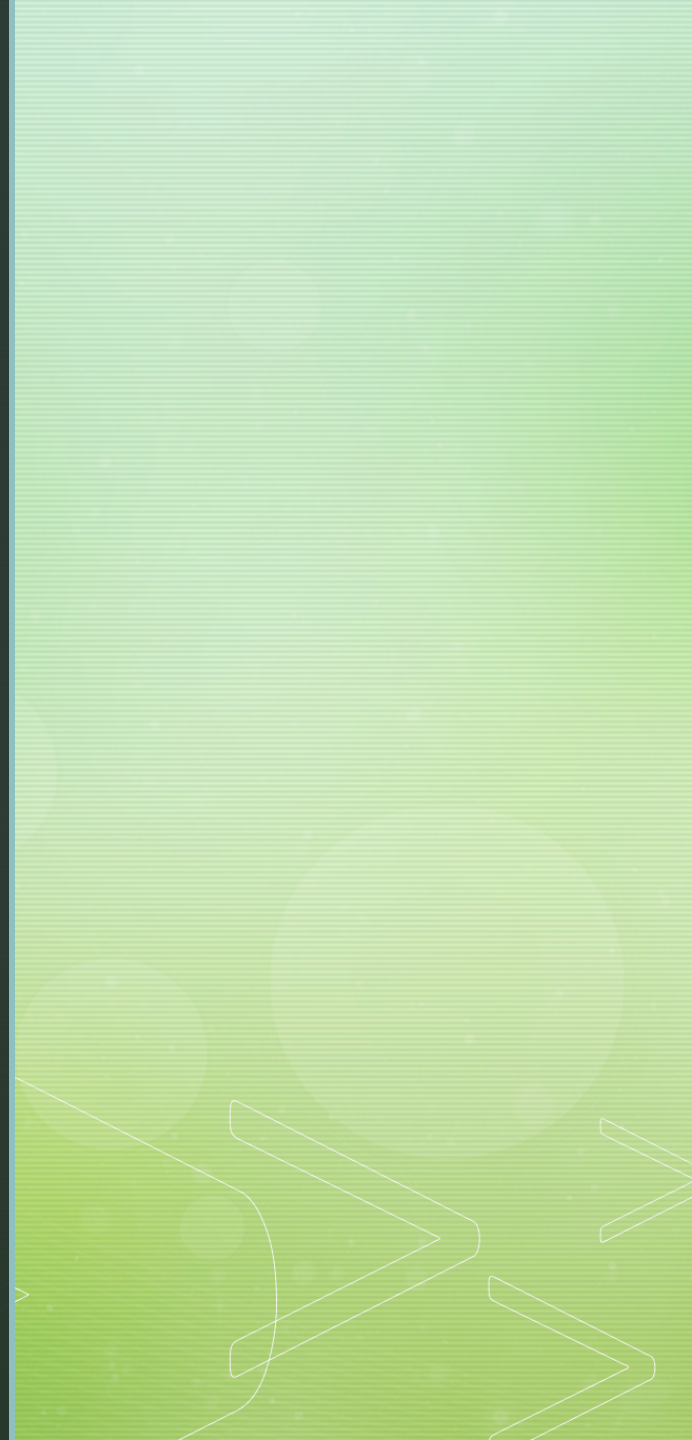


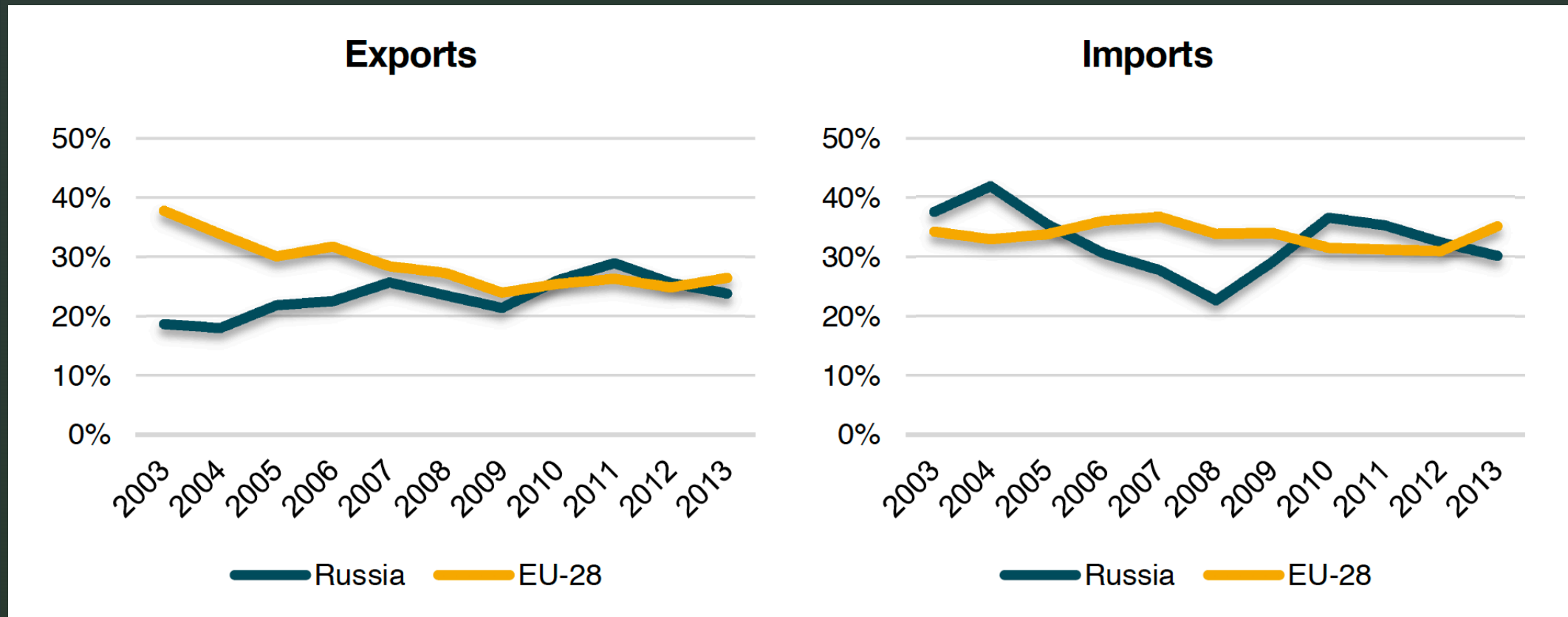


Trade Relations between Ukraine and Russia amidst the Political Turmoil

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Share of the EU and Russia in total trade of Ukraine 2003-2013



In the late 2013 Ukraine was at crossroads



Association Agreement with the EU (EU-28) or membership in the Customs Union (later Eurasian Economic Union)



Closer cooperation with the EU as one of the reasons for Ukraine-Russia crisis

After public protests and change of the government, Ukraine signed the Association Agreement in 2014.

Why this bilateral agreement was seen as an unwanted development by Russia?

- The Association Agreement comprises some **2,100 pages**, of which the text of the agreement itself is about **160 pages**.
- The agreement not only liberalizes trade between the parties, but also prescribes **approximation of legislation in various areas**. In other words, Ukraine's internal laws and regulations will be similar to the EU law in the long run. For example, Ukraine will be aligning its technical regulations and standards, SPS and animal welfare legislation with the EU law.
- **“Ukraine has chosen benchmarks for further development and modernization of the Ukrainian economy according to EU standards”** (WTO, Report of the Secretariat)

A practical example: why this Agreement matters for Russia?

c. In accordance with the Agreement on Conducting the Coordinated Policy in the Field of Standardization, Metrology and Certification of 13.03.1992, of which Ukraine is one party, the Parties recognize the current GOST standards as interstate. How does this correspond to the obligation of Ukraine under the EU-Ukraine Agreement to progressively transpose the European standards as national standards, and to withdraw any conflicting national standards, including its interstate standards (GOST), developed before 1992 (Article 56.8)?

Response from the delegation of Ukraine

Pursuant to the Programme of Activity of the Cabinet of Ministers of Ukraine, adopted by the Decree № 695 of the Cabinet of Ministers of Ukraine on 9 December 2014 and approved by the Decree № 26-VIII of the Verkhovna Rada of Ukraine on 11 December 2014, the State Enterprise "Ukrainian Scientific, Research and Training Center on Standardization, Certification and Quality Problems" (the "UkrNDNC"), which performs functions of the National Standardization Body (Decree № 1163-p of the Cabinet of Ministers of Ukraine as of 26 November 2014 "On Determination of the State Enterprise which Performs the Functions of the National Standardization Body"), has cancelled all interstate standards (GOST) valid in Ukraine that were developed before 1992.

Russia's responses to the EU-Ukraine Association Agreement

- **Before Ukraine signed the agreement**

Unilateral trade restrictions: in July 2013, Russian customs officers started inspecting all goods from Ukraine.

- **After the agreement was signed, yet was not fully in force**

Russia expressed its concerns about the agreement and its implications. Thus, the EU and Ukraine agreed to hold **a trilateral negotiations:** Ukraine, the EU and Russia.

Furthermore **Russia proposed to amend significant number of the provisions** incorporated in the agreement. Ukraine and the EU disagreed. No common understanding was reached.

- **After Ukraine and the EU provisionally applied the agreement since 1 January 2016**

Russia **unilaterally terminated the CIS FTA in respect of Ukraine** in December 2015, effective from 1 January 2016 and **imposed severe transit restrictions** to Ukraine, prohibiting almost all transit through its territory to Kazakhstan and Kyrgyzstan.

In 2017 Russian delegates **claimed that the agreement is inconsistent with WTO law**

1.34. The Russian Federation believed that the EU-Ukraine DCFTA was an exemplary case of a situation where a free trade area worsened trade conditions for other trading partners, and thus was not compatible with GATT Article XXIV:4 and GATS Article V:4.



Trade war between Ukraine and Russia 2014-2019

Trade restrictions against Ukraine

- Food embargo, that was extended several times (poultry, cheese, raw milk and dairy products, etc.)
- Transit restrictions, prohibiting almost all transit through its territory to Kazakhstan and Kyrgyzstan
- Targeted sanctions (blacklisting)

In November 2018, Russia imposed special economic measures on certain individuals and legal entities of Ukraine that include freezing of their bank accounts, uncertificated securities and property in Russia and a ban on transfers of money from Russia.

- In April 2019, Russia ban the export of oil, petrochemicals and coal to Ukraine from June (Russian exports of coal account for nearly two-thirds of Ukraine's total coal imports)

Trade restrictions against Russia

- Import ban for certain products (2016-2018), in 2019 the ban was extended till 2021.

The products range from confectionery to small grain crops, soya sauce, tomato sauce, fresh and preserved fish and fish roe.

- Targeted sanctions (blacklisting)

There are currently personal sanctions against individuals and legal entities (sanction lists) related to the Russian Federation listed in the Decision of the National Security and Defence Council of Ukraine, in force since 2018.

- May 15, 2019 an embargo on Russian cement and plywood (as a response to Russian sanctions imposed on April 18, 2019)

Recent data on Ukraine's foreign trade, 2017-2018

Trade in goods

Exports

By main destination, % (2018)



■ European Union (28): 42.6	■ Russian Federation: 7.7
■ Turkey: 5	■ China: 4.7
■ India: 4.6	■ Other: 35.5

Imports

By main origin, % (2018)



■ European Union (28): 40.4	■ Russian Federation: 14.2
■ China: 13.4	■ Belarus: 6.7
■ United States of America: 5.2	■ Other: 20.1

Trade in services

Exports

By main destination, % (2017)



■ Russian Federation: 24.9	■ Switzerland: 6.3
■ United States of America: 0	■ Other: 68.8

Imports

By main origin, % (2017)



■ Russian Federation: 6.3	■ Switzerland: 2
■ United States of America: 0	■ Other: 91.7

How bilateral trade relations between Ukraine and Russia were/are regulated?

Bilateral agreements

- **Before 2013:** CIS FTA
- **After 2013:** both state terminated CIS FTA with respect to each other

On December 30, 2015 President Putin signed Federal Law 410 Suspending the FTA between Russia and Ukraine.

In response, on January 2, 2016, Ukraine's Cabinet of Ministers enacted a resolution No.1146 of December 30, 2015, which abolished trade preferences for goods from Russia.

Multilateral agreements

- **Before 2013:** in 2013 both states were WTO Members, yet there was no WTO disputes between them.
- **After 2013:** WTO Members, number of disputes

5 disputes:

- 2 disputes are resolved;
- 1 dispute is under appeal;
- 2 disputes were terminated at the consultations stage.

WTO disputes between Ukraine and Russia

- The WTO disputes initiated by Ukraine against the Russian Federation are:

DS499 Russia - Measures affecting the importation of railway equipment and parts thereof; (Panel report under appeal since 27 August 2018)

DS512 Russia - Measures Concerning Traffic in Transit; (Panel report was adopted, April 2019)

DS532 Russia - Measures Concerning the Importation and Transit of Certain Ukrainian Products. (consultations)

- The WTO disputes initiated by the Russian Federation against Ukraine are:

DS493 Ukraine - Anti-Dumping Measures on Ammonium Nitrate, (AB final ruling, September 2019)

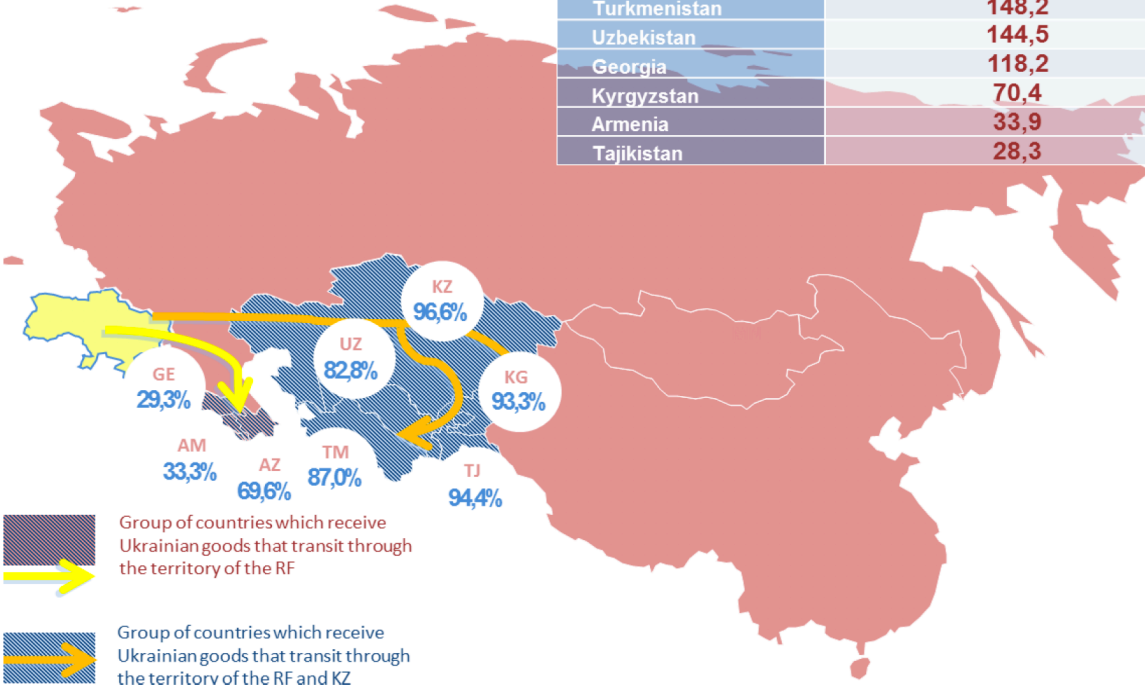
DS525 Ukraine - Measures relating to Trade in Goods and Services. (consultations)

Restrictions on Transit as a matter of National Security

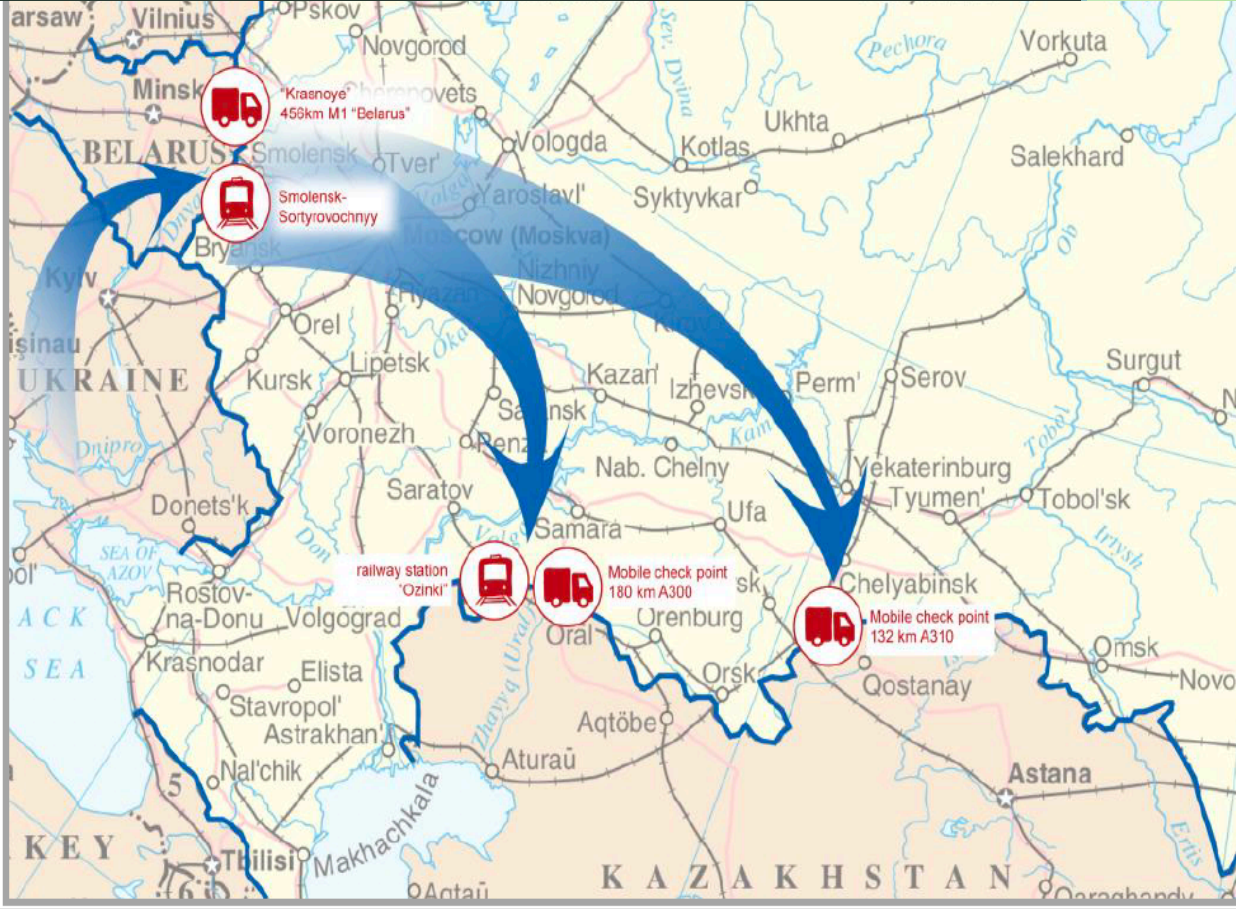
Russia – Traffic in Transit is the first dispute on national security exception in 25 years!

Transit through the territory of the Russian Federation (mln. USD)

	Transit Export 2015 USD mln
Kazakhstan	668,5
Azerbaijan	221,9
Turkmenistan	148,2
Uzbekistan	144,5
Georgia	118,2
Kyrgyzstan	70,4
Armenia	33,9
Tajikistan	28,3



Source: National statistics 2015, State Fiscal Service of Ukraine.



Restrictions on transit significantly increase the distance that goods have to travel !

Ukraine's strategy to reduce the negative impact of the deteriorating trade with Russia

- **Ukraine negotiates new free trade agreements (Canada, Israel, and Turkey).**
- **Ukraine makes efforts to implement its obligations under the EU Association Agreement.**
- **Ukraine is active in the WTO dispute settlement system.**
- **Ukrainian government developed and adopted the Export strategy for 2017-2021.**

This is an action plan that indicates the key strategies for export development in Ukraine, including institutional reform and improvement of agencies focusing on the promotion of exports.

- **Ukrainian government attempts to find alternative sources of supply for the most sensitive goods (nuclear fuel).**

As recently as 2015, Russia supplied 95 percent of Ukraine's nuclear fuel by value. In December 2017, Kiev announced that its nuclear fuel supplies are now split 50-50 between a Russia supplier and the U.S. firm Westinghouse.



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