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Policy Briefing
UKRAINE

Changes in Ukraine's trade structure since the beginning of the full-scale war

by Veronika Movchan and Garry Poluschkin

Structure

1. Introduction
2. UKR trade in goods in 2022: overview
3. Factors behind 2022 trends
4. Policy recommendations and conclusion

1. Introduction

Motivation

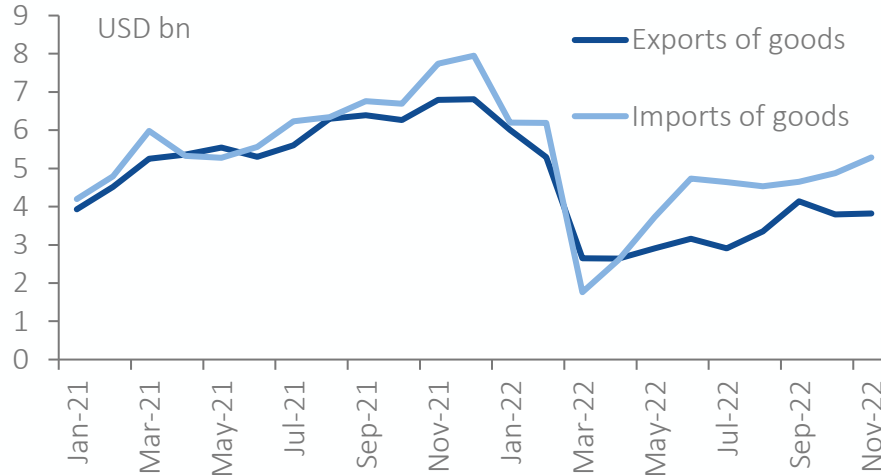
- » In 2022, Ukraine's external trade faced substantial structural changes in geography, product composition and transportation since Russia's full-scale war of aggression
- » This war was the major factor for changes, adversely affecting both domestic production and physical access to foreign markets
- » Trade support measures of Ukraine's international partners aiming to mitigate the shock have become another factor for the changes
- » Foreign trade remains the key component for restoring macroeconomic stability, improving the external balance and driving the economic recovery

Purpose of this Policy Briefing

- » to analyse changes in Ukraine's trade in goods and the factors behind them
- » to identify what can be done to foster exports restoration and Ukraine's economic recovery

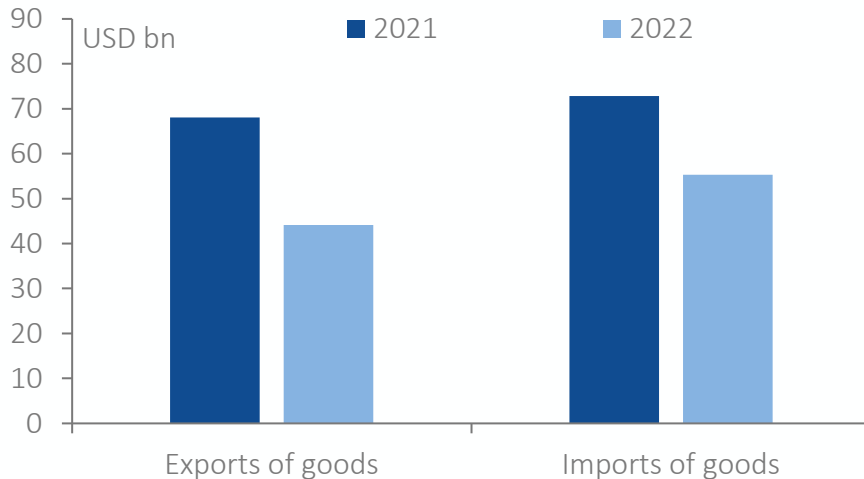
2. Ukraine trade in goods in 2022: overview

Ukraine's goods exports and imports, monthly



Source: Ukrstat

Ukraine's goods exports and imports

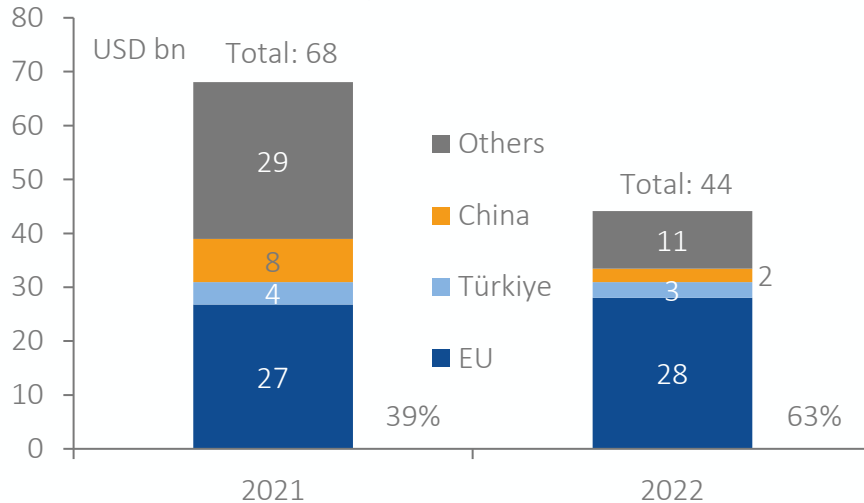


Source: Ukrstat for nominal data; UN Comtrade for fixed price estimates

- » UKR foreign trade dropped sharply in 2022
- » Imports: an initial deep shock followed by faster recovery, while exports: much weaker
- » The annual results for 2022:
 - **Exports:** USD 44.1 bn, down by 35% yoy in nominal and by 36% yoy real terms
 - **Imports:** USD 55.3 bn, down by 24% yoy in nominal and by 27% yoy in real terms
- » 2022 global price surge had different impacts on UKR exports and imports:
 - **Export price index:** +8% yoy and +0.4% yoy cereals, so limited price gains
 - **Import price index:** +37% yoy total and +92% yoy fuels, so full price pass-through
- Sharp drop in trade, with a stronger reduction in exports than in imports
- Limited gains from surged global prices for exports, while higher fuel prices were fully reflected in imports
- Trade balance deficit grows to USD 11 bn

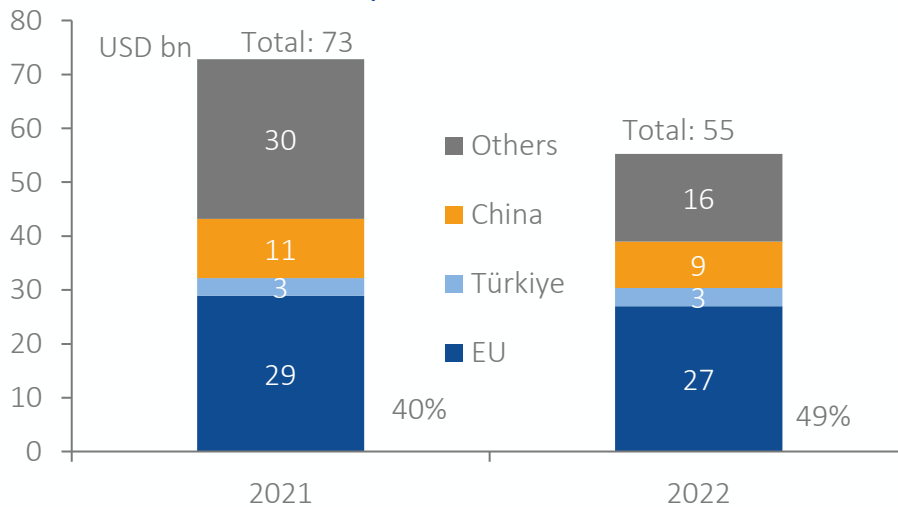
Geography

Export structure



Source: UNComtrade for EU, China and Turkey in 2022; Ukrstat

Import structure



Source: UNComtrade for EU, China and Turkey in 2022; Ukrstat

Exports

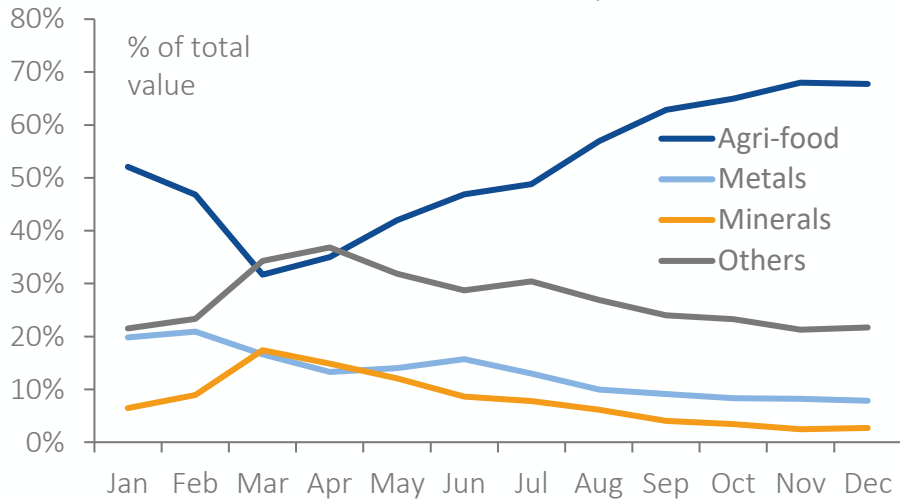
- » Total goods exports declined by 35% yoy
- » However, exports to the EU increased by 5% yoy, boosting the EU's role as main export destination from 39% to 63%!
- » Exports to China and other markets dropped, and to Russia stopped

Imports

- » Imports fell by 24% yoy in 2022, less than exports
- » Imports from the EU fell only slightly, thereby increasing the share to almost half, but the share increased less than on the export side
- EU's share increased to 56% in the trade value while other markets went down
- Ukraine is in a trade surplus with the EU now

Product composition: exports

Goods structure of Ukraine's exports in 2022



Source: UNComtrade

Top products of Ukraine's exports in 2022

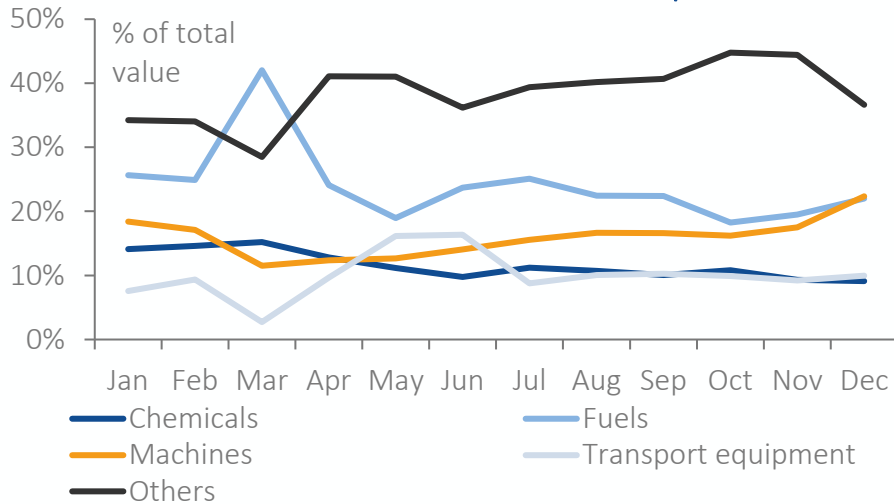
HS	Description	USD bn	Change in value, %	Change in volume, %
1005	Maize (corn)	6.0	2%	3%
1512	Sunflower seed oil	5.5	-13%	-16%
2601	Iron ores	2.9	-57%	-47%
1001	Wheat and meslin	2.7	-43%	-42%
1205	Rape seeds	1.6	14%	35%
8544	Insulated cables	1.3	-18%	-15%
1206	Sunflower seeds	1.3	32x	33x
7207	Semi-finished products of iron	1.2	-69%	-72%
7208	Flat-rolled iron	1.0	-71%	-72%
1201	Soya beans	0.9	39%	75%

Source: UNComtrade

- » UKR exports dropped non-uniformly across products: -16% drop in agri-food, -62% in metals and -49% in minerals
- » UKR export structure shifted strongly :
 - Agri-food share: +12 pp to 53%, 68% in Dec-22
 - Metals share: -9 p.p. in share to 14%
 - Minerals share: -2 p.p. in share to 10%
- » Seaport exports were only possible for certain agri-food products and blocked for metals, minerals and all other goods
- » Due to much higher logistic costs, exporters got limited or no gains from surged global commodity prices
- » Higher prices received by exporters of sunflower oil, poultry meat and selected ferrous metals
- » Exports of several key agri-food products, incl. maize, sunflower and rape seeds, and soybeans, grew driven by volume expansion
- **Serious reshuffling of exports, with a strengthened role of agri-food**

Product composition: imports

Goods structure of Ukraine's imports



Source: UNComtrade

Top products of Ukraine's imports in 2022

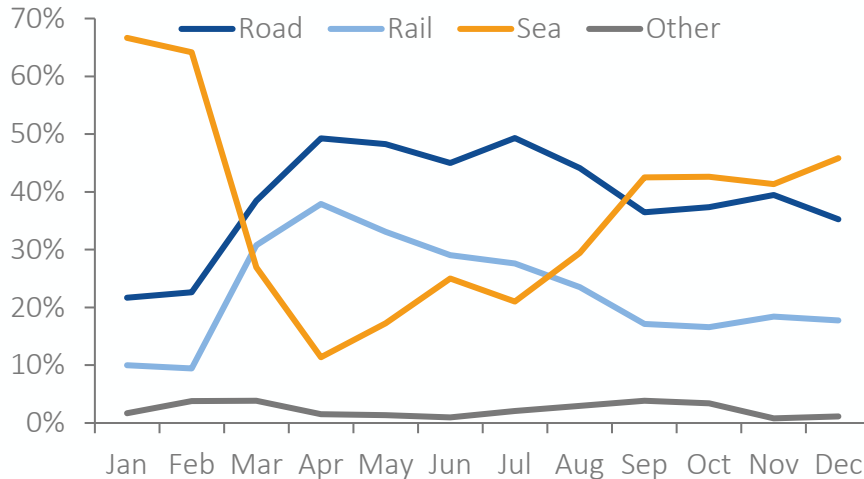
HS	Description	USD bn	Change in value, %	Change in volume, %
2710	Petroleum processed products	8.7	59%	-17%
8703	Motor cars	2.9	-33%	-35%
9999	Commodities not specified	2.4	781%	n/a
2711	Natural gas	2.1	-28%	-64%
3004	Medicaments	1.6	-27%	-27%
2701	Coal	1.2	-51%	-76%
8517	Telephone sets	1.0	-24%	-37%
3808	Insecticides and the like	0.9	-11%	-25%
8701	Tractors	0.8	3%	11%
8502	Electric generating sets	0.7	214%	133%

Source: UNComtrade

- » The changes in imports were mixed
- » Mineral fuels imports dropped by only 11% nominally, as lower physical volumes were counterweighted by a 59% increase in gasoline and diesel shipments
- » Machinery imports declined by 35%, but imports of electricity generating and storing equipment boomed:
 - Electric generation sets: +214%
 - Electric accumulators: +111%
- » As a result, changes in import structure were less pronounced although still visible:
 - Mineral fuels: +3 p.p. to 23%
 - Machines share: -3 p.p. to 16%
 - Chemicals share: - 2 p.p. to 11%
 - Transport equipment: stayed at 10%
- Limited changes in the import structure
- Increased role of mineral fuels thanks to high global prices

Transportation of goods for exports

Ukraine's export value by mode of transport in 2022



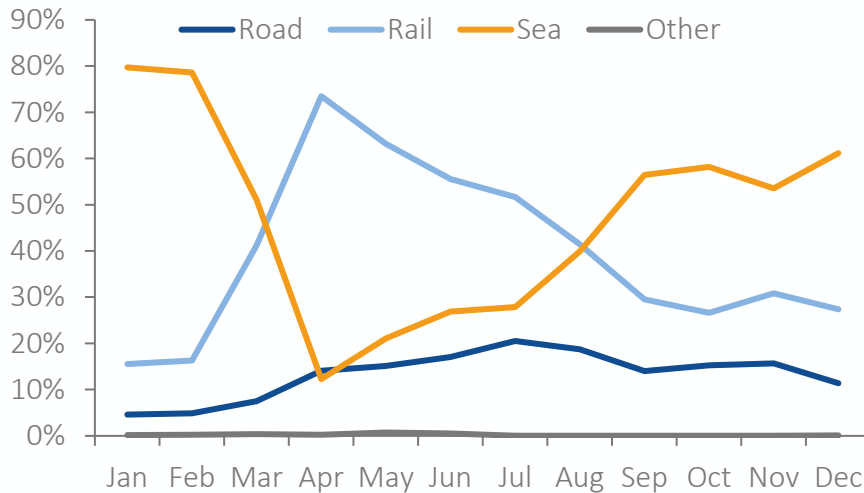
Sea transport

- » The share of sea transportation dropped to 12% of export volume in Apr-22 but partly recovered, largely due to Grain Deal, but also the accelerated use of Danube ports
- » Still, the share of sea transport was only 40% (-22 p.p.) of value and 54% (-20 p.p.) of volume in 2022, as most goods remained deprived of sea shipments

Land transport

- » The role of both road and rail transportation increased in 2022
- » Road transport share increased to 37% (+14 p.p.) of value and 12% (+6 p.p.) of volume, shipping relatively more expensive goods
- » Rail transport reached 20% (+8 p.p.) of value and 34% (+14 p.p.) of volume, thus absorbing mostly heavy-weighted shipments
- » Exports partly shifted to land, although the role of sea recovered with Grain Deal
- » Roads were used to ship relatively more expensive goods, while rails – heavy-weighted

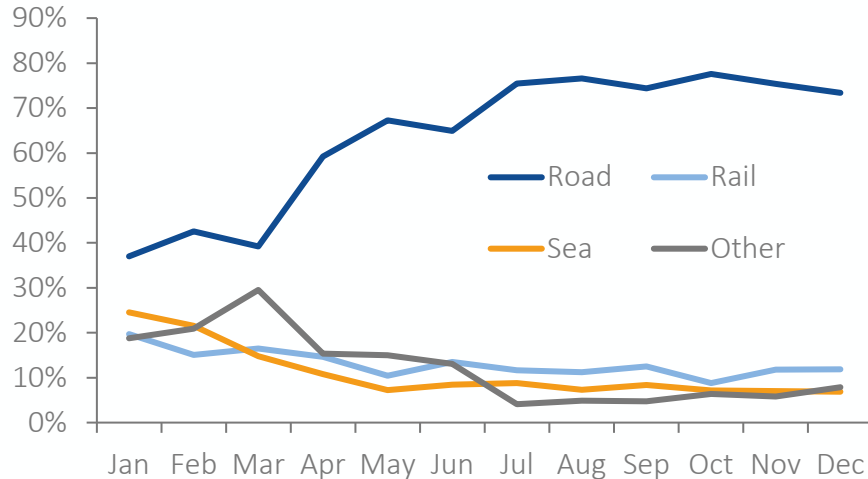
Ukraine's export volume by mode of transport in 2022



Source: Ministry of Infrastructure of Ukraine

Transportation of goods for imports

Ukraine's import value by mode of transport in 2022



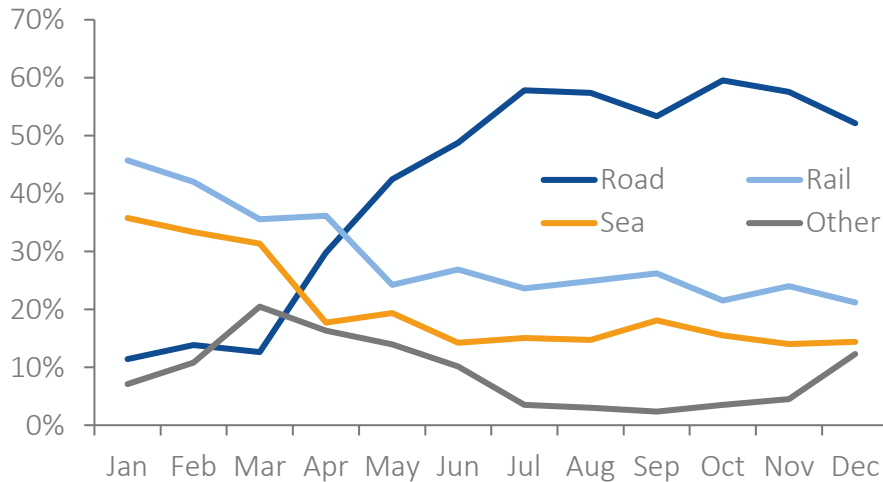
Sea transport

- » Sea transport has always played a lesser role in imports compared to exports
- » In 2022, the share of sea transport reduced to 12% (-9 p.p.) of value and 24% (-6 p.p.) of volume

Land transport

- » Road carriers became the dominant mode of transportation, accounting for 64% (+19 p.p.) of import value and 35% (+19 p.p.) of volume in 2022
- » The share of rail transport declined to 13% (-1 p.p.) of value and 33% (-19 p.p.) of volume
- » In imports, road shipments became dominant in value and volume of shipments
- » The role of both sea and rail transport in imports considerably reduced

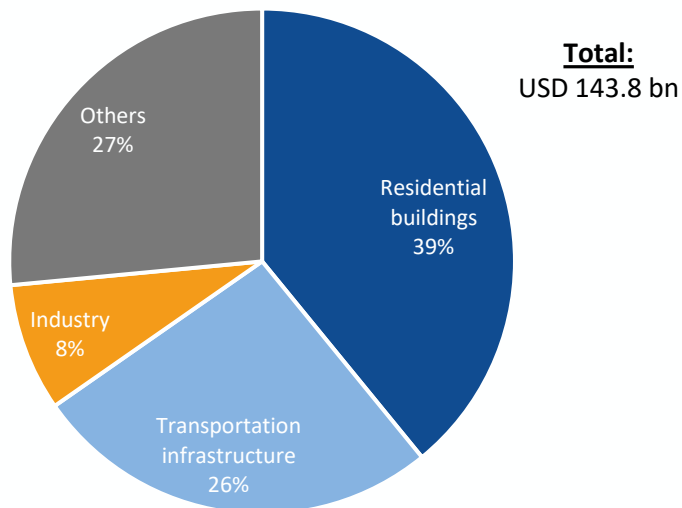
Ukraine's import volume by mode of transport in 2022



Source: Ministry of Infrastructure of Ukraine

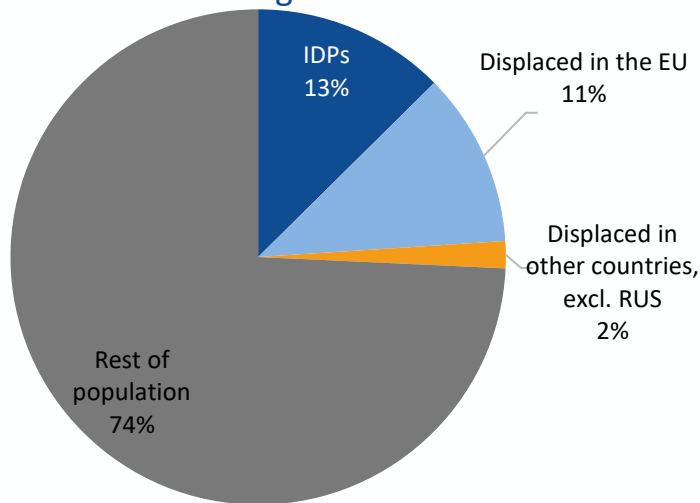
3.1. Disrupted supply chains

Damage assessment



Sources: Kyiv School of Economics, Feb-23, damages to energy infrastructure are not fully accounted for

Assessment of migration and IDPs



Sources: UNHCR, EU, UN IOM, Rest of population might include refugees in Russia

- » Trade-oriented sectors suffer from negative effects of war on capital and labour inputs

Capital and infrastructure inputs

- » Damages to infrastructure USD 144 bn until Feb-23
- » Damages to transport limit domestic and international trade
- » Damages to residential buildings restrict migrants from returning home

Labour inputs

- » More than 1/4 of population is internally displaced or forced to leave Ukraine
- » 8.2 m were forced to leave Ukraine, 5.4 m are registered outside Ukraine within Europe, ca. 30% of whom do not know or do not intend to return to Ukraine (CES)
- Production capacities are being disrupted by the loss of capital and migration flow
- A quick reparation of damages is needed to keep cities liveable and for people to return

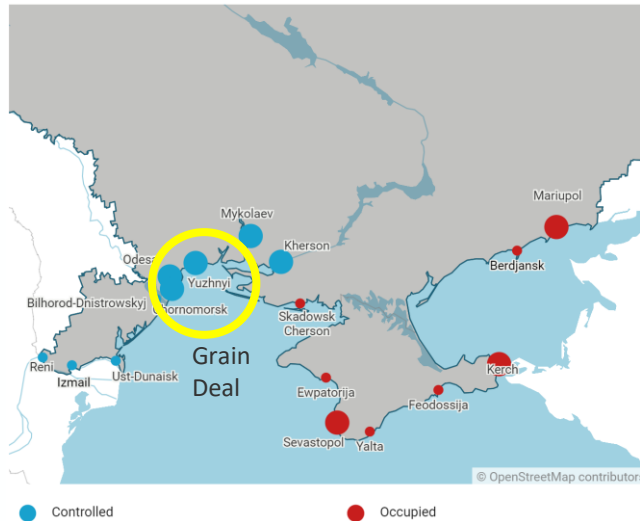
3.2. Trade policy measures of international partners

The international measures aiming to support Ukraine's foreign trade include:

- » Measures aimed to improve logistics:
 - “Grain Deal”
 - EU Solidarity Lanes initiative
- » Measures aimed to improve market access:
 - Temporary elimination of import duties & tariff rate quotas (TRQs)
 - Temporary suspension of anti-dumping and safeguard measures
- » Measures to ensure continued deepening economic integration with the EU in the framework of the Association Agreement/DCFTA

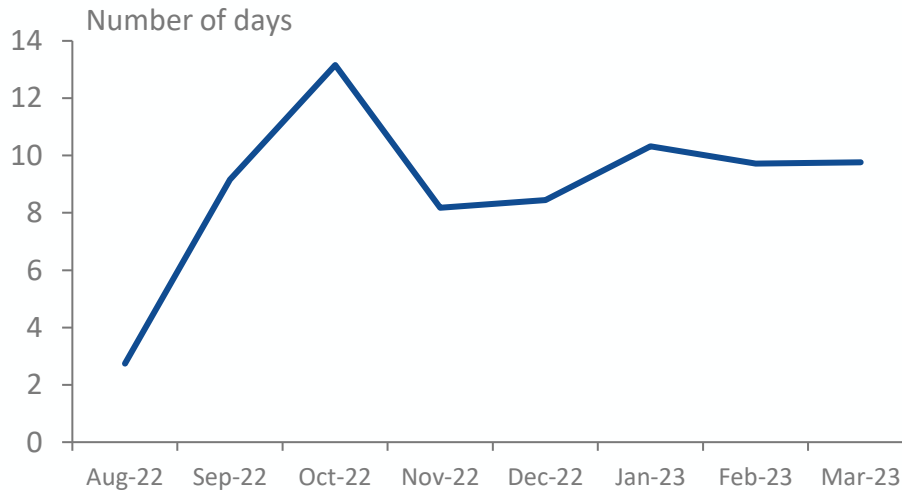
3.2.1. Logistics: blockade of seaports & Grain Deal

Map of Ukraine's ports



Sources: World Port Source

Waiting time between departure and inspection clearance

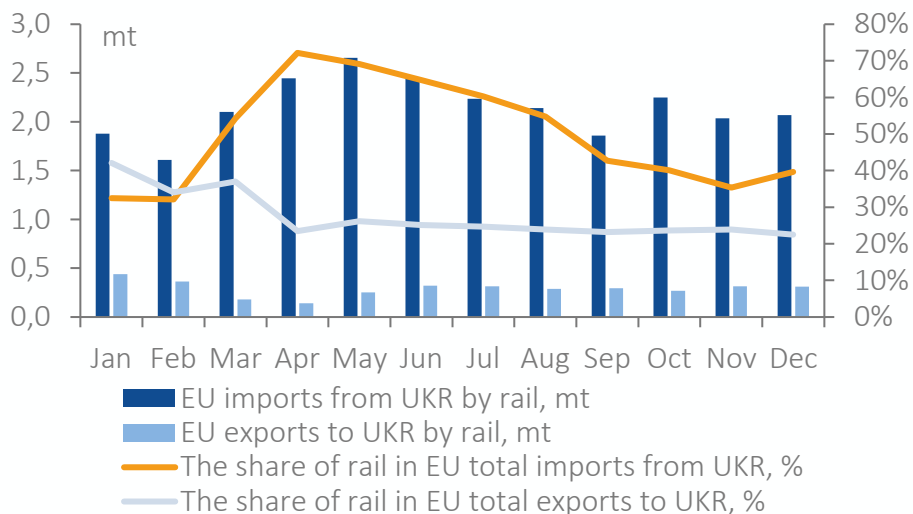


Sources: Black Sea Grain Initiative Vessel Movements, month average

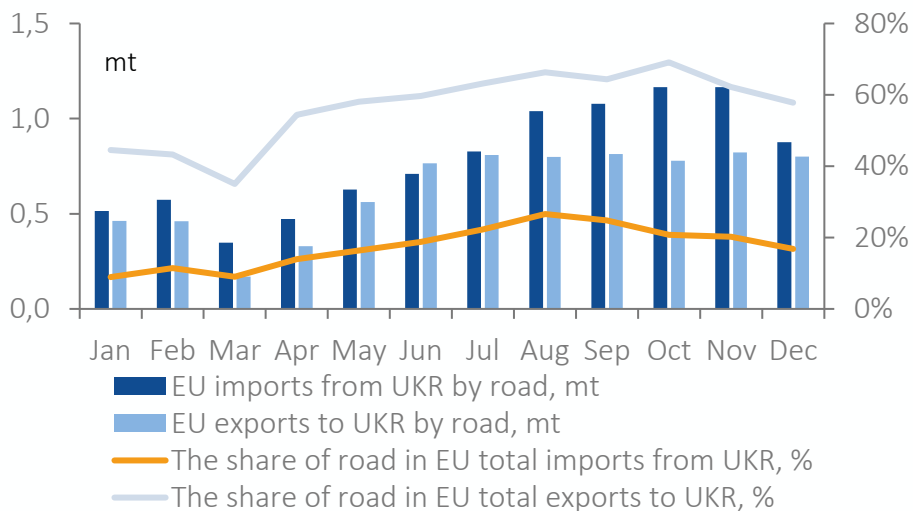
- » In 2021, sea shipments dominated in UKR exports of key commodities:
 - Ferrous metals (HS 72): 83% of the export volume was shipped by sea
 - Grains (HS 10): 100%
 - Ores (HS 26): 65%
 - Plant oils (HS 15): 91%
- » Since 2014 RUS has occupied five seaports, since 2022, further three and blocked all remaining seaports
- » In Jul-22, TUR and the UN brokered the Grain Deal that allowed for exports of grain, plant seeds and oils through Odesa-area ports, conditioned upon joint inspections
- » Metal and iron ore exports remain blocked
- » The number of inspections is low and declining, causing queues
- » Still, the Deal allowed exporting 16 m tons or 41% of the total UKR exports of grains, plant seeds and oils in 2022
- Grain Deal is highly important but insufficient

Other transport initiatives

Rail shipments in UKR trade with the EU in 2022



Road shipments in UKR trade with the EU



Sources: Eurostat, own estimates

- » On May-22, the EU launched the Solidarity Lanes initiative to help UKR exports by addressing transport bottlenecks in the EU
 - **Short-term:** accelerated border crossing, better availability of storage and means of transport, prioritised UKR shipments, road transport agreement
 - **Medium- to long-term:** increased infrastructure capacity, improved connectivity
- » In 2022, the role of land transportation increased to 65% (+15 p.p.) for EU import volume from UKR and to 85% (+12 p.p.) for EU exports to UKR
- » Main achievements:
 - Expanded capacity of customs border crossing (additional lanes/crossing points, more personnel, longer working hours)
 - Temporary abolishment of road permits for UKR trucks, resolving the long-lasting bottleneck (see [GET UKR PB/01/2022](#))
- **Roads are increasingly used to ship goods to UKR, while rail is for shipping to the EU**

3.2.2 Tariff liberalisation

Countries	EU	UK	US	CAN	AUS
Coverage	All	All	Iron & steel	All	All
Type of barriers removed	Import duties/TRQs/entry prices/safeguards/anti-dumping	Import duties/TRQs/safeguards/anti-dumping	Safeguards	Import duties/TRQs/anti-dumping	Import duties
Duration	1 year since Jun-22	1 year since Apr-22 for duties/TRQs; 2 years for safeguards	1 year since May-22	1 year since Jun-22	1 year since Jul-22
Country's share in UKR exports (2021)	39%	1.6%	2.4%	0.2%	0.1%
Share of affected exports in total exports to partner, % (2021)	19%	24%	10%	0.4%	84%
Importance for UKR exports	High	Medium	Medium	Low	Low

Sources: EU, UK, US, CAN, AUS regulation and government press releases (see Annex for detailed description and references)

Tariff liberalisation impact

Countries	EU	UK	USA	CAN	AUS
Country's share in UKR exports (2022)	63%	1.0%	2.0%	0.2%	0.05%
<i>Change, p.p. 2022/2021</i>	<i>+24 p.p.</i>	<i>-0.6 p.p.</i>	<i>-0.4 p.p.</i>	<i>0.0 p.p.</i>	<i>-0.05 p.p.</i>
Share of affected products exports in total exports to partner, % (2022)	26%	15%	28%	0.6%	82%
<i>Change in affected products, p.p. 2022/2021</i>	<i>+7 p.p.</i>	<i>-9 p.p.</i>	<i>+18 p.p.</i>	<i>+0.2 p.p.</i>	<i>-2 p.p.</i>
Change in exports to partner, 2022/2021, %	+5%	-58%	-42%	-29%	-66%
<i>Change in affected products exports to partner, 2022/2021, %</i>	<i>+47%</i>	<i>-74%</i>	<i>+62%</i>	<i>+9%</i>	<i>-67%</i>
Impact on exports of affected products	Strongly positive for goods under TRQs	Limited; sporadic positive impact on goods under TRQs	Positive	Positive but minor	Limited
Contribution of affected products exports to change in UKR exports to partner	Explains 99% of the growth	Responsible for 31% of the drop	Offset 15% of the drop	Offset 0.12% of the drop	Responsible for 85% of the drop
Overall impact	High	No	Some	Negligible	No

3.2.3. AA/DCFTA

- » As of March 2023, the overall progress in legal approximation within the Association Agreement reached 83%, including:
 - Technical barriers to trade (TBT): 87%
 - Sanitary and phytosanitary measures (SPS): 72%
 - Customs: 60%
- » By the end-2022, Ukraine achieved economic integration with the EU in:
 - **Energy:** access to the EU electricity market by joining the ENTSO-E (2022), de-facto integration with the EU gas market (2020)
 - **Customs:** joining the EU common transit system (2022) that applies a common procedure and a single administrative document for goods moved under customs transit supervision between contracting parties
 - **SPS:** the recognition of certification system equivalence for cereal seeds (2020)
 - **Avia:** signature of the Common Aviation Space Agreement (2021)
- » Forthcoming opportunities expected in the short term:
 - **TBT:** mutual recognition for selected industrial products by concluding **ACAA** for three sectors (machines, low voltage equipment, electromagnetic compatibility); see [GET UKR PS/02/2021](#) for details; expert assessment mission is still ongoing

Summary: factors behind 2022 trends

Disrupted supply chains

- Migration: 8 m were forced to leave Ukraine + 5 m are IDPs
- Infrastructure destructions exceeding USD 144 bn
- → Worsened access to production inputs labour and capital

Trade policy measures by international partners

Logistics

- Before the full-scale war: 62% of exports and 21% of imports in value via seaports
- Three major seaports are occupied now, five since 2014, while other seaports are blocked except for grain and plant oil exports (“Grain Deal”)
- EU launched the Solidarity Lanes initiative to mitigate the impact

Tariff liberalisation

- EU, UK, Canada: temporarily abolished import duties, TRQs, trade remedies
- Australia: temporarily abolished all import duties
- US: temporarily abolished trade remedies on steel

AA/DCFTA

- Energy: joining ENTSO-E in March 2022
- Customs: joining EU common transit system in October 2022
- TBT/SPS: ongoing alignment with the EU *acquis*

4. Policy recommendations and conclusions

- » In 2022, Ukraine's foreign trade features several structural changes, including:
 - Strong **(re)orientation to the EU**, particularly in exports
 - Further **shift towards agri-food exports** amid strong global focus on food security
 - **Increased role of land transportation**
- » Both the Grain Deal and other transport initiatives and the temporary suspension of tariff barriers, especially TRQs, had a positive impact on counterbalancing the war shock, although far not sufficient to compensate it in full
- » Further trade-related efforts should be focused on the following:
 - Prolongation of the unilateral market access measures by partners
 - Improvement of land logistics through institutional and infrastructure means
 - Unblocking Ukraine's Black Sea ports
 - Opening of other markets by concluding FTAs or brokering unilateral opening for Ukraine
 - Further AA/DCFTA implementation and EU *acquis* harmonisation to foster economic integration with the EU

About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**Advisory activities in Belarus are currently suspended.*

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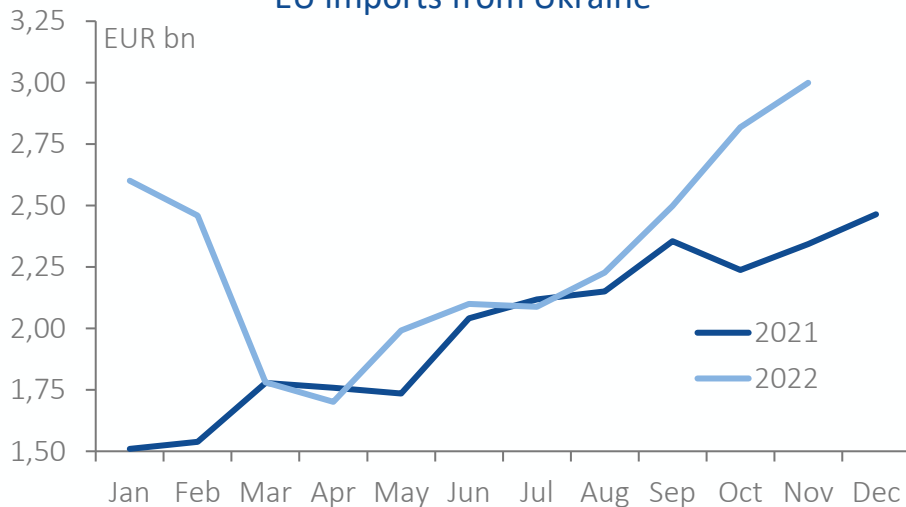
<https://www.german-economic-team.com/ukraine>

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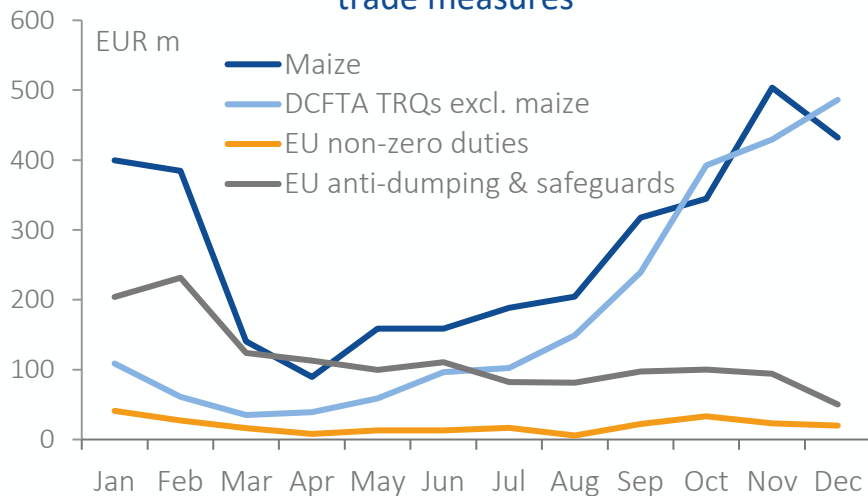
Annex: Access to the EU market

EU imports from Ukraine



Source: Eurostat

EU imports from Ukraine's goods subject to autonomous trade measures



Source: Eurostat

- » EU's imports from Ukraine increased, driven by the solidarity lane, while metals and chemical exports declined
- » Since Jun-22, the EU introduced autonomous trade measures (ATMs)
 - » ATMs had a non-uniform impact:
 - DCFTA TRQs, excl. maize: +192% yoy
 - Maize, subject to TRQ: +101% yoy
 - Other non-zero duties: -30% yoy
 - EU anti-dumping & safeguards on iron & steel products: -35% yoy
 - Rest of UKR exports: no change in value compared to 2021
- TRQs suspension had a strong positive impact on UKR exports
- Despite better market access, metal exports continued to decline due to production and logistic constraints

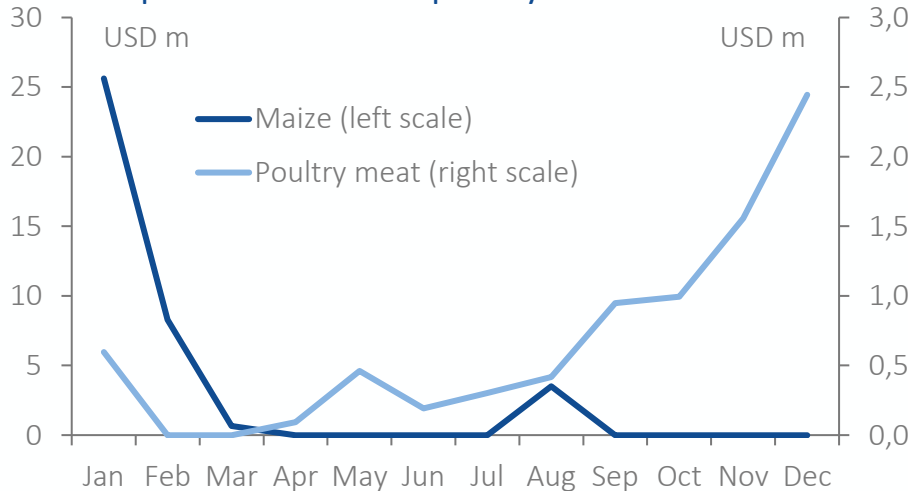
Annex: Access to the UK market

Ukraine's exports to the UK in 2022



Source: UN Comtrade

UKR exports of maize and poultry meat to the UK in 2022



Source: UN Comtrade; Note: maize and poultry meat are two top products among those affected by the UK temporary tariff liberalisation

- » Ukraine's FTA with the UK resembles the DCFTA with the EU; also, the UK partly replicated EU trade remedies
- » Liberalisation of market access did not stop UKR exports reduction, although the drop was non-uniform:
 - TRQs, excl. maize: -49% yoy
 - Maize, subject to TRQ: -72% yoy
 - Other non-zero duties: -41% yoy
 - UK anti-dumping & safeguards on iron & steel products: -92% yoy
 - Rest of UKR exports: -53% yoy
- » Still, UKR exports of selected products, mostly under TRQs, like apple juice, poultry meat and preparations, expanded substantially
- » Sporadic positive impact on exports of goods constrained by TRQs

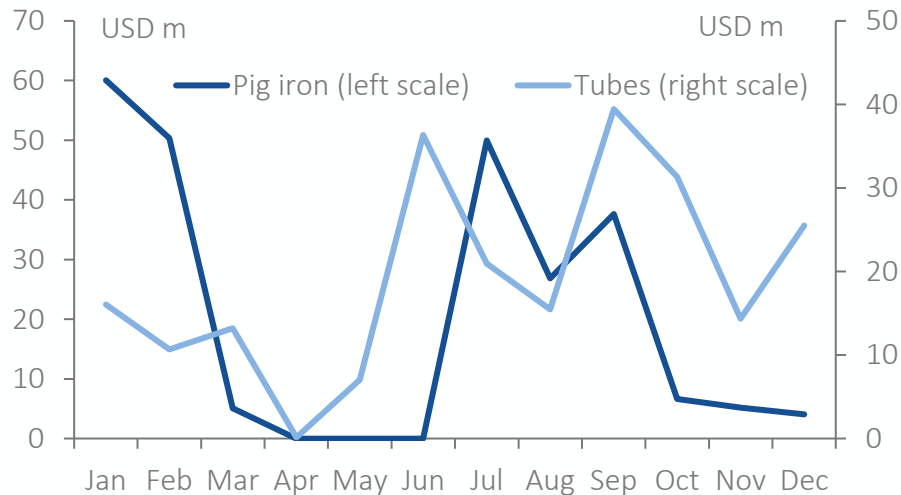
Annex: Access to the US market

Ukraine's exports to the US in 2022



Source: UN Comtrade

Ukraine's exports of tubes and pig iron to the US in 2022



Source: UN Comtrade

- » Under Section 232, the US applied 25% safeguard duty on selected iron & steel products from all countries, with few exceptions
- » Since May-22 for 1 year, the US suspended safeguard measures on UKR steel exports imposed under Section 232
- » While UKR total exports to USD dropped by 42% yoy in 2022, exports of affected iron & steel products grew by 62% yoy
- » Their share increased from 10% in 2021 to 28% in 2022
- » Iron & steel tubes (HS 7304) benefited the most: their exports grew by 85% yoy in value and 34% yoy in volume in 2022
- » For comparison, exports of pig iron, no.1 product in 2021 UKR exports to the USA, dropped by 70% yoy both in value and volume
- USD measures benefited UKR tubes exporters

Annex: Access to other markets

Ukraine's exports to Canada in 2022



Source: UN Comtrade

Ukraine's exports to Australia



Source: UN Comtrade

Canada

- » UKR has FTA with Canada, so most exports were duty-free by 2022
- » Tariff suspension concerned 0.4% of 2021 UKR exports
- » While total exports to Canada dropped by 29% yoy in 2022, exports of goods affected by temporary measures grew by +9% yoy
- **Positive but minor impact**

Australia

- » UKR has no FTA with Australia; thus, tariff suspension covers over 80% of UKR exports
- » Main export product is sunflower seed oil; its exports dropped by 73% in 2022 despite zero duties
- » UKR increased shipments of welding machines and their parts, furniture etc., but their role in total shipments is tiny
- **Sporadic impact not changing the trend**

Annex: trade liberalisation measures by partner countries

Temporary trade-liberalisation measures between the EU and Ukraine 4 June 2022 and 5 June 2023

- » Full suspension of import duties of Ukraine's exports of industrial goods
- » Suspension of the entry price system to fruit and vegetables exported from Ukraine, no customs duties shall be applied
- » Suspension of tariff-rate quotas and of import duties
- » Anti-dumping duties on Ukraine's exports to the EU should not be collected at any point in time
- » the temporary suspension of the application of Regulation (EU) 2015/478 (i.a. safeguard measures if a developing country's share of EU's imports of a product concerned exceed 3%)

Sources: EU Regulation 2022/870 and 2015/478, Market Access Map

Temporary trade-liberalisation measures between the UK and Ukraine

- » All tariffs on goods Ukraine exports to the UK and all quotas are suspended under the FTA in Apr-22 (for 12 months with a possibility of prolongation)
- » Digital trade agreement: e.g tariff-free flow of digital content, adjustment of **digital trade system** (paperless work, digital invoicing, digitised customs procedure, e-signatures)
- » Application of steel safeguard measures suspended between 01 July 2022 and 30 Jun 2024

Sources: UK Government, Market Access Map

Annex: trade liberalisation measures by partner countries

Temporary trade-liberalisation measures between Australia and Ukraine

Free rate of duty for Ukraine's goods exports between 04 July 2022 and 03 July 2023

Sources: Australian government, Market Access Map

Temporary trade-liberalisation measures between Canada and Ukraine

- » Suspension of customs duties from 09 June 2022 to 09 June 2023
- » Cancellation of anti-dumping duty on hot-rolled flat steel

Sources: Canadian government, Market Access Map, GMK-Centre
<https://www.cbsa-asfc.gc.ca/publications/cn-ad/cn22-12-eng.html>

Temporary trade-liberalisation measures between the US and Ukraine

- » Suspending Section 232 tariffs on steel imports from Ukraine from 09 May 2022 to 09 May 2023

Sources: US government, Market Access Map, GMK-Centre
<https://www.commerce.gov/news/press-releases/2022/05/raimondo-announces-temporary-suspension-232-tariffs-ukraine-steel>