

World Rank: **163**

Regional Rank: **43**

UKRAINE

Economic Freedom Score



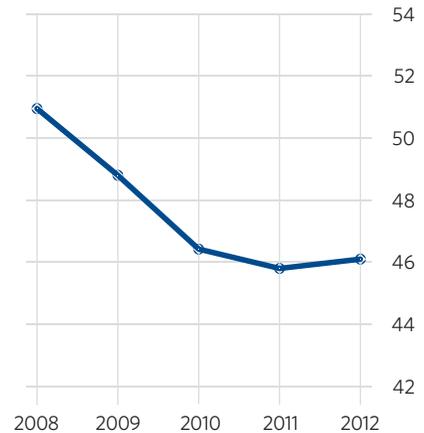
Ukraine's economic freedom score is 46.1, making its economy the 163rd freest in the 2012 *Index*. Its score is 0.3 point higher than last year, reflecting modest gains in monetary freedom and freedom from corruption. Ukraine is ranked last out of 43 countries in the Europe region, and its overall score is lower than the world average.

The foundations of economic freedom are fragile in Ukraine and unevenly established across the country. Poor protection of property rights and widespread corruption discourage entrepreneurial activity, severely undermining prospects for long-term economic expansion. The rule of law is weak, and the judicial system remains susceptible to substantial political interference.

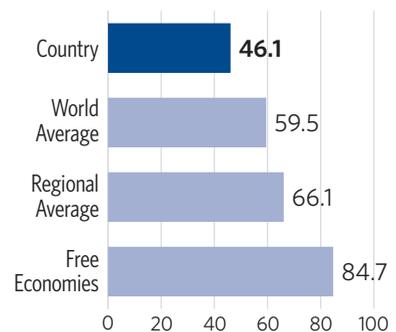
After several years of strong growth, Ukraine's economic vitality has deteriorated, partly because of the global economic slowdown and also because of the generally sluggish pace of efforts to improve regulatory efficiency and open markets to international investment. The financial sector is not developed enough to provide the necessary credit for private-sector expansion, and the regulatory environment remains opaque and burdensome. Recent large fiscal deficits have strained public finances, forcing Ukraine to confront the challenge of restoring sustainable levels of public spending.

BACKGROUND: Ukraine has been independent since the collapse of the Soviet Union in 1991. President Victor Yanukovich of the Party of Regions, elected in January 2010, has fast-tracked rapprochement with Russia, harassed the political opposition, and impeded freedom of the press. Russia's Black Sea Fleet's naval base lease has been extended until 2042 in exchange for discounted Russian gas. Parliament has rejected plans to join NATO, but Ukraine joined the World Trade Organization in 2008 and the European Union's Eastern Partnership in 2009. Ukraine has well-developed industry, rich agricultural lands, and significant natural resources. It is also an important route for oil and gas exports from Russia to Western Europe. Corruption and government intervention in the economy continue to undermine economic growth.

Freedom Trend



Country Comparisons



Quick Facts

Population: 45.5 million
GDP (PPP): \$305.2 billion
 4.2% growth in 2010
 5-year compound annual growth 1.0%
 \$6,712 per capita
Unemployment: 8.4%
Inflation (CPI): 9.4%
FDI Inflow: \$6.5 billion
Public Debt: 40.1% of GDP

How Do We Measure Economic Freedom?

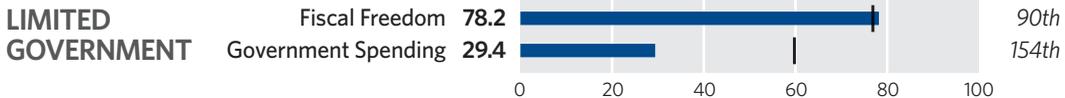
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

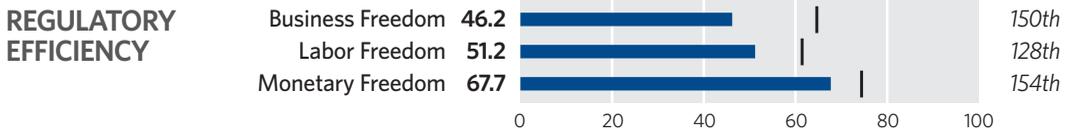
THE TEN ECONOMIC FREEDOMS



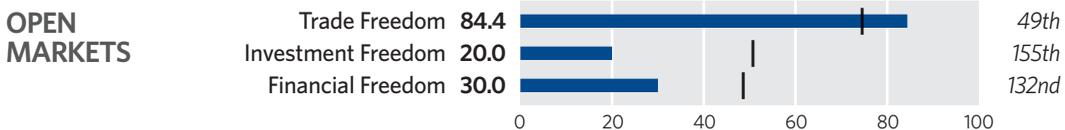
The rule of law is uneven across the country, and protection of property rights is weak. The judiciary is subject to executive branch and criminal pressure, and judicial corruption is significant. Contracts are not well enforced, and expropriation is a threat. Ukraine is a major transshipment point, storage location, and market for illegal optical media produced in Russia and elsewhere. Corruption pervades all levels of the executive branch.



The standard income tax rate is 17 percent, and the standard corporate tax rate is 23 percent. Other taxes include a value-added tax (VAT) and a property tax, and the overall tax burden amounts to 36.9 percent of total domestic income. Government spending has risen to a level equivalent to 48.5 percent of GDP. The budget deficit has been over 3 percent of GDP in recent years, and public debt has reached 40 percent of total domestic output.



Despite progress in regulatory reform, complexity often creates uncertainty in commercial transactions. The business start-up process has been streamlined, but completing licensing requirements is still time-consuming and costs more than 10 times the level of average annual income. The labor code is outmoded and lacks flexibility. The government influences prices through state-owned enterprises. Monetary stability remains weak.



The trade weighted average tariff rate is low at 2.8 percent, but non-tariff barriers severely constrain freedom to trade. The investment framework remains underdeveloped, and bureaucratic requirements deter much-needed growth in private investment. The primarily cash-based economy is plagued by a lack of sufficient capitalization. The large number of non-performing loans continues to be a drag on the banking system.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.9	Business Freedom	-0.9	Trade Freedom	-0.8
Freedom from Corruption	+2.0	Government Spending	-3.5	Labor Freedom	+1.2	Investment Freedom	0
				Monetary Freedom	+4.5	Financial Freedom	0