 2.3 - 2.9 | 10 |
| | Zambia | 2.6 | 2.3 - 2.9 | 7 |
| | Zimbabwe | 2.6 | 2.1 - 3.0 | 7 |
| 117 | Afghanistan | 2.5 | 1.6 - 3.2 | 3 |
| | Bolivia | 2.5 | 2.3 - 2.9 | 6 |
| | Ecuador | 2.5 | 2.2 - 2.9 | 6 |
| | Guatemala | 2.5 | 2.1 - 2.8 | 7 |
| | Guyana | 2.5 | 2.0 - 2.7 | 3 |
| | Libya | 2.5 | 2.0 - 3.0 | 4 |
| | Nepal | 2.5 | 1.9 - 3.0 | 4 |
| | Philippines | 2.5 | 2.3 - 2.8 | 13 |
| | Uganda | 2.5 | 2.2 - 2.8 | 8 |
| | 126 | Albania | 2.4 | 2.1 - 2.7 |
| Niger | | 2.4 | 2.2 - 2.6 | 4 |
| Russia | | 2.4 | 2.3 - 2.6 | 12 |
| Sierra Leone | | 2.4 | 2.1 - 2.7 | 3 |
| 130 | | Burundi | 2.3 | 2.1 - 2.5 |
| | Cambodia | 2.3 | 1.9 - 2.5 | 4 |
| | Congo, Republic | 2.3 | 2.1 - 2.6 | 4 |
| | Georgia | 2.3 | 2.0 - 2.6 | 6 |
| | Kyrgyzstan | 2.3 | 2.1 - 2.5 | 5 |
| | Papua New Guinea | 2.3 | 1.9 - 2.6 | 4 |
| | Venezuela | 2.3 | 2.2 - 2.4 | 10 |
| 137 | Azerbaijan | 2.2 | 1.9 - 2.5 | 6 |
| | Cameroon | 2.2 | 2.0 - 2.5 | 6 |
| | Ethiopia | 2.2 | 2.0 - 2.5 | 8 |
| | Indonesia | 2.2 | 2.1 - 2.5 | 13 |
| | Iraq | 2.2 | 1.5 - 2.9 | 4 |
| | Liberia | 2.2 | 2.1 - 2.3 | 3 |
| | Uzbekistan | 2.2 | 2.1 - 2.4 | 5 |
| 144 | Congo, Democratic Republic | 2.1 | 1.8 - 2.3 | 4 |
| | Kenya | 2.1 | 1.8 - 2.4 | 8 |
| | Pakistan | 2.1 | 1.7 - 2.6 | 7 |
| | Paraguay | 2.1 | 1.9 - 2.3 | 7 |
| | Somalia | 2.1 | 1.6 - 2.2 | 3 |
| | Sudan | 2.1 | 1.9 - 2.2 | 5 |
| | Tajikistan | 2.1 | 1.9 - 2.4 | 5 |
| 151 | Angola | 2.0 | 1.8 - 2.1 | 5 |
| 152 | Cote d'Ivoire | 1.9 | 1.7 - 2.1 | 4 |
| | Equatorial Guinea | 1.9 | 1.6 - 2.1 | 3 |
| | Nigeria | 1.9 | 1.7 - 2.0 | 9 |
| 155 | Haiti | 1.8 | 1.5 - 2.1 | 4 |
| | Myanmar | 1.8 | 1.7 - 2.0 | 4 |
| | Turkmenistan | 1.8 | 1.7 - 2.0 | 4 |
| 158 | Bangladesh | 1.7 | 1.4 - 2.0 | 7 |
| | Chad | 1.7 | 1.3 - 2.1 | 6 |

| Number | 1 | 2 | 3 | 4 |
|-------------------|--|---|--|---|
| Abbreviation | CU | EIU | FH | II |
| Source | Columbia University, The Center for International Earth Science Information Network | Economist Intelligence Unit | Freedom House | Information International |
| Name | State Capacity Survey | Country Risk Service and Country Forecast | Nations in Transit | Survey of Middle Eastern Businesspeople |
| Year | 2003 | 2005 | 2005 | 2003 |
| Internet | http://www.ciesin.org/ | www.eiu.com | http://www.freedomhouse.org/research/nattransit.htm | www.information-international.com |
| Who was surveyed? | US-resident country experts (policy analysts, academics and journalists) | Expert staff assessment | Assessment by US, regional, and in-country experts | Senior businesspeople from Bahrain, Lebanon and UAE |
| Subject asked | Severity of corruption within the state | The misuse of public office for private (or political party) gain | Extent of corruption as practiced in governments, as perceived by the public and as reported in the media, as well as the implementation of anticorruption initiatives | How common are bribes, how costly are they for doing business and how frequently are public contracts awarded to friends and relatives in neighbouring countries |
| Number of replies | 224 | Not applicable | Not applicable | 382 assessments from 165 respondents |
| Coverage | 95 countries | 156 countries | 29 countries/territories | 31 countries |
| Number | 5 | 6 | 7 | 8 |
| Abbreviation | IMD | | | MIG |
| Source | International Institute for Management Development, Lausanne, Switzerland | | | Merchant International Group |
| Name | World Competitiveness Yearbook | | | Grey Area Dynamics |
| Year | 2003 | 2004 | 2005 | 2005 |
| Internet | www.imd.ch | | | www.merchantinternational.com |
| Who was surveyed? | Executives in top and middle management; domestic and international companies | | | Expert staff and network of local correspondents |
| Subject asked | Bribery and corruption in the economy | | | Corruption, ranging from bribery of government ministers to inducements payable to the "humblest clerk" |
| Number of replies | > 4,000 | 4166 | Roughly 4000 | Not applicable |
| Coverage | 51 countries | | | 155 countries |
| Number | 9 | 10 | 11 | 12 |
| Abbreviation | PERC | | | UNECA |
| Source | Political & Economic Risk Consultancy | | | United Nations Economic Commission for Africa |
| Name | Asian Intelligence Newsletter | | | Africa Governance Report |
| Year | 2003 | 2004 | 2005 | 2005 |
| Internet | www.asiarisk.com/ | | | http://www.uneca.org/agr/ |
| Who was surveyed? | Expatriate business executives | | | National expert survey (between 70 and 120 in each country) |
| Subject asked | How bad do you consider the problem of corruption to be in the country in which you are working as well as in your home country? | | | "Corruption Control". This includes aspects related to corruption in the legislature, judiciary, and at the executive level, as well as in tax collection. Aspects of access to justice and government services are also involved |
| Number of replies | More than 1,000 | More than 1,000 | More than 1,000 | Roughly 2800 |
| Coverage | 14 countries | | | 28 countries |
| Number | 13 | 14 | 15 | 16 |
| Abbreviation | WEF | | | WMRC |
| Source | World Economic Forum | | | World Markets Research Centre |
| Name | Global Competitiveness Report | | | Risk Ratings |
| Year | 2003/04 | 2004/05 | 2005/06 | 2005 |
| Internet | www.weforum.org | | | www.wmrc.com |
| Who was surveyed? | Senior business leaders: domestic and international companies | | | Expert staff assessment |
| Subject asked | Undocumented extra payments or bribes connected with various government functions | | | The likelihood of encountering corrupt officials, ranging from petty bureaucratic corruption to grand political corruption |
| Number of replies | 7,741 | 8,700 | 10,993 | Not applicable |
| Coverage | 102 countries | 104 countries | 117 countries | 186 countries |

1. Currency convertibility.

The hryvnia remains fully convertible. This is confirmed by the European Bank for Reconstruction and Development (EBRD)⁶, and by major U.S. manufacturers such as GE, United Technologies, and Procter & Gamble; agricultural companies such as ADM; and service providers such as Motorola, AES, and the Ukraine-U.S. Business Council (*see* company letters supporting Ukraine's market economy status request at Attachment 1), all of which have significant operations in Ukraine with continuing flows of currency.

⁶ EBRD Transition Report 2005 (November 2005) at 196.



Transition report 2005

Business in transition



European Bank
for Reconstruction and Development

| Liberalisation and privatisation | Business environment and competition | Infrastructure | Financial sector | Social reform |
|--|--|---|--|---|
| Current account convertibility – full | Competition office – yes | Independent telecoms regulator – no | Capital adequacy ratio – 10 per cent | Share of population living in poverty – 31.4 per cent (1999) ² |
| Controls on inward direct investment – no ¹ | Quality of insolvency law – very low | Independent electricity regulator – no | Deposit insurance system – yes | Government expenditure on health – 3.5 per cent of GDP |
| Interest rate liberalisation – full | Secured transactions law – some defects | Separation of railway infrastructure from operations – no | Quality of securities market laws – medium | Government expenditure on education – 5.1 per cent of GDP |
| Exchange rate regime – managed float | Quality of corporate governance law – very low | Quality of concession laws – medium | Private pension funds – yes | Share of power, water in total household expenditure – 3.2 per cent |
| Wage regulation – no | | | | |
| Tradability of land – limited de facto | | | | |

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|------------|------------|------------|------------|-------------|-------------|------|
| Enterprises | | | | | | | |
| Privatisation revenues (cumulative, in per cent of GDP) | 2.9 | 4.3 | 5.5 | 6.0 | 7.1 | 9.5 | na |
| Private sector share in GDP (in per cent) | 55.0 | 60.0 | 60.0 | 65.0 | 65.0 | 65.0 | 65.0 |
| Private sector share in employment (in per cent) | 20.5 | 25.6 | 30.5 | 35.6 | 37.7 | na | na |
| Budgetary subsidies and current transfers (in per cent of GDP) ³ | na | 1.4 | 1.3 | 1.2 | na | na | na |
| Share of industry in total employment (in per cent) | 20.4 | 19.5 | 21.0 | 20.4 | 20.0 | na | na |
| Change in labour productivity in industry (in per cent) | 13.4 | 19.9 | 4.4 | 9.4 | 17.9 | na | na |
| Investment/GDP (in per cent) | 17.5 | 19.8 | 21.8 | 20.2 | 20.3 | na | na |
| EBRD index of small-scale privatisation | 3.3 | 3.3 | 3.3 | 3.7 | 4.0 | 4.0 | 4.0 |
| EBRD index of large-scale privatisation | 2.3 | 2.7 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| EBRD index of enterprise reform | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Markets and trade | | | | | | | |
| Share of administered prices in CPI (in per cent) | na | na | na | na | na | na | na |
| Number of goods with administered prices in EBRD-15 basket | 3.0 | 3.0 | 3.0 | 3.0 | 6.0 | 6.0 | na |
| Share of trade with non-transition countries (in per cent) | 57.4 | 52.0 | 49.6 | 47.5 | 52.9 | 48.3 | na |
| Share of trade in GDP (in per cent) | 82.7 | 98.1 | 89.3 | 86.4 | 96.3 | 97.4 | na |
| Tariff revenues (in per cent of imports) ⁴ | 2.4 | 2.4 | 2.7 | 3.0 | 3.0 | 3.4 | na |
| EBRD index of price liberalisation | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| EBRD index of forex and trade liberalisation | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.3 |
| EBRD index of competition policy | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Financial sector | | | | | | | |
| Number of banks (foreign-owned) | 161 (15) | 154 (14) | 152 (16) | 157 (15) | 156 (19) | 160 (19) | na |
| Asset share of state-owned banks (in per cent) | 12.5 | 11.9 | 11.8 | 12.0 | 9.8 | 8.0 | na |
| Asset share of foreign-owned banks (in per cent) | 10.5 | 11.1 | 12.1 | 12.3 | 12.1 | 12.1 | na |
| Non-performing loans (in per cent of total loans) | 34.2 | 32.5 | na | na | 32.7 | 35.4 | na |
| Domestic credit to private sector (in per cent of GDP) | 8.6 | 9.9 | 11.9 | na | na | na | na |
| Domestic credit to households (in per cent of GDP) | na | na | na | na | na | na | na |
| Of which mortgage lending (in per cent of GDP) | na | na | na | na | na | na | na |
| Stock market capitalisation (in per cent of GDP) | 4.5 | 6.0 | 3.6 | 7.5 | 8.7 | 18.0 | na |
| Stock trading volume (in per cent of market capitalisation) | 8.8 | 20.0 | 14.0 | 15.0 | 3.0 | 3.0 | na |
| Eurobond issuance (in per cent of GDP) | 0.9 | 0.0 | 0.0 | 1.2 | 2.4 | 3.6 | na |
| EBRD index of banking sector reform | 2.0 | 2.0 | 2.0 | 2.3 | 2.3 | 2.3 | 2.7 |
| EBRD index of reform of non-bank financial institutions | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.3 | 2.3 |
| Infrastructure | | | | | | | |
| Fixed-line (mobile) penetration rate (per 100 inhabitants) | 19.9 (0.4) | 20.7 (1.6) | 21.2 (4.4) | 21.6 (8.4) | 22.4 (13.4) | 25.2 (28.5) | na |
| Internet penetration rate (per 10,000 inhabitants) | 5.8 | 7.3 | 11.6 | 14.3 | 18.3 | 27.0 | na |
| Railway labour productivity (1989=100) | 41.7 | 44.9 | 46.5 | 49.9 | 56.5 | 60.1 | na |
| Residential electricity tariffs (in US¢ kWh) | na | 2.7 | 2.6 | 2.7 | 2.7 | 2.7 | na |
| Average collection rate, electricity (in per cent) | 84 | na | 78 | 83 | 94 | na | na |
| GDP per unit of energy use (PPP in US dollars per kgoe) | 1.4 | 1.6 | 1.7 | 1.8 | na | na | na |
| EBRD index of infrastructure reform | 1.7 | 2.0 | 2.0 | 2.6 | 2.0 | 2.0 | 2.0 |
| Electric power | 2.3 | 3.0 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 |
| Railways | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Roads | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Telecommunications | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Water and waste water | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |

¹ Registration of foreign investment is required.

² Based on international poverty line. The poverty rate based on the national poverty line in 2002 was 28.1 per cent.

³ Refers to consumer and producer subsidies.

⁴ Refers to taxes on international trade and transactions.

2. Government control/intervention in setting wages.

Wages are set by free bargaining in Ukraine, as confirmed in letters by Motorola, AES, UTC, PBN, and ADM. Current labor negotiations between organized labor and Mittal Steel's recently purchased plant in Ukraine, for example, shows a competitive bargaining process at work.⁷

Ukrainian law "On Labor Remuneration" provides for negotiation of wages and other labor terms under collective agreements between business owners and workers, via the trade union representing the majority of the enterprise's workers (or another representative of employees).⁸

⁷ See <http://www.uadaily.net/index.php?view=6995> (Dec. 23, 2005).

⁸ Law of Ukraine No. 18/95-VR, 24 March 1995.

Ukraine Daily



Ñíáúðèý

Mittal Steel íáúúáò ðááíóíéèàì "Éðèáíðíæñòàèè" èñíðáàèòùñý

23.12.2005 16:16

Èñíáíéý Mittal Steel ðαçύýñíýáò ñèòóáðèð, èíðíðáý ñèíæèèáñú áíèðóá ñíèááíèò ñíáúáí ÑÍÉ ðíñíèòáèúíí ððááíáíéè ðíðíñíçáíá íáðáèèòðáíá è áíðíýéíá.

«Íñíèá èíñíèòóðáðèè ñ Õííáíí áíñèíóáñòáá Õéðáèíó (ÕÁÈÕ) èñíáíéý littal Steel ðíááèá áñòðá- ñ Èñíèòáðíí ðíðíñíçáíá íáðáèèòðáíá è áíðíýéíá «Éðèáíðíæñòàèè», ááá íáñóæáè áííðíñú ðááèèçáðèè ñíòèáèúííáí íáèáòá áíáíáíðá èóíèè-ðíááæè, ñáíèñáííáí èñíáíéè ðíðíáðáðáíéý «Éðèáíðíæñòàèè», - áíáíðèòñý á ððáíñ-ðáèèçá èñíáíéè.

Á ñíáúáíéè ðíá-ááòñý, ðí á ñáýçè ñ ðáñíðíæáíéýè á èíðáðíðáðáðèè ðáíðá è áðáíáííó ñí áíááðáíéý ýòèò ñíòèáèúííó ðáýçáðáèúñòá, ððááíáíðú ðááò ðíðíñíçáíè è Mittal S ðíáíèæáðòñý.

Èñíáíéý Mittal Steel íááááòñý, ðí ðáçóèúðáðíí ððááíáíðíá ñðáíáò ðááíéá, èíð óáíáèáðáíðèò áñá çáèíðáðáñíááííúá ñíðíðíí, áðáíðèòðó áíèáíáèñíðáðóðóð ñíáááðæèò è ó «Éðèáíðíæñòàèè».

Ñíáèáñíí ñíáúáíéð, íá ááííá áðáíý ñíñíðíýèèñú «èííñòðóèðèáííúá áñòðá-è, è ððááíáíðú áç ðíáíèæáðòñý, ñèá ðáááíéý íá áóááò íáèááíí».

Íðáíñ-ñèòáèáá ðíá-ááò, ðí Mittal Steel áóááò ááñíðáèíèíáíí áúñíèýòú áçýòúá íá ðí ðáýçáðáèúñòá, èçèíæáííúá á áíáíáíðá í èóíèá-ðíááæá, è óááðýáò, ðí ñááèááò áñá àè: áúñíèáíéý.

Èñíáíéý Mittal Steel, èíááò óáèúð ðáçýúáàòú ñíááèñòáèá ááèúíáèóáíò ðí «Éðèáíðíæñòàèè» è óááæááíá, ðí ñíæáò ððááðáðèòú ýòíò èñíáíéð íá áááò ðíðèçáíáèòáèý ñðáèè á Ááðííá. "ÍÁÍÇÐÁÁÀÕÁÈÚ"

Ñíáúðèý

- 18:55 "Ðáíðòáðú ááç áðáíèò" ðíðáíñòðò ðíðèá çáèðúòíáí ðíáááíéý çáñááíéè ñ "ááè Æíááçáá"
- 18:47 "ÐíñÓéòÝíáðáí" ðí-áò ðáðóíáðíðáá íáíñðááñòááíí ñ "Íáòðááçíí"
- 18:40 Ñíóéíáè- íááèíýáò áèáñòú á áèááèè èðááè çà ðáðèíá ðíðíèíáíéý
- 18:33 Ñíáíáíèðè ðáçðááíðáèá ðíááèò ñíðáíáèáíéý íá èíáíáíðèçáðèè xÕ
- 18:26 Õóðáíáíèñòáí "ðíðèíèè" Õéðáèíó
- 18:19 Ñíááò Ááðííú áóíááò, ðí ÈÑ Õéðáèíó ñíðíèðòðò óæá ñíèá áúáíðíá
- 18:10 ðáðèý óááèííá ðí-áò ýèçáíáíááòú ááíðóðáíá íá çíáíéá ððèñíðóááíðèè
- 18:01 Áááúáíáè- ñíðáááèèè, èàè ñæí çáèííí ñíáèóíáòú èçáèðáðáèáè
- 17:58 ÑÕÁ íá ðíòýò ñðáðíñ-èáí á ðèáíáíñòðíáúá
- 17:56 Áðóçèý èñíóááèáñú áúñíáèòú èç ÑÍÁ
- 17:53 Ðíñíèý áçýèá ðáááíè á Ñðááíéé Áçèè
- 17:47 Áèððáíéí ðááèááááò ñáíááí èáíáèááòá á ðíðú Èèááá

Èíðáðáííá ðè Redtram

- Á Ñáðáíáá ðíá-áíí ðááèíá áðíñòáðííá ýáèáíéá - "ðè" ñíèíðá íá íááá
- Èóðáíéí: ýèñ-ðáçèááíðò ñððáíú Èáííèáò Èó-íá íááí èáðè è ðíðèòðíðò èèè ñíáèðáðòñý á ñáííèíáúá
- Ááèóááúí çáíýèáñú ðèðáðíèáý ðèèèòèý
- Õéðáèíóáí óááèè-èèè ñóðí-íúá íá èñíáíéèðíáèò
- Ó Ááðííú áèý Õéðáèíó "ðíðèá ðíáííçú"
- xðíáèè: Ñ-èòáð ðáðáíáíéá ðúáíéí èè-íúí ñíèíðáèáíéáí
- Ñáááèúíéè óýáá- "ÍÁÇ" áúááðæáè ñèáèðíèèè ðíðíç ðèíðí 53 áðááíá
- Forbes: ðíèíáíéá "ÐíñóéòÝíáðáí" ðèíááèáæèò ðèí-óéò è Áóíáíáíá?
- "Ááçíðíí" óááèè-èèè ñíðááèèè ááçá á Ááðííó á ðáðíá Õéðáèíó
- Àíáðèèáííèíéè áðíèè áðíçèò èðèçèñ?

Íáíñòè ðáðóíáðíá

- Èèááð ÑÍÕ íá ááðèò Áíáá
- Áííááðáíéí: Ááááðí -íáí áóáá ñíèñáíí íá ñíáíáò...
- Èóðáíðáá: "Íá èðáèð áñíèííá "áááèáíúá"
- Ñíóéíáè- ðíððáèáááò "ñíðð ðíèíáíúð ðáèáíðíá"
- ÍxÑ: Èáè ñíæíí áíáíðèòú, ðí ðíááèòíá íá áóááò? Áú æá áèáèòá - áñá ñíðáèúíí
- Õáííáíéí: Ñ íá ñ-èðáí Æáçííáðííáí áíñíèááèðíðííáè ñáèíá

The Law of Ukraine No. 108/95-VR "On Labor Remuneration" dated 24 March 1995

Article 3. Minimum Wage

Minimum wage means the legislatively established level of wages for simple, unskilled work, which is the lowest level of compensation for an employee's monthly or hourly rate of work (effort). The minimum wage presents a social guarantee of the State, which is mandatory in the whole territory of Ukraine for enterprises of all forms of ownership and methods of management.

Article 10. The procedure for setting and revising the amount of the minimum wage. The amount of the minimum wage shall be set by the Verkhovna Rada of Ukraine upon submission of the Cabinet of Ministers of Ukraine, as a rule, once annually, in the Law of the State Budget of Ukraine, with due account for proposals developed by negotiations between the representatives of trade unions and owners or their authorized bodies, which have united for conducting collective negotiations and concluding a general agreement.

Article 14. System of Contractual Regulation of Remuneration of Labor

Contractual regulation of remuneration of employees of enterprises shall be implemented based on a system of agreements concluded at the national (general agreement), industry (industrial agreement), regional (regional agreement), and production (collective contract) levels. The collective contract provisions allowing remuneration of labor at a level below the standards set by the general, industry or regional agreements, however, not below the state standards and guarantees for remuneration of labor, may apply only provisionally, for the period of an enterprise's overcoming its financial difficulties, which may not exceed six months.

Article 15. Organization of Labor Remuneration at Enterprises

The forms and systems of labor remuneration, rates of output, wage rates, tariff schedules, official salary schemes, the conditions for implementation and amount of increments, additional pay, bonuses, compensation and other incentivizing, compensatory and guarantee payments shall be set by enterprises in a collective agreement, in keeping with the norms and guarantees provided by the legislation and general and industry (regional) agreements. Where no collective agreement has been concluded at an enterprise, the owner or its authorized body must agree on these issues with an elected body of the grass-roots trade union organization (trade union representative), which represents the interests of the majority of employees, and where there is no such representative — then with another body authorized for representation.

Article 20. Contractual Remuneration of Labor

Contractual remuneration of labor shall be established by agreement of the parties, based on the existing legislation and conditions of a collective contract, and shall be linked to performance of contractual conditions.

Article 21. Employee's Rights to Remuneration of Labor

The employee shall have the right to remuneration of his labor pursuant to legislative acts and a collective contract, based on the labor contract concluded. The level of wages may not be below that set by the labor contract or below the minimum level of wages in case of non-performance of production tasks, production of defective articles or other reasons, provided by the existing legislation, which have occurred through the employee's fault.

Article 22. Guarantees of Observance of Labor Remuneration Rights

The entities in charge of managing the remuneration of labor shall have no right to make unilateral decisions on issues of labor remuneration, which worsen the conditions established by law, agreements and collective contracts.

3. Foreign Direct Investment.

Foreign direct investment is not only permitted in Ukraine, it is welcome. The most obvious example is the October 2005 purchase by Mittal Steel, the largest U.S. steel producer, of Kryvorizhstal (now Mittal Steel Krivi Rig) The purchase was conducted through the most transparent privatization possible, a live auction broadcast on national television.⁹

Recent foreign investments include the purchase of Aval Bank, the second largest bank (Kyiv Post 19 January 2006) and Ukrsibbank, one of the 5 largest banks, Kyiv Post, 19 January 2006; the Kozyatyn Poultry Plant (the largest supplier of meat to McDonalds in Ukraine) by OSI, of Aurora, Illinois, Kyiv Post, 19 January 2006; and two radio stations, Radio Apelsin and Nashe Radio, Irish Times, 18 January 2006. Ikea has started construction on a 160,000 square meter retail development in Kiev, with total investment projected at \$700-800 million, Ukrainian Times, January 12, 2006.

United Technologies, Procter & Gamble, PBN Co., GE, ADM, Motorola, American Chamber of Commerce, the Ukraine - U.S. Business Council and AES in their letters attest to the welcome for FDI in Ukraine.

⁹ See WSJ article recounting details of the transparent reprivatization of Kryvorizhstal, available at: <http://online.wsj.com/article/SB113014453484377389-email.html> (October 25, 2005).


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October 25, 2005

Mittal Wins Auction for Steelmaker

Industry Benchmark Is Set
With \$4.8 Billion Bid
For Ukraine's Kryvorizhstal

By PAUL GLADER and GEOFFREY T. SMITH
Staff Reporters of THE WALL STREET JOURNAL
October 25, 2005; Page A3

Mittal Steel Co., the world's largest steel company by production, bought Ukraine steelmaker Kryvorizhstal for about \$4.8 billion in a tense televised auction that set a new benchmark for acquisitions in the steel industry.

The price for a 93% stake, which values the entire company at more than \$5.2 billion, far exceeded many analysts' forecasts and was more than five times what parties paid last year at an auction in which the winners included relatives and associates of former Ukraine President Leonid Kuchma.

The sale also provided a much-needed political and financial boost for President Viktor Yushchenko's administration. Mr. Yushchenko said the resale "showed that Ukraine is able to conduct an honest privatization according to the law." (See related article¹.)

The sale underscored the increasing premiums being paid for former state-owned steel plants, as steel companies are flush with profits as demand from China has lifted supply, demand and prices world-wide. "What we are seeing is a shift in the valuation on steel mills" as the industry enters a third year of unprecedented earnings, said Mark Parr, a steel analyst at Key/McDonald in Cleveland. But some in the industry are worried that companies could be paying more than some steel assets are worth.

The price exceeded the \$4.5 billion Mittal Steel of Rotterdam paid in 2004 for steelmaking assets in the U.S. with capacity to produce 16 million metric tons of steel a year -- more than twice the capacity of Kryvorizhstal. During a conference call with investors yesterday, Chief Executive Lakshmi Mittal said that the plant is a low-cost producer, and the purchase comes with significant raw-material reserves and has the potential to produce higher-quality steel that fetches higher prices.

Mr. Mittal said the acquisition includes one billion tons of iron-ore reserves, which are becoming more difficult for steelmakers to attain affordably, making Mittal Steel the fourth-largest iron-ore mining company in the world, behind **BHP Billiton Ltd.**, **Rio Tinto PLC** and Brazil's **Companhia Vale do Rio Doce**. The acquisition also increases Mittal Steel's steelmaking capacity to nearly 80 million metric tons a year, up from 70 million metric tons, further cementing its lead over **Arcelor SA** of Luxembourg as the world's largest steel producer.

In an interview, Mr. Mittal conceded that "at one point we were definitely getting nervous because we didn't have much flexibility to go up" in price but says he doesn't believe they overbid "our own internal limit." Mr. Mittal and his son and chief financial officer, Aditya, watched the bidding from a room at the Premier Palace Hotel in Kiev.

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WELDED TOGETHER

See a list of some recent big deals in the steel industry.

The price was pushed up in the equivalent of \$20 million increments, with a consortium led by Arcelor bidding together with the Industrial Union of the Donbass, a group of Ukrainian industrialists. A third Ukrainian bidder, LLC Smart Group, dropped out early in the bidding. Shares in Mittal Steel rose \$1.65 a share, or 7%, on the New York Stock Exchange to \$25.39.

Earlier this month, Arcelor and Mittal were among foreign steel giants that lost out in the televised auction of a stake of just under 50% in Turkey's biggest steel producer, Ereğli Iron & Steel Works Co., or Erdemir, which was won by Turkish industrial conglomerate OYAK for \$2.96 billion. Mittal, however, still owns an 8.3% stake in Erdemir.

Write to Paul Glader at paul.glader@wsj.com² and Geoffrey T. Smith at geoffrey.smith@dowjones.com³

| Welded Together Some recent big deals in the steel industry, ranked by deal value | | | |
|--|---------------------------|---------------------|-----------------------|
| DATE | TARGET | ACQUIRING COMPANY | VALUE (excludes debt) |
| Oct. 24, 2005 | Kryvorizhstal | Mittal Steel | \$4.79 billion |
| Oct. 25, 2004 | International Steel Group | Mittal Steel | \$4.30 |
| Oct. 4, 2005 | Erdemir | Oyak (pension fund) | \$2.77 |
| May 18, 2005 | Hylsamex | Techint Group | \$2.11 |
| Oct. 18, 2005 | Roanoke Electric Steel | Steel Dynamics | \$0.24 |

Source: Dealogic

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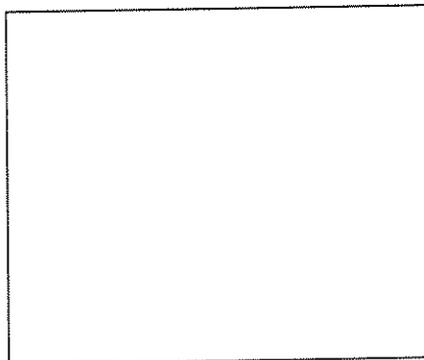
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Tycoon close to selling stake in Ukrsotsbank

by Maya Yaremenko, Kyiv Post Staff Writer
Jan 19 2006, 00:07



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Ukrainian business tycoon and parliament deputy Viktor Pinchuk is reportedly close to selling his stake in Ukrsotsbank, one of Ukraine's five largest banks in terms of net assets and branch network size

Ukrainian tycoon and parliamentary deputy Viktor Pinchuk is close to selling a controlling stake in Ukrsotsbank, one of Ukraine's five largest banks in terms of net assets and branch network size.

Informed sources told the Post that the bidding process is winding up and should be completed within two months. The deadline for bids is in February, said one source.

Interested buyers mainly include Western banking conglomerates, though a large Russian banking group has expressed interest.



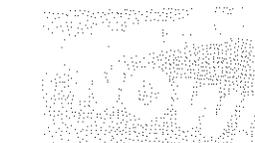
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If sold to a Western banking group, Ukrasotsbank would be the third of Ukraine's top five banks to be sold to Western interests in the last six months.

Ukrainian businessmen have in recent months sold majority interests in Aval Bank and Ukrasibbank to western banking conglomerates. Aval was bought by Austria's Raiffeisenbank International Bank-Holding AG for just over \$1 billion. A 51 percent share in Ukrasibbank was estimated to have sold for more than \$500 million to France's BNP Paribas S.A.

Western banking groups that have been eyeing Ukrasotsbank include France's Societe General, Banca Intesa and Unicredito of Italy, Erste Bank of Austria, Germany's Commerzbank and Hungary's OTP Bank. An informed source told the Post that a handful of the top Western banks have dropped out of the bidding process for various reasons.

Russia's Alfa Bank was last year reported to be interested in acquiring Ukrasotsbank, yet insiders say they have since lost interest, as the asking price has risen to more than \$1 billion. Insiders say that interest from Erste dropped after the Austrian bank acquired a majority share in a Romanian bank last December for 3.75 billion euros (\$4.5 billion).

Ukrasotsbank officials declined to comment on the proposed sale.

Aval, Ukrasibbank and Ukrasotsbank account for about 20 percent of the total net assets in Ukraine's banking sector. All three also have large branch networks, making them valuable acquisitions for Western banking group's eyeing a piece of Ukraine's promising retail banking business.

One insider said that Ukrasotsbank should sell for at least \$1 billion, considering that it is the last of the top-five big banks being offered up for sale in the near term.

The remaining big Ukrainian banks are either state-owned or have owners uninterested in selling.

Last September, Ukrasotsbank's supervisory board chairman Ihor Yushko told journalists that as many as 15 banks from the West, Russia and the Middle

Poroshenko linked group sell bank to Russia's Vneshtorgbank

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Oct 06, 01:09

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Sep 07, 23:00

Raiffeisen International majority stake in Aval bank

KYIV POST



East were inquiring about the purchase of the bank. Documents obtained by the Post indicate that Pinchuk, son-in-law of former Ukrainian President Leonid Kuchma, is the beneficiary shareholder of 93 percent of Ukrasbank's shares. Pinchuk acquired control of the bank in July 2004 from former Economy Minister Valery Khoroshkovsky, according to the documents.



Aug 24, 00:18

Aval lands landmark c line

Aug 17, 22:28

Restriction auditors lif

Jul 14, 01:18

Merrill Ly makes \$99 million dep with Aval I

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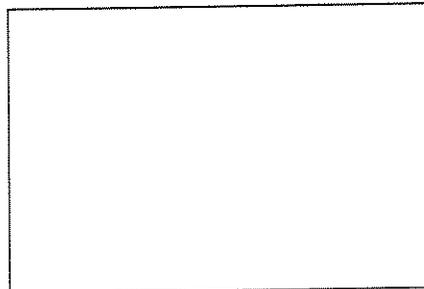
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Fast food supplier set to buy plant in Vinnytsya

by Rimma Men, Kyiv Post Staff Writer
Jan 19 2006, 00:17



© Courtesy photo

A worker at the retooled Kozyatyn Poultry Plant inspects hamburger patties on an assembly line. The Vinnytsya region plant is about to be sold to a subsidiary of a major meat supplier to McDonald's

The principle meat supplier to fast-food giant McDonald's is close to acquiring a controlling stake in a meat processing plant in Kozyatyn, Vinnytsya region.

The acquisition is expected to yield OSI, based in Aurora, Illinois, a controlling stake in the Kozyatyn Poultry Plant, which has produced mostly beef in recent years, not poultry. OSI has leased space at the plant up until now, installing a modern beef patty production line. The acquisition would give OSI its first production facility in Ukraine. The group's Ukrainian subsidiary, ESCA Food Solutions, has used the production line at the factory to supply beef to the Ukrainian operations of McDonald's.



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“The acquisition of the majority interest in the Kozyatyn Poultry Joint Stock Company in Vinnytsya, Ukraine, is part of OSI’s strategy of developing an integrated supply chain for beef in Ukraine,” said Hartmut Schimetschek, director of OSI International Holding GmbH, a German subsidiary of OSI, which is responsible for the acquisition.

“The Ukrainian market has been identified by OSI as providing the right ingredients for growth – a growing economy, a knowledgeable and skilled workforce and an increasingly sophisticated consumer base. The Kozyatyn plant is a modern meat slaughtering facility that will meet OSI’s requirements for expansion in Ukraine for the foreseeable future”, Schimetschek added.

In a Jan. 13 statement, Ukraine’s Antimonopoly Committee announced it had granted permission for OSI International Holding to acquire more than 50 percent of shares in the plant. In Soviet days, the Kozyatyn plant functioned largely as a chicken slaughter plant, with a small beef operation. It was also known as one of the largest producers of dried egg powder.

Since Soviet days, the plant’s chicken business has slowly died out, while beef production has gradually increased.

OSI launched a production facility at the plant in 2003 through a leasing agreement. McDonald’s officials claims that about \$1.7 million was invested into the production line, adding that it has produced more than 90 million hamburgers since 2003.

OSI officials have not revealed how much they would pay for the acquisition; but a spokesman for Kyiv Communications Group, which handles PR for OSI International Holding GmbH in Ukraine, said the plant was purchased from a South Africa based intermediary called Diggs Trade and Finance SA.

OSI was founded as a small Chicago meat market in 1909 by German-born Otto Kolschowsky.

Today, the group is one of the largest privately-

Kosher food now made in Ukraine

Dec 07, 23:17

First Pizza will open in

Dec 07, 23:09

Fozzy launches restaurant division

Nov 16, 22:01

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Aug 31, 21:21

Our water is real, says

held food companies in the world with annual turnover exceeding \$2 billion from operations in 85 countries across the globe. The group currently covers about 85 percent of meat supplies to McDonalds.

Mykhailo Shuranov, a spokesperson at McDonald's Ukraine, said ESCA Food Solutions supplies the fast-food company with all of its beef needs in Ukraine, adding that some beef is exported for consumption to restaurants in other countries.

OSI officials say their company is dedicated to developing its business in Ukraine, adding that the group currently operates a cattle farm in Kyiv oblast.

Schimetschek said that in the future the Kozyatyn plant will export fresh and frozen meat to Russia and other countries in the region.



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IRISH COMPANY BUYS TWO UKRAINIAN RADIO STATIONS

Denis O'Brien completes acquisition of Radio Apelsin and Nashe Radio

Emmet Oliver, Irish Times, Dublin, Ireland, Wednesday, Jan 18, 2006

Denis O'Brien's Communicorp Group has bought two radio stations in the Ukraine for an undisclosed sum. The group already owns 31 commercial radio stations in six European countries, including 98FM and Spin 102.6 in Dublin. Communicorp is 100 per cent owned by Denis O'Brien.

A statement yesterday said the group had completed the acquisition of Radio Apelsin, a local radio station in Kiev. It also acquired Nashe Radio, a national station based in the Ukraine. The second station is believed to have been the more expensive.

To purchase Radio Apelsin, Communicorp bought out the Ukrainian company operating the channel, TRK Divosvit. It also purchased all shares in ZAT Nashe Radio, which operates the other station.

Nashe Radio is the leading commercial radio network in Ukraine with a listenership of 30 per cent in a population of more than 47 million. The station broadcasts a mix of Ukrainian pop and rock music, news and entertainment, targeting a 25- to 45-year-old audience through a network of 29 transmitters nationwide. It has a licence until 2012. Radio Apelsin broadcasts a youth-oriented contemporary pop music format, targeting 18- to 32-year-old listeners.

The Ukrainian advertising market is expected to grow at rates above the European average over the next few years, said Communicorp. Closer ties to the EU would also help, it said.

Lucy Gaffney, chairwoman of Communicorp, said: "This acquisition is the latest in our long-term strategy to become one of the leading radio operators in Europe. The radio stations we are acquiring have an excellent technical infrastructure, strong market positions and very good local management. We will assist these stations to grow further by providing local management support from our international programming and advertising sales resources."

Communicorp bought Apelsin from two corporate shareholders, one of which is a leading Ukrainian publishing group. It has acquired Nashe Radio from a number of corporate and individual shareholders, one of which is Alfabank Ukraine.

The last major deal by Communicorp outside Ireland was its 2004 purchase of Metromedia International, a company with radio interests in Bulgaria, the Czech Republic, Estonia, Finland and Hungary. It was reported at the time the purchase price was \$14.25 million.

Recently Mr O'Brien spent nearly 56.5 million buying a 3 per cent stake in Independent News & Media, the company run and partly-owned by his long-standing business rival, Sir Anthony O'Reilly. Mr O'Brien acquired 22.6 million shares in the publishing group.

UKRAINE: SWEDISH FURNITURE GIANT IKEA TO INVEST \$700M

Ukrainian Times, Kyiv, Ukraine, Thursday, January 12, 2006

KYIV - IKEA, the Swedish furniture giant, plans to invest \$700-800 million in the Ukraine's economy. In Kiev it has started construction of the regional trading center Mega, which is expected to be opened on December 1, 2006.

Mega will occupy a total area of 160,000 square meters, and its lettable area amounts to 130,000 sq.m. Reportedly, the center is to comprise 200 stores, cafes, restaurants, children's playrooms and a movie theater, among others.

In the future the Swedish company will open trading center in other major cities of Ukraine such as Donetsk, Dnipropetrovsk, Odessa and Kharkiv.

IKEA also contemplates building sawmills in Zhytomyr, Lutsk and Rivne as well as the subsequent construction of furniture factories nearby.

The Radyvyliv furniture factory, which makes marketable furniture out of natural wood, is ready to sell 49% of its shares to investors. Drawn up by American experts, a business plan provides for two investment projects valued at \$850,000 and \$3 million.

The furniture factory is situated at a railroad junction, at a distance of 100km from four regional centers, namely Lviv, Ternopil, Lutsk and Rivne, and it is not far from Ukraine's Polish and Hungarian frontiers. Importantly, the Radyvyliv factory has the idle industrial premises occupying the area of 7,000 sq.m. and the chain of outlets throughout the country.

4. Government Ownership

According to the EBRD, the private sector share of Ukrainian GDP was 65% in 2005.¹⁰ In addition, on Nov. 29, 2005, the President of Ukraine announced plans to privatize in 2006 several large enterprises, including the telephone company, Ukrtelecom, the Nikopol Ferroalloy Plant, and the Odessa Port Plant. The President stressed that those enterprises are to be sold transparently and publicly.¹¹

¹⁰ EBRD Transition Report 2005 (November 2005) at 196.

¹¹ See http://www.president.gov.ua/en/news/data/1_4528.html. (November 29, 2005).

Transition report 2005

Business in transition



European Bank
for Reconstruction and Development

| Liberalisation and privatisation | Business environment and competition | Infrastructure | Financial sector | Social reform |
|--|--|---|--|---|
| Current account convertibility – full | Competition office – yes | Independent telecoms regulator – no | Capital adequacy ratio – 10 per cent | Share of population living in poverty – 31.4 per cent (1999) ² |
| Controls on inward direct investment – no ¹ | Quality of insolvency law – very low | Independent electricity regulator – no | Deposit insurance system – yes | Government expenditure on health – 3.5 per cent of GDP |
| Interest rate liberalisation – full | Secured transactions law – some defects | Separation of railway infrastructure from operations – no | Quality of securities market laws – medium | Government expenditure on education – 5.1 per cent of GDP |
| Exchange rate regime – managed float | Quality of corporate governance law – very low | Quality of concession laws – medium | Private pension funds – yes | Share of power, water in total household expenditure – 3.2 per cent |
| Wage regulation – no | | | | |
| Tradability of land – limited de facto | | | | |

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|------------|------------|------------|------------|-------------|-------------|------|
| Enterprises | | | | | | | |
| Privatisation revenues (cumulative, in per cent of GDP) | 2.9 | 4.3 | 5.5 | 6.0 | 7.1 | 9.5 | na |
| Private sector share in GDP (in per cent) | 55.0 | 60.0 | 60.0 | 65.0 | 65.0 | 65.0 | 65.0 |
| Private sector share in employment (in per cent) | 20.5 | 25.8 | 30.5 | 35.6 | 37.7 | na | na |
| Budgetary subsidies and current transfers (in per cent of GDP) ³ | na | 1.4 | 1.3 | 1.2 | na | na | na |
| Share of industry in total employment (in per cent) | 20.4 | 19.5 | 21.0 | 20.4 | 20.0 | na | na |
| Change in labour productivity in industry (in per cent) | 13.4 | 19.9 | 4.4 | 9.4 | 17.9 | na | na |
| Investment/GDP (in per cent) | 17.5 | 19.8 | 21.8 | 20.2 | 20.3 | na | na |
| EBRD index of small-scale privatisation | 3.3 | 3.3 | 3.3 | 3.7 | 4.0 | 4.0 | 4.0 |
| EBRD index of large-scale privatisation | 2.3 | 2.7 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| EBRD index of enterprise reform | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Markets and trade | | | | | | | |
| Share of administered prices in CPI (in per cent) | na | na | na | na | na | na | na |
| Number of goods with administered prices in EBRD-15 basket | 3.0 | 3.0 | 3.0 | 3.0 | 6.0 | 6.0 | na |
| Share of trade with non-transition countries (in per cent) | 57.4 | 52.0 | 49.6 | 47.5 | 52.9 | 48.3 | na |
| Share of trade in GDP (in per cent) | 82.7 | 98.1 | 89.3 | 86.4 | 96.3 | 97.4 | na |
| Tariff revenues (in per cent of imports) ⁴ | 2.4 | 2.4 | 2.7 | 3.0 | 3.0 | 3.4 | na |
| EBRD index of price liberalisation | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| EBRD index of forex and trade liberalisation | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.3 |
| EBRD index of competition policy | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Financial sector | | | | | | | |
| Number of banks (foreign-owned) | 161 (15) | 164 (14) | 152 (16) | 157 (15) | 158 (19) | 160 (19) | na |
| Asset share of state-owned banks (in per cent) | 12.5 | 11.9 | 11.8 | 12.0 | 9.8 | 8.0 | na |
| Asset share of foreign-owned banks (in per cent) | 10.5 | 11.1 | 12.1 | 12.3 | 12.1 | 12.1 | na |
| Non-performing loans (in per cent of total loans) | 34.2 | 32.5 | na | na | 32.7 | 35.4 | na |
| Domestic credit to private sector (in per cent of GDP) | 8.6 | 9.9 | 11.9 | na | na | na | na |
| Domestic credit to households (in per cent of GDP) | na | na | na | na | na | na | na |
| Of which mortgage lending (in per cent of GDP) | na | na | na | na | na | na | na |
| Stock market capitalisation (in per cent of GDP) | 4.5 | 6.0 | 3.6 | 7.5 | 8.7 | 16.0 | na |
| Stock trading volume (in per cent of market capitalisation) | 8.8 | 20.0 | 14.0 | 15.0 | 3.0 | 3.0 | na |
| Eurobond issuance (in per cent of GDP) | 0.9 | 0.0 | 0.0 | 1.2 | 2.4 | 3.6 | na |
| EBRD index of banking sector reform | 2.0 | 2.0 | 2.0 | 2.3 | 2.3 | 2.3 | 2.7 |
| EBRD index of reform of non-bank financial institutions | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.3 | 2.3 |
| Infrastructure | | | | | | | |
| Fixed-line (mobile) penetration rate (per 100 inhabitants) | 19.9 (0.4) | 20.7 (1.6) | 21.2 (4.4) | 21.6 (8.4) | 22.4 (13.4) | 25.2 (28.5) | na |
| Internet penetration rate (per 10,000 inhabitants) | 5.8 | 7.3 | 11.6 | 14.3 | 18.3 | 27.0 | na |
| Railway labour productivity (1989=100) | 41.7 | 44.9 | 46.5 | 49.9 | 56.5 | 60.1 | na |
| Residential electricity tariffs (in USc kWh) | na | 2.7 | 2.6 | 2.7 | 2.7 | 2.7 | na |
| Average collection rate, electricity (in per cent) | 84 | na | 78 | 83 | 94 | na | na |
| GDP per unit of energy use (PPP in US dollars per kgoe) | 1.4 | 1.6 | 1.7 | 1.8 | na | na | na |
| EBRD index of infrastructure reform | 1.7 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Electric power | 2.3 | 3.0 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 |
| Railways | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Roads | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Telecommunications | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Water and waste water | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |

¹ Registration of foreign investment is required.

² Based on international poverty line. The poverty rate based on the national poverty line in 2002 was 28.1 per cent.

³ Refers to consumer and producer subsidies.

⁴ Refers to taxes on international trade and transactions.



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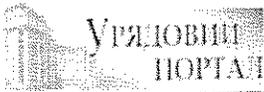
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President takes part in Economist roundtable



Victor Yushchenko took part in the Se Economist Roundtable organized by the Economist Conferences Company.

In his speech, the Head of State spelled out short-term priorities to ensure economic growth and to stabilize and modernize our market.

The President noted that our country has "inherited" many problems from the previous regime, and they hampered many projects. However, he is convinced that by implementing proper policy and by establishing active dialogue between government and business we can overcome all obstacles and successfully build Ukraine's competitive economy.

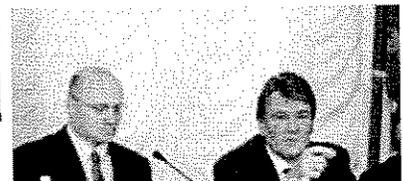
Yushchenko dwelled on his government's plans for 2006, which should be "a year of reforms." They are going to reform the energy sector, the coal industry, the judicial system, the medical sector, and the pension fund.

Speaking about the problem of corruption, the President reiterated that courts and law enforcement agencies should work efficiently.

"This is a huge problem that can only be solved after judicial reforms and deep changes within the system of law enforcement agencies," he said, adding that his order to re-organize law enforcement agencies was the first stage of this reform.

The second stage, he said, is to re-organize the Security Service, the Prosecutor General's Office, and other bodies so that they should "meet modern demands."

Speaking about privatization, he said in 2006 Ukraine would "transparently and publicly" sell several strategic state enterprises such as the Ukrtelecom, the Nikopol Ferroalloy Plant, and the Odessa Port Plant.



Personal site

Commenting on next year's macroeconomic indices, the Head of State said the inflation rate probably be about 8.4%. Then he pledged to make investment grow.

Yushchenko noted: "I am sure the government has coped with challenges of the past month now the economy is stable and investment is coming back."

The President also informed those present that the government intended to invest in rocket aircraft-building, and ship-building.

About 150 chief executive officers and top managers from Ukraine, Russia, Europe and the States took part in the roundtable.

 [Print](#)

President

 10:57 25 JANUARY 2006

"The Ukrainian-Russian gas deal affirms our country's course toward Europe integration" – V. Yushchenko

 09:17 25 JANUARY 2006

Visit to Zaporizhzhya canceled

 21:18 23 JANUARY 2006

President spells out priorities for 2006

 21:17 23 JANUARY 2006

President offers stabilization plan

 18:18 23 JANUARY 2006

President telephones Putin

1 2



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5. State control of prices.

Prices in Ukraine are set in the market place. The exceptions are public utilities, as is the case in scores of countries recognized by Commerce as market economies. The EBRD noted in its November 2005 Transition Report that Ukraine's price liberalization has nearly reached that of a completely industrialized market economy.¹²

¹² EBRD Transition Report 2005 (November 2005) at Table 1.1.

Transition report 2005

Business in transition



European Bank
for Reconstruction and Development

Table 1.1

Transition indicator scores, 2005

| Country | Population mid-2005 (million) | Private sector share of GDP mid-2005 (EBRD estimate in %) | Enterprises | | | Markets and trade | | | Financial institutions | | Infrastructure |
|------------------|-------------------------------------|--|------------------------------|------------------------------|---|-------------------------|---------------------------------------|-----------------------|--|---|--------------------------|
| | | | Large-scale privatisation | Small-scale privatisation | Governance & enterprise restructuring | Price liberalisation | Trade & foreign exchange system | Competition policy | Banking reform & interest rate liberalisation | Securities markets & non-bank finan- cial institutions | Infrastructure reform |
| Albania | 3.2 | 75 | 3 | 4 | 2 | 4+ | 4+ | 2 | 3- | 2- | 2 |
| Armenia | 3.2 | 75 | 4- ↑ | 4 | 2- | 4+ | 4+ | 2+ ↑ | 3- ↑ | 2 | 2+ |
| Azerbaijan | 6.3 | 60 | 2 | 4- | 2+ | 4 | 4 ↑ | 2 | 2+ | 2- | 2 |
| Belarus | 9.8 | 25 | 1 | 2+ | 1 | 3- | 2+ | 2 | 2- | 2 | 1+ |
| Bosnia and Herz. | 3.8 | 55 ↑ | 3- ↑ | 3 | 2 | 4 | 4- | 1 | 3- | 2- | 2+ |
| Bulgaria | 7.8 | 75 | 4 | 4- | 3- | 4+ | 4+ | 3- ↑ | 4- | 2+ | 3 |
| Croatia | 4.4 | 60 | 3+ | 4+ | 3 | 4 | 4+ | 2+ | 4 | 3- | 3 |
| Czech Republic | 10.3 | 60 | 4 | 4+ | 3+ | 4+ | 4- | 3 | 4 ↑ | 4- ↑ | 3+ |
| Estonia | 1.4 | 80 | 4 | 3+ | 4- ↑ | 4+ | 4+ | 3- | 4 | 3+ | 3+ |
| FYR Macedonia | 2.0 | 65 | 3+ | 4 | 2- | 4 | 4+ | 2 | 3- | 2 | 2 |
| Georgia | 4.6 | 65 | 4- ↑ | 4 | 2+ ↑ | 4+ | 4+ | 2 | 3- | 2- | 2+ |
| Hungary | 10.0 | 80 | 4 | 4+ | 4- ↑ | 4+ | 4+ | 3 | 4 | 4 ↑ | 4- |
| Kazakhstan | 15.1 | 65 | 3 | 4 | 2 | 4 | 3+ | 2 | 3 | 2+ | 2+ |
| Kyrgyz Republic | 5.1 | 75 | 4- | 4 | 2 | 4+ | 4+ | 2 | 2+ | 2 | 2- |
| Latvia | 2.3 | 70 | 4- | 4+ | 3 | 4+ | 4+ | 3- | 4- | 3 | 3 |
| Lithuania | 3.4 | 75 | 4 ↑ | 4+ | 3 | 4- | 4- | 3 | 4- ↑ | 3 | 3- |
| Moldova | 3.4 | 60 ↑ | 3 | 3+ | 2 ↑ | 4- | 4+ | 2 | 3- | 2 | 2+ ↑ |
| Poland | 38.2 | 75 | 3+ | 4+ | 4- ↑ | 4+ | 4+ | 3 | 4- ↑ | 4- | 3- |
| Romania | 21.7 | 70 | 4- | 4- | 2+ ↑ | 4+ | 4- | 2+ | 3 | 2 | 3+ |
| Russia | 144.9 | 65 ↓ | 3 ↓ | 4 | 2- | 4 | 3+ | 2+ | 2- ↑ | 3- | 3- |
| Serbia and Mont. | 8.3 | 55 ↑ | 3- ↑ | 3+ | 2+ ↑ | 4 | 4- ↑ | 1 | 3- ↑ | 2 | 2 |
| Slovak Republic | 5.4 | 80 | 4 | 4+ | 4- ↑ | 4+ | 4- | 3 | 4- | 3- | 3- |
| Slovenia | 2.0 | 65 | 3 | 4+ | 3 | 4 | 4+ | 3- | 3+ | 3- | 3 |
| Tajikistan | 6.5 | 50 | 2+ | 4 ↑ | 2- | 4- | 3+ | 2- | 2 | 1 | 1+ |
| Turkmenistan | 6.5 | 25 | 1 | 2 | 1 | 3- | 1 | 1 | 1 | 1 | 1 |
| Ukraine | 47.3 | 65 | 3 | 4 | 2 | 4 | 3+ ↑ | 2+ | 3- ↑ | 2+ | 2 |
| Uzbekistan | 26.0 | 45 | 3- | 3 | 2- | 3- | 2 ↑ | 2- | 2- | 2 | 2- |

Source: EBRD.

Note: The transition indicators range from 1 to 4+, with 1 representing little or no change from a rigid centrally planned economy and 4+ representing the standards of an industrialised market economy. For a detailed breakdown of each of the areas of reform, see the methodological notes on page 202.

The private sector share of GDP is calculated using available statistics from both official (government) and unofficial sources. The share includes income generated from the formal activities of registered private companies, as well as informal activities where reliable information is available. The term "private company" refers to all enterprises in which private individuals or entities own the majority of shares.

The accuracy of EBRD estimates is constrained by data limitations, particularly in the area of informal activity. EBRD estimates may, in some cases, differ markedly from official data. This is usually due to differences in the definition of "private sector" or "non-state sector".

↑ and ↓ arrows indicate change from the previous year in that sectoral transition indicator. One arrow indicates a movement of one point (from 4 to 4-, for example), up arrows indicate upgrades, down arrows downgrades.

The following sources have been revised and backdated this year to reflect historical conditions: large-scale privatisation for Albania, banking reform and interest rate liberalisation for Lithuania and the Kyrgyz Republic, small-scale privatisation for Moldova, governance and enterprise restructuring for the Slovak Republic and infrastructure for Slovenia.

6. Other factors.

Since August 31, 2005:

1. The European Union has recognized Ukraine as a market economy for purposes of its antidumping law.¹³ While this is not binding on the U.S. Department of Commerce, of course, it is worth noting that over 30% of Ukraine's exports go to the EU. Accordingly, the EU's decision to recognize Ukraine as a market economy was not just a political gesture.¹⁴
2. The U.S. Senate has passed legislation excluding Ukraine from the application of the Jackson-Vanik Amendment. This legislation is now pending in the House. It is highly likely that the Bush Administration will sign the legislation when it passes. This is likely to further increase the amount of market-driven commercial activity between Ukraine and the United States by removing artificial barriers and uncertainties imposed by Jackson-Vanik.

¹³ Council Regulation (EC) No 2117/2005 of 21 December 2005 amending Regulation (EC) No 384/96 on protection against dumped imports from countries not members of the European Community, OJ 340/17.

¹⁴ See Ministry of Foreign Affairs statement at: <http://www.mfa.gov.ua/mfa/en/publication/content/2822.htm>. ("Today the EU is the largest foreign trade partner of Ukraine the share of the EU in the foreign trade of Ukraine reached 33% upon the accession to the Union of new ten Members-States").

COUNCIL REGULATION (EC) No 2117/2005
of 21 December 2005

amending Regulation (EC) No 384/96 on protection against dumped imports from countries not members of the European Community

THE COUNCIL OF THE EUROPEAN UNION,

HAS ADOPTED THIS REGULATION:

Having regard to the Treaty establishing the European Community, and in particular Article 133 thereof,

Article 1

Having regard to the proposal from the Commission,

In Regulation (EC) No 384/96, in the first sentence of Article 2(7)(b), the term 'the Ukraine' shall be deleted.

Whereas:

Article 2

(1) By Regulation (EC) No 384/96 ⁽¹⁾ the Council adopted common rules for protection against dumped imports from countries which are not members of the European Community.

This Regulation shall apply to all investigations initiated pursuant to Regulation (EC) No 384/96 after the date of entry into force of this Regulation, either on the basis of an application for initiation lodged after such date, or at the initiative of the Commission.

(2) In view of the very significant progress made by Ukraine towards the establishment of market economy conditions, as recognised by the conclusions of the Ukraine-European Union Summit on 1 December 2005, it is appropriate to allow normal value for Ukrainian exporters and producers to be established in accordance with the provisions of Article 2(1) to (6) of Regulation (EC) No 384/96.

Article 3

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 21 December 2005.

For the Council
The President
B. BRADSHAW

⁽¹⁾ OJ L 56, 6.3.1996, p. 1. Regulation as last amended by Regulation (EC) No 461/2004 (OJ L 77, 13.3.2004, p. 12).

Ukraine - EU bilateral relations

Relations between Ukraine and the European Union were established in December 1991, when the Minister for Foreign Affairs of the Netherlands as the EU Presidency, on behalf of the Union officially recognized the independence of Ukraine.

The Partnership and Cooperation Agreement between Ukraine and the EU (PCA) signed on 16 June 1994 (entered into force on 1 March 1998) constitutes the legal base of the EU-Ukraine relations and establishes cooperation on a wide range of political, trade, economic and humanitarian issues.

At present there are 7 priorities of the EU-Ukraine cooperation envisaged by the PCA's framework: energy, trade and investments, justice and home affairs, adaptation of the Ukrainian legislation to that of the EU, environment, transport, trans-border cooperation, collaboration in the sphere of science, technology and outer space.

The EU-Ukraine dialogue is carried out through annual meetings of the EU-Ukraine Summit with the participation of the President of Ukraine; Cooperation Council with the participation of the Prime-Minister of Ukraine; Cooperation Committee; Committee on parliamentary cooperation; regular Ukraine-EU Triyka meetings; permanent expert consultations. The EU and Ukraine annually hold more than 80 different official meetings and consultations at the high and expert levels.

The European integration is a key and irreversible priority of Ukraine's foreign policy. In the address to the Verkhovna Rada of Ukraine in June 2002 the President of Ukraine outlined the European integration as a mainline of Ukraine's economic and social strategy for the next decade.

The present development of the political dialogue between Ukraine and the EU is based on implementation by Ukraine of the Strategy of integration into the EU, implementation of the PCA and elaboration of the Action Plan in the framework of the European Neighborhood Policy. Ukraine is proceeding from the fact that the implementation of this document should contribute to strengthening cooperation with the EU in the light of enlargement, create necessary preconditions for raising its relations with the Union to a qualitatively new level. Proper implementation of the Action Plan should also facilitate gradual integration of Ukraine into the EU Single Market and create prerequisites for establishing Free Trade Area with the EU. The conclusion of a new enhanced agreement with the EU should become the ultimate political goal of the Action Plan.

Remaining outside the EU borders, Ukraine has successfully associated with the realization of the EU Common Security and Defense Policy (ESDP). Our state takes part in the EU Police Missions in Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia. The expected conclusion of an Agreement on the security procedures for exchange of classified information and of an Agreement establishing a framework for Ukraine's participation in the EU crisis management operations, should contribute to strengthening legal base of cooperation in this sphere.

The EU also recognizes an important role of Ukraine in providing security and stability on the continent as well as its vast industrial and technological potential in the military sphere. The practice of inviting Ukraine to military training with the participation of the EU units is a clear confirmation of that.

The EU-Ukraine trade and economic cooperation has recently experienced notable intensification. From year to year the bilateral foreign trade turnover and direct EU investment in the Ukrainian economy are constantly increasing. Today the EU is the largest foreign trade partner of Ukraine (the share of the EU in the foreign trade of Ukraine reached 33% upon the accession to the Union of new ten Members-States). In June 2004 the Parties

initiated the Agreement on trade in steel products, whose signature is scheduled for the fall this year. According to the Agreement, Ukraine's quota on steel for the year 2004 is amounted to 606 thousand tons. The EU consideration of the correspondence of the Ukrainian economy to the market standards within the framework of the EU antidumping procedures is almost completed.

Ukraine and the EU actively cooperate in the framework of the Working Party on Ukraine's accession to the WTO. The EU side supports Ukraine in multilateral as well as bilateral negotiations within the WTO on the permanent basis. After the conclusion in 2003 of the bilateral Protocol on the access to the markets of goods and services within the framework of the WTO, the parties started elaboration and adjustment of the draft Report of the Working Party.

The EU-Ukraine cooperation in the sphere of justice and home affairs, in particular on the issues of granting asylum, border management, fight against money laundering and illegal drug trafficking is consistently strengthening.

In the context of the EU enlargement Ukraine strives to prevent the creation of a new dividing lines in Europe and advocates non-discriminatory approach to the regime of movement of its citizens across the territory of the EU member States. The work in this direction in particular includes: perspective introduction of long-term multiple visas for the citizens of Ukraine who take part in economic, cultural and sports exchanges with the EU on a permanent basis; simplification of visa regime for citizens of Ukraine - border areas inhabitants and in the long-term prospect - facilitation of visa regime for all categories of the Ukrainians.

Ukraine and the EU proceed with dynamic cooperation in the sphere of energy, including the nuclear one, agriculture and environment. The EU political and financial assistance to Ukraine in addressing the most urgent problems in the energy sector as well as in mitigating the consequences of the Chornobyl catastrophe is gradually increasing.

The EU has also provided support for reforming the control system of the Ukrainian gas-transporting system, including technical audit of the oil terminal "Pivdennyi" and technical and economic assessment of the project of transportation of the Caspian oil by Odesa-Brody-Gdansk pipeline, development of the alternative energy and modernization of the coal industry etc.

The EU is the largest donor to Ukraine. Total assistance since 1991 in the framework of the TACIS program, across financial and humanitarian assistance amounted to more than 1 billion euro.

The EU-Ukraine cooperation in the sphere of outer space is also very promising. Given Ukraine's place among 8 countries demonstrating significant technological background on space programmes, on 2 September 2004 the European Commission sought Council approval for its recommendation to start negotiations on a cooperation agreement with Ukraine on the development of a Civil Global Navigation Satellite System (GNSS). The cooperation is expected to cover research and scientific activities especially on standardisation issues, regional security monitoring and financial investment in GALILEO.

Today Ukraine sees its main task in consolidation of the European values and standards in political, economy and social spheres, regarding it as a pledge of its public stability and sustainable development.

The Hon. David Spooner
January 25, 2006
Page 10

Ukraine is negotiating accession to the WTO. It is worth noting that in all cases where Commerce has recognized a country as a market economy, that has occurred prior to accession to the WTO. Russia, for example, is also in negotiations for accession to the WTO, yet it was recognized as a market economy three years ago. People in Ukraine justifiably wonder why Russia is treated better than Ukraine by the United States, when Ukraine is more of a market economy than Russia on all six factors.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Dmytro Bilokurov', written in a cursive style.

Dmytro Bilokurov
General Manager, Ph.D.
Ukrainian Association of Ferrous Metallurgy
Enterprises

Attachment