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**Working Party on the
Accession of Ukraine**

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ACCESSION OF UKRAINE

Memorandum on Trade Relations of Ukraine with CIS Countries

The following information concerning the trade relations of Ukraine with CIS countries has been received from the Governmental Commission on Ukraine's Accession to WTO.

1. Conditions which influence the process of regional integration within the Newly Independent States

The economic integration of the former Soviet Union Republics (or the Newly Independent States - NIS) is influenced by considerable production and commercial ties which still exist within the framework of the former single market.

During the first five years, the volume of Ukraine's trade with the former Soviet Union Republics in energy, ferrous and non-ferrous metals, chemicals, and semi-finished goods necessary for the production of final products designed for world markets, have remained unchanged.

Free trade and production cooperation between the NIS is developing in the context of an overall world-wide regionalization and globalization process which brought about the creation of MERCOSUR, NAFTA, CEFTA, EU and its expansion. Ukraine takes part in the process of regional economic integration with the former Soviet Union Republics at bilateral and multilateral levels. Negotiations on accession to the WTO, which are being conducted by nearly all the NIS, including Ukraine, require harmonization of provisions of agreements on regional economic integration with the requirements of the world trade system. In addition, the Agreement on Partnership and Cooperation (APC) entered into between the EU and Ukraine, and some other NIS, contains provisions aimed at the elimination of trade preferences granted in breach of WTO principles.

2. Key WTO provisions on regional trade arrangements

Trade in goods and services with some countries may be conducted on conditions which are more liberal than with other countries due to MFN exemptions, which are provided for regional economic unions by GATT Article XXIV and GATS Article 5. Analysis of the international legal regime existing within the WTO framework, makes it possible to define the following elements of the international trade agreements which are subject to exemptions from the most favoured nation (MFN) treatment:

- Free Trade Agreements (FTA) and Customs Unions (CU) or temporary arrangements designed to reach Regional Economic Integration (REI). Agreements on production cooperation may be considered as part of the development of provisions on free trade of the respective FTA or CU.
- FTA and CU should cover practically all trade in goods (GATT Article XXIV.8) or a "substantial number of service sectors" (GATS Article 5) between its members.

WTO provisions do not provide specifically what criteria should be used to determine whether the normative requirements are complied with quantitative or qualitative. At the same time, however, the international practice of implementation of this norm shows that free trade agreements are, as a rule, exceptions, with the exception of all agricultural products and a part of industrial commodities.

- Moderate - not more than 10 years - the term for the application of temporary agreements designed to create a Free Trade Zone (FTZ) or CU. The understanding of the interpretation of GATT Article XXIV provides that such temporary agreements shall contain a specific schedule of gradual elimination of obstacles for trade between partners.
- Agreements can be concluded between WTO members (GATT Article XXIV:10). The practice of applying this criteria shows that exclusions from MFN treatment and for agreements between members and non-members of the international trade system were granted by WTO members pursuant to GATT. When Ukraine accedes to the WTO, preferential agreements between Ukraine and the former Soviet Union Republics, shall be approved by two thirds of WTO members. In the process of Ukraine's accession to the WTO and following this accession, the said agreements shall be considered by the Working Party on accession. and the Committee on Trade in Regional Agreements.

3. APC provisions between Ukraine and the EU regarding preferential trade and transit to NIS

Article 10:1 of the APC permits the non-application of MFN treatment with respect to preferences granted for the purpose of creating a customs union or a free trade zone, or to advantages arising as a result of this creation.

Under Article 11:2 of APC, Ukraine is obliged to ensure a most favorable regime for the transit of goods originating in or designed for the EU customs territory with regard to duties, regulations, and transit procedures.

Article 12 of APC, however, provides for a transitional period for the application of MFN exemptions and a principle of free transit of goods. Until 31 December 1998 Ukraine could grant preferences to Armenia, Belarus, Estonia, Georgia, Kazakhstan, Lithuania, Moldova, and Turkmenistan with regard to:

- exemption from import duty;
- exemption from import duty of deliveries made under intergovernmental agreements;
- non-application of VAT on import and export goods;
- non-application of excise duty on export.

And to all Newly Independent States with regard to:

- export quotas for delivery of goods under intergovernmental agreements;
- special conditions of transit;
- special customs procedures.

The above preference (exemptions from duty or unification of principles on collection of indirect taxes) are absorbed by free trade agreements, and Ukraine will be able to continue to apply them.

4. Multilateral agreements on economic integration in CIS

The process of regional economic integration within the CIS advances at different speeds. For the time being, Ukraine has not acceded to economic or customs unions, as well as to agreements on their gradual implementation.

(a) Economic Union

The gradual process of economic integration in the CIS is based on the Agreement on Establishing an Economic Union, signed on 24 September 1993 by the following countries: Azerbaijan, Belarus, Kazakhstan, Moldova, Russia, Tajikistan and Uzbekistan. The Agreement provides for gradual liberalization in the movement of goods, services, capital and individuals. Ukraine and Turkmenistan joined the Economic Union as associated members. The status of Ukraine in this Union is to be determined by a separate agreement.

(b) CIS Free Trade Zone

Free Trade Zone (FTZ) is the first step towards an economic union. On 15 April 1995 Ukraine, together with other CIS members signed an agreement on its creation and temporarily applied it, until the adoption of the Constitution in 1996, which established that international agreements become effective upon their ratification by the Parliament. For the time being, the FTZ agreement has been ratified by Moldova, Kazakhstan, Uzbekistan, Kyrgyzstan, Azerbaijan and Tajikistan.

The agreement is designed to remove the obstacles to the free movement of goods and services, coordinate economic policy, promote inter-sectoral and intra-sectoral cooperation and scientific and technical development, and promote harmonization of the legislation of FTZ members. The agreement also envisions the adoption of a list of exemptions from the free trade regime, as well as methods and schedules for their step-by step removal during the transition period. It also provides for:

- Gradual harmonization of the rules for technical regulation of trade;
- Unification of customs procedures;
- Ensuring national treatment in domestic taxation;
- Regulation of customs duties and other payments;
- Compliance with the principle of free transit;
- Prevention of non-sanctioned re-export of goods;
- Promotion of production cooperation and scientific and technical cooperation on the intergovernmental (sectoral and regional) levels;
- Gradual creation of the terms for the free rendering of services;
- Exchange of information concerning internal legal regulations.

(c) Common Agricultural Market of the CTS

One of the steps towards a FTZ and a customs union in CIS was the signing on 6 March 1998 of the Agreement on Single Agricultural Market (SAM). This agreement promotes liberalization of trade in agricultural products and food products, but to scientific and technical products, technologies, and production means and-services for the Agro-Industrial Complex (AIC). The parties agreed to coordinate their pricing policies and harmonize the SPS implementation system, create a single information system, remove unfair competition and formulate a Regulation on the Terms of SAM's Creation and Operation, and an Action Plan for 1998-2000.

(d) Ukraine's Trade in CIS within the Framework of Production Cooperation Agreement (PCA)

Agreement on the general terms and mechanisms to promote production cooperation between the companies and industries of the CIS members and a Protocol on the Implementation Mechanism of 15 April 1994 effective for Belarus, Kazakhstan, Uzbekistan, Russia, Ukraine, Moldova and Kyrgyzstan from 10 May 1995. Laws and regulations on implementation of the Agreement were signed by all CIS member states.

The agreement provides for the cooperation between companies of all ownership forms, sectoral and inter-sectoral complexes based on direct production ties, as well as within the framework of financial and industrial groups, transnational production unions, and joint ventures. Pursuant to Article 5, the PCA member states shall not apply import and export duties, quantitative restrictions, value added tax, and excise duty on goods (except finished goods) supplied under the production cooperation agreements.

Payment of taxes on turnover of goods and services to be supplied under production cooperation is postponed. If a final product is eventually sold in Ukraine, it is subject to value-added tax and excise duty.¹

5. Bilateral Preferential Trade Agreements concluded by Ukraine

(a) Bilateral Free Trade Agreements

Bilateral free trade agreements (FTA) are to be applied until the multilateral agreement on free trade zones in CIS becomes effective, and on the issues which are not regulated by this agreement. As of 1 January 1999 bilateral free trade agreements are concluded and in force between Ukraine and almost all CIS states, except Tajikistan.

(i) Basic provisions of bilateral FTA

All of these mentioned agreements contain the following basic provisions:

- Non-application of import duty to goods produced by the exporting country, with some exceptions.
- Application of value added tax and excise duty at the rates not exceeding the rates established for similar goods produced domestically by the importing country.

¹ Procedures for application of taxes on turnover when supplying goods under production cooperation agreements determined by the "Provision on Application of VAT and Excise on Supplies of Goods and Services under Production Cooperation Agreements when Making Settlements between Business Entities of the CIS Members" has been adopted by the Council of the CIS members.

- Quantitative restrictions on certain imports are to be applied, where necessary, during a limited period provided that the grounds are presented and bilateral consultations are held.

Bilateral FTA with Azerbaijan, Armenia, Kyrgyzstan, Moldova and Georgia provide for the possibility of introducing exemptions for certain commodity groups according to an agreed schedule.

(ii) Free trade regime with exemptions

A free trade regime with exemptions is to be applied in Ukraine's trade with Russia, Uzbekistan, Latvia, Lithuania, Belarus and Kazakhstan.

The Protocol to FTA with the Russian Federation (RF) determines the general trend of direct exemptions from the free trade regime for exports from RF to Ukraine, which are subject to export duty, as well as to quotas and licensing. In addition, tariff quotas on imports into the RF of white sugar originating in Ukraine are subject to exemptions from the free trade regime.

The number of exemptions from free trade with Uzbekistan is constantly decreasing. According to the Protocol, Uzbekistan applies quantitative restrictions on the export of non-ferrous and precious metals, diamonds, amber, crude oil, cotton fibers, and a quantitative restriction on the import of medical products.

Ukraine applies quantitative restrictions on the export of livestock and sheep, hides thereof, ores, and scrap of precious and non-ferrous metals, scrap of ferrous metals. Items of 1-24 group of Commodity Nomenclature of Foreign Economic Activity (CN FEA) are excluded from the free trade regime with Latvia. Certain items from 1-24 group of Commodity Nomenclature of Foreign Economic Activity (CN FEA) are excluded from the free trade regime with Lithuania. Ukraine and Belarus extend exemptions from the free trade regime for goods which are not covered by the Law of Ukraine on export duty for livestock and hides thereof, and on white sugar.

When exporting from Ukraine to Kazakhstan, livestock and raw hides are subject to exemption from the free trade regime, and when importing - alcoholic beverages, tobacco and its industrial substitutes.

Exemptions apply to less than 10 per cent of the total volume of the bilateral trade and mostly offset trade in agricultural products which should be acceptable to the WTO members.

(iii) Collection of indirect taxes

The value added tax in Ukraine (except on goods originating in and imported from the Russian Federation and Belarus), excise duty and customs duties, when importing goods originating in the countries with which free trade agreements are concluded, are collected according to general procedures.

According to the free trade agreements, Ukraine does not apply export duty to goods originating in Ukraine which are exported and designed for countries with the above free trade agreements (except export of items of 1-24 group of CN FEA to Latvia).

(iv) Non-tariff restrictions of trade

Quotas and licensing of exports to Ukraine is in practice applied by Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan. Quota and licensing of imports from Ukraine are applied in breach of the respective FTAs by all CIS member states except Belarus and Moldova. The majority of existing quotas and licensing should be eliminated and brought in conformity with the free trade requirements.

(v) Free trade with Baltic states

Free trade regime exists with all three Baltic states. Quantitative restrictions on exports to and imports from Ukraine only applied by Latvia (quantitative restrictions on import of agricultural products according to the exemptions from FTA). Export duty and indirect taxes are not applied to exports into Ukraine in full compliance with the principle of origin. Ukraine, in its turn, does not apply quantitative restrictions and import duties on goods originating in Lithuania, Latvia and Estonia. Indirect taxes are levied in the country where goods are consumed.

(b) Bilateral agreement on production cooperation

Ukraine has concluded bilateral FTAs with Azerbaijan, Georgia, Turkmenistan, Uzbekistan, Russia, Kazakhstan and Kyrgyzstan. They contain annually approved lists of goods which are supplied under production cooperation agreements and fall within the scope of the preferential trade regimes.

Preferential treatment for temporary imported goods and services for processing facilitates trade and does not directly contradict the requirements of the WTO and specifically GATS, if a permit is obtained from trading partners in particular. Importers of goods from the CIS obtain certain preferences in customs procedures and in the payment of taxes on turnover in comparison with ordinary imports of give-and-take raw materials (toll processing) and semi-finished products.. Supply treatment in respect of finished goods under production cooperation for its further sale in Ukraine does not differ from the supply of ordinary finished goods.

Such "production cooperation agreements" do not directly fall within the exemptions provided for in the relevant GATT provisions. At the same time, their nature and availability of the norms on mutual liberalization in certain sectors allows them to be characterized as an advanced industry-wide free trade regime. FTAs provide for the removal of tariffs and quantitative restrictions on trade. FTAs are horizontal since they are applied to all commodity groups while being applied only to goods supplied according to special types of contracts. Since agreements on production cooperation are concluded in the development of the CIS FTZ Agreement, they can be considered as establishing a specific treatment for free trade by making foreign trade regime within the CIS more meaningful.

6. Conditions for the Application of Free Trade Regime with CIS and Baltic States

(a) Azerbaijan

Pursuant to Article I of Free Trade Agreement between Ukraine and Azerbaijan (effective 2 September 1996) "The Contracting Parties shall not levy customs duties, taxes and charges having equivalent effect on exports and/or imports of goods, originating from the customs territory of one of the Contracting Parties and intended for the customs territory of the other Contracting Party."

Goods originating in Ukraine are subject to import duty at 15 per cent rate in Azerbaijan. Goods designed for the customs territory of Ukraine and originating in Azerbaijan are not subject to import duty if:

- the origin of goods is confirmed by way of submitting the appropriate certificate (CT-1 form);
- a rule of "direct purchase" is followed; and
- the rule of "direct shipment" is followed.

The country of the origin of goods is to be determined on the basis of the Rules for Determining the Country of Origin adopted by the Resolution of the Council of Heads of Governments of the Commonwealth of Independent States of 24 September 1993.

(b) Belarus

Pursuant to Article I of the Free Trade Agreement between Ukraine and the Belarus (effective 17 December 1992), "the Parties shall not apply duties, taxes and charges having equivalent effect on export and/or import of products originating in the customs territory of either party and intended for the customs territory of the other Party". Goods designed for the customs territory of Ukraine and originating in Belarus are not subject to import duty if :

- the origin of the goods is confirmed by way of submitting the appropriate certificate (form CT-1);
- a rule of "direct purchase" is followed; and
- a rule of "direct shipment" is followed.

The country of origin of goods is to be determined on the basis of the Rules for Determining the Country of Origin adopted by the Resolution of the Council of the Heads of the Governments of the Commonwealth of Independent States, of 24 December 1993.

(c) Armenia

Pursuant to Article I of the Free Trade Agreement between Ukraine and the Armenia (effective 19 December 1996), "the Parties shall not apply duties, taxes and charges having equivalent effect on export and/or import of goods originating from the customs territory of one Party and intended for the customs territory of the other Party". Goods designed for the customs territory of Ukraine and originating in Armenia are not subject to import duty if :

- the origin of the goods is confirmed by way of submitting the appropriate certificate (form CT-1);
- a rule of "direct purchase" is followed; and
- a rule of "direct shipment" is followed.

The country of origin of goods is to be determined on the basis of the Rules for Determining the Country of Origin adopted by the Resolution of the Council of Heads of Governments of the Commonwealth of Independent States, of 24 September 1993.

(d) Georgia

Pursuant to Article I of the Free Trade Agreement between Ukraine and Georgia (effective 5 December 1996), "the Contracting Parties shall not introduce customs duties, and/or import duties, and taxes and fees having equivalent effect on the products originating in the customs territory of

either Contracting Party and designed for the customs territory of the other Contracting Party". Goods designed for the customs territory of Ukraine and originating in Republic of Georgia are not subject to import duty if :

- the origin of goods is confirmed by way of submitting the appropriate certificate (form CT-1);
- a rule of "direct purchase" is followed;
- a rule of "direct shipment" is followed.

The country of origin of goods is to be determined on the basis of the Rules for Determining the Country of Origin adopted by the Resolution of the Council of Heads of Governments of the Commonwealth of Independent States of 24 September 1993.

(e) Moldova

Pursuant to Article 2 of the Free Trade Agreement between Ukraine and Moldova (effective 27 May 1996), "the Contracting Parties do not apply customs duties, taxes and fees having an equivalent effect on export and/or import of goods originating from the customs territory of one of the Contracting Parties and intended for the customs territory of the other Contracting Party". Goods designed for the customs territory of Ukraine and originating in Moldova are not subject to import duty if :

- the origin of goods is confirmed by way of submitting the appropriate certificate (form CT-1);
- the purchase of goods is made by a resident of one of the members of the Agreement on Creation of the Free Trade Zone.

Countries which signed the Agreement on the Creation of a Free Trade Zone include: Azerbaijan, Belarus, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Uzbekistan, and Ukraine.

The country of origin of goods is to be determined on the basis of the Rules for Determining the Country of Origin adopted by the Resolution of the Council of the Heads of the Governments of the Commonwealth of Independent States of 24 September 1993, (subject to the Resolution of the Council of the Heads of Governments of the Commonwealth of Independent States on amendments to paras. 9 and 10 of the Rules of 15 April 1994).

(f) Russian Federation

Pursuant to Article I of the Free Trade Agreement between Ukraine and the Russian Federation (effective 29 March 1994), "the Contracting Parties shall not impose customs duties, taxes and charges having equivalent effect on export and/or import of products originating in the customs territory of either Contracting Party and designed for the customs territory of the other Contracting Party". Goods designed for the customs territory of Ukraine and originating in the Russian Federation are not subject to import duty if :

- the origin of goods is confirmed by way of submitting the appropriate certificate (form CT-1);
- a rule of "direct purchase" is followed; and

- a rule of "direct shipment" is followed.

According to the Protocol of Negotiations between governmental delegations of Ukraine and the Russian Federation which met in Moscow on 11 – 12 December 1997, the Parties agreed not to levy taxes, starting from 1 February 1998, on imports originating in the customs territory of the other party into the customs territory of either party.

On 5 January 1998 a Resolution of the Cabinet of Ministers of Ukraine No.13 "On Implementation of the Free Trade Agreement between the Government of Ukraine and the Government of Russian Federation" was signed.

A similar normative act on the Russian part - an Edict of the President of 31 December 1997, No. 1392 "On Recognizing the Edict of the President of the Russian Federation of 18 August 1996, No.1216 "On Imposition of the Value Added Tax on Goods Originating in the Territory of Ukraine which are Imported into the Customs Territory of the Russian Federation," as null and void."

White sugar is exempted from the free trade regime in trade with the Russian Federation, and instead a duty is introduced at 25 per cent rate - by Government Resolution No.417. Resolution No.783 introduced a temporary special duty for white sugar at a 20 per cent rate. Resolution No.782 introduced licensing of imported raw sugar, white sugar, starch syrup, while Government Resolution No. 791 introduced an additional 3 per cent import duty on goods imported into the customs territory of the Russian Federation, except for goods originating in the territories of the members of the Agreement on Customs Union to which Ukraine is not a party.

The country of origin of goods is to be determined on the basis of the Rules for Determining the Country of Origin adopted by the Resolution of the Council of the Heads of the Governments of the Commonwealth of Independent States of 24 September 1993.

(g) Turkmenistan

Pursuant to Article I of the Free Trade Agreement between Ukraine and Turkmenistan (effective 6 March 1996), "the Contracting Parties shall not levy customs duties, taxes and charges having equivalent effect on exports and/or imports of goods, originating from the customs territory of one of the Contracting Parties and intended for the customs territory of the other Contracting Party". Goods designed for the customs territory of Ukraine and originating in Turkmenistan are not subject to import duty if :

- the origin of goods is confirmed by way of submitting the appropriate certificate (form CT-1);
- a rule of "direct purchase" is followed; and
- a rule of "direct shipment" is followed.

The country of origin of goods is to be determined on the basis of the Rules for Determining the Country of Origin adopted by the Resolution of the Council of Heads of Governments of the Commonwealth of Independent States of 24 September 1993.

(h) Uzbekistan

Pursuant to Article 1 of the Free Trade Agreement between Ukraine and Uzbekistan (effective 1 January 1996), "the Parties to the Agreement do not apply customs duties, taxes and collections which are of equivalent force and also quantitative limitations for export and/or import of goods originating from the customs territory of one of the Parties to the Agreement and intended for customs

territory of another Party to the Agreement". Goods designed for the customs territory of Ukraine and originating in Uzbekistan are not subject to import duty if :

- the origin of goods is confirmed by way of submitting the appropriate certificate (form CT-1);
- a rule of "direct purchase" is followed; and
- a rule of "direct shipment" is followed.

The country of origin of goods is to be determined on the basis of the Rules for Determining the Country of Origin adopted by the Resolution of the Council of Heads of Governments of the Commonwealth of Independent States of 24 September 1993.

The Protocol on Exemptions from the Free Trade Regime to the Free Trade Agreement between Ukraine and Uzbekistan of 29 December 1994, establishes a list of goods to which quantitative restrictions (quotas and licensing) are applied. The Protocol does not impose restrictions on the application of tariff preferences in the form of exemption from payment of import and export duties in trade between Ukraine and Uzbekistan.

(i) Estonia

Exemption from duty is applied pursuant to Articles 5 and 6 of the Free Trade Agreement between Ukraine and Estonia (effective 14 March 1996):

Article 5

Prohibition and Abolition of Customs Duties on Imports and Charges Having Equivalent Effect

1. No new customs duties on imports or charge having equivalent effect shall be introduced in trade between the Parties.
2. Customs duties on imports and charges having equivalent effect shall be abolished upon the date of entry into force of this Agreement.
3. The provisions of this Article shall also apply to customs duties of a fiscal nature. The Parties may replace a customs duty with an internal tax.

Article 6

Prohibition and Abolition of Customs Duties on Exports and Charges Having Equivalent Effect

1. No new customs duties on exports or charges having equivalent effect shall be introduced in trade between the Parties.
2. Customs duties on exports and charges having equivalent effect shall be abolished upon the entry into force of this Agreement".

Goods originating in Estonia designed for the customs territory of Ukraine are exempt from import duty if :

- the origin of the goods is confirmed by way of submitting a "movement certificate" form EUR.1 (Supplement III to the Protocol A to the Free Trade Agreement between Ukraine and Estonian Republic), or form EUR 2 (Supplement IV to the Protocol A to

the Free Trade Agreement between Ukraine and Estonia), while shipment certificate is also accepted if the cost of goods does not exceed ECU 3000 per one shipment;

- a rule of "direct transportation" is followed (Article 14 of the Protocol A to the Free Trade Agreement between Ukraine and Estonia).

The country of origin of goods is to be determined pursuant to Protocol A of the Free Trade Agreement.

(j) Latvia

Exemption from duty is applied pursuant to Articles 7 and 8 of the Free Trade Agreement between Ukraine and Latvia (effective since 15 January 1997):

Article 7

Prohibition and Abolition of Customs Duties on Imports and Charges Having Equivalent Effect

1. No new customs duties on imports or charge having equivalent effect shall be introduced in trade between the Parties.
2. Ukraine shall abolish, on the date of entry into force of this Agreement, all customs duties on imports and any charges having equivalent effect on products originating in Latvia.
3. Latvia shall abolish, on the date of entry into force of this Agreement, all customs duties on imports and any charges having equivalent effect on products originating in Ukraine.
4. The provisions of this Article shall also apply to customs duties of a fiscal nature.

Article 8

Prohibition and Abolition of Customs Duties on Exports and Charges Having Equivalent Effect

1. No new customs duties on exports or charges having equivalent effect shall be introduced in trade between the Parties.
2. Customs duties on exports and charges having equivalent effect shall be abolished upon the entry into force of this Agreement, except products specified in Annex I."

This agreement applies to goods covered by commodity groups 25 to 97 of the Harmonized System for Description and Coding of Goods originating in Ukraine or Latvia (Article 3 of the Agreement).

Goods originating in Latvia (except goods in groups I to 24 of the Harmonized System for Description and Coding of Goods) designed for the customs territory of Ukraine are exempted from import duty if:

- the origin of goods is confirmed by way of submitting a "shipment certificate" - form EUR.1 (Supplement III to the Protocol A to the Free Trade Agreement between Ukraine and Latvia), or form EUR 2 (Supplement IV to the Protocol A to the Free Trade Agreement between Ukraine and Latvia). In such a case, the shipment

certificate is also accepted if the cost of goods does not exceed ECU 3000 per one shipment; and

- a rule of "direct transportation" is followed (Article 14 of the Protocol A of the Free Trade Agreement between Ukraine and Latvia).

The country of origin of goods is to be determined pursuant to Protocol A of the Free Trade Agreement between Ukraine and Latvia.

(k) Lithuania

Pursuant to Article 2 of Free Trade Agreement between Ukraine and Lithuania (effective 21 November 1995) "The Parties shall not apply duties, taxes and charges having equivalent effect on export and/or import of goods originating from the customs territory of one of the Contracting Party and intended for the customs territory of the other Contracting Party."

Goods, except the goods listed in the Protocol on Exemptions from the Free Trade Regime to the Free Trade Agreement between Ukraine and Lithuania, designed for the customs territory of Ukraine and originating in Lithuania are not subject to import duty if

- the origin of goods is confirmed by way of submitting the appropriate certificate of form EUR. 1;
- a rule of "direct purchase" is followed; and
- a rule of "direct shipment" is followed.

The country of origin of goods is to be determined according to the Supplement to the Free Trade Agreement between Ukraine and Lithuania.

(l) Kyrgyz Republic

Pursuant to Article I of Free Trade Agreement between Ukraine and the Kyrgyz Republic (effective 18 December 1996), "the Contracting Parties shall not levy customs duties, taxes and charges having equivalent effect on exports and/or imports of goods, originating from the customs territory of one of the Contracting Parties and intended for the customs territory of the other Contracting Party."

(m) Kazakhstan

Pursuant to Article I of the Free Trade Agreement between Ukraine and Kazakhstan (effective 19 October 1998), "the Parties shall not introduce customs duties, taxes and fees having an equivalent effect on the export or import of products originating in the customs territory of either Party and designed for the customs territory of the other Party."

When exporting from Ukraine to Kazakhstan, livestock and raw hides are subject to exemption from the free trade regime, and when importing - alcoholic beverages, tobacco and substitutes thereof.

(n) Tajikistan

There is practically no legal base available.

7. Origin of goods confirmation

(a) CIS states

Pursuant to the Rules for Determining the Country of Origin adopted by the Resolution of the Council of the Heads of the Governments of the Commonwealth of Independent States of 24 September 1993, in order to confirm the origin of goods in a CIS member state, a declaration-certificate of the origin of goods of CT-1 form (a sample is attached) should be presented to the customs bodies of Ukraine. If a CT-1 certificate is not available, during the customs clearance of goods originating in a CIS state with which a bilateral free trade agreement exists then the country of origin can be determined on the basis of the labels of the goods accompanying forms or other documents for the goods, and preferential rates of import duties apply (as well as value added tax on goods originating in and imported from the Russian Federation and Belarus).

If it is impossible to determine the country of origin, full import duty applies (as well as the value added tax on goods originating in and imported from the Russian Federation and Belarus).²

(b) Baltic States

Confirmation of the country of origin for goods originating in the Baltic states is based on bilateral free trade agreements between Ukraine and Estonia, Latvia and Lithuania by way of presenting a movement certificate in the form of EUR-1 or EUR-2 (for goods from Lithuania - only a movement certificate; form EUR-1).

If a movement certificate of the form EUR-1 or EUR-2 from the specified countries is not available, then the country of origin can be determined on the basis of labeling goods or accompanying forms or other documents, and preferential import duty rates apply. If it is impossible to determine the country of origin of goods, full import duty rates are applied.³

² If during a year an entity of CN FEA presents to the customs bodies of Ukraine an original copy (or officially certified copy (duplicate) of certificate of origin of goods CT-1 of the specified country, pursuant to para. 21 of the Rules for Determining the Country of Origin adopted by the Resolution of the Council of Heads of Governments of the Commonwealth of Independent States of 24 September 1993, then during a year from the customs clearance of goods it may be:

- Renewed, provided that the rules on "direct purchase" and "direct shipment" are fulfilled (with Moldova - provided that the rule on "purchase of goods by resident of one country-member of the Free Trade Agreement"), and a free trade regime exists with return of the amounts of import duty paid;
- Renewed MFN treatment, with partial return of the amounts (a difference between the amount of import duty paid at the full rate and the amount of import duty to be paid at preferential rate of import duty) - in case of failure to fulfil the rule of "direct purchase" and "direct shipment".

³ If an entity of CN FEA presents to the customs bodies of Ukraine a certificate (or its duplicate) of origin of goods from Estonia or Latvia, within the valid term of the certificate during 4 months from the date of its issue then:

- a free trade regime may be renewed (if the rule on "direct transportation" is met) - with return of amounts of import duty paid,
- MFN treatment may be renewed with partial return of the said amounts (a difference between the amount of import duty paid at the full rate and the amount of import duty to
- be paid at a preferential rate of import duty) - in case of failure to fulfil the rule of "direct purchase" and "direct transportation".

Pursuant to Article 22 of Protocol A of the Free Trade Agreement between Ukraine and the Estonian Republic and Article 22 A of Free Trade Agreement between Ukraine and the Latvian Republic, the certificate of origin (or its duplicate) can be accepted by the customs bodies of Ukraine for the purpose of application of the free trade regime or a most favoured nation treatment during one year from the date of the customs clearance in case:

- Delay in presenting a certificate before an established deadline is caused by force majeure or extraordinary circumstances. In such a case, force, majeure and extraordinary circumstances include those which are caused due to circumstances which are beyond one's will (wars, calamities, fire,, epidemics etc.) and which caused delay in presenting the certificate.

8. Application of the rules "direct purchase" and "direct shipment" ("direct transportation")

(a) "Direct purchase" - is the purchasing of goods directly from the enterprise or incorporated firm in due order in the exporting country.

The rule on "direct purchase" is not fulfilled in the case when goods are purchased in the exporting country from a representative of a firm or enterprise which is not a resident of a country. To be eligible for exemption from import duty payment (as well as value added tax on goods originating in and imported from the Russian Federation and Belarus) a country with which a free trade agreement is signed should act as a trading country.

During the customs clearance of goods originating from Moldova, the rule of "direct purchase" is fulfilled in cases of purchasing goods originating in Moldova by a resident of one of the countries participating in the agreement on creating a free trade zone.

(b) "Direct shipment" ("direct transportation") is a direct movement of goods from the exporting country to the importing country. In such a case movement of goods is allowed through the territory of one or several countries as a result of geographical, transportation, technical and economic reasons and their temporary entry or storage on the territory of these countries, provided that these goods remain under the customs control of transit countries.

In all other cases paid amounts of import duty on goods originating in Estonia or Latvia will not be returned. If an entity of CN FEA presents to the customs bodies of Ukraine a certificate (or its duplicate) of origin of goods from Estonia or Latvia, within the valid term of the certificate during four months from the date of its issue then:

- A free trade regime may be renewed (if the rule on "direct transportation is met) - with return of the amounts of import duty paid,
- MFN treatment may be renewed with a partial return of the said amounts (a difference between the amount of import duty paid at the full rate and the amount of import duty to be paid at a preferential rate of import duty) - in case of failure to fulfil the rule of "direct purchase" and "direct transportation".
- Pursuant to Art. 19 of the Supplement to the Free Trade Agreement between Ukraine and Lithuania on the rules for determining the country of origin of goods, a movement certificate (or its duplicate) may be accepted in extraordinary circumstances by the customs bodies of Ukraine for the purpose of application of the free trade regime or national treatment within one year from the date of the customs clearance (within the validity of a movement certificate). In such a case, extraordinary circumstances include those which were caused by circumstances which are beyond one's will (wars, calamities, fire, epidemics etc.) and which caused delay in presenting the certificate.

1. Exporter (name and postal address)		4. No. _____ Certificate of origin of goods CT-1 form		
2. Consignee (name and postal address)		Issued in _____ (name of country) date of submission to _____ (name of a country)		
3. Means of transportation and itinerary (as far as known)		4. For official marks		
6. No.	7. Number of items and type of packaging	8. Description of goods	9. Weight gross/net (kg)	10. Invoice number and date
11. Certification Hereby certify that the applicant's declaration is true.		12. Applicant Declaration The undersigned hereby declare that information indicated above is true; that all goods completely produced or undergo substantial processing in _____ (name of country) and that they are in line with requirements of origin, in force with regard to such goods.		
Signature	Date	Stamp	Signature	Date Stamp
