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## Trade between Ukraine and the USA

Edilberto Segura, March 2015

Ukrainian exports to the USA today represent only 1% of Ukrainian exports (about \$900 million), 50% of which are in iron/steel products. Despite their small size, the potential for export growth to the USA is huge, particularly if the US and Ukraine were to sign a Free Trade Agreement (FTA). In fact, there is little risk of trade-diversion (a major issue in some FTAs); whereas the possibility of trade-creation is large.

This trade potential would be facilitated if the US and Ukraine were to enter into a FTA, along the lines of the FTA recently entered between Ukraine and the EU.

Furthermore, a FTA with Ukraine should be a priority to compensate the fall of Ukrainian exports due to the hostilities with Russia in the country's east. The USA already has FTAs with 20 countries, including: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Korea, Mexico, Morocco, Nicaragua, Oman, Panama, Peru and Singapore.

The expansion of exports in countries entering into FTAs with the USA have been significant: For example, since signing FTAs, export to the US increased by 122% in Chile in 3 years; by 97% in Morocco in 3 years; by 40% in Peru in 5 years; by 710% in Mexico in 6 years. The Central American countries are now exporting \$30 bn to the US.

FTA partners of the U.S. benefited also from imports of hi-tech goods, equipment, and technologies. For example, thanks to NAFTA Mexico transformed from a minor player to the second largest player in the North American auto sector with a share of 20%.

Following the examples of countries that signed FTAs with the USA, it is feasible to increase Ukrainian exports in categories such as: vegetables and fruits, processed food, wood products, textiles and clothing, minerals, light metal-mechanics, and services such as computer software and tourism.

In particular, a good potential may exist for fruits and vegetables as Ukraine is among the world largest producer of vegetables.

In fact, according to the FAO, Ukraine is among the world's top 15 producers of the following fruits/vegetables: pome fruit, sour cherries, mustard seed, gooseberries, walnuts, raspberries, carrots and turnips, cucumbers, cranberries, cherries, peas, garlic, cabbages, blueberries, apples, plums and sloes, apricots, tomatoes, strawberries, etc.

Among traditional Ukrainian exports, there may be room for increases in exports of iron/steel products; but for other major Ukrainian goods, such as cereals, the US market may be closed.

According to the U.S. International Trade Commission, the trade turnover between Ukraine and the U.S. in January-December 2014 decreased by 25,3% (or 748 million US dollars) compared to the previous year and amounted to \$2,212 million. The bilateral trade deficit amounted to \$344 million. There was a decrease in exports of Ukrainian goods to the U.S. by 9.8% (or \$102 million) and by the end of December 2014 it

amounted \$934 million. At the same time, imports of the U.S. products in Ukraine has decreased by 33,6% (or \$646 million) and amounted to \$1,278 million.

**Total U.S. trade turnover with Ukraine, January-December 2014** (thousand U.S. dollars)

	2009	2010	2011	2012	2013	2014	Change 2014/2013	
							%	+/-
<b>U.S. General Imports from Ukraine</b>	489	1082	1460	1352,2	<b>1036</b>	<b>934</b>	90,2	-102,0
<b>U.S. Total export to Ukraine</b>	890	1344	2104	1936,0	<b>1924</b>	<b>1278</b>	66,4	-646,0
<b>Trade balance</b>	-401	-262	-644	-583,8	<b>-888</b>	<b>-344</b>	-	-
<b>Total trade turnover</b>	1379	2426	3564	3288,2	<b>2960,0</b>	<b>2212</b>	74,7	-748,0

**Import of goods from Ukraine to the U.S., January-December 2014** (thousand U.S. dollars)

Category	2013	2014	% Change
Iron and steel	275,394	325,388	18.2%
Articles of iron or steel	147,621	110,280	-25.3%
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	269,983	87,150	-67.7%
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	70,361	80,164	13.9%
Special classification provisions, nesoi	18,343	47,041	156.5%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers	29,321	31,759	8.3%
Dairy produce; birds' eggs; natural honey; edible products of animal origin, nesoi	9,647	27,857	188.8%
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	1,048	23,201	2,113.1%
Nuclear reactors, boilers, machinery and mechanical appliances	16,022	21,375	33.4%
Railway or tramway locomotives, rolling stock, track fixtures and fittings, and parts thereof; mechanical etc. traffic signal equipment of all kinds	6,773	20,569	203.7%
Base metals nesoi; cermets; articles thereof	18,888	19,123	1.2%
Tanning or dyeing extracts; tannins and derivatives; dyes, pigments and other coloring matter; paints and varnishes; putty and inks	22,444	12,110	-46.0%
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	5,772	11,591	100.8%
Works of art, collectors' pieces and antiques	517	11,498	2,123.4%
Articles of apparel and clothing accessories, not knitted or crocheted	8,891	10,229	15.1%
<b>ALL OTHER:</b>	135,207	94,690	-30.0%
<b>TOTAL</b>	<b>1,036,231</b>	<b>934,025</b>	<b>-9.9%</b>

Sources: U.S. Department of Commerce and U.S. International Trade Commission.

**Export of goods from the U.S. to Ukraine, January-December 2014** (thousand U.S. dollars)

<b>Category</b>	<b>2013</b>	<b>2014</b>	<b>% Change</b>
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	402,075	352,628	-12.3%
Nuclear reactors, boilers, machinery and mechanical appliances	336,483	286,902	-14.7%
Vehicles, other than railway or tramway rolling stock, & parts	266,311	138,740	-47.9%
Fish and crustaceans, molluscs and other aquatic invertebrates	112,418	63,634	-43.4%
Plastics and articles thereof	57,464	55,184	-4.0%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders	62,787	37,199	-40.8%
Pharmaceutical products	46,938	29,907	-36.3%
Articles of iron or steel	17,704	26,597	50.2%
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus	34,352	23,603	-31.3%
Dairy produce; birds' eggs; natural honey	49,514	23,071	-53.4%
Furniture; bedding, cushions etc.; lamps and lighting fittings nesoi; illuminated signs; prefabricated buildings	14,749	21,672	46.9%
Manmade staple fibers, including yarns and woven fabrics	17,823	21,113	18.5%
Special classification provisions, nesoi	17,762	20,132	13.3%
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	38,338	15,927	-58.5%
Essential oils and resinoids; perfumery, cosmetic or preparations	16,776	15,476	-7.7%
<b>All Other:</b>	433,482	146,643	-66.2%
<b>Total</b>	<b>1,924,976</b>	<b>1,278,428</b>	<b>-33.6%</b>

Sources: U.S. Department of Commerce and U.S. International Trade Commission.