



**AUSTRALIAN FEDERATION OF
UKRAINIAN ORGANISATIONS**



REDUCING TRADE BARRIERS BETWEEN AUSTRALIA AND UKRAINE

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Embassy of Ukraine in Australia

Australia-Ukraine Chamber of Commerce



Australian System of Tariff Preferences (ASTP)

Why Ukraine's inclusion in the ASTP is important

The Australian Federation of Ukrainian Organisations (AFUO) is receiving a growing number of requests from Australian companies interested in importing goods and services from Ukraine. There is strong interest from the Australian private sector to find new alternatives to traditional suppliers.

The COVID-19 pandemic has prompted many Australian companies to reassess effects on supply chains to ensure stability and future growth for their businesses in what many see as uncertain times. Changes in international trade agreements have highlighted a growing need for geographical diversification to mitigate risks associated with a central point of manufacturing.

Australia and Ukraine have ample opportunities to further expand cooperation, especially in trade and investment. One of the instruments that can increase bilateral trade volumes is Ukraine's inclusion into the Australian System of Tariff Preferences (ASTP) which would reduce tariffs on Ukrainian imports and improve profit margins for Australian businesses.



Australia gives preferences to 145 countries and 31 places (territories and other economies). The ASTP currently comprises five preference categories: least developed countries, Forum Island countries, developing countries, developing country status and developing country category T.

The developing country category, for example, is duty-free on 98.2% of the tariff lines. If Ukraine were to be admitted to the ASTP, the resulting impact this could have on import costs, product line pricing, profitability, and business growth is self-evident and exactly the outcome we are trying to achieve.

Community Consultation

In March 2021, the AFUO wrote to the Minister for Trade, Tourism and Investment, The Hon Dan Tehan MP, requesting for the Australian Government to review the possibility of including Ukraine in the ASTP.

In May 2021, Minister Tehan responded by requesting a list of Australian businesses interested in reducing tariffs for imports from Ukraine.

In order to provide a comprehensive picture of the trade potential between Australia and Ukraine, the AFUO formed a Working Group that focused on progressing the ASTP issue by conducting consultations with Australian businesses. Community consultations were held until September 2021.

The findings are detailed in this report.



OUR MISSION

The AFUO is aware that the Australian Government is keen to support Australian companies and is actively working to diversify its foreign trade structure to minimize dependence on some countries. To this end, Ukraine can play a role in this de-risking strategy. Ukraine is rich in natural resources and has a highly educated and creative workforce, having a great deal to offer its partners.

The AFUO calls on the Australian Government to review the possibility of Ukraine being included in the System of Tariff Preferences.



01

CONSULT WITH THE BUSINESS COMMUNITY

The AFUO worked closely with the Australia-Ukraine Chamber of Commerce (AUCC), the Embassy of Ukraine in Australia, as well as the broader Ukrainian-Australian community to identify Australian businesses that are either already importing goods from Ukraine or are interested in expanding their business operations to include Ukraine.

02

IDENTIFY CONCERNS & POSSIBLE SOLUTIONS

The feedback we received from the business community was diverse and multifaceted. A key concern raised was the effect of COVID-19 and its disruption to the Australian economy and the impact on supply chains. Australian business leaders highlighted to us that there has been a disproportionate reliance on China, that there is a growing and urgent need to diversify this risk, and that Ukraine can be part of the solution.

03

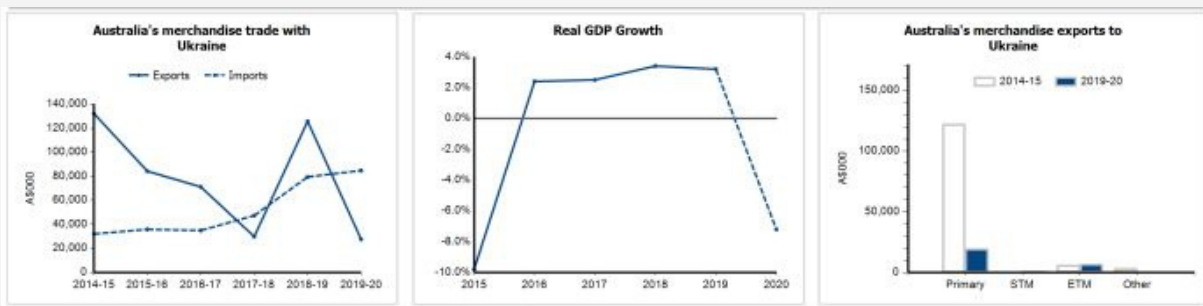
REDUCE TRADE BARRIERS

There is a strong desire to protect the employment of Australians which largely depends on company profitability. Many companies in Australia have been crippled by COVID-19 and the resulting lockdowns that have essentially brought the economy to a standstill. Reducing trade tariffs, however small or large they may be, directly benefits profit margins and gives an opportunity for businesses to invest in further growth thereby creating more jobs.

Current trade relationship

A large distance may separate Australia and Ukraine, but there are more similarities than differences that bring the two countries together.

Both countries are agricultural powerhouses in their respective hemispheres and play an important role in the resource and energy industries.



Australia's trade and investment relationship with Ukraine (b)

Australian merchandise trade with Ukraine, 2019-20 (A\$000)		Total share	Rank	Growth (yoy)
Exports to Ukraine	27,581	0.0%	91st	-78.1%
Imports from Ukraine	84,741	0.0%	73rd	6.7%
Total merchandise trade (exports + imports)	112,322	0.0%	83rd	-45.3%

Major Australian exports, 2019-20 (A\$000)		Major Australian imports, 2019-20 (A\$000)	
Coal	18,071	Fixed vegetable oils & fats, soft	33,884
Paper & paperboard	1,096	Household-type equipment, nes	8,321
Electrical circuits equipment	979	Pig-iron	6,952
Electric power machinery & parts	843	Paper & paperboard	5,112

Australia's trade in services with Ukraine, 2019-20 (A\$m)		Total share	Rank	Growth (yoy)
Exports of services to Ukraine	25	0.0%	87th	-43.2%
Imports of services from Ukraine	26	0.0%	88th	-7.1%

The total merchandise trade (exports + imports) between Australia and Ukraine consisted of \$112.3mn in 2020, which was a decline of 45% compared with the prior year. Unsurprisingly, total trade between the two countries was heavily disrupted by the COVID-19 pandemic.

It is worth noting that despite the challenges of the global pandemic, imports of Ukrainian goods increased by approximately 7% in 2020, suggesting a continued underlying demand from Australian companies and consumers.

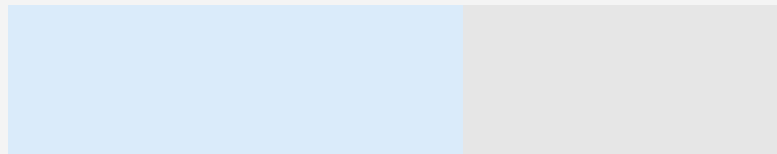
Our Findings

In all cases, companies interviewed indicated that their current activities of importing goods from Ukraine were in the early stages and they saw far greater potential in the longer term for expanding business activities and product lines.

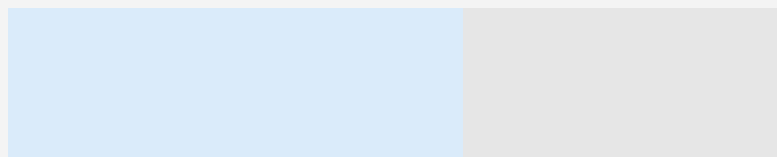
Consultations with the Australian business community

Through our consultation process, we identified 85 Australian companies that would stand to benefit from reduced trade barriers with Ukraine. The companies span across various industries, including agriculture, aerospace, mining, construction, pharmaceutical, financial services, and IT services to name a few. A comprehensive list of SMEs and publicly listed corporations is attached at the end of this report.

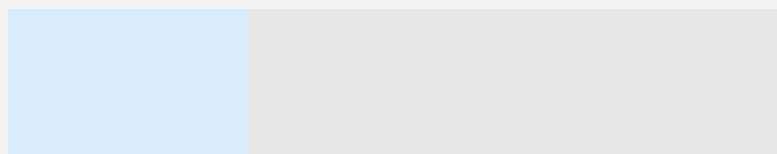
PREPARED FOODSTUFFS & BEVERAGES



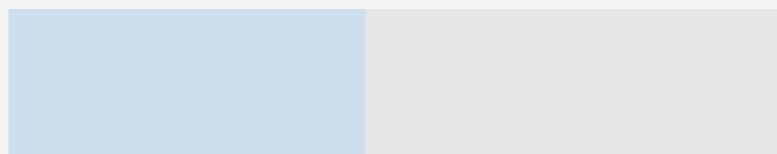
ANIMAL & VEGETABLE PRODUCTS



MISCELLANEOUS MANUFACTURED ARTICLES



IT SERVICES





Some of our findings:

- There is a strong interest from the Australian private sector to find new alternatives to traditional suppliers.
- The COVID-19 pandemic has prompted many Australian companies to reassess effects on supply chains to ensure stability and future growth for their businesses.
- Geopolitical tensions have highlighted a growing need for geographical diversification to mitigate risks associated with a central point of manufacturing.
- The nature of goods imported from Ukraine is diverse.
- Goods currently imported into Australia span across 11 import categories as defined by the ASTP handbook.
- About one third of the companies identified import goods that would fall into the “Animal and vegetable product” category.
- Another major group of products that are imported from Ukraine fall into the “Prepared foodstuffs, beverages, spirits and vinegar” category.
- Opportunities exist to expand trade in the areas of “Textiles and textile articles”, “Wood & articles of wood”, “Optical, medical or surgical instruments”, as well as “Miscellaneous manufactured articles”.



Some of our findings:

- Through our consultation process, we also identified Australian companies that were interested in importing egg, buttermilk and whey powder products, but were restricted.
- As indicated in the table below, there is a substantial number of companies in the IT services category. Although this category is not covered by the ASTP, this is important to highlight the extensive Ukrainian IT expertise that is imported by Australian companies.
- Increasing imports from Ukraine will not only benefit the companies directly involved in the trade, but would also support the growth of businesses providing ancillary services such as consulting, translation, legal and financial services.
- There is great potential to not only expand imports, but also support Australian companies abroad in their growth aspirations. Ukraine has the expertise, factories, and ports as well as strategic geographic locations to transport Australian bulk goods to Europe. There is also the potential to add value to Australian raw products and position companies for EU markets.

LETTERS OF SUPPORT

A number of Australian businesses have taken the time to write letters of support addressed to the Minister for Trade, Tourism and Investment, The Hon Dan Tehan, MP.

We highlight excerpts from the first ten letters we received from Australian business leaders below.



01

MICHAEL IWANIW, CHAIRMAN, SELECT HARVESTS

"I write as Chair of Select Harvests, Australia's second largest almond producer and marketer with core capabilities across horticulture, orchard management, and nut processing. Listed on the ASX with current market capitalisation around \$965 million and annual revenue in the order of \$265m, we have 530 employees and supply retail and industrial markets, exporting almonds globally.

Australian trade with Ukraine is extremely small. There is surely scope to grow; it seems wrong to have artificial trade barriers in the way of this potential.

Australia has a special, if extremely unfortunate, link with Ukraine since the MH17 airliner disaster. In the current world environment, improved trade relationships offer the opportunity to build a more positive future."

02

TREVOR MATTHEWS, MANAGING DIRECTOR, VOLT RESOURCES

"Volt's search for the development of alternative graphite sources to traditional Chinese supply, has resulted in our planned investment in the Ukrainian graphite business, Zavalievsky Graphite.

Developing what could be an important global graphite business in Ukraine, Volt has been made aware of one hurdle to the free exchange of goods and services with Ukraine excluded from the Australian System of Tariff Preferences.

As a company that is looking to be part of a diversified global supply chain and looking to develop the exchange of goods and services between Australia and Ukraine, I would like to kindly request that the Australian Government review the possibility of Ukraine being included in the System of Tariff Preferences."

03

**ILYA OSADCHUK, PRESIDENT & CEO,
COSMOVISION GLOBAL CORPORATION**

"The major objectives of Cosmovation Global are to develop a wide range of business partnerships between Australia and Ukraine, with our main project being to develop and operate Australia's first commercial satellite space launch site in Far North Queensland.

Through this major initiative for Australia, Cosmovation Global will employ over 800 full time employees - at our Queensland launch site, our planned assembly facility in Adelaide, and our TechnoPark and Headquarters in Sydney. Ukraine will be the principle supplier of rocket components for assembly of rocket stages for our Australian business at our manufacturing facility in Adelaide, and of especially-designed structural elements, assembly gear, and materials for construction of the launch site in Queensland.

As a private business owner looking to streamline our supply chain, I would like to kindly request that the Australian Government reviews the possibility of Ukraine being included in the System of Tariff Preferences.

Reduced rates of duty on products from Ukraine would make our investment case more compelling and help Australian businesses to maintain better cost control, remain more competitive, and also grow our business, which in turn will help developments for Australia to become a major country in the global space industry."



04

**EUGENE HAWRYSZKO, MAJOR ACCOUNTS MANAGER,
SIENA FOODS**

"As a long time importer of foods out of Europe over a number of years, we have found that importation of Foods from Ukraine seem to be uncompetitive due to the higher tariffs being charged on Ukrainian foods etc. Keeping in mind that Ukraine is not as successful as some other major players in Europe (Germany etc).

if any country needed assistance in this area it is Ukraine keeping in mind the aggression of Russia and you yourself have recognised this in Parliament. Assistance to Ukraine would mean increased exports for them and obviously would help them in their balance of trade.

We as a company would welcome tariff assistance for Ukrainian goods and would obviously make us lean towards more importation from Ukraine."



05

NADIJA KERUSOVA, GASTRONOME - EUROPEAN DELI

"I am the owner and Managing Director of Gastronomo, an Australian business established in 2018. Based in Capalaba, Queensland, Gastronomo employs 11 staff and has customers across Brisbane and surrounding SEQ areas.

COVID-19 has caused a great deal of disruption to the Australian economy and our business has been subject to numerous shutdowns, causing a great deal of financial distress. This distress has been exacerbated by problems in our traditional supply chain, in reliability and quality. This has prompted us to reassess, and has highlighted a growing need for geographical diversification in order to mitigate the risks associated with one dominant manufacturing and distribution point, namely China.

Also we are increasingly aware of the need to present to customers authentic products, that proudly promote their country of origin. In our search for alternatives, we have found that opportunities exist within the Ukrainian market."

06

ANDRIY KOGUT, MANAGING DIRECTOR, BLUE BAY CHEESE

"I am the owner and Managing Director of Blue Bay Cheese, an Australian manufacturing company established in 2005. Based in Mornington, Victoria, Blue Bay Cheese employs 5 full-time staff and has customers across all Australian major cities and states. Specialising in hand made artisan European style cheeses, Blue Bay Cheese award winning products continue to follow traditional family recipes. Our products are handcrafted in the Mornington Peninsula and may be found at farmers markets, specialty shops, as well as major supermarkets across Australia. One hurdle that we have encountered is that Ukraine is excluded from the Australian System of Tariff Preferences. As a business owner looking to diversify our supply chain, I would like to kindly request that the Australian Government review the possibility of Ukraine being included in the System of Tariff Preferences."

07

COSTA ARGYROU, DIRECTOR, TRIDENT REAL ESTATE CAPITAL

"Trident Real Estate Capital is a real estate development and investment firm with a track record of delivering quality mixed-use buildings. Managing a portfolio of more than 50,000 square metres of space in South Sydney alone, we specialise in commercial development that is designed to meet the demands of the end user.

In our search for alternatives to traditional suppliers, we have found that opportunities exist within the Ukrainian market. As a business owner looking to diversify our supply chain, I would like to kindly request that the Australian Government review the possibility of Ukraine being included in the System of Tariff Preferences."

08

RAY SHARAWARA, HOTEL SHAMROCK

"My name is Ray Sharawara and I am the owner of the Hotel Shamrock in Bendigo. I have been involved in the hotel business for over 37 years in both Melbourne metropolitan and regional areas of Victoria. I am also an elected executive board member of the Australian Hotels Association in Victoria.

In our search for alternatives to traditional suppliers, we have found that opportunities exist within the Ukrainian market. As a business owner looking to diversify our supply chain, I would like to kindly request that the Australian Government review the possibility of Ukraine being included in the System of Tariff Preferences."



09

TARAS KOGUT, DIRECTOR, MERX FURNITURE COMPANY

"I am the owner and Managing Director of Maxim Constructions T/A Merx Kitchens Australia, an Australian company established in 2013. Based in Melbourne, Victoria, Merx Kitchens Australia has a distribution contract for Australia and New Zealand with Merx Kitchens Ukraine – a specialty European custom-made kitchen furniture company.

COVID-19 has caused a great deal of disruption to the Australian economy and our business has not been immune. The global pandemic has also prompted us to reassess our supply chain and has highlighted a growing need for geographical diversification in order to mitigate the risks associated with one central manufacturing point, namely China. In our search for alternatives to traditional suppliers, we have found that opportunities exist within the Ukrainian market.

One hurdle that we have encountered is that Ukraine is excluded from the Australian System of Tariff Preferences. As a business owner looking to diversify our supply chain, I would like to kindly request that the Australian Government review the possibility of Ukraine being included in the System of Tariff Preferences."

10

EMANUEL STARAKIS, DIRECTOR, DIAS IMPORTS

"I am the owner and Managing Director of DIAS Imports Pty Ltd, an Australian importing and distribution company established in 2017. Based in Melbourne, Victoria, DIAS Imports Pty Ltd has over 300 customers across Australian major cities and states.

In our search for alternatives to traditional suppliers, we have found that opportunities exist within the Ukrainian market. One hurdle that we have encountered is that Ukraine is excluded from the Australian System of Tariff Preferences. As a business owner looking to diversify our supply chain, I would like to kindly request that the Australian Government review the possibility of Ukraine being included in the System of Tariff Preferences."



Conclusion

Our aim is to expand trade

Australia's trade relationship with Ukraine is currently modest, however both countries have ample opportunities to further expand cooperation, especially in bilateral trade and investment. One of the instruments that can increase bilateral trade volumes is Ukraine's inclusion in the Australian System of Tariff Preferences which would reduce tariffs on Ukrainian imports and improve profit margins for Australian businesses.

There is also potential for Australian companies to manufacture value-added goods in Ukraine and take advantage of the country's rail, sea, and air links, as well as the highly trained and IT savvy workforce. Ukraine can also be a strategic partner in the region and be used as a launchpad to access the European and Middle East markets.

In July 2020, Ukraine granted visa free travel for Australian citizens, recognizing Australia as an important partner. We hope that the Australian Government can take the next step in expanding the economic relationship.

We strongly believe there is great potential to improve trade and investment between Australia and Ukraine, increase Australian business growth, and create more local jobs.

We look forward to working together in order to strengthen and expand the partnership.

Acknowledgements

We would like to acknowledge the contributions of the individuals who joined the Working Group and worked tirelessly to map out the business and trade connections between Australia and Ukraine. A special thanks also goes to Markiyan Wojewidka and Dion Hallpike at the Department of Foreign Affairs and Trade of Australia for their guidance and support.



AFUO

The Australian Federation of Ukrainian Organisations (AFUO) is a peak body for 22 community organisations throughout Australia. Contributors: Kateryna Argyrou, Stefan Romaniw, Chrestyna Kmetj, Ivan Semciw, Dan Wolody, Andrew Mencinsky, Jaroslav Duma, Sergey Budkin and Leshia Bubniuk.



EMBASSY OF UKRAINE

The Embassy of Ukraine in Australia was established on 14 April 2003 through the conversion of the Consulate General of Ukraine in Sydney, opened in May 2000, to the Embassy in Canberra. Contributors: Volodymyr Shalkivskiy and His Excellency Dr. Mykola Kulinich.



AUCC

The Australia-Ukraine Chamber of Commerce (AUCC) was established in 2015 with a mission to advance the broader Australia-Ukraine business relationship through the effective representation of its members. Contributors: Eugene Hawryszko, Dmytro Legeyda, Anna Golovchenko and Daniel Stefyn.

Appendix

	SMEs – Australian business	Import category
1	Alpina Fine Foods	Animal & vegetable products
2	Beefcorp Australia	Animal & vegetable products
3	Blue Bay Cheese	Animal & vegetable products
4	Clean Energy Strategies	Animal & vegetable products
5	Colossus Food	Animal & vegetable products
6	Europlus Fine Foods	Animal & vegetable products
7	Flavour Makers	Animal & vegetable products
8	Gourmet Deli Royal Randwick	Animal & vegetable products
9	Kialla Pure Foods	Animal & vegetable products
10	SalDoce Fine Foods	Animal & vegetable products
11	Yummy & Natural	Animal & vegetable products
12	Attila	Articles of stone, plaster, cement
13	The Stone Suppliers	Articles of stone, plaster, cement
14	Blue Sky Windows	Miscellaneous manufactured articles
15	Hotel Shamrock	Miscellaneous manufactured articles
16	Merx Kitchens	Miscellaneous manufactured articles
17	Mideco	Miscellaneous manufactured articles
18	DIAS Imports	Prepared foodstuffs; beverages, spirits and vinegar
19	Gastronome	Prepared foodstuffs; beverages, spirits and vinegar
20	Goulburn Wines and Spirits	Prepared foodstuffs; beverages, spirits and vinegar
21	HiLands Foods	Prepared foodstuffs; beverages, spirits and vinegar
22	Kazachok Eastern European Deli	Prepared foodstuffs; beverages, spirits and vinegar
23	Lepol Holdings	Prepared foodstuffs; beverages, spirits and vinegar
24	Manassen Foods Australia	Prepared foodstuffs; beverages, spirits and vinegar
25	Mimas Foods	Prepared foodstuffs; beverages, spirits and vinegar
26	Optima Enterprises	Prepared foodstuffs; beverages, spirits and vinegar
27	Ruski Way Deli	Prepared foodstuffs; beverages, spirits and vinegar
28	Russkis Deli	Prepared foodstuffs; beverages, spirits and vinegar
29	Siena Foods	Prepared foodstuffs; beverages, spirits and vinegar
30	Valore Cellars	Prepared foodstuffs; beverages, spirits and vinegar
31	Wine Direct	Prepared foodstuffs; beverages, spirits and vinegar
32	Fashion Boutique	Textiles and textile articles
33	RSEA Safety	Textiles and textile articles
34	Sirocco Marine	Vehicles, aircraft, vessels and associated transport equipment
35	Real Toys	Wood and articles of wood
36	Trident Real Estate Capital	Wood and articles of wood
37	Aces Analysis Systems	Consulting services
38	Australian Export Grains Innovation Centre (AEGIC)	Consulting services
39	Bayda Books	Consulting services
40	Incenta Economic Consulting	Consulting services
41	International Consultants Centre	Consulting services
42	JD Consulting & Business Services	Consulting services
43	Rado Translations	Consulting services
44	Sovereign Health	Consulting services
45	TZ Consulting	Consulting services
46	Uplift International	Consulting services
47	FinPoint	Financial advisory
48	Dnister Credit Union	Financial services
49	R Zachariak & Co	Financial services
50	Pavuk Legal	Legal services
51	Source Legal	Legal services
52	ArtOn Lab	IT services
53	Calxa	IT services

Appendix

54	Computools	IT services
55	Enkonix	IT services
56	Fastlane Solutions	IT services
57	Fielden Management Services	IT services
58	Golar	IT services
59	LQD Technology	IT services
60	Paragon Technologies	IT services
61	Persollo	IT services
62	Pump Impeller Publications	IT services
63	Sincura	IT services
64	Vector Software	IT services

	Large enterprises – Australian business	Import category
65	Aldi	Animal & vegetable products
66	Graincorp	Animal & vegetable products
67	Manildra Group	Animal & vegetable products
68	United Malt Group	Animal & vegetable products
69	Select Harvest	Animal & vegetable products
70	BlueScope Steel	Metals and articles of base metal
71	Volt Resources	Metals and articles of base metal
72	Bunnings	Miscellaneous manufactured articles
73	Catapult Group International	Miscellaneous manufactured articles
74	Orica	Miscellaneous manufactured articles
75	CleanSpace Holdings	Optical, medical or surgical instruments and apparatus
76	Imugene	Optical, medical or surgical instruments and apparatus
77	Dan Murphy's	Prepared foodstuffs; beverages, spirits
78	Harris Farm Markets	Prepared foodstuffs; beverages, spirits
79	Nufam	Products of the chemical or allied industries
80	CosmoVision Global Corporation	Vehicles, aircraft, vessels and associated transport equipment
81	QBE Insurance Group	Financial services
82	Altium	IT services
83	Aristocrat Leisure	IT services
84	Freelancer	IT services
85	IDP Education	IT services