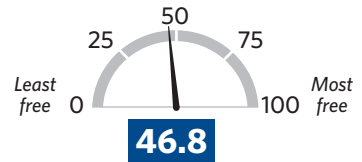


UKRAINE

Economic Freedom Score



World Rank: **162**

Regional Rank: **44**

For the seventh year in a row, Ukraine has registered Europe's lowest levels of economic freedom. Respect for the rule of law has not been established, and the lack of investment freedom has hurt productivity, including in the important agricultural sector. Ukraine was once recognized as the breadbasket of Europe, but the agricultural sector's lack of modernization has made that a distant memory.

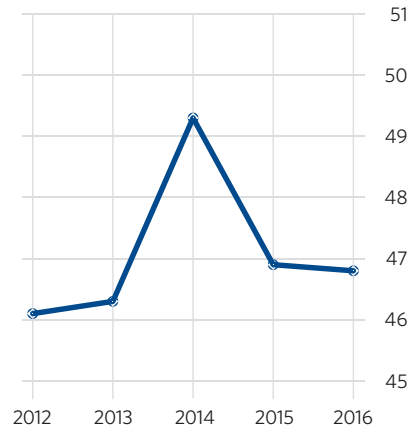
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **46.8 (down 0.1 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **162nd**
- Regional Ranking: **44th in Europe**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Investment Freedom, Financial Freedom, and Rule of Law**
- Overall Score Change Since 2012: **+0.7**

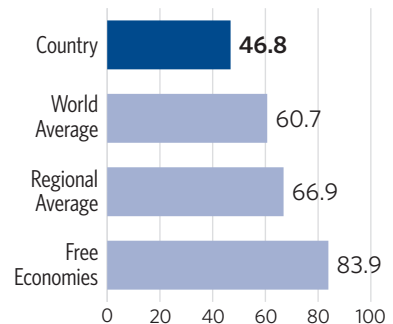
The Ukrainian labor market suffers from outdated, rigid, and inconsistent regulations, and the workforce has declined due to emigration and aging of the population. The prevalence of state-owned enterprises hinders private-sector development.

BACKGROUND: Ukraine gained independence after the Soviet Union collapsed in 1991. Pro-Euro-Atlantic members of parliament ousted President Victor Yanukovich in February 2014, and Petro Poroshenko was elected to replace him in May. Parliamentary elections in October led to a pro-European government under Prime Minister Arseniy Yatsenyuk of the center-right People's Front. Russia has illegally annexed the Autonomous Republic of Crimea, and pro-Russian separatists are trying to destabilize the eastern part of the country. Ukraine has received \$30 billion in aid from the IMF, the World Bank, the EU, and other bilateral donors. Its Association Agreement with the EU includes Deep and Comprehensive Free Trade Area (DCFTA) accords. Dependence on steel exports and natural gas imports makes the economy vulnerable to global financial turmoil and Russian pressure.

Freedom Trend



Country Comparisons



Quick Facts

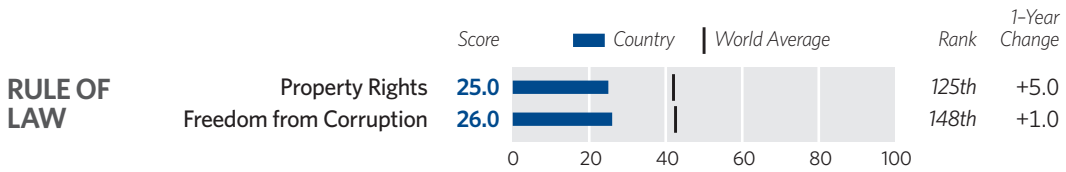
- Population:** 42.8 million
- GDP (PPP):** \$370.8 billion
- 6.8% growth in 2014
- 5-year compound annual growth -0.2%
- \$8,668 per capita
- Unemployment:** 7.7%
- Inflation (CPI):** 12.1%
- FDI Inflow:** \$410.0 million
- Public Debt:** 71.2% of GDP

How Do We Measure Economic Freedom?

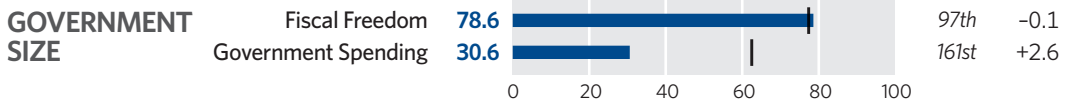
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

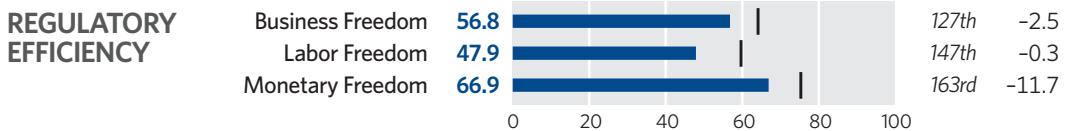
THE TEN ECONOMIC FREEDOMS



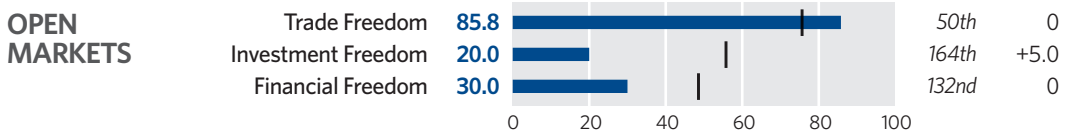
Ukraine has made some progress in fighting corruption, but considerable problems persist. The removal of Victor Yanukovych ended the extensive graft by the president, his family, and his closest associates. However, the old oligarchies continue to benefit financially from their close association with top politicians. Even in areas controlled by the national government, the judiciary remains weak, and contracts may not be well enforced.



Ukraine's top individual income tax rate is 20 percent, and the top corporate tax rate is 18 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 37.6 percent of total domestic income. Government spending amounts to 48.1 percent of GDP. The budget deficit has averaged about 5 percent of GDP over the past three years. Public debt exceeds 70 percent of GDP.



Political instability continues to compound regulatory uncertainty in commercial transactions. The labor code is outmoded and lacks flexibility. The government influences prices through state-owned enterprises. The IMF reports that 740 state-owned enterprises registered losses amounting to about 1 percent of GDP in 2014 and that, as a group, SOEs have accumulated substantial liabilities amounting to more than 12 percent of GDP.



Ukraine's average tariff rate is 2.1 percent. Government procurement procedures favor local companies. Foreign investors may not purchase agricultural land, and the investment framework remains underdeveloped with other sectoral restrictions. The Russia-Ukraine conflict continues to interfere with trade and investment flows. The large number of non-performing loans continues 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	-5.0	Fiscal Freedom	+16.8	Business Freedom	+1.8	Trade Freedom	+30.8
Freedom from Corruption	+16.0	Government Spending	-16.5	Labor Freedom	-7.9	Investment Freedom	-30.0
				Monetary Freedom	+66.9	Financial Freedom	-20.0