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TRADE POLICY PROJECT (TPP)

FY15 Quarterly Report (April 6, 2015 – June 30, 2015)

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DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the United States Government.

LIST OF ACRONYMS

AEO	Authorized Economic Operators
CIS	Commonwealth of Independent States
EIF	Economic Integrated Forum
GVC	Global Value Chains
M&E	Monitor and Evaluation
MEDT	Ministry of Economic Development and Trade
OECD	Organization for Economic Cooperation and Development
SFS	Ukraine State Fiscal Service
SME	Small and Medium Size Businesses
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TFA	Trade Facilitation Agreement
TPP	Trade Policy Program
USAID	United States Agency for International Development
WTO	World Trade Organization

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I. PROJECT OVERVIEW

The Trade Policy Project (TPP) was launched April 6, 2015. During the project's first quarter, the TPP rapidly engaged counterparts at MEDT and the State Fiscal Service as well private sector representatives. Key activities included the following:

- Completed conformity assessment with the WTO Trade Facilitation Agreement (TFA)
- Developed procedural guidelines for the implementation of the law on countervailing duties
- Led and participated in five public events related to dispute settlement, trade, and trade facilitation
- Held at MEDT half dozen roundtables to discuss reforms related to trade remedies; and
- Supported participation of MEDT at the WTO Secretariat in Geneva in Committee on Balance of Payment on June 9-12, 2015.

The Work Plan and Monitoring and Evaluation (M&E) Plan were prepared in a timely fashion and submitted to USAID. Both documents have been approved by USAID. All local staff has been hired with the exception of the project's Finance Manager/Accountant. The long-term Resident Advisor position has been fielded. During this reporting period, office space has been identified adjacent to the premises of the Ministry of Economic Development and Trade (MEDT). A lease is expected to be completed in early August. The process of TPP registration has been launched. The registration process is expected to be completed by the end of August. A draft branding/marketing plan has been prepared.

2. PROJECT ACTIVITIES AND ACCOMPLISHMENTS Q3 FY2015

Component I: Expanded capacity to effectively utilize WTO tools

(1) Result: Overall engagement within the WTO developed

During the first quarter, the TPP supported Ukraine in greater engagement in the WTO system. The TPP has been tracking key activities at the WTO of relevance to Ukraine and facilitated the participation of MEDT in the following meetings: World Trade Organization Committee on Balance of Payment from June 9-12, 2015.

(2) Result: Appropriate utilization of WTO dispute settlement (DS) and trade remedies system expanded

WTO Dispute Settlement

The TPP specifically conducted the following activities during this quarter:

I. Prepared the following PowerPoint presentations (PPP) to educate stakeholders on the WTO Dispute Settlement (DS) system:

- PowerPoint presentations for the seminars on WTO Dispute Settlement made in June (see below).
- A PPP was handed over to the MEDT for its use in presentations targeting private sector.
- Case-specific presentations were prepared for other sessions. The latter ones were aimed to walk participants through a real case.

2. On June 3 and 23, 2015 the TPP completed its first two public capacity building activities on WTO Dispute Settlement. These events took place in the Institute of International Relations of Kyiv National Taras Shevchenko University and Ukrainian Chamber of Commerce and Industry. These activities were aimed at explaining, in a practical manner, the rules governing resolution of trade disputes in the WTO system. Through a better understanding of those rules, Ukraine should be able to play a more active role in attacking illegal measures impeding Ukrainian exports. More than 60 participants attended these events, including officials from the Ministry of Economic Development and Trade, researchers, practitioners, private entrepreneurs, and academia/students.

Trade Remedies

During this quarter, the TPP launched assistance to the Ministry of Economic Development and Trade Section on Trade Protection – Division on Anti-Dumping, Countervailing, and Safeguards (DACs) to improve legal framework governing trade remedies (anti-dumping, countervailing, and safeguards) and develop procedural mechanisms and build capacity with respect to the implementation of law on countervailing duties. A short-term advisor on trade remedies, Mr. David Tanenbaum, was fielded for a period of month to provide aforementioned support. Specifically, the TPP conducted the following activities during this quarter:

1. On June 22, 2015, an initial roundtable meeting was held at Ministry of Economic Development and Trade (“Ministry”) with 17 Ministry staff in attendance. The meeting was convened to discuss initial findings of desk research on the antidumping, countervailing duty, and safeguard laws with the Ministry investigative team. Participants of the meeting also discussed the impact of the pending Ukraine/EU Free trade agreement on trade remedies. The Ministry staff and TPP members also agreed on further steps to be taken going forward on reform of each of the trade remedies laws, additions to the regulatory framework for investigations and beginning work on restructuring of the Interdepartmental Commission on International Trade (“Commission”).

2. Five roundtable work sessions were held during the period of June 23-30 with four to six staff and TPP team members present at each. Through these discussions, three trade remedy laws were vetted thoroughly for inconsistencies and language precision, as well as to reflect WTO requirements. Participants to the meeting additionally discussed the process of conducting reviews (interim, new shipper, and sunset). The role of the Ministry in counseling potential applicants was also discussed and it was agreed that an advisory message on that topic be promulgated.

4. Materials in support of implementation of anti-subsidy law (countervailing duties law): Began drafting of the following materials and forms for use by both Ministry and trade community.

- Questionnaire for Importers
- Questionnaire for Exporters
- Questionnaire for Foreign Governments
- Application and Instructions
- General CVD practice Guide
- Calculation Methodology Guide

5. Launched development of a guide for businesses on coping with foreign trade remedies cases.

Component II: Improved external and internal coordination on WTO issues

(1) Result: Cohesive and efficient coordination among relevant ministries and other governmental units established

During this reporting period, the TPP:

1. Developed a proposal for an inter-ministerial commission to improve inter-ministerial cooperation and coordination on trade related issues and reforms and increase stakeholders' participation in trade policy formulation and implementation. The proposal was presented to DM Mykolska who in turn discussed with the Minister of Economic Development and Trade.
2. Commenced work on web-based portal design for improving inter-ministerial cooperation and coordination.

(2) Result: Methods and quality of communication/consultation/coordination with external stakeholders and experts improved

During this reporting period, the TPP:

1. Assisted MEDT in identifying materials for updating its website to improve access to information on WTO/trade issues by the private sector.
2. Launched assistance to MEDT in identifying and maintaining a network (database of external resources/stakeholders (private sector, experts, legal firms, academia, and think tanks) interested in trade policy, WTO, disputes, and trade defense instruments.
3. Engaged stakeholders and MEDT in a number of events which have improved interactions between both public sector and private sector. See Component I (2) p.6, p.1, p.3; Component II (2) p.7 and Component III (2) p.4, p.5.
4. Launched preparation for syllabus and course materials on dispute settlement, building on an existing course at the Institute of International Relations of Kyiv National Taras Shevchenko University.
5. Prepared an outline for a study on export competitiveness based on Global Value Chains.
6. Participated in the MEDT led meeting on May 20, 2015 with donors on preparation of an export development strategy and export promotion. The event was attended by representatives of international donors (including USAID), NGOs, research institutes, business associations and Government officials. During the meeting, participants shared the information on initiatives by NGOs and activities by donor-funded technical assistance projects aimed at building export promotion capacities.

Component III: Expert Assessment and Improvement of Ukraine's WTO compliance

(1) Result: Implementation of Ukraine's extensive WTO legislative reforms assessed and strengthened

1. The TPP started collecting relevant laws and sublegal acts to undertake this assessment during the second quarter.
2. Per request of the State Fiscal Service, the TPP identified the legal reforms required for implementing an Authorized Economic Operations Program.
3. Per request of the State Fiscal Service, the TPP prepared a Note on EU customs law definitions of post clearance controls.

(2) Result: Compliance with the WTO Trade Facilitation Agreement (TFA) assessed and improved

1. Ukraine submitted its Category A Notification on August 1, 2014. The TPP assessed the level of conformity of Ukraine’s foreign trade regime with the provisions notified under Category A and suggested an action plan for greater conformity with Category A by the end of June 2016. A 27-page report was developed summarizing findings and recommendations.
2. A more detailed analysis was conducted and completed by the end of June 2015 covering non-Category A provisions of the TFA. The two assessments were merged into one report (83 pages). The analysis found that Ukraine is 60-65 percent compliant with the WTO TFA. The Summary of the analysis is as follows:

Level of Conformity	Category A	Category B & C	Overall
Full	5	6	11
Substantial	3	9	12
Partial	4	8	12
No		4	4
N/A		1	1
Total	12	28	40

The TFA assessment was conducted based on examination of relevant Ukrainian laws and legal acts (including customs code, SPS laws, TBT laws, and foreign trade activities law) and discussions with relevant officials at the Ukrainian State Fiscal Service (SFS), the Ministry of Economic Development and Trade, and the State Veterinary and Phytosanitary Service as well as knowledgeable private sector experts.

The report will be circulated to stakeholders in English and Ukrainian in July. Comments will be received and incorporated in August 2015. A final validation workshop will be held in September 2015.

3. Per request of DM Mykolska, the TPP prepared a Note on the benefits of the TFA for the Minister of Economic Development and Trade. The Minister agreed subsequently to consider including the TFA in the government reform program and facilitate the ratification of the TFA in 2015.
4. The TPP participated actively in the International Chamber of Commerce (ICC) sponsored event on TFA on April 28, 2015. The workshop included private sector representatives and

officials from MEDT, the State Veterinary and Phytosanitary Service, and the SFS as well as donors/international organizations including UNECE, IFC, SIDA, and WTO.

5. The TPP delivered one presentation on compliance of Ukraine with its WTO TFA Category A provisions and delivered concluding remarks during the CLDP Workshop on the implementation of the WTO TFA held on June 10-12, 2015 in cooperation with the US Customs and Border Patrol, Office of the US Trade Representative, and the SFS.

3. PROJECT MANAGEMENT ACTIVITIES

During the project's first quarter, all full time staff was brought on board contractually and, with the exception of finance manager/accountant, the entire full time team was engaged working every day on the project's overall objectives. It is envisioned the finance manager/accountant will be hired before the end of July. Subcontractor, Economic Integration Forum (EIF), is actively participating in the technical direction of the project and providing daily contributions to the workplan.

4. FIELD TEMPORARY OFFICE/EQUIPMENT

There have been no major purchases as it relates to office furniture or equipment for the project. During the project's first quarter as local staff were approved by the Mission and on boarded, they have been using their personal computers to conduct their daily work. PC purchases will be made in line with our estimated costs in the beginning part of the fourth quarter. The project has envisioned moving into a new office on August 3, 2015.

5. STAFFING

With the exception of the project's finance manager/accountant, every position identified and budgeted for has been filled and hired. The finance manager/accountant approval has been submitted and as of this report's submission date, the contractor is still waiting for CO approval. All local staff are working full time and short term technical assistance has been underway. Additional SOW's have focused on supporting the development of an export strategy that expands export markets for Ukrainian producers.

6. MONITORING AND EVALUATION

The Monitoring and Evaluation (M&E) plan was submitted in the projects first quarter and approved by the Mission.

7. KEY TECHNICAL ACTIVITIES PLANNED FOR Q4 FY2015

Component I: Expanded Capacity to effectively utilize WTO tools

1. Support Ukraine in participating in one WTO meeting.
2. Complete development of e-library concerning disputes.

3. Guide the establishment and build capacity of new MEDT department on disputes and trade remedies.
4. Deliver seminars related to dispute settlement and trade defense instruments.
5. Complete preparation of materials in support of implementation of anti-subsidy law (countervailing duties law).

Component II: Improved external and internal coordination on WTO issues

1. Promote formation of inter-ministerial commission to facilitate inter-ministerial cooperation and coordination.
2. Update stakeholder's database.
3. Identify additional materials for updating MEDT website.
4. Prepare syllabus/course materials on dispute settlement.
5. Train four to six instructors on dispute settlement course.

Component III: Expert Assessment and Improvement of Ukraine's WTO compliance

1. Validate in a workshop conformity assessment with WTO Trade Facilitation Agreement.
2. Assist in preparing WTO TFA ratification materials.
3. Launch assessment on the implementation of the legislative, regulatory, and policy reforms adopted to achieve and maintain compliance within the WTO regime.

8. ISSUES/CONSTRAINTS

At the time of submission of this quarterly report, the TPP activity has yet to be formally registered with the Ukrainian Ministry of Economy. It is envisioned the registration of the TPP activity will be completed within the first month (August) of the next quarter. The registration will allow for an opening of local bank account and for a valued added tax (VAT) exemption.