

ECONOMIC BULLETIN

Introduction

Dear Readers!

In this twenty-third issue of the Economic Bulletin, we provide information about the following topics:

- Main economic trends in the USA
- Current trade status
- Economic and investment cooperation between Ukraine and the USA
- Cancellation of anti-dumping measures regarding certain kinds of Ukrainian products
- Cooperation between Ukraine and the IMF
- Visits from the Head of State and the Prime Minister of Ukraine to the USA
- Cooperation between Ukraine and the USA within the Organization for Economic Cooperation and Development (OECD)
- Other interesting events

In addition, in this issue we briefly review the financial and technical aid coming from the USA to Ukraine, provide the list of sanctions applied by the USA to Russian Federation citizens and entities, and inform you about the Embassy's initiative to focus the attention of American businesses and potential investors on the most promising and important branches of our domestic economy based on national interests. A series of so-called "Ukrainian Days," dedicated to export and investment opportunities within priority areas of the Ukrainian economy continues; the next event, planned to take place by the end of the year in Washington, is Ukrainian Agrarian Day.

Finally, we study the economic potential of the State of Washington, where an Honorable Consulate of Ukraine will be opened in the near future.

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Social and Economic Development of the USA

Main Economic Trends

In his speech on Labor Day in Milwaukee, Wisconsin, President Barack Obama declared that the USA economy in general, and the financial position of American workers in particular, has changed for the better since the beginning of his presidency in 2009.

Obama gave his speech after the latest economic indicators showed a 1% reduction in the unemployment rate, and 4.2% GDP growth in the second quarter of 2014. The number of jobs in the American economy grew in September by 248,000. In September, unemployment in the USA was reduced to 5.9% - the lowest level since July 2008, as compared to 6.1% in August.

Recovery of the American economy in April-June was the highest since the fourth quarter of 2011. The core Personal Consumption Expenditures (PCE) index (excluding food and energy), which is closely monitored by the Federal Reserve System (FRS) to assess inflation, grew 2% in the the second quarter. The indicator performed as expected (in the first quarter it grew by 1.2%).

According to a report published by the US Department of Commerce, the US deficit in August 2014 reached US\$40.1 billion, its lowest level since the beginning of the year. In July, according to adjusted data, the negative external balance was US\$40.3 billion, not US\$40.5 billion as expected.

Experts had anticipated the average growth of the deficit to be US\$40.8 billion from the previously announced level.

Demand for American goods and services by the USA's main trade partners remains high (despite the

cooling of global economic improvement), supporting companies that operate within the industrial sector. Meanwhile, import growth has been minimized by the USA reducing oil purchases due to an increase in domestic oil production.

The deficit, aside from price fluctuations during the summer, remained almost the same as in July and amounted to US\$47.9 billion.

The negative external balance in the oil market was reduced in August to US\$13.1 billion, its lowest point since 2004. Fuel importation dropped to US\$27.2 billion, its lowest level since November 2010.

The import of goods and services to the USA in August increased by 0.1% to US\$238.6 billion. Export volume grew by 0.2% and amounted to US\$198.5 billion since July.

Economic Cooperation between Ukraine and the USA

Cooperation between Ukraine and the IMF and the World Bank

On August 7, 2014, the World Bank Board approved a decision to grant the First Programmatic Financial Sector Development Policy Loan to Ukraine in the amount of US\$500 million. The credit resources received within this loan will be aimed at supporting priority measures for the reformation of our country's banking sector. In particular, the reform package supported by the loan will strengthen the Ukrainian banking system against internal and external risks, as well as strengthen financial, operating, and regulatory components of the Deposit Insurance Fund. This loan is a part of the aid package of the World Bank to Ukraine announced in March of this year; by the end of this year it will grant our country access to credit resources of the Bank in the amount of US\$3.5 billion.

On August 29, the IMF Board decided to allocate a tranche amounting to US\$1.39 billion (or SDR 914.67 million) to Ukraine under a two-year "stand-by" arrangement, within which our country received access to the Fund's credit resources in the amount of SDR 10.976 billion. This decision was approved by the IMF Board as part of completing the first review of discharge of Ukraine's obligations under the stand-by arrangement, in particular as part of the implementation of economic reforms. According to the IMF, the economic policy of the Ukrainian government generally complies with Fund requirements. Ukraine's achievement of all program parameters will largely depend on

the development of the situation in eastern Ukraine. The IMF Board also approved the efficiency of combining the second and the third reviews of discharge of Ukraine's obligations under the program this year.

Ukrainian President Petro Poroshenko Visits the USA September 17-18

The visit included meetings with US President Barack Obama, US Vice President Joe Biden, Speaker of the House of Representatives of the US Congress John Boehner, US Secretary of State John Kerry, US Secretary of Energy Ernest Moniz, and a speech before both houses of the US Congress.

The central element of the visit was a solemn speech by Poroshenko before both houses of the US Congress, the fact of which alone proved significant respect to our country and wide support for the European aspirations of the Ukrainian people by American legislators.

During his visit to Washington, Poroshenko received a Global Citizen Award from the Atlantic Council, participated in the laying of a wreath at Arlington National Cemetery, gave an interview to CNN, and met with representatives of the Ukrainian community that gathered at the White House to demonstrate support for Ukraine and Poroshenko's policy. During the visit, the USA agreed to grant an additional aid package to Ukraine in the amount of US\$53 million.

Part of the total, US\$7 million, will be directed to international organizations for giving humanitarian aid to forced migrants and those who have suffered as a

result of the conflict in eastern Ukraine. A sum of US\$46 million will be used to support the armed forces and State Border Guard Service of Ukraine. As American high officials note, this aid will include radar equipment, engineering equipment, patrol cars, transport for carrying personnel, water transport, equipment for surveillance, and equipment for chemicals and explosives detection, as well as armor vests, rations in kind, de-mining equipment, and first-aid equipment.

Ukrainian Prime Minister Arseniy Yatseniuk Participates in General Discussion of the 69th Session of the UN General Assembly on September 24-25

On September 25, Prime Minister of Ukraine Arseniy Yatseniuk met with representatives of financial, banking, business, and investment circles of the USA. Around 30 heads of American companies (operating in banking, energy, industrial, agricultural, and IT sectors) already working in the Ukrainian market or interested in starting a business in Ukraine participated in the meeting, which took place in the historical building of the Ukrainian Institute of America. Preparation for the meeting with the heads of American companies was supported by the U.S.-Ukraine Business Council (USUBC). The Ambassador of Ukraine in the USA, Oleksandr Motsyk, and the General Counsel of Ukraine in New York, Ihor Sybiha, also participated in the meetings.

During the meeting with the heads of leading American companies, Yatseniuk presented the Ukrainian government's plan, called Recovery of Ukraine; outlined the current state of key social and economic

reforms in Ukraine; described the external priorities of the state and the possibility of increasing the volume and diversification of domestic exports to the American market; and discussed the advantages of American investments in the Ukrainian economy, in particular in the energy, agriculture, machine building, and IT sectors. Participants discussed further steps the government can take to improve the business environment in Ukraine.

The heads of some American companies—in particular, Westinghouse, Cargill, GlobalLogic, Phillip Morris, Mary Kay, Halltech, Monsanto, Orbita Sciences, Babcock & Wilcox, Chevron, and DuPont Pioneer—thanked the Ukrainian authorities for their systematic work aimed at creating favorable business conditions in Ukraine, expressed their offers regarding certain changes in the areas of tax and customs, and confirmed their interest in further cooperation with Ukraine. American entrepreneurs expressed full support for Ukrainian aspirations for European integration, specifically in the context of the ratification of the EU Association Agreement and further trading and investment opportunities with leading European countries.

Annual Meeting of the Heads of the IMF and the World Bank

On October 8-14, an official delegation from Ukraine—led by Head of the National Bank of Ukraine Valeriya Gontareva—took part in the annual meeting of the heads of the IMF and the World Bank. The delegation also included Minister of Finance of Ukraine Oleksandr Shlapak; Ambassador of

Ukraine in the USA Oleksandr Motsyk; First Deputy Head of the National Bank of Ukraine Oleksandr Pysaruk; and Diplomatic Counsellor of the Ministry of Finance of Ukraine Vitalii Tarasiuk.

The main events of the meeting were plenary sessions and sessions of the International Committee on Finance and Currency, and the Development Committee, in which the Ukrainian representatives took part.

During this visit, the Ukrainian delegation participated in 47 events, including 40 bilateral meetings—in particular, with heads of the IMF, and the World Bank and its institutions; the European Bank of Reconstruction and Development; the European Commission; the European Investment Bank; Ministers of Finance (from Georgia, Netherlands, and Germany); the Minister of Foreign Affairs of Norway; the heads of the Central Banks of Austria, Georgia, Moldova, Lithuania, Netherlands, Poland, the Russian Federation, and France; the heads of the Japan International Cooperation Agency; and the heads of a number of American public institutions, including the Department of State, the National Security Council, and the US Treasury Department.

An important element of the program, considering the current financial and economic situation in Ukraine, was public speeches by the Head of the National Bank of Ukraine and the Minister of Finance of Ukraine at special forums before representatives of international financial and banking circles, as well as meetings with representatives from leading international investment companies and the Ukrainian community of the IMF and the World Bank.

The administration of the National Bank of Ukraine also took part in the high-level seminar with the leading experts of the IMF. During this seminar, the urgent matter of development of the financial and banking sector was discussed.

The Head of the National Bank of Ukraine and the Minister of Finance of Ukraine gave separate interviews to representatives of foreign and Ukrainian information agencies and TV channels, including Bloomberg, Reuters, Wall Street Journal, Nikkey, Inter, 1+1, ICTV, Ukrinform, and Voice of America.

Ambassador of Ukraine Meets with American Business Representatives

On September 4, Ambassador of Ukraine to the USA Oleksandr Motsyk met with representatives of leading American companies who are also members of the Washington International Business Council (WIBC).

During the meeting, the ambassador informed those present about the current situation in Ukraine involving the external aggression against our country, and about future trade development prospects, and economic and investment opportunities between Ukraine and the USA. Motsyk also informed participants about steps being taken by the president and the government of Ukraine to improve investing and the support of foreign companies, particularly American ones. These improvements are intended to increase investments in Ukraine's economy. Motsyk paid particular attention to the support given to Ukraine by American businesses in this complicated time, especially considering the strengthening economic sanctions being

implemented against Russia and the limitation of economic cooperation with Crimea until Ukrainian sovereignty is restored. Motsyk thanked the USA and, in particular, American business representatives for their active support of Ukraine in this complicated period for our country.

Those taking part in the meeting included representatives of American and European companies that are among the world's 500 largest corporations and interested in extending their activities into Ukraine and in cooperation with domestic enterprises. In particular, companies in energy, agriculture, IT, medical, aerospace engineering, machine building, and defense took part in the meeting, including Cargill Inc., Exxon Mobil Corporation, Caterpillar Inc., BAE Systems, Daimler AG, Halliburton Company, IMB Corporation, Medtronic Inc., Mondelez International, Northrop Grumman International Inc., Procter & Gamble, and Westinghouse Electric Corporation.

At the end of the meeting, WIBC Head and Executive Director Solvay Shpilman gave an award to Motsyk for his personal contribution to developing relationships with international business representatives.

Ambassador of Ukraine to the USA Oleksandr Motsyk Meets with USUBC Members

On October 22, Ambassador of Ukraine in the USA Oleksandr Motsyk attended a meeting at the Washington office of Cargill, the largest agricultural corporation in the world. The meeting was dedicated to the current situation in Ukraine in the run-up to the

parliamentary elections, urgent matters of development of bilateral trading, and economic and investment relations between Ukraine and the USA. At the beginning of the meeting, Motsyk informed those present about the situation in eastern Ukraine, the status of preparations for the parliamentary elections, contents of the Strategy of Reforms – 2020 presented by Ukrainian President Petro Poroshenko, and governmental economic policy priorities. The Ambassador thanked the American partners for support given to the Ukrainian people in this complicated period, and noted the USA's leading role in consolidating the efforts of the international community, in particular regarding financial and technical aid to Ukraine, as well as containment of Russian aggression against our country.

USUBC President Morgan Williams, who was a moderator of the meeting, shared his impressions and the results of the work done during his recent visit to Ukraine, in particular regarding a successful meeting with Poroshenko and Prime Minister Arseniy Yatseniuk, with the heads of leading American companies operating in Ukraine.

Individual macroeconomic projections and political assessments were also presented by First Council of the USA in Ukraine Roman Popadiuk, and a well-known expert on Ukrainian economic issues, Peterson Institute for International Economics Senior Research Officer Anders Aslund.

Meeting participants included around 30 American companies that play a leading role in the market of our country. These companies create

jobs and pay taxes to the state budget; they include Cargill, DuPont, SC Johnson, John Deere, Boeing, Monsanto, Exxon Mobil, Chevron, Philip Morris International, and others.

Special attention was paid to the efforts necessary to stop Russian aggression against Ukraine, the quickest possible recovery for Ukraine's economy, diversification of domestic exports, and an increase in American investments in Ukraine. Representatives from leading American companies expressed their readiness to continue investing within Ukraine and work on new business opportunities with domestic enterprises.

US Anti-dumping Measures

In September, the US International Trade Commission (ITC) published a final report following completion of an anti-dumping investigation concerning the import of steel oil and gas supply pipes to the USA, including those of Ukrainian origin.

The report acknowledges the sale of pipeline products to the USA, including from Ukraine, at a reduced price, which caused material damage to the US industry. At the same time, on July 10, the US Department of Commerce and the main Ukrainian exporter of the abovementioned products to the USA, Interpipe Europe SA, reached a compromise and created a suspension agreement, which established a minimum price for corresponding export products from Ukraine to replace the anti-dumping duty, preserving access of Ukrainian products to the American market. The terms of the agreement have not been disclosed. Following publication of the report, the agreement remains in force.

Due to the hard work of Interpipe Europe SA, including engagement of one of the world's leading legal firms, Hogan Lovells, and active assistance from the Embassy of Ukraine in the USA, significant progress was made toward minimizing negative consequences as a result of the anti-dumping investigation. The creation of the suspension agreement (a rare practice for the US ITC that has been implemented only six times previously) will allow Interpipe Europe SA to export an average volume of Ukrainian pipes to the American market.

Reestablishment of Anti-dumping Limitations on Export of Russian Steel to the USA

The US Department of Commerce, in response to the applications of a number of American producers (in particular, Nucor Corporation, U.S. Steel Corporation, ArcelorMittal USA), made a decision to cancel the suspension agreement concerning the import of flat and hot-rolled steel of Russian origin to the USA. This agreement, created in 1999, established the minimum price for corresponding export products from Russia, instead of the application of an anti-dumping duty, which preserved American access to Russian products over the last 15 years.

The agreement will cease to be effective 60 days after publication of the corresponding decision of the US Department of Commerce on December 16, 2014. The cancellation of this agreement will lead to a high anti-dumping margin for leading Russian companies, such as Severstal (73.59%), Novolipetskiy Metallurgicheskiy Kombinat (NLMK OJSC), and Magnitogorskiy

Metallurgicheskiy Kombinat (184.56% each). Taking into account the cost of production and logistics, this margin makes supply of such products to the USA unprofitable and, in fact, stops their export from Russia.

This decision by the US Department of Commerce leaves an opening for Ukraine to export such products (according to American statistics, over eight months of 2014, the total import of Russian steel to the USA was 555,000 tons, which was around 3.2% of the total US market) and is an example of additional indirect sanctions against Russia.

Denial of Russian Access to the US Generalized System of Preferences (GSP)

In an appeal to the US Congress, published on May 7, President Obama announced that Russia does not fit the criteria of the program, so access to the GSP has been denied since October. Correspondingly, customs dues for Russian export goods that were subject to preferences before will be established at a standard level.

During its access to the GSP, Russia was one of the top ten recipients of USA trading preferences; the Russian economy received around US\$500 million in the form of unpaid customs dues annually.

The USA decision to deny Russia access to the GSP against the background of a worsening Russian economy can be considered indirect pressure on the Russian Federation.

Sanctions Introduced by the USA to Citizens and Entities of the Russian Federation

On March 17, the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury

introduced sanctions against four Ukrainian and seven Russian politicians that participated in the illegal so-called referendum in Crimea. By July 16, when OFAC declared separate sectoral sanctions against the Russian Federation (with the list of companies subject to sectoral sanctions extended on July 29 and September 12), USA sanctions already touched the largest Russian energy, military, machine building, and high-tech areas, as well as banks and financial institutions (including those servicing Gazprom OJSC), the Russian oil and gas sector, and the largest Kremlin infrastructure projects.

Today the list of sanctions from the USA against the Russian Federation includes 37 Russian high officials and political figures, four representatives of big businesses close to the Kremlin, and 36 Russian companies.

The ability of individuals and enterprises included in the sanctions list to access international financial markets, advanced technology, and industrial cooperation is significantly limited; the possibility of attracting investments is significantly complicated.

Financial and Technical Aid from the USA to Ukraine

Financial aid granted by the USA to Ukraine in 2014 had two directions: (1) within the US federal budget for the 2014 fiscal year (basic allocations); and (2) from the so-called crisis fund created by the US government for helping countries in emergency situations (additional allocations).

According to estimates by the Obama administration, the total

volume of aid provided to Ukraine in 2014 will amount to around US\$320 million (apart from US\$1 billion of credit guarantees). This money will be allocated from both the sources included in the federal budget for 2014 and the crisis fund.

In the 2015 fiscal year, the Obama administration plans to allocate around US\$139.3 million for projects of technical aid to Ukraine. An amount of US\$45 million will be paid to enhance defensive capacity, and US\$12.3 million will be spent for economic development projects.

Cooperation between Ukraine and the USA within the OECD

The OECD was created in 1961, based on the European Organization for Economic Cooperation. It was founded to manage aid from the USA and Canada under the Marshall Plan for European recovery after World War II.

Initially, the core of this organization consisted of European and North American countries. Today OECD (www.oecd.org) includes the following 34 countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.

From the beginning, the organization's activities have been aimed at strengthening and enhancing the economies of its member countries; improving social, economic, and employment conditions; and providing economic growth to developed and developing countries.

The OECD is a "club of rich countries" that share ideas of democracy and principles of a market economy. Member countries produce two-thirds of the world's valuable materials and services.

Within the organization, government heads and representatives participate in informal discussions with their colleagues regarding common economic problems and ways to solve them. In the OECD, no binding resolutions are issued; instead, recommendations for improvements to social and economic policies are given to world governments. These recommendations combine positive experience, help to find solutions to common problems, and coordinate internal and external policies.

Discussions within the OECD lead to agreements between governments of member countries regarding the application of unified "rules of the game" to matters of international cooperation, such as the fight against corruption, export loans, capital flow, and direct foreign investments. Based on studies and analyses conducted by the OECD, standards and models of international fiscal policy or recommendations and directives for environmental protection are developed.

The OECD also cooperates actively with non-member countries with special programs, international events, etc.

The supreme body of the OECD is the Council, which consists of one representative from each member country and a representative of the European Commission. Every year the Council gathers the ministers of member states to discuss sensitive current issues from the point of view of the world community and establish organizational priorities for the next year.

The Secretariat of the OECD is located in Paris. The head of the Secretariat is the Secretary General, who is helped by four deputies. The Secretary General acts as the Chairman of the OECD Council, providing communication between the national delegations and the Secretariat.

Functional structural divisions of the OECD are committees that include representatives of branch ministries and agencies of member states and non-member states as experts. Working groups are created within the committees

to address special matters, such as a working group on the development of small and medium businesses and entrepreneurship.

Organizationally, the OECD includes semi-autonomous structures, such as the International Energy Agency, the OECD Nuclear Energy Agency, the European Conference of Ministers of Transport, the Development Center, the Center for Educational Research and Innovation, and the Sahel Club.

The OECD is financed by member countries. The amount that each country contributes to the budget is determined by a formula that takes into account the “weight of economy” of a particular country. The largest contributor of the OECD is the USA, which supplies 25% of the organization’s budget; the second largest contributor is Japan (16%).

Subject to the Council’s approval, countries can also finance individual programs and projects. The necessary annual budget of the organization and its work program are determined by OECD member states at Council meetings.

Ukraine and the OECD

Cooperation between Ukraine and the OECD started in 1997 with the signing by the Cabinet of Ministers of Ukraine and the OECD of the Agreement on Privileges, Immunities and Facilities granted by the OECD in the territory of Ukraine. The Agreement was ratified by Verkhovna Rada of Ukraine in July 1999 (the Law of Ukraine dated 07/07/99 No. 850-XIV).

Since that time, representatives of the Ukrainian delegation have participated in the events conducted by OECD for non-member states on a permanent basis.

Currently, Ukraine and the OECD cooperate according to the Plan of Actions approved by the Resolution of the Cabinet of Ministers of Ukraine dated 02/06/2013 No. 132-r, “On Approval of the Plan of Actions for Deepening of Cooperation between Ukraine and the OECD for 2013-2016.”

The body responsible for the cooperation between Ukraine and the OECD, appointed by the central executive body, is the Ministry of Economic Development and Trade of Ukraine.

Recently, Ukraine applied to this organization to acquire the status of an associated member of the OECD Competition Committee. According to the established procedure, Ukraine’s application for acquiring associated membership will be considered at the meeting of the OECD Competition Committee, on December 17 and 18. In the event of support by the Committee’s members, the next stage will be complex monitoring by OECD experts of Ukraine’s policy, fulfilment of requirements, and compliance with the organization’s standards, in particular regarding antitrust laws and protection of free competition. After the findings of this study are published, the Committee will consider approval of Ukraine’s application and its transfer to the OECD Council. The Council will then, during its scheduled meeting, make a final decision regarding granting the status of associated member of the OECD Competition Committee to Ukraine. Ukraine can look at the example of Romania, which submitted the same application in 2012 and, in the summer of 2014, attained associated member status. However, the approval of Romania’s associated membership was quick due to its EU membership and full support on the part of EU member countries within the OECD.

An important step in cooperation between Ukraine and the OECD was the signature of a Memorandum of Understanding (MOU) between the two entities regarding their deepening cooperation. The MOU defines priority areas and forms of cooperation with the OECD for a two-year period. These items include development of small and medium businesses; the fight against corruption; public administration; development of sectoral competitive ability, including in agriculture and the green economy; management of state-owned enterprises; improvement of the tax administration system; and development of statistics.

The deepening cooperation with the OECD opens wide opportunities to strengthen cooperation with the organization's member countries, and participation in various international events to exchange experience and develop recommendations to ensure economic growth.

Cooperation between Ukraine and the USA within the OECD

To discuss the possibility of USA support for Ukraine in obtaining the status of associated member of the OECD Competition Committee, on October 21 the staff of the Embassy's Economic Office met with OECD Head of the Washington Center Carol Guthrie, and, on November 10, with management of the Office of International Affairs, including Federal Trade Commission Deputy Director for International Antitrust at Federal Trade Commission Elizabeth Kraus, Associate Director Russell Damtoft, Counsel for International Antitrust Krisztian Katona; and US Department of Justice Legal Counsel for Antitrust Coldwell Harrop.

During the meeting, the American party was informed about Ukraine's intent to attain the status of associated member of the OECD Competition Committee in the near future and to attain the status of OECD permanent member in the medium term. In addition, the progress of social and economic reforms in Ukraine, and implementation of anti-corruption measures were briefly outlined; and external policy and economic priorities of our state, in particular in the context of cooperation with the USA and implementation of the EU Association Agreement, were discussed.

The American party expressed its support to the government of Ukraine in its implementation of the reforms, and positively assessed Ukraine's chances of being accepted as an associated member of the OECD Competition Committee. In addition, the American party expressed its readiness to further deepen cooperation between Ukraine and the OECD. Associated member status of the OECD Competition Committee has no time limitation and will, undoubtedly, bring Ukraine closer to full-scale membership in the organization.

Statistics

Indicator	Current Data
US GDP	US\$17.311 trillion (as of September 2014)
Growth of US real GDP	6.4% (in Q2 of 2014)
US GDP per capita	US\$52,800 (in 2013)
Monthly average wage	US\$40,352 (in 2013)
US unemployment rate	6.1% (as of August 2014)
US national debt	US\$17.749 trillion (as of September 2014)
Current consumer price index	0.1% (in August 2014)
US industrial output rates	3.3% (in Q2 of 2014)
Current FRS discount rate	0-0.25% (as of June 2014)
US export	1,358,466 billion dollars (January-July 2014)
US import	1,653,799 billion dollars (January-July 2014)
US trade balance	-295,332 billion dollars
Export of goods from Ukraine to the USA	US\$527.3 million (January-June 2014)
Import of goods from the USA to Ukraine	US\$688 million (January-June 2014)
Bilateral trade balance	-US\$160.7 million
US federal budget:	2014 financial year (October-August 2014):
Income	US\$2.663 trillion
Expenses	US\$3.252 trillion
Deficit	-US\$589 million

(according to data of the US public authorities)

According to data from the US International Trade Commission for nine months of 2014, total goods turnover between the USA and Ukraine dropped by 24.7% (US\$576.1 million) as compared to the same period for 2013 and amounted to US\$1,753.7 million. The bilateral trade balance deficit now amounts to US\$272.7 million.

At the same time, the export of Ukrainian goods to the USA was reduced by 15.1% (US\$131.5 million), which at the end of September 2014 amounted to US\$740.5 million. Meanwhile, import of American products to Ukraine was reduced by 30.5% (US\$444.6 million) and amounted to US\$1,013.2 million as of the end of the reporting period.

According to data from the State Statistical Committee of Ukraine, during the period from January to September 2014, export of goods from Ukraine to the USA amounted to US\$509,602 million (as compared to the same period of 2013, a 21.4% drop), and imported goods from the USA amounted to US\$1,479.031 million (a 28.3% drop). The negative balance amounted to US\$969.43 million.

EXPORT: During the period from January to September 2014, Ukrainian exports to the USA decreased by 15.1%, or US\$131.5 million as compared to the same period in 2013. Exports amounted to US\$740.5 million.

Despite the reduction in the overall volume of Ukrainian exports from January to September, volume increased in **10** of 15 main areas. In particular, the main Ukrainian export, **No. 72** (cast iron and steel), grew by US\$83 million (43% of total export volume). In addition, significant export growth took place for the following commodity groups: **No. 27** (energy materials; oil and oil refining products), by US\$18 million (12% of total export volume); **No. 85** (electrical machines and equipment and their parts), by US\$1 million (3.6% of total export volume); **No. 86** (railway or tram locomotives; means of railway transport and their parts; track equipment and devices for railway and tram network and their parts; alarm equipment for lines of communication), by US\$7 million (2% of total export volume); and **No. 15** (oils and products of animal and vegetable origin; products of their splitting; ready-made table fats; animal or vegetable wax), by US\$5 million (1.3% of total export volume).

At the same time, areas that decreased during the reporting period included the following items: supply of commodity group **No. 28** (inorganic chemical products, 12.3% of total export volume) decreased by US\$177 million; **No. 73** (cast iron and steel products, 12.5% of total export volume) decreased by US\$46 million; and supply of commodity group **No. 32** (tanning or coloring extracts; tannins and their derivatives; pigments and other colorants; paints and lacquers, 1.6% of total export volume) decreased by US\$9 million. A significant reduction of export volume also took place for commodity groups **No. 98** and **81**; however, together they make up only 3% of total export volume.

IMPORT: The import of American products to Ukraine during the period of January to September 2014 dropped by 30.5% (US\$444.6 million) and in the end of the reporting month amounted to 1,013.2 mln. dollars.

The reduction of American imports to Ukraine is connected with the reduced supply of the main commodity groups, which together make up 70.2% of the total import volume. These areas include the following items: commodity group No. **84** (nuclear reactors; boiler machines; plant and mechanical equipment), by US\$10 million (27% of total import volume); commodity group No. **27** (energy materials; oil and oil refining products), by US\$84 million (29% of total import volume); commodity group No. **87** (overground transport, except railway transport and trams), by US\$73 million (14.2% of total import volume).

At the same time, an increase occurred within three commodity groups: **No. 94** (furniture; medical and surgical furniture; bed linen and other such goods; illuminating equipment; advertising lamps, light meters, display panels and other such goods; prefabricated building structures), by US\$11 million (2.1% of total import volume), **No. 98** (special classification goods), by US\$3 million (1.7% of total import volume); **No. 39** (polymeric materials; plastic and plastic goods), by US\$3 million (5.1% of total import volume).

SERVICES

Note: The USA does not keep separate statistics for the trade of services between the two countries.

According to data from the State Statistical Service of Ukraine, the export of domestic services to the USA over nine months of 2014 amounted to US\$472.8 million (a 10.7% reduction from the same period in 2013), and the import of domestic services amounted to US\$194.3 million (a 26.8% reduction). **A positive balance of services trade over nine months of 2014 amounted to US\$278.5 million.**

INVESTMENTS

According to data from the State Statistical Service of Ukraine, within the overall volume of direct investments in the economy of Ukraine, the USA occupies the eleventh position. As of July 1, 2014, US\$890.2 million in American investments were made to the economy of Ukraine, which was 1.8% of all direct foreign investments.

“Ukrainian Days” Series Dedicated to Priority Areas of Ukrainian Economy

In 2014 the Embassy started a series of so-called “Ukrainian Days,” which are dedicated to export and investment opportunities in priority areas of the Ukrainian economy.

The main objective of these events is to stimulate the export of goods and services from Ukrainian companies to the American market, and to attract the attention of American businesses and potential investors to the most promising branches of the Ukrainian economy.

UKRAINE TECH GEM IT Conference Takes Place September 18 in San Francisco

Under the auspices of the Consulate General of Ukraine in San Francisco, the event (<http://utgem.co>) attracted around 500 visitors. Participants included heads of all sectors of IT in Ukraine: outsourcing companies, IT enterprises and business incubators, investment funds, research and education institutions, and specialized non-governmental organizations (such as AVentures Capital, SoftServe, Ciklum, Bionic Hill, and Brain Basket Foundation), as well as representatives of leading American and international technological and investment corporations (Google, Apple, Cisco, HP, Andreessen Horowitz, 500 Startups, etc.).

The conference began with opening speeches of the Consul-General of Ukraine in San-Francisco Sergiy Aloshyn, heads of the business incubator Happy Farm, European Business Association, and EPAM, which served on the event’s organizing committee.

During the conference, 10 discussions dedicated to various sectors of IT in Ukraine were held. The most urgent matters discussed were: opportunities for venture investment in promising Ukrainian startup companies, the significant potential of highly qualified domestic IT experts to remotely create a wide range of software, and ensuring cooperation between research and educational institutions in Ukraine and California.

During the discussion of Ukraine as an IT center in Europe, heads of outsourcing companies highlighted the advantages of working in our country, underlined the significant prospects of Ukraine in this role, and pointed out that the situation in eastern Ukraine has no influence on business.

The world-famous Ukrainian singer and social activist Ruslana Lyzhychko took part in the panel discussion, “Media Wars.” She dramatized the importance of how messages of various mass media outlets are perceived concerning the situation in eastern Ukraine, and the importance of avoiding Russian propaganda.

During the conference, the Consul-General of Ukraine met with the President of the California Technology Council and discussed strengthening cooperation within IT, in particular the possibility of opening R&D centers of international IT corporations (Intel, Microsoft, Google, etc.) in Ukraine, as well as the creation of a Ukrainian IT center in Silicon Valley. The first large-scale Ukraine-US IT conference became a critically important event aimed at the promotion of Ukrainian IT companies’ products and services to western USA markets, and proved the efficiency of having such events regularly.

The Embassy of Ukraine in the USA and the USUBC Meet with Representatives of Leading American Companies Operating in Ukraine

The meeting, held on September 30, included companies that implement investment projects within Ukraine and are interested in extending cooperation with domestic enterprises in such areas as energy, agriculture, IT and aerospace engineering, machine building, and defense. In addition to representatives of American businesses and members of the Ukrainian community in the USA who play an active role in the development of trading, economic, and investment cooperation with the USA, representatives of federal authorities also participated in the event. The federal authorities included the State Department, Department of the Treasury, Department of Commerce, Department of Energy, Department of Agriculture, Department of Transportation, Office of the Trade Representative, Agency for International Development, Export-Import Bank of the United States, and Overseas Private Investment Corporation (OPIC). Special attention was paid to common efforts necessary to cease Russian aggression against Ukraine, recovery of the Ukrainian economy, diversification of domestic exports, and an increase of American investments in the economy of Ukraine.

Based on the success of these meetings, the Embassy plans to arrange, by the end of 2014, individual topical events dedicated to investment and export opportunities in various industries, including agriculture, energy, machine building, tourism, hospitality, etc.

First Ukrainian-American Business Summit to Take Place in 2015

During her visit to Ukraine on September 26 and 27, US Secretary of Commerce Penny Pritzker confirmed that the first Ukrainian-American Business Summit is planned to take place in Washington in March-April 2015, and to be unprecedented in level and format. The main objective of the Summit will be to compel American businesses to export to Ukraine and invest in the Ukrainian economy, and to inform participants about prospects for further development in trading, economic, investment, and research cooperation between Ukraine and the USA. The Summit will not only attract representatives of American business, but also ensure a high level of representation from all key agencies within the economic block of the American government.

Economic Potential of the State of Washington

The first president of the United States, George Washington, is highly respected by Americans. His name is given in the USA to almost everything: universities, streets, parks, cities, etc. Many foreigners confuse the capital of the USA with the state of the same name. However, aside from the name, the two don't have a lot in common. The capital and the state are located on opposite coasts of the continent, the Atlantic and Pacific coasts, respectively. They are over 4,000 kilometers and several time zones apart. The area of this most north-western of the contiguous states has a population of almost 7 million, and is 184.8 km² (almost one-third the size of Ukraine).



On one hand, the State of Washington (which became the forty-second state of the USA in 1889) is considered to be one of the pearls of the American wild with its unbelievable combination of mountains, softwood and evergreen forests, meadows, and picturesque ocean front (the unofficial name of the state is the Evergreen State); on the other hand, Washington is known for its high-tech industrial facilities, significant logistics, and export and investment opportunities.

The state's GDP is US\$408 billion or over US\$54,000 per capita (according to this indicator, the State of Washington is one of 10 richest states: average GDP per capita in the USA is US\$49,000). In addition, during the last five years, it achieved high rankings in American ratings of advanced technology development, ease of starting up a business, innovations, and protection of nature. The state does not have a local income tax for individuals or corporations, and has a number of active programs to stimulate certain kinds of entrepreneurship, and a developed infrastructure for small business support.



The capital of the state is a small city called Olympia. The largest city is Seattle, within which over 60% of the state's total population lives, and which has tried to compete with Canada's Vancouver for many years. Seattle is sometimes called the "coffee capital of the world" because in 1971 the first Starbucks coffee shop was opened there and grew into the world-

known chain of “coffee McDonald’s.” Other unofficial names for the city are “Emerald City,” “City of Rains,” and “Alaska Gates.” Seattle is also known for its ocean port, which is included in the 10 largest ports in North America, and in the USA’s largest and the world’s third largest branched system of ferries in Puget Sound. The city has been included in lists of the most attractive places to live and start businesses in the USA for many years.

The headquarters of a number of the world’s largest corporations are located in Washington, such as high-technology and IT companies like Microsoft, Amazon, and Expedia; T-Mobile (one of the largest American mobile network operators); large retail networks including Costco and Nordstrom; and such industrial giants as Boeing (in particular, the manufacturing division of this aerospace company) and Paccar (the world’s third largest truck manufacturer). Offices for Google, Facebook, and Nintendo are also located in the state.

High-tech production within the state encompasses air and defense, biotechnologies and electronics, well-developed shipbuilding and transport machine building, and metallurgy and chemicals. Thousands of Ukrainian computer geniuses and Ukrainian-Americans work at high-tech IT companies in Washington.



Washington has well-developed agriculture, in particular fruit and vegetable production, livestock breeding, and fishing. The state is first in the USA in apple, raspberry, and hop production. In the last decade, a wine industry has developed, and the state produced the third highest volume of wine in the USA, after California and New York. Significant volumes of seafood are exported from Washington to Ukraine. The owners of large Washington

agricultural companies are ready to share their experience and state-of-the-art technology, and consider investing in Ukraine.

Historically, the state has been an important source of high-quality wood; the forestry sector still plays an important role in the economy of Washington.

A significant elevation change enables the possibility of developing a hydraulic power industry; the state has over 1,000 dams, around 20 of which are located along the Grand Coulee. Dams support the work of hydroelectric power stations and ensure an effective irrigation system for agricultural land.

Washington is a popular tourist destination; it is home to famous national parks, in particular Olympic Park (known simultaneously for its humid tropical forest, glaciers, and ocean shore); the state’s highest volcano, Mount Rainier (14,411 feet); and the picturesque North Cascade Range.



“Ukrainian Washington”

Washington became a home for tens of thousands of Ukrainians; according to different estimates, 27,000 to 50,000 Ukrainians and Ukrainian-Americans live there, and around 20,000 of them (up to 0.3% of the total multilingual population of the state) speak Ukrainian.

This multicultural and multinational state has become a unique business, educational, and political center of the northwest part of the USA. Today 42 consular institutions and honorable consulates of different countries are located in Washington. The possibility of opening an honorable consulate of Ukraine is being considered to help Ukrainians who work or study there (the state’s largest university is the University of Washington, where over 46,000 students study), and to work with domestic companies promoting Ukrainian exports in the USA, or that are interested in American investment.

The Ukrainian Business Association works in Washington (www.nwuba.org); its purpose is to gather all those who care about Ukraine to implement joint projects and build mutually beneficial business ties.

A division of the Association is the non-profit organization Friends of Ukraine, which collects and sends aid to Ukraine. Friends of Ukraine has already sent an ambulance, helmets, protective military glasses, thermal underwear, night vision devices, footwear, bag dinners, and many other items to ATO to help the heroes who are taking a stand for the independence of our country.

The Association also builds interregional and intercity relations; at present, active work is being conducted for the development of close ties between Kent, Washington (home to over 120,000 citizens) and the city of Kherson in Ukraine. Mayors of both cities have already expressed their interest in cooperation. The next stage is starting a partnership between the Chambers of Commerce of the two cities.

The Association and its president, Valeriy Holoborodko, are always glad to help Ukrainian enterprises build mutually beneficial business ties with local companies (phone. +1-425-440-3340, val.g@nwuba.org).

Useful links:

Official portal of Washington (<http://access.wa.gov>)

Business portal of Washington (<http://business.wa.gov>)

Investment portal of Washington (www.investwashington.org)

Investment Council of the State of Washington (www.sib.wa.gov)

Seattle Chamber of Commerce (www.seattlechamber.com)

Tourist portal of Washington (www.experiencewa.com)

Department of Commerce of the State of Washington (www.commerce.wa.gov)