

Losses in EU trade due to a shortage of transport permits for trucks

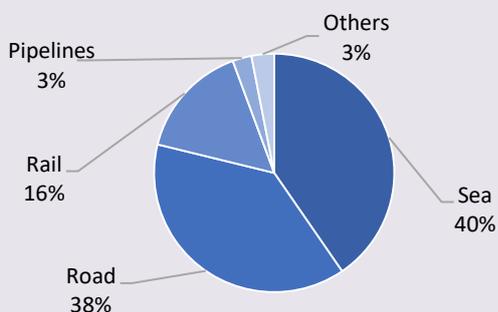
Almost 40% of the value of Ukraine's exports to the EU in 2018 was transported by trucks. At the same time, Ukrainian road carriers experienced a shortage of transport permits for key EU countries. Transport permits for Ukrainian trucks to operate in several EU countries ran out before the end of 2018. Most strongly affected were permits for Poland. Noticeable shortages at the end of 2018 also affected permits for Germany, Austria and Slovakia.

This shortage of permits has had a negative effect on Ukraine-EU trade, both for imports and exports. Ukrainian exports to the EU in November and December of 2018 were decreased by EUR 110 m and imports from the EU by EUR 254 m. This effect was either due to unavailability of road transport or strongly increased transport prices. The negative impact on trade could worsen in 2019 unless the problem is addressed. Ukraine should both redouble its efforts to remedy intransparency in the sales of transport permits by its State Service for Transport Safety as well as attempt to negotiate higher allocations of permits with key trade partners such as Germany and Poland, which coincides with their own trade interests.

Large share of trade with the EU carried by trucks

Ukraine's trade with the EU has been growing massively in recent years. Whereas only 26.5% of exports went to the EU in 2013, this share has grown to 42% in 2018, a total of EUR 17.9 bn. Road transport by trucks plays an important role for these exports.

Exports to EU-28 by mode of transport, 2018

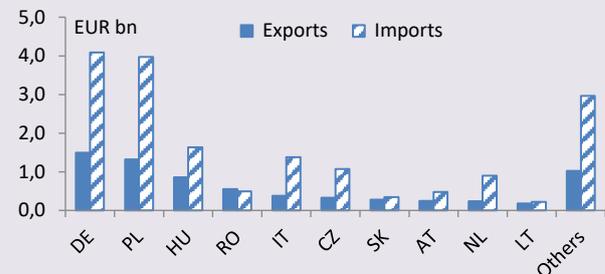


Source: Eurostat

Note: Distribution by value (EUR). Source: Eurostat

Although only 10% of the weight of EU exports in 2018 was transported by road, this accounted for 38% of the total value of Ukraine's EU exports. Hence, goods transported by trucks are on average of relatively high value in relation to their weight.

Ukrainian trade by road with EU-28, 2018



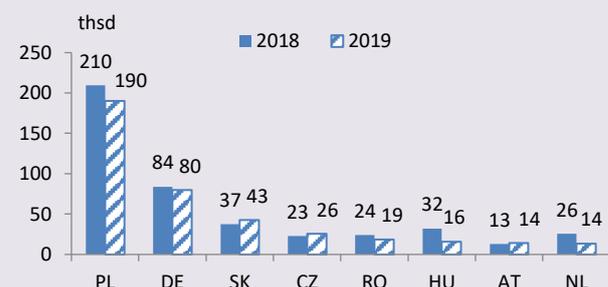
Source: Eurostat

Ukraine's main trade partners in regard to goods transported by trucks are Germany and Poland. Germany accounts for EUR 1.5 bn of exports, 22% of total 2018 EU exports by road and Poland accounts for EUR 1.3 bn, 19%. Imports from the EU by road are of considerably higher value than exports. Hence, Ukraine's EU trade partners should be equally interested in expanding road-based trade with Ukraine.

Transport permits for EU countries

Road carriers must have a permit to operate – either unload/load or merely transit – in a foreign country. Transport permits are paper documents, mainly exchanged according to pre-negotiated allocations between states on a 1:1 basis. Multi-use, multi-country permits (ECMT licenses) also exist, but only in relatively small numbers.

Permit allocations of for key EU countries, 2018/2019



Source: DSBT, own calculations

Note: ECMT licenses not included. Add. allocations within 2018 are included

The number of transport permits for Ukrainian road carriers reflect the roles of countries for transit and as direct trade partners – in the case of Poland both at the same time.

Shortage of permits and its reasons

Permits for Ukrainian trucks to operate in Poland and several other important trade partners in the EU ran short in 2018. After 3 quarters of 2018, 100% of the

allocated permits for Austria, 96% of permits for Poland and 90% of permits for Germany had been reported as sold to Ukrainian transport companies by the state body tasked with permit sales, the State Service for Transport Safety (UkrTransBezpeka).

This does not necessarily imply that all permits had been used at this time. Industry sources complain about intransparent sales processes for transport permits, although acknowledging that measures taken in 2018 have already helped to improve this. The shortage was caused either by an insufficient number of permits, or by intransparent sales practices in Ukraine, or by a combination of both reasons.

Negative effect on trade with the EU

A shortage of permits bears risks for trade. Due to capacity and logistical constraints, cargoes cannot simply be shifted to the railroad. EU road carriers (which still had permits for Ukraine in 2018) charge much higher transport prices and, according to industry experts, are not keen on business in Ukraine in general.

The shortage of permits for Ukrainian road carriers may have negatively impacted EU trade both through increased transport costs or genuine lack of transport capacities. Our calculations confirm a negative effect. Comparison with previous years shows that in November and December of 2018, Ukraine’s road-based trade with EU countries decreased.

Loss of trade value due to shortage of permits

In November / December 2018	EUR m	% of annual value
Ukrainian exports to EU	109.7	1.6
Ukrainian imports from EU	253.9	1.5
Total trade with EU	363.6	1.5

Source: Eurostat, own calculations

The decrease was stronger in volume (weight) of exports and imports than in the value of trade, reflecting that as transport prices increased, trade of lower-value goods will have suffered most. But there was also a sizeable impact on trade value: Ukraine lost EUR 110 m worth of exports to the EU and the EU lost EUR 254 m worth of exports to Ukraine.

Problem should be addressed before it worsens

While the aggregate loss of trade with the EU of EUR 363 m in 2018 may not appear very large, losses will increase in 2019 and future years unless action is taken. Allocations of permits negotiated for 2019 are below the number for 2018 for key partner countries including Poland and Germany – despite the quickly growing volume of trade between Ukraine and the EU.

Not only Ukraine, but also its EU trade partners should take a genuine interest in preventing further shortages,

as their exporters are set to lose a substantial business volume as well.

Increase number of permits, improve sales processes

The problem should be tackled from both fronts: EU trade partners should be forthcoming with regard to ensuring that a sufficient number of transport permits is allocated to Ukraine in view of their own export interests and in order to facilitate Ukraine’s redirection of trade to the West.

At the same time, Ukraine should redouble its efforts to counteract intransparent sales processes at UkrTransBezpeka, ensuring that permits can only be sold for immediate use and creating a public, real-time database of sold permits to increase transparency. In the medium term and in cooperation with trade partners, permit sales should be made as automatic and digital as possible.

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A more comprehensive analysis is provided by the Policy Briefing PB/03/2019 [“Reported shortage of EU transport permits for Ukrainian trucks: Effect on trade with the EU”](#)

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