

World Rank: **162**

Regional Rank: **43**

UKRAINE

Economic Freedom Score



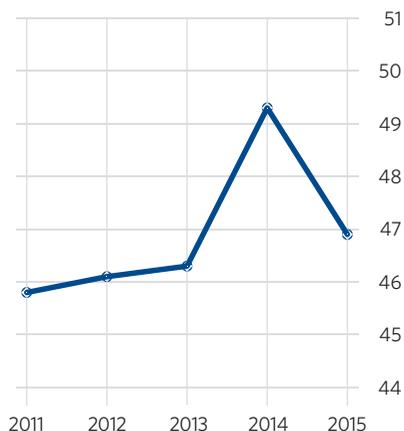
Ukraine's economic freedom score is 46.9, making its economy the 162nd freest in the 2015 *Index*. Its score is 2.4 points lower than last year, reflecting declines in eight of the 10 economic freedoms with especially grave deteriorations in property rights, the management of government spending, and investment freedom. Ukraine is ranked last out of 43 countries in the Europe region, and its overall score is lower than the world average.

Ukraine has registered the second largest score decline of any country graded in the 2015 *Index*. Previously, its economic freedom had advanced by 1.1 points, with improvements in half of the 10 economic freedoms driven largely by gains in business freedom and monetary freedom.

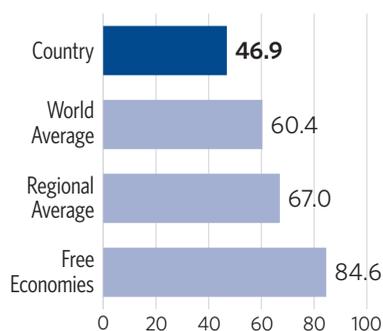
Ukraine's economy remains "repressed." The rule of law is particularly weak. The investment regime remains closed, with foreign investment competing with large state-owned enterprises. A rigid labor market and bureaucratic business regulations inhibit the development of a dynamic private sector.

BACKGROUND: Ukraine gained independence after the collapse of the Soviet Union in 1991. In February 2014, President Victor Yanukovich was ousted by pro-Euro-Atlantic members of parliament after he used security forces to crack down on popular protests against his attempt to tighten ties with Russia. Petro Poroshenko was elected to replace him in May 2014. After Yanukovich was unseated, Russia illegally annexed the Autonomous Republic of Crimea, and pro-Russian separatists increased their efforts to destabilize the eastern part of the country. In 2014, Ukraine accepted \$30 billion in aid from the IMF, World Bank, EU, and other bilateral donors. Ukraine has signed an Association Agreement with the EU that includes Deep and Comprehensive Free Trade Area (DCFTA) accords. Ukraine has well-developed agricultural and industrial sectors, but dependence on steel exports and natural gas imports makes it vulnerable to global financial turmoil and Russian pressure. Ukraine joined the World Trade Organization in 2008 and the EU's Eastern Partnership in 2009.

Freedom Trend



Country Comparisons



Quick Facts

Population: 45.4 million
GDP (PPP): \$336.8 billion
 0.1% growth in 2013
 5-year compound annual growth -1.3%
 \$7,423 per capita
Unemployment: 7.9%
Inflation (CPI): -0.3%
FDI Inflow: \$3.8 billion
Public Debt: 41.0% of GDP

2013 data unless otherwise noted.
 Data compiled as of September 2014.

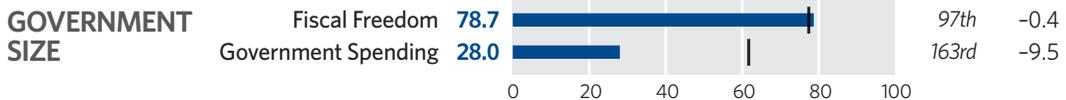
How Do We Measure Economic Freedom?

See page 475 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

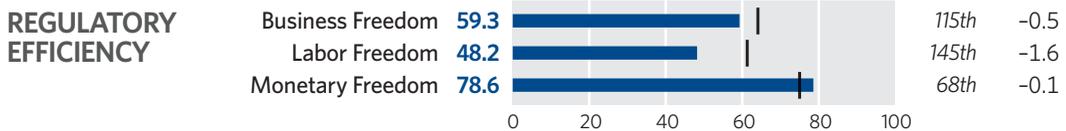
THE TEN ECONOMIC FREEDOMS



Pro-Western Ukrainians hoped their 2014 Euromaidan revolution would dismantle the oligarchic politics and deeply rooted cronyism that allowed business owners to amass wealth by exploiting their access to those in power rather than through efficient management, but that corrupt system is still largely in place under the Poroshenko government. The judiciary remains weak, and contracts may not be well enforced.



Ukraine's top individual income tax rate is 17 percent, and the top corporate tax rate is 18 percent. Other taxes include a value-added tax and a property tax. The total tax burden equals 38.9 percent of domestic income. Government spending amounts to 49 percent of GDP, and public debt equals 41 percent of domestic output. The IMF is helping to bolster public finances.



Complexity often creates uncertainty in commercial transactions. The business start-up process has been streamlined, but completing licensing requirements is still time-consuming. Modern and efficient bankruptcy procedures are not in place. The labor code is outmoded and lacks flexibility. Massive and price-skewing government subsidies (7 percent of GDP on natural gas subsidies alone) have caused deep economic distortions.



Ukraine's average tariff rate is 2.1 percent. Trade and investment flows have been disrupted as a result of disputes with Russia. Foreign investors may not purchase agricultural land. Bureaucratic requirements deter much-needed growth in private investment. The primarily cash-based economy suffers from a lack of sufficient capitalization. Nonperforming loans continue to be a drag on the banking system.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+16.9	Business Freedom	+4.3	Trade Freedom	+30.8
Freedom from Corruption	+15.0	Government Spending	-19.1	Labor Freedom	-7.6	Investment Freedom	-35.0
				Monetary Freedom	+78.6	Financial Freedom	-20.0