

VILNIUS EASTERN PARTNERSHIP SUMMIT: MILESTONE IN EU-RUSSIA RELATIONS – NOT JUST FOR UKRAINE

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Abstract

The Vilnius Eastern Partnership Summit on 28–29th November 2013 represents a milestone in EU relations not just with respect to the six Eastern Partnership countries (EaP Armenia, Azerbaijan, Belarus, Georgia, Moldova and particularly Ukraine), but also with the EU's 'strategic partner' Russia. The turbulence and numerous speculations regarding expectations about the signature of the EU-Ukraine Association Agreement (comprising a Deep and Comprehensive Free Trade Agreement – AA/DCFTA), as well as progress in initialling similar future agreements with Georgia and Moldova, have been escalating before the summit. The association agreements would bring EaP signatory countries closer to the EU not really closer to EU membership, but closer to the application of various EU norms and standards (takeover of the 'acquis communautaire') and – significantly – out of the Russian orbit, for the beginning at least symbolically. The last minute postponement of the EU-Ukraine AA/DCFTA signature announced by Ukraine's government just one week before the summit represents a serious setback for the EU. Though the EU has no 'Plan B' and was stunned after Ukraine's announcement, life will continue after the summit and new initiatives will have to be started. What are the relevant issues and challenges and what is at stake? This note attempts to evaluate the consequences (economic and otherwise) of alternate decisions following the Vilnius Eastern Partnership Summit, reviews some of the disputed arguments and discusses selected relevant economic issues.

Keywords

Vilnius Eastern Partnership Summit, European Union, Ukraine, EU-Ukraine Association Agreement REMOVE “

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I. Introduction

The Vilnius Eastern Partnership Summit on 28-29 November 2013 represents a milestone in EU relations not just with respect to the six Eastern Partnership countries (EaP: Armenia, Azerbaijan, Belarus, Georgia, Moldova and particularly Ukraine), but also with the EU's 'strategic partner', Russia. The turbulence and numerous speculations regarding expectations about the signature of the EU-Ukraine Association Agreement (comprising a Deep and Comprehensive Free Trade Agreement – AA/DCFTA), as well as progress in initialising similar future agreements with Georgia and Moldova, escalated before the summit. The association agreements would bring EaP signatory countries closer to the EU: not really closer to EU membership, but closer to the application of various EU norms and standards (takeover of the 'acquis communautaire') and – significantly – out of the Russian orbit, at least symbolically at first. The postponement of the EU-Ukraine AA/DCFTA signature – Ukraine's government halted the related preparations just one week before the summit – represents a serious setback for the EU, while Russia has gained another strategic point, at least for a while.² Though the EU has no 'Plan B' and EU High Representative Catherine Ashton expressed her disappointment immediately after Ukraine's announcement, life will continue after the summit and new initiatives will have to be started.

What are the relevant issues and challenges and what is at stake? This note briefly discusses the positions of the key individual parties (the European Union, Ukraine and Russia), presents details on foreign trade and tariff data and attempts to evaluate the consequences (economic and otherwise) of alternate decisions following the Vilnius Eastern Partnership Summit. It also reviews some of the disputed arguments and discusses selected relevant economic issues.

II. Tug-of-war over Ukraine

In its present form, the conclusion and implementation of an AA/DCFTA between Ukraine and the EU has been presented by both the EU and Russia as incompatible with the participation of EaP countries in the Russian-led Customs Union (BRK-CU: the other members being Belarus and Kazakhstan) and especially with Ukraine joining the envisaged 'deeper and wider' post-Soviet integration project in the framework of the Eurasian Union and the Single Economic Space (SES).³ Until compromise solutions regarding tariff regimes have been negotiated, the two directions for integration – either with the EU or participation in the BRK-CU/SES – are indeed incompatible. Russia's 'success' in luring Armenia into the BRK-CU instead of opting for an AA/DCFTA with the EU, as announced on 3 September, 2013, was initially interpreted by some in the EU as incompatible with Armenia's pro-

² Ukraine's government proposed the establishment of a tripartite commission with the EU and Russia in order to jointly discuss trade and economic issues – see www.gazeta.ru, 21 November, 2013. The interruption of the AA/DCFTA process was presented by Ukraine's Prime Minister Mykola Azarov as a 'tactical decision' driven solely by economic reasoning.

³ The Eurasian Union (EurAz) currently includes, apart from Russia, Belarus and Kazakhstan, Kyrgyzstan and Tajikistan. The future Eurasian Union and SES envisages a common market entailing 'four freedoms' modelled on the EU experience.

spective conclusion of an AA/DCFTA. Later on, European Commissioner for Enlargement and Neighbourhood Policy Štefan Füle attempted to de-escalate tensions and tried to dismiss such fears by stating in October at a conference in Kyiv that the AA/DCFTA should ‘not be seen as a threat but as an opportunity, a contribution to creating an area of free trade between Lisbon and Vladivostok’. Furthermore, he explained that the European Commission is ‘working on the issue of legal incompatibility between the Association Agreement and Customs Union’, while requiring once again that Ukraine shows ‘determined action’ and delivers ‘tangible progress on all European Union benchmarks’.⁴ Ukraine, for its part, would opt for signing the AA/DCFTA agreement (a corresponding decision was already adopted by Ukraine’s government in September 2013) while, ideally, desiring to ‘cherry pick’ and maintain and develop good relations with both the Russian-led Customs Union and the EU. One of the EU’s key demands – to cease the application of ‘selective justice’ and in particular the release of former Prime Minister Yulia Tymoshenko from prison – will obviously not be fulfilled, at least not before the Vilnius Summit.⁵

III. Russia’s bullying pays off

To deal first with Russia, there has been some history of this country’s use of economic sanctions in order to retaliate for perceived unwelcome political developments in the ‘near abroad’. Russian sanctions ranged from import bans on Georgian wine and mineral water in 2004-06 after the ‘Rose Revolution’ in Georgia, the interruption of gas deliveries to Ukraine and Belarus related to disputes over pricing and access to pipelines, restricting the import of wine and spirits from Moldova, imposing import restrictions on dairy products and chocolate from Ukraine, on dairy product imports from Lithuania, etc.⁶ The latest sore point in Russian external relations with potentially severe economic consequences has been Russia’s concentrated efforts in bullying Ukraine (as well as Georgia and Moldova) related to the envisaged AA/DCFTA signature at the forthcoming Eastern Partnership Summit in Vilnius.⁷ The frequency and intensity of Russia’s rather crude attempts to prevent Ukraine from signing the AA/DCFTA prior to the Vilnius Summit and to ‘explain the adverse consequences of the signature’, together with simultaneous efforts to ‘lure’ Ukraine into joining the Russian-led Customs Union with Belarus and Kazakhstan, escalated before the Vilnius Summit.⁸ Repeatedly, Sergey Glazyev, one of President Putin’s economic advi-

⁴ See Füle (2013a, 2013b). The latter requirement was spelled out by Mr Füle in a speech before the Ukrainian parliament in Kyiv on the same day (Füle, 2013c).

⁵ EU foreign affairs ministers reiterated conditions for signing the AA/DCFTA agreement at their meeting on 18 November, 2013, in Brussels as follows: ‘Determined action and tangible progress is needed in three areas: the compliance of the parliamentary elections with international standards, addressing the issue of selective justice and preventing its recurrence, and the implementation of the reforms jointly agreed in the Association Agenda’ (<http://www.euractiv.com/specialreport-ukraine-way-reform/analysts-slam-germany-ukraine-po-news-531768>).

⁶ It must be added, for the sake of completeness, that Russia also employed trade sanctions – with varying justification – with respect to imports of US poultry, Polish pork, Dutch flowers, etc.

⁷ See Moldova’s Foreign and European Integration Minister (who is also chief AA negotiator) Natalia Gherman at Euractiv.com, published on 30 October, 2013, and the interview with newly elected Georgian President Giorgi Margvelashvili in *Kommersant Vlast*, No. 41, October 2013, respectively.

⁸ There was even a ‘secret’ (although leaked) strategy for preventing Ukraine from signing the AA/DCFTA agreement published in August by the Ukrainian paper Zerkalo Nedely – see <http://gazeta.zn.ua/internal/o->

sors, lectured Ukraine on the alleged adverse consequences of signing the ‘discriminative’ AA/DCFTA agreement while simultaneously threatening Russian sanctions. Indeed, Russian border controls on Ukrainian exports were briefly introduced (on a ‘trial’ basis, but still violating the CIS FTA agreements where Ukraine participates) while simultaneously praising the economic benefits of Ukraine joining the Customs Union. Similar warnings were spelled out by Russian Ambassador to the EU Vladimir Chizhov and reiterated, albeit in a more polite form, by Russian First Deputy Prime Minister Igor Shuvalov, who is in charge of EurAz economic relations in Russia.⁹ Last but not least, Russian Prime Minister Dmitry Medvedev warned his Ukrainian colleague Mykola Azarov that after signing the AA/DCFTA Ukraine will have ‘zero chance’ of full-scale CU membership, while Russian Foreign Affairs Minister Sergey Lavrov mentioned the possibility of tightened border controls between the two countries.¹⁰ The latest serious and immediate threat was expressed by Mr Medvedev at the beginning of November in connection with Ukraine’s payment arrears for Russian gas deliveries (amounting to nearly USD 900 million as of August 2013). Prime Minister Medvedev required prompt debt repayment, rejected new Russian credit and required a pre-payment for additional gas deliveries (envisaged by the existing contract with Gazprom) while suggesting that, if necessary, Ukraine should ask the EU for financial assistance instead.¹¹ Meanwhile, Ukraine is also being squeezed by the IMF, which is urging the government to reduce budgetary expenditures and raise domestic gas tariffs, as well as to implement a number of other unpopular reforms before resuming new financing.¹²

Russia’s bullying attempts to pressure its neighbours to ‘integrate’ with Russia instead of with the EU was seen as counterproductive not only by many Ukrainians and most outside observers, but even by a number of commentators in Russia.¹³ On the other hand, a negative view regarding the consequences of an AA/DCFTA signature is shared by Ukraine’s communists, who claim – probably correctly – that the country has no prospects of joining the EU in the next 20-30 years and that the implementation of EU regulations would be too costly, while EU integration is allegedly supported by just 40% of Ukrainians.¹⁴ Last but not least, there have been tensions among current BRK-CU members as neither Belarus nor Kazakhstan – the two other members of BRK-CU – are particularly happy with current Russian dealings related to the CU stance. For example, at the recent

komplekse-mer-po-vo vlecheniyu-ukrainy-v-evraziyskiy-integratsionnyy-process-.html.

⁹ See <http://www.euractiv.com/europes-east/top-envoy-russia-offer-ukraine-e-news-530890> and <http://www.euractiv.com/europes-east/russia-reiterates-warnings-ukrai-news-530671>.

¹⁰ See report from the meeting of the two prime ministers in Kaluga on 15 October, 2013 (www.gazeta.ru/business/2013/10/15). For Lavrov’s speech, see http://www.gazeta.ru/politics/2013/10/28_a.5727929.shtml.

¹¹ See www.gazeta.ru, 4 November, 2013.

¹² See IMF Mission Statement to Ukraine, Press Release No. 13/419, 31 October, 2013.

¹³ See, for instance, <http://www.vedomosti.ru/opinion/print/2013/10/29/18070451>, K. Sonin and Financial Times, 4 November, 2013, p. 9.

¹⁴ See <http://www.euractiv.com/europes-east/ukrainian-communists-expose-myth-news-531359>. It must be added that the high costs and the rationality of the request to take over the ‘acquis’ and other provisions of the DCFTA without prospects for EU accession is criticised by other observers as well (Dreyer, 2012). The earlier experience of CEE NMS suggests that ‘acquis takeover’ is indeed costly and problematic (Havlik, 2003).

BRK-CU summit in Minsk (end-October 2013), Kazakh President Nursultan Nazarbayev complained about the ‘excessive politicisation’ of the CU Commission’s decisions pursued by Russian representatives who are ‘not independent enough’ from the government (a situation which contradicts CU Commission statutes). Furthermore, Belarus President Alexander Lukashenko complained at the same summit about increased bureaucratic obstacles in BRK-CU customs procedures and delays in other integration steps.¹⁵ On the sidelines, Mr Nazarbayev also suggested inviting Turkey to join the BRK-CU.¹⁶

IV. EU’s failed Eastern Partnership

Following a number of resolute previous ‘either/or’ statements regarding the direction of integration by various EU representatives, European Commissioner for Enlargement and Neighbourhood Policy Štefan Füle attempted to de-escalate the situation, declaring that this issue ‘is not a choice between Moscow and Brussels’ and promised Ukraine a speedier AA/DCFTA implementation after the Vilnius summit. Mr Füle also declared that the European Commission is ‘working on overcoming the issues of legal compatibility between the AA and CU’ in order to ‘prevent new walls in Europe’,¹⁷ and sharply rebuked claims regarding the adverse effects of an AA/DCFTA.¹⁸ On the same day, Mr Füle announced a ‘post-Vilnius agenda’ for Ukraine which would include financial assistance to support the implementation of the Association Agreement amounting to EUR 186 million and move ahead with macro-financial assistance of EUR 610 million, ‘once the conditions are in place’ (ibid). The current EU stance with respect to both Eastern Partnership countries and the ‘partnership for modernisation’ with Russia, as well as the lack of a corresponding longer-term strategy, have long been criticised by numerous observers and experts.¹⁹

V. Economic integration effects

Available studies dealing with the (economic) effects of alternative integration agreements provide widely conflicting results, depending on methods, assumptions and data sources. One of the common findings of these studies is that (economic) effects on Russia (or the EU for that matter) are asymmetric: they are rather small compared to the effects on smaller prospective integration partners such as Ukraine, Armenia, Georgia or Moldova – owing to the sheer size of the Russian/EU economy (see, among others, Astrov et

¹⁵ See <http://www.vedomosti.ru/politics/print/2013/10/25/17942981>.

¹⁶ Ibid. Note that Turkey has been in a customs union with the EU since the mid-1990s.

¹⁷ See Mr Füle’s speech at the conference in Yalta, Ukraine, on 20 September, 2013.

¹⁸ See the above quoted speeches by Mr Füle at the international conference in Kyiv and before the Ukrainian Parliament on 11 October, 2013, at http://europa.eu/rapid/press-release_SPEECH-13-808_en.htm and 13-810 (ibid).

¹⁹ See, for example, Wallace (2009), Grant (2011), Emerson (2011a) and recent statements by German Bundestag MP Karl-Gerog Wellmann and former EU Enlargement Commissioner Gunter Verheugen during a panel discussion in Berlin on 18 November, 2013, (<http://www.euractiv.com/specialreport-ukraine-way-reform/analysts-slam-germany-ukraine-po-news-531768>). Similar views have recently been expressed also by French diplomats (<http://www.euractiv.com/europes-east/france-supports-association-agre-news-531726as>), as well as by Youngs and Pishchikova (2013) and Wisniewski (2013).

al., 2012; EDB, 2012, 2013; Vinokurov and Libman, 2012; Dabrowski and Taran, 2012; Dreyer, 2012; Movchan and Shportyuk, 2012; EBRD, 2012). Another common finding of most integration studies is that (mostly short-term) tariff reduction effects are relatively small compared to the effects from the abolishment of non-tariff barriers and the expected medium- and long-term efficiency gains from capital inflows and related restructuring. This applies not only to post-Soviet integration or the AA/DCFTA but, for example, to the Transatlantic Trade and Investment Partnership (TTIP) under negotiation between the EU and US as well (see Francois et al., 2013).

Regarding the effects of alternative integration scenarios, there is a plethora of different evaluation approaches, applying various methodologies, assumptions and data sets (see references for a selection of the relevant literature). Not surprisingly, the evaluation results differ by wide margins and the issue – economic effects of alternate integration directions – is excessively politicised. Ukraine has so far rejected a full-fledged BRK-CU membership and has instead acquired ‘observer status’. Apart from tricky geo-political aspects, important reasons for Ukraine’s reluctant position are its WTO-related commitments and questions of BRK-CU compatibility with the prospective AA/DCFTA with the EU. While there seems to be little (economic) justification for Russia prompting Ukraine to join the BRK-CU (the economic impacts on Russia are rather small, partly owing to its size), for Ukraine, on the other hand, the economic (and other) linkages to Russia are rather important.

Box 1

What is the content of the EU-Ukraine DCFTA?

The EU-UA DCFTA represents part of the Association Agreement and consists of 15 Chapters, 14 Annexes and 3 protocols – altogether more than 900 pages of text published in November 2012, with few experts ever having probably actually read it. According to Chapter 1 (Market Access for Goods), the vast majority of customs duties (99.1% by Ukraine and 98.1% by the EU) will be removed as soon as the Agreement enters into force after the ratification process is completed. A few sectors will obtain transition periods for the removal of customs duties (e.g. the automotive sector in Ukraine for 15 years and some agriculture products in the EU for up to 10 years); WTO rules will be generally applied to non-tariffs barriers. According to EC estimates, Ukrainian exporters will save EUR 487 million annually due to reduced EU import duties, while Ukraine will remove around EUR 390 million in duties on imports from the EU.²⁰ Ukraine will progressively adapt its technical regulations and standards to those of the EU.²¹ Chapter 6 (which deals with services) aims at the expansion of the EU internal market ‘once Ukraine effectively implements the EU-acquis’. Similar wording is used in relation to financial services, telecom, postal and maritime services. Chapter 8 (Public procurement) provides exceptions for the defence sectors in both Ukraine and the EU. For the first time, Ukraine’s DCFTA includes specific provisions on trade-related energy issues (Chapter 11; Ukraine is already a member of the Energy Community Treaty, which imposes an obligation to implement the EU energy acquis on electricity and gas). These include rules on pricing, the prohibition of dual pricing and transport interruption to third countries, as well as rules on non-discriminatory access to the exploration and production of hydrocarbons.²² Importantly, Protocol I of the DCFTA deals with rules of origin and defines the ‘economic nationality’ of products needed to determine the duties applicable to traded goods.²³ Future EU-Ukraine relations will include EU-Ukraine summits and the Association Council with the power to take binding decisions. Last but not least, Article 39 of the agreement explicitly stipulates that the DCFTA ‘shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier traffic except insofar as they conflict with trade arrangements provided for in this agreement’ and consultations regarding these matters will take place within the Trade Committee.

²⁰ The net effect on Ukraine would thus be a gain of some EUR 100 million. In contrast, at a recent conference in Kharkiv, Sergey Glazyev predicted a deterioration of Ukraine’s trade balance in the event of DCFTA signature by USD 5 billion owing to the abolishment of customs duties on 75% of imports (see www.gazeta.ru from 1 November, 2013).

²¹ Ibid., Chapter 3, Technical barriers to trade. There is no available EC estimate for Ukraine’s acquis takeover costs but, according to Ukrainian sources, these costs are doubtless considerable (see also Dreyer, 2012). Commissioner Füle, in his speech on 11 October, 2013, mentioned the intention to help with an ‘indicative amount of EUR 186 million’. For an earlier experience of NMS see Havlik (2003).

²² Note the similar above-quoted conditionality required by the IMF.

²³ The latter is one of Russia’s major complaints regarding the incompatibility of the DCFTA and the BRK-CU (and the existing CIS-wide FTA where Ukraine is a member) and is used as an argument for the erection of trade barriers.

Source: European Commission, DG Trade and Industry. For the English version of the text, see EU Ukraine Association Agreement English – 2012.11.19.EU_Ukraine_Association_Agreement_English.pdf published on 19 November, 2012 (a concise summary was published on the European Commission DG Trade website on 26 February, 2013).

Notwithstanding the above incompatibilities, which would have to be re-negotiated and would doubtless leave room for compromises, the polarisation of Russian and EU standpoints regarding these issues is not only endangering future Russian-EU relations, but is also counterproductive with respect to Ukraine, which remains sandwiched between the two and would be ultimately adversely affected by EU-Russia frictions the most. As far as foreign trade volumes are concerned, Russia and the EU are of about the same importance for Ukraine: Ukraine's exports to each of the destinations amounted to some USD 17 billion in 2012. Russia accounted for 26% of Ukraine's exports and the BRK-CU (together with Belarus and Kazakhstan) for 33% of Ukraine's exports in 2012. The enlarged EU(28) accounted for 25% of Ukraine's exports in 2012 (see Annex for additional trade statistics). As regards imports, the situation is similar: 32% of Ukraine's imports originated from Russia in 2012 (and more than 40% from the BRK-CU), whereas imports from the EU(28) accounted for 31% of the total. However, there are important structural aspects of Ukraine's trade to either destination: the structure of exports to Russia is more 'advanced', since Ukraine's exports of transport equipment and machinery play a much bigger role. Some Ukrainian estimates reckon with an additional export and GDP growth potential from exports to Russia, especially in aircraft, shipbuilding and railway machinery industries.²⁴

With respect to the EU, Ukraine's exports are specialised on vegetable products, mineral products (partly refined from Russian oil imports) and base metals. Ukraine's imports from Russia are traditionally dominated by mineral products, whereas imports from the EU consist mostly of chemicals, machinery and transport equipment (Figure 1).

Russia and the EU are thus nearly equally important trading partners for Ukraine. From a purely trade importance point of view the either-or decision regarding the direction of Ukraine's trade integration is rather meaningless: both directions are important. Restricted access to the Russian market – if trade barriers are introduced by Russia as a punishment in case of Ukraine's 'European integration' choice – would hit a more advanced part of Ukraine's economy (located largely in the eastern part of the country) immediately and disproportionately, irrespective of the fact that a large part of these exports may represent remnants of cooperation links from the Soviet past (and are largely not competitive on EU markets). A BRK-CU-oriented integration of Ukraine would help to maintain and develop existing technological cooperation linkages, though probably without much modernisation and restructuring pressures (unless Russia itself embarks on a more radical reform path). On the other hand, the implementation of the AA/DCFTA with the EU would bring benefits to Ukraine only in the medium and long run – especially regarding the expected pressure

²⁴ Calculations by L. Shinkaruk, Institute for Economics and Forecasting, National Academy of Sciences of Ukraine (mimeo).

on modernisation and reforms which would eventually lead to a significant restructuring of the Ukrainian economy and higher FDI inflows. There is little doubt that the EU, as a more developed economy, would introduce more competition, modernisation and reform pressures on Ukraine; the EU market is also much bigger than the Russian one.

Figure 1 Structure of Ukraine’s foreign trade (in % of total, 2012)

Note: I Live animals, animal products;

II Vegetable products

III Animal or vegetable fats, oils, waxes, prepared edible fats

IV Prepared foodstuffs, beverages, tobacco and substitutes

V Mineral products

VI Products of the chemical or allied industries

VII Plastics and articles thereof, rubber and articles thereof

VIII Raw hides and skins, leather, furs, etc.

IX Wood and articles of wood, wood charcoal, cork, etc.

X Pulp wood, paper or paperboard (incl. recovered) and articles

XI Textiles and textile articles

XII Footwear, headgear, umbrellas, walking sticks, etc.

XIII Articles of stone, plaster, cement, ceramic products, glassware

XIV Natural or cultured pearls, precious stones and metals, etc.

XV Base metals and articles of base metal

XVI Machinery, mech. appliances, electr. equipment

XVII Vehicles, aircraft, vessels and associated transport equipment

XVIII Optical, measuring, medical instr., clocks, musical instr., etc.

XX Miscellaneous manufactured articles

Source: State Statistics Committee of Ukraine; own calculations.

As far as customs tariffs are concerned, Ukraine and Russia have a formal free trade agreement (with some important exceptions for agricultural products such as sugar) while in trade with the EU, 70.6% of the value of Ukrainian agricultural products and 90.8% of the value of non-agricultural products were already exported duty-free in 2011. Russia faced similar tariff protection in the EU for agriculture products like Ukraine while nearly all Russian non-agricultural exports to the EU were duty free (in value; in terms of the number of duty-free tariff lines, Ukraine’s agricultural products face greater trade barriers in the EU – see Table 1 and Annex). Ukraine’s (as well as Russia’s) exports face the highest tariff protection in dairy products, cereals, sugar, beverages and tobacco, whereas industrial products generally enjoy more tariff protection in both Ukraine and Russia. In fact, average final bound duties in both Ukraine and Russia are very similar (except for animal products, beverages and tobacco, and wood and paper where Russian tariffs are higher and the harmonisation of tariff lines should not, given the will to negotiate, pose too big a problem – with the above-quoted few exceptions, see Table 1).

Table 1 Tariffs and imports by product groups, Ukraine

Product groups	Final bound duties	MFN applied duties	Imports	Differences in final bound duties	AVG
	AVG	Duty-free	Max	Binding	AVG
	Duty-free	Max	Share	Duty-free	EU-RU
	EU-UA	RU-UA			

in %

in %

in %

in % in %

Animal products 13.0 0 20 100 11.0 9.0 20 0.5 15.0 0.3 10.4 10.1 Dairy products 10.0 0 10 100 10.0 0 10 0.2 0 39.8 44.7 4.9 Fruit, vegetables, plants 13.1 10.2 20 100 9.9 18.9 20 1.4 54.6 1.5 -2.9 -4.4 Coffee, tea 5.8 35.4 20 100 5.8 35.4 20 1.3 42.0 -0.2 0.4 0.6 Cereals & preparations 12.7 3.3 20 100 12.6 3.8 20 0.9 27.1 12.1 9.5 -2.6 Oilseeds, fats & oils 10.7 11.0 30 100 8.3 20.1 30 0.9 89.9 -1.5 -5.1 -3.6 Sugars and confectionery 17.5 0.6 50 100 17.5 0 50 0.3 0 18.3 13.5 -4.8 Beverages & tobacco 7.9 25.7 64 100 12.2 26.2 424 1.2 23.9 -2.3 13.4 15.7 Cotton 1.4 40.0 5 100 1.4 40.0 5 0.0 61.3 0 -1.4 -1.4 Other agricultural products 7.6 23.9 20 100 5.5 45.2 20 0.5 19.3 -1.2 -3.5 -2.3 Fish & fish products 3.7 61.7 20 100 2.6 68.2 20 0.7 68.0 3.4 7.2 3.8 Minerals & metals 4.5 42.4 20 100 3.0 47.6 20 32.8 79.0 -6 -2.5 3.5 Petroleum 1.5 72.0 10 100 0.9 84.3 10 13.7 97.3 -3 0.5 3.5 Chemicals 5.1 16.1 10 100 3.2 39.3 65 12.7 55.4 -0.6 -0.5 0.1 Wood, paper, etc. 0.4 95.8 10 100 0.3 95.8 10 3.1 99.1 -7 0.5 7.5 Textiles 4.1 33.7 13 100 3.8 35.6 13 2.1 25.6 -1.3 2.4 3.7 Clothing 11.4 1.0 12 100 11.3 1.1 12 0.6 0.1 -0.3 0.1 0.4 Leather, footwear, etc. 7.2 14.9 25 100 5.4 27.0 25 1.9 20.3 -2.2 -3 -0.8 Non-electrical machinery 4.2 38.7 12 100 2.1 51.3 10 8.8 62.4 -4.1 -2.5 1.6 Electrical machinery 5.3 33.0 25 100 3.8 39.1 25 6.8 34.2 -3.8 -2.9 0.9 Transport equipment 7.5 15.8 20 100 5.1 39.6 20 7.5 21.4 -4.8 -3.4 1.4 Manufactures, n.e.s. 6.4 31.9 25 100 5.5 32.0 25 2.1 68.6 -5.9 -3.9 2

Source: WTO; own calculations.

VI. Conclusion

Cooperation and integration, not confrontation

The earlier (both positive and negative) integration experiences of the new EU Member States (NMS) may provide a useful reference point for Ukraine. NMS trade integration with the EU advanced rapidly after they had signed association agreements and inflows of FDI to the region had already accelerated before EU accession. FDI inflows have brought new technologies, higher quality standards, and better know-how in management and marketing (Hunya, 2008). Last but not least, FDI inflows have facilitated access to EU markets and fostered modernisation; they even contributed to a revival of intra-NMS trade (Richter, 2011). FDI-induced modernisation was also crucial in raising the energy efficiency of the recipient countries' economies (which remains an important challenge for Ukraine – see Astrov et al., 2012). In this way, the former COMECON countries have successfully restructured their industrial sector, which in many cases became competitive on the European scale and has been gaining global market shares (Havlik, 2008). But the experience of the NMS in the recent crisis has also taught important lessons regarding the negative effects of capital flows and integration – neither being a panacea with respect to growth and convergence (see, for example, Gligorov et al., 2012).

In the case of Ukraine – unlike in the above-mentioned NMS countries – one important factor behind the success restructuring story, namely the 'carrot' of prospective EU mem-

bership, is missing and is unlikely to be in place any time soon. Theoretically, Ukraine (just as Russia) could still try to emulate these developments via closer EU integration – even without a formal accession anchor, as the Baltic States did in the early 1990s.²⁵ The latter does not rule out that Ukraine maintains close economic links with Russia, e.g. via a preservation of the current free trade regime (albeit with exemptions and limitations). The BRK-CU members – and first of all Russia – should also advance their integration with the enlarged EU, at least to the stage of a free trade area. Closer EU-BRK-CU integration which would include Ukraine is a potentially preferred option in future, and would, if accompanied by a parallel integration of other EaP countries, lay the foundation for a broader Pan-European Economic Space and wider Eurasian integration ‘from Lisbon to Vladivostok’. This could be part of the new inclusive strategy for the EU Eastern Partnership which would refrain from strategic rivalry with Russia and revitalise the Partnership for Modernisation, especially in order to avoid trade wars and the raising of new walls in Europe (Samson, 2002; Havlik, 2010; Emerson, 2011a; Havlik, 2013; Wisniewski, 2013; etc.).

In summary, both Russia and the EU should abstain from counterproductive geopolitical games over influence in the EaP region which would have adverse consequences, especially for the EaP countries concerned. EU-Russia negotiations should not be about Ukraine or other EaP countries but should involve the latter in the process. All parties should also continue/resume FTA negotiations – perhaps with a lesser and selective focus on costly harmonisations of norms and regulations. Last but not least, progress on visa liberalisation procedures and other confidence-building measures should be decisively speeded up and here it is the EU which should deliver. Apart from confidence building measures, closer integration of the enlarged EU, Russia and the Eastern Partnership countries – from ‘Lisbon to Vladivostok’ – would boost trade and investment, thus fostering badly needed economic growth and stability in Europe.

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²⁵ It is questionable as to whether this incentive is sufficient for truly sustained reform efforts. WTO membership is definitely not a sufficient ‘reform anchor’ – see O. Havrylyshyn in Grinberg et al. (2008).

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Statistical Annex

Tables from the *wiiw Handbook of Statistics: Countries in Transition 2013*.

Table A1 Kazakhstan: Foreign trade by country groupings

	2000	2005	2009	2010	2011	2012*
EUR mn^{1) 2)}						
Exports, fob						
Total	9319	22371	30977	45387	62929	67249
EU-28	2400	9034	15164	23203	30738	35364
EU-15	2181	7752	12705	20391	27253	30665
Other countries ³⁾	6919	13337	15813	22185	32191	31884
Imports, cif						
Total	5330	13939	20373	23440	26619	36021
EU-28	1253	3453	5588	5482	5271	7270
EU-15	1074	2995	4805	4567	4355	6069
Other countries ³⁾	4077	10486	14785	17958	21348	28752
Trade balance						
Total	3989	8432	10604	21947	36310	31227
EU-28	1147	5581	9576	17721	25467	28095
EU-15	1108	4757	7900	15824	22898	24597
Other countries ³⁾	2842	2851	1028	4226	10843	3133
Annual growth in %						
Exports, fob						
Total	72.6	38.3	−36.0	46.5	38.6	6.9
EU-28	62.1	59.5	−27.0	53.0	32.5	15.1
EU-15	87.0	52.7	−32.1	60.5	33.7	12.5
Other countries ³⁾	76.6	26.9	−42.7	40.3	45.1	−1.0
Imports, cif						
Total	58.6	35.5	−20.9	15.1	13.6	35.3
EU-28	26.9	22.6	−4.3	−1.9	−3.8	37.9
EU-15	29.1	25.9	−3.2	−5.0	−4.6	39.3
Other countries ³⁾	71.8	40.4	−25.7	21.5	18.9	34.7
Shares in %						
Exports, fob						
Total	100.0	100.0	100.0	100.0	100.0	100.0
EU-28	25.8	40.4	49.0	51.1	48.8	52.6
EU-15	23.4	34.7	41.0	44.9	43.3	45.6
Other countries ³⁾	74.2	59.6	51.0	48.9	51.2	47.4
Imports, cif						
Total	100.0	100.0	100.0	100.0	100.0	100.0
EU-28	23.5	24.8	27.4	23.4	19.8	20.2
EU-15	20.1	21.5	23.6	19.5	16.4	16.8
Other countries ³⁾	76.5	75.2	72.6	76.6	80.2	79.8

1) Officially registered trade.

2) Values in EUR converted from USD to NCU to EUR at the average official exchange rate.

3) Refers to total minus EU-28 from 2000.

Table A2 Russia: Foreign trade by country groupings

	2000	2005	2009	2010	2011	2012*
EUR mn¹⁾						
Exports, fob						
Total	111449	193709	216560	299354	371071	408182
EU-28	60780	111619	116080	160210	192189	216319
EU-15	39870	80255	88564	121657	142915	164148
Other countries ²⁾	50668	82090	100480	139143	178882	191863
Imports, cif						
Total	36613	79190	120136	172579	219576	246447
EU-28	14617	35375	53962	71947	91606	96044
EU-15	12044	29283	43287	56998	74154	79421
Other countries ²⁾	21996	43815	66174	100632	127970	150403
Trade balance						
Total	74836	114519	96424	126775	151495	161735
EU-28	46164	76245	62119	88263	100583	120275
EU-15	27827	50972	45278	64659	68761	84727
Other countries ²⁾	28672	38275	34306	38511	50912	41460
Annual growth in %						
Exports, fob						
Total	63.0	32.6	−32.0	38.2	24.0	10.0
EU-28	80.1	46.2	−36.4	38.0	20.0	12.6
EU-15	71.0	51.2	−34.2	37.4	17.5	14.9
Other countries ²⁾	46.3	17.7	−26.2	38.5	28.6	7.3
Imports, cif						
Total	28.9	30.3	−34.0	43.7	27.2	12.2
EU-28	17.9	27.8	−32.0	33.3	27.3	4.8
EU-15	14.9	28.0	−32.3	31.7	30.1	7.1
Other countries ²⁾	37.4	32.3	−35.5	52.1	27.2	17.5
Shares in %						
Exports, fob						
Total	100.0	100.0	100.0	100.0	100.0	100.0
EU-28	54.5	57.6	53.6	53.5	51.8	53.0
EU-15	35.8	41.4	40.9	40.6	38.5	40.2
Other countries ²⁾	45.5	42.4	46.4	46.5	48.2	47.0
Imports, cif						
Total	100.0	100.0	100.0	100.0	100.0	100.0
EU-28	39.9	44.7	44.9	41.7	41.7	39.0
EU-15	32.9	37.0	36.0	33.0	33.8	32.2
Other countries ²⁾	60.1	55.3	55.1	58.3	58.3	61.0

1) Values in EUR converted from USD to NCU to EUR at the average official exchange rate.

2) Refers to total minus EU-28 from 2000.

Table A3 Ukraine: Foreign trade by country groupings

	2000	2005	2009	2010	2011	2012*
EUR mn¹⁾						
Exports, fob						
Total	15764.6	27455.0	28457.9	38729.2	49129.8	53536.7
EU-28	5215.2	8256.5	6820.9	9858.6	12945.4	13321.2
EU-15	2811.6	4578.1	3906.7	5474.5	6787.7	7371.1
Other countries ²⁾	10549.4	19198.5	21637.0	28870.6	36184.3	40215.5
Imports, cif						
Total	15097.7	28985.3	32571.0	45763.8	59340.2	65867.2
EU-28	4378.8	9794.8	11067.9	14428.9	18536.3	20404.6
EU-15	3116.9	6755.8	7225.0	8921.6	11938.4	13168.3
Other countries ²⁾	10718.9	19190.5	21503.1	31334.9	40803.9	45462.6
Trade balance						
Total	667.0	-1530.3	-4113.1	-7034.6	-10210.4	-12330.5
EU-28	836.4	-1538.3	-4247.1	-4570.3	-5590.9	-7083.5
EU-15	-305.3	-2177.7	-3318.3	-3447.1	-5150.6	-5797.2
Other countries ²⁾	-169.5	8.0	133.9	-2464.3	-4619.5	-5247.1
Annual growth in %						
Exports, fob						
Total	44.8	4.4	-37.8	36.1	26.9	9.0
EU-28	51.4	-7.3	-45.4	44.5	31.3	2.9
EU-15	41.2	-4.7	-40.7	40.1	24.0	8.6
Other countries ²⁾	41.7	10.4	-35.0	33.4	25.3	11.1
Imports, cif						
Total	35.6	24.2	-44.3	40.5	29.7	11.0
EU-28	34.6	27.3	-44.0	30.4	28.5	10.1
EU-15	38.2	23.7	-42.7	23.5	33.8	10.3
Other countries ²⁾	36.0	22.7	-44.4	45.7	30.2	11.4
Shares in %						
Exports, fob						
Total	100.0	100.0	100.0	100.0	100.0	100.0
EU-28	33.1	30.1	24.0	25.5	26.3	24.9
EU-15	17.8	16.7	13.7	14.1	13.8	13.8
Other countries ²⁾	66.9	69.9	76.0	74.5	73.7	75.1
Imports, cif						
Total	100.0	100.0	100.0	100.0	100.0	100.0
EU-28	29.0	33.8	34.0	31.5	31.2	31.0
EU-15	20.6	23.3	22.2	19.5	20.1	20.0
Other countries ²⁾	71.0	66.2	66.0	68.5	68.8	69.0

1) Values in EUR converted from USD to NCU to EUR at the average official exchange rate.

2) Refers to total minus EU-28 from 2000.

Table A4 Kazakhstan: Exports to top thirty partners

2000 2005 2009 2010 2011 2012*

Total exports, fob, EUR mn 1) 9319.0 22370.9 30977.2 45387.1 62928.6 67248.6 Shares in % (ranking in 2012)

Italy 1 10.41 15.05 15.48 15.89 17.17 17.77 China 2 7.65 8.70 13.63 16.79 18.60 16.46
Netherlands 3 2.57 3.15 5.15 6.90 7.58 8.43 Russia 4 19.87 10.51 8.21 9.48 7.99 7.09
France 5 0.18 9.57 7.83 7.36 6.18 6.52 Austria 6 0.01 0.00 2.77 4.20 4.43 5.73 Switzerland
7 5.15 19.78 6.18 2.05 5.66 5.69 Canada 8 0.08 1.90 3.21 4.06 3.00 3.56 Romania 9 0.01
1.65 1.95 2.13 2.59 3.51 Turkey 10 0.71 0.56 1.83 2.05 2.94 3.13 Ukraine 11 2.88 0.72
2.98 1.11 3.05 2.76 United Kingdom 12 2.58 1.15 2.86 2.30 1.85 1.94 Poland 13 0.64
1.32 1.93 2.02 1.49 1.87 Israel 14 . . 2.60 2.12 1.62 1.78 Germany 15 6.25 1.47 2.08 2.90
1.84 1.61 Uzbekistan 16 1.51 0.87 2.06 1.82 1.35 1.36 Portugal 17 . 1.14 0.64 1.22 1.30
1.18 Spain 18 0.07 1.67 1.34 1.53 1.30 0.77 Greece 19 0.01 0.50 1.26 1.65 0.66 0.76
Kyrgyzstan 20 0.66 0.81 0.90 0.70 0.58 0.74 Iran 21 2.31 3.18 2.96 1.81 1.23 0.70 Japan
22 0.11 0.49 0.57 0.89 1.19 0.64 Finland 23 0.79 0.64 1.04 0.45 0.67 0.60 Tajikistan 24
0.60 0.54 0.56 0.43 0.41 0.54 United States 25 2.38 2.39 1.42 1.46 1.17 0.46 Bulgaria 26
0.02 0.00 0.42 0.28 0.55 0.41 Azerbaijan 27 0.53 0.46 0.21 0.57 0.27 0.40 Afghanistan
28 0.66 0.59 0.95 0.60 0.38 0.34 Cyprus 29 0.02 1.03 . 0.01 0.10 0.26 Korea Republic 30
0.41 0.67 0.30 0.39 0.32 0.25 1) Officially registered trade.

Table A5 Russia: Exports to top thirty partners

2000 2005 2009 2010 2011 2012*

Total exports, fob, EUR mn 111449 193709 216560 299354 371071 408182 Shares in % (ranking in 2012)

Netherlands 1 4.22 10.19 12.07 13.59 12.13 14.64 China 2 5.09 5.40 5.53 5.12 6.78 6.81
Germany 3 8.95 8.17 6.20 6.46 6.61 6.78 Italy 4 7.03 7.89 8.32 6.92 6.32 6.18 Turkey
5 3.00 4.49 5.43 5.12 4.91 5.23 Ukraine 6 4.87 5.14 4.59 5.83 5.90 5.18 Belarus 7 5.40
4.19 5.54 4.55 4.82 4.68 Poland 8 4.32 3.57 4.14 3.76 4.14 3.79 Japan 9 2.68 1.55 2.40
3.23 2.83 2.97 Kazakhstan 10 2.18 2.71 3.03 2.69 2.73 2.87 United Kingdom 11 4.53 3.43
3.01 2.85 2.71 2.86 Korea Republic 12 0.94 0.98 1.88 2.63 2.59 2.63 United States 13
4.50 2.62 3.03 3.10 3.18 2.47 Finland 14 3.01 3.17 3.04 3.06 2.55 2.29 Switzerland 15
3.74 4.46 2.06 2.20 2.22 2.05 France 16 1.85 2.53 2.89 3.13 2.88 2.01 Latvia 17 1.58 0.49
1.37 1.48 1.43 1.70 India 18 1.05 0.96 1.97 1.61 1.18 1.51 Belgium 19 0.73 1.02 1.34
1.24 1.45 1.30 Hungary 20 2.33 2.07 1.29 1.35 1.50 1.27 Sweden 21 1.68 0.96 1.06 0.90
0.99 1.18 Slovakia 22 2.06 1.32 0.98 1.15 1.37 1.17 Greece 23 1.23 0.80 0.77 0.72 0.91
1.13 Spain 24 1.04 1.17 0.96 1.02 1.19 1.09 Lithuania 25 2.01 1.66 1.13 0.89 1.40 1.03
Czech Republic 26 1.69 1.58 1.47 1.39 1.05 1.00 Bulgaria 27 0.57 0.79 0.73 0.86 0.68
0.83 Estonia 28 1.20 0.88 0.38 0.43 0.55 0.70 Taiwan 29 0.39 0.60 0.26 0.45 0.41 0.63
Egypt 30 0.44 0.43 0.60 0.48 0.45 0.61

Table A6 Ukraine: Exports to top thirty partners

2000 2005 2009 2010 2011 2012*

Total exports, fob, EUR mn 15764.6 27455.0 28457.9 38729.2 49129.8 53536.7 Shares in % (ranking in 2012)

Russia 1 24.12 21.88 21.40 26.12 28.98 25.62 Turkey 2 5.96 5.92 5.36 5.89 5.48 5.36
Egypt 3 1.52 2.33 2.55 0.43 1.95 4.21 Poland 4 2.87 2.95 3.04 3.48 4.09 3.74 Italy 5
4.38 5.53 3.09 4.69 4.44 3.60 Kazakhstan 6 0.53 1.95 3.57 2.53 2.72 3.57 India 7 1.15
2.15 2.90 0.97 3.31 3.33 Belarus 8 1.87 2.60 3.17 3.69 2.81 3.27 China 9 4.32 2.08 3.61
0.91 3.19 2.58 Germany 10 5.09 3.75 3.14 2.92 2.58 2.39 Spain 11 1.12 1.68 1.44 0.80
1.42 2.24 Hungary 12 2.25 2.01 1.84 1.67 1.96 2.19 Lebanon 13 0.42 0.30 1.75 0.58 1.99
2.07 Iran 14 0.62 1.69 1.90 0.55 1.65 1.69 United States 15 4.98 2.79 0.63 1.58 1.63
1.47 Saudi Arabia 16 0.25 1.13 1.26 0.16 1.19 1.35 Netherlands 17 0.95 1.51 1.50 1.10
1.22 1.21 Moldova 18 1.21 1.98 1.75 1.39 1.28 1.20 Israel 19 0.73 0.85 0.99 0.31 0.75
1.16 Azerbaijan 20 0.28 0.85 1.38 1.19 1.04 1.11 Czech Republic 21 1.30 1.10 0.86 1.22
1.23 1.03 Slovakia 22 1.58 1.48 1.09 1.11 1.23 0.98 Syria 23 1.10 1.96 1.90 0.36 1.35
0.84 Bulgaria 24 2.62 1.59 1.00 0.88 1.10 0.83 Romania 25 1.13 1.43 0.80 1.37 1.39 0.80
United Kingdom 26 0.94 1.05 0.87 0.99 0.71 0.80 France 27 0.77 0.58 1.11 0.93 0.83
0.80 Georgia 28 0.26 0.58 1.00 1.03 0.96 0.79 Jordan 29 0.31 0.53 1.20 0.20 0.66 0.78
Turkmenistan 30 1.02 0.55 0.82 0.41 0.35 0.77

Table A7 Kazakhstan: Imports from top thirty partners

2000 2005 2009 2010 2011 2012*

Total imports, cif, EUR mn 1) 5329.9 13939.0 20372.8 23440.1 26618.5 36021.2 Shares
in % (ranking in 2012)

Russia 1 48.40 37.98 31.32 39.38 41.38 36.59 China 2 3.00 7.21 12.56 12.73 13.55 16.08
Germany 3 6.66 7.50 7.19 5.93 5.62 8.26 Ukraine 4 1.61 4.87 7.50 4.37 4.68 6.33 United
States 5 5.50 6.94 4.90 4.24 4.63 4.60 Italy 6 3.09 3.91 6.74 5.10 3.09 2.11 Korea Republic
7 1.66 1.48 1.32 1.69 1.68 2.09 Japan 8 2.09 3.45 2.24 1.80 1.74 1.97 Turkey 9 2.86 2.30
2.01 1.99 1.97 1.74 Uzbekistan 10 1.40 1.47 1.07 1.52 2.08 1.74 Belarus 11 0.78 1.20
1.29 1.70 1.60 1.43 France 12 1.50 1.68 1.62 1.60 1.86 1.41 United Kingdom 13 4.43
2.44 2.47 2.34 1.42 1.30 Poland 14 1.16 1.14 1.48 1.22 1.06 1.04 Kyrgyzstan 15 0.60 0.68
0.41 0.53 0.65 0.79 India 16 0.91 0.58 0.55 0.64 0.66 0.72 Czech Republic 17 0.67 0.55
0.63 0.54 0.44 0.70 Brazil 18 0.55 0.96 0.71 0.75 0.92 0.65 Netherlands 19 1.30 0.81 1.12
0.97 0.79 0.62 Austria 20 0.36 0.90 0.89 0.71 0.60 0.58 Sweden 21 0.51 1.51 0.92 0.67
0.84 0.54 Finland 22 1.14 1.14 1.09 0.67 0.67 0.54 Spain 23 0.18 0.44 0.42 0.32 0.40
0.50 Switzerland 24 1.08 1.16 0.55 0.58 0.42 0.48 Canada 25 0.46 0.73 0.87 0.70 0.47
0.45 Belgium 26 0.66 0.83 0.55 0.57 0.48 0.44 Lithuania 27 0.19 0.16 0.38 0.35 0.27 0.41
Turkmenistan 28 0.86 0.29 0.22 0.03 0.18 0.39 Hungary 29 0.51 0.40 0.35 0.41 0.44 0.31
Ireland 30 . . 0.23 0.27 0.28 0.27 1) Officially registered trade.

Table A8 Russia: Imports from top thirty partners

2000 2005 2009 2010 2011 2012*

Total imports, cif, EUR mn 36613 79190 120136 172579 219576 246447 Shares in %
(ranking in 2012)

China 1 2.80 7.36 13.62 17.02 15.78 15.40 Germany 2 11.51 13.45 12.69 11.66 12.32
12.09 Ukraine 3 10.78 7.92 5.46 6.14 6.58 5.68 Japan 4 1.69 5.91 4.33 4.48 4.91 4.95
United States 5 7.95 4.62 5.48 4.85 4.77 4.83 France 6 3.50 3.72 5.04 4.39 4.34 4.35 Italy
7 3.58 4.47 4.72 4.39 4.38 4.24 Belarus 8 10.95 5.79 4.01 4.35 4.48 3.56 Kazakhstan 9

6.49 3.27 2.21 1.94 2.34 2.72 United Kingdom 10 2.54 2.81 2.12 2.00 2.35 2.59 Korea Republic 11 1.06 4.06 2.91 3.18 3.79 2.17 Turkey 12 1.03 1.75 1.92 2.13 2.08 2.16 Poland 13 2.11 2.78 2.52 2.55 2.18 2.13 Netherlands 14 2.18 1.97 2.14 1.94 1.94 1.61 Finland 15 2.83 3.14 2.36 2.00 1.85 1.51 Spain 16 0.92 1.24 1.36 1.33 1.41 1.24 Belgium 17 1.42 1.50 1.52 1.43 1.35 1.18 Czech Republic 18 1.08 1.00 1.39 1.27 1.47 1.12 Brazil 19 1.14 2.38 2.08 1.78 1.44 1.03 Austria 20 1.24 1.23 1.23 1.08 1.02 0.99 Sweden 21 1.37 1.88 1.22 1.25 1.32 0.94 India 22 1.64 0.79 0.91 0.94 0.91 0.93 Hungary 23 1.19 1.11 1.57 1.37 1.09 0.88 Switzerland 24 0.80 0.89 1.17 1.05 0.97 0.86 Vietnam 25 0.11 0.18 0.41 0.49 0.56 0.71 Slovakia 26 0.31 0.51 1.08 1.09 0.97 0.66 Denmark 27 1.02 0.93 0.82 0.74 0.67 0.63 Canada 28 0.57 0.52 0.72 0.65 0.60 0.61 Taiwan 29 0.26 0.50 0.55 0.67 0.67 0.60 Norway 30 0.46 0.76 0.67 0.62 0.62 0.56

Table A9 Ukraine: Imports from top thirty partners

2000 2005 2009 2010 2011 2012*

Total imports, cif, EUR mn 15097.7 28985.3 32571.0 45763.8 59340.2 65867.2 Shares in % (ranking in 2012)

Russia 1 41.74 35.54 29.13 36.54 35.27 32.39 China 2 0.94 5.01 6.02 2.03 7.59 9.33 Germany 3 8.13 9.36 8.48 7.58 8.31 8.04 Belarus 4 4.31 2.60 3.73 4.23 5.10 5.99 Poland 5 2.24 3.89 4.78 4.59 3.85 4.21 United States 6 2.58 1.96 2.83 2.91 3.14 3.43 Italy 7 2.48 2.85 2.51 2.29 2.43 2.64 Turkey 8 1.15 1.68 2.10 2.14 1.79 2.31 France 9 1.69 2.21 2.14 1.82 1.82 1.97 Korea Republic 10 0.79 1.79 1.25 0.46 1.50 1.83 Kazakhstan 11 2.96 0.52 4.48 1.26 2.03 1.77 Czech Republic 12 1.17 1.64 1.37 1.23 1.43 1.47 Japan 13 0.71 1.52 1.14 1.32 1.23 1.41 Hungary 14 1.19 1.79 1.49 2.00 1.61 1.37 United Kingdom 15 1.45 1.39 1.43 1.35 1.37 1.36 Netherlands 16 1.05 1.28 1.49 1.38 1.44 1.33 India 17 0.54 0.89 1.05 0.28 0.98 1.21 Romania 18 0.35 0.59 1.07 1.12 1.36 1.10 Lithuania 19 0.97 0.55 0.90 1.05 1.00 1.08 Singapore 20 0.03 0.05 0.06 0.01 0.05 0.97 Switzerland 21 1.55 0.70 0.96 0.84 0.96 0.90 Spain 22 0.72 0.65 0.82 0.77 0.83 0.88 Austria 23 1.33 1.27 1.35 1.15 0.86 0.87 Belgium 24 0.97 0.87 1.02 0.97 0.80 0.84 Slovakia 25 0.89 0.84 0.67 0.73 0.73 0.69 Brazil 26 0.67 0.86 0.83 0.17 0.66 0.68 Sweden 27 1.08 1.51 0.99 0.59 0.77 0.64 Finland 28 0.69 0.97 0.93 0.71 0.63 0.57 Indonesia 29 0.20 0.34 0.57 0.20 0.64 0.49 Norway 30 0.32 0.35 0.57 0.43 0.33 0.45

Table A10 Kazakhstan: Exports and imports by SITC commodity groups

2000 2005 2009 2010 2011 2012* Exports 1)

Total exports, fob, EUR mn 9319.0 22370.9 30977.2 45387.1 62928.6 67248.6 Shares in %

0 Food and live animals 6.7 2.2 3.5 3.1 1.8 2.9 1 Beverages and tobacco 0.2 0.2 0.1 0.1 0.1 0.1 2 Crude materials, inedible, except fuels 7.5 6.7 6.0 5.4 6.9 6.2 3 Mineral fuels, lubricants and related materials 52.8 70.1 69.5 71.7 72.0 69.9 4 Animal and vegetable oils, fats and waxes 0.0 0.0 0.1 0.1 0.0 0.1 5 Chemicals and related products, n.e.s. 1.1 1.9 4.5 4.4 3.3 3.8 6 Manufactured goods classified chiefly by material 26.9 16.7 13.7 13.0 13.7 14.0 7 Machinery and transport equipment 2.2 1.2 0.9 0.6 0.8 1.4 8 Miscellaneous manufactured articles 0.5 0.2 0.1 0.1 0.3 0.7 9 Commodities not classified elsewhere in the SITC 2.0 0.7 1.5 1.5 1.1 1.0

Imports 1)

Total imports, cif, EUR mn 5329.9 13939.0 20372.8 23440.1 26618.5 36021.2 Shares in %

0 Food and live animals 7.1 5.7 6.8 8.0 8.7 7.8 1 Beverages and tobacco 1.3 1.1 1.2 1.0 1.1 1.1 2 Crude materials, inedible, except fuels 2.8 2.0 1.2 1.3 1.4 2.3 3 Mineral fuels, lubricants and related materials 11.4 11.9 10.0 9.9 12.8 10.8 4 Animal and vegetable oils, fats and waxes 0.8 0.4 0.5 0.5 0.4 5 Chemicals and related products, n.e.s. 10.2 9.3 10.0 11.9 10.4 10.3 6 Manufactured goods classified chiefly by material 18.8 21.6 26.5 18.1 17.3 19.7 7 Machinery and transport equipment 39.7 41.5 37.0 40.3 35.8 38.0 8 Miscellaneous manufactured articles 6.4 6.5 6.8 9.0 11.8 9.4 9 Commodities not classified elsewhere in the SITC 1.4 0.1 0.2 0.1 0.2 0.4 1) Officially registered trade.

Table A11 Russia: Exports and imports by SITC commodity groups

2000 2005 2009 2010 2011 2012* Exports

Total exports, fob, EUR mn 111449 193709 216560 299354 371071 408182 Shares in %

0 Food and live animals 0.9 1.3 2.5 1.6 1.8 2.5 1 Beverages and tobacco 0.1 0.2 0.3 0.2 0.1 0.2 2 Crude materials, inedible, except fuels 4.5 4.4 3.1 3.1 3.3 2.4 3 Mineral fuels, lubricants and related materials 50.6 61.8 63.0 65.6 67.0 70.3 4 Animal and vegetable oils, fats and waxes 0.1 0.1 0.3 0.1 0.2 0.4 5 Chemicals and related products, n.e.s. 6.0 4.2 4.1 4.0 4.2 4.7 6 Manufactured goods classified chiefly by material 17.8 14.8 12.3 11.2 9.8 9.5 7 Machinery and transport equipment 6.2 4.1 3.6 2.8 2.3 2.7 8 Miscellaneous manufactured articles 2.0 0.8 0.8 0.6 0.4 0.6 9 Commodities not classified elsewhere in the SITC 11.8 8.4 10.1 10.8 10.8 6.6

Imports

Total imports, cif, EUR mn 36613 79190 120136 172579 219576 246447 Shares in %

0 Food and live animals 15.6 12.8 13.1 11.6 10.1 10.2 1 Beverages and tobacco 3.3 2.4 1.7 1.5 1.3 1.4 2 Crude materials, inedible, except fuels 7.2 3.7 3.0 2.2 2.1 2.2 3 Mineral fuels, lubricants and related materials 4.1 1.6 1.4 1.2 1.6 1.3 4 Animal and vegetable oils, fats and waxes 1.1 0.8 0.7 0.7 0.6 0.5 5 Chemicals and related products, n.e.s. 11.8 12.7 13.1 12.8 11.7 12.1 6 Manufactured goods classified chiefly by material 13.9 13.0 11.5 11.9 11.6 12.8 7 Machinery and transport equipment 24.5 39.9 37.1 39.0 41.9 31.5 8 Miscellaneous manufactured articles 7.2 7.0 10.2 11.0 10.0 11.3 9 Commodities not classified elsewhere in the SITC 11.2 6.2 8.0 8.2 9.1 16.7

Table A12 Ukraine: Exports and imports by SITC commodity groups

2000 2005 2009 2010 2011 2012* Exports

Total exports, fob, EUR mn 15764.6 27455.0 28457.9 38729.2 49129.8 53536.7 Shares in %

0 Food and live animals 1) 6.3 10.3 16.8 12.2 11.7 17.4 1 Beverages and tobacco 2 Crude materials, inedible, except fuels 12.7 7.2 9.6 10.4 11.0 10.3 3 Mineral fuels, lubricants and related materials 5.5 9.8 5.4 7.1 8.3 5.3 4 Animal and vegetable oils, fats and waxes 1.6 1.7 4.4 5.0 4.8 6.0 5 Chemicals and related products, n.e.s. 9.0 9.0 6.2 6.7 7.9 7.3 6 Manufactured goods classified chiefly by material 45.6 44.1 36.1 37.1 33.3 28.8 7 Machinery and transport equipment 12.3 12.6 16.6 17.3 12.9 14.4 8 Miscellaneous

manufactured articles 4.5 3.8 4.0 3.5 3.0 2.8 9 Commodities not classified elsewhere in the SITC 2.4 1.6 0.8 0.7 7.1 7.6

Imports

Total imports, cif, EUR mn 15097.7 28985.3 32571.0 45763.8 59340.2 65867.2 Shares in %

0 Food and live animals 1) 5.9 6.5 9.5 8.2 6.3 7.2 1 Beverages and tobacco 2
Crude materials, inedible, except fuels 5.6 3.9 3.4 3.7 2.8 2.6 3 Mineral fuels, lubricants and related materials 43.0 29.5 32.2 32.3 34.6 30.9 4 Animal and vegetable oils, fats and waxes 0.3 0.5 0.7 0.7 0.5 0.4 5 Chemicals and related products, n.e.s. 8.8 11.7 15.3 14.3 11.9 12.1 6 Manufactured goods classified chiefly by material 12.8 14.6 13.7 14.4 12.5 11.6 7 Machinery and transport equipment 17.5 25.0 18.5 19.6 16.6 19.5 8 Miscellaneous manufactured articles 3.6 5.4 5.8 6.0 3.9 5.1 9 Commodities not classified elsewhere in the SITC 2.6 2.9 0.9 1.0 11.0 10.4 1) Including beverages and tobacco.

Table B1 Tariffs and imports, Russian Federation

Part A.1

Tariffs and imports: Summary and duty ranges

Summary

Total Ag Non-Ag WTO member since

2012 Simple average final bound

7.8 11.2 7.2 Binding coverage:

Total 100 Simple average MFN applied 2012 10.0 13.3 9.4

Non-Ag 100 Trade weighted average 2011 9.9 16.7 8.8 Ag: Tariff quotas (in %)

3.2 Imports in billion US\$ 2011 277.6 37.4 240.2 Ag: Special safeguards (in %)

0

Frequency distribution Duty-free 0 \leq 5 5 \leq 10 10 \leq 15 15 \leq 25 25 \leq 50 50 \leq 100 \geq 100 NAV

Tariff lines and import values (in %) in % Agricultural products

Final bound

3.0 43.3 21.5 24.5 4.2 0.8 2.3 0.3 22.9 MFN applied 2012 8.2 36.9 7.8 30.2 10.7 3.8 2.1

0.3 28.2 Imports 2011 9.0 24.8 7.2 27.9 18.6 8.0 4.4 0.0 54.7 Non-agricultural products

Final bound

3.4 50.0 30.4 14.9 1.2 0.1 0.0 0 7.0 MFN applied 2012 14.2 34.4 19.9 20.6 8.9 1.5 0.3 0.1

10.1 Imports 2011 32.6 21.9 17.8 12.9 8.5 6.0 0.1 0.0 9.6

Part A.2

Tariffs and imports by product groups

Final bound duties MFN applied duties Imports Product groups AVG Duty-free Max

Binding AVG Duty-free Max Share Duty-free

in %

in %

in %

in % in % Animal products 23.1 7.4 80 100 23.7 14.8 90 2.5 3.6 Dairy products 14.9 0 21

100 18.4 0 50 0.8 0 Fruit, vegetables, plants 8.7 0.2 45 100 11.7 4.6 134 4.1 8.6 Coffee, tea

6.4 4.2 13 100 9.1 20.8 23 1.1 34.1 Cereals & preparations 10.1 1.3 77 100 12.9 3.5 77 0.9
 1.6 Oilseeds, fats & oils 7.1 8.2 25 100 8.5 10.9 48 0.8 22.1 Sugars and confectionery 12.7
 0 48 100 12.9 0 39 0.7 0 Beverages & tobacco 23.6 0 292 100 29.2 5.2 292 1.6 2.7 Cotton
 0.0 100.0 0 100 0.0 100.0 0 0.1 100.0 Other agricultural products 5.3 0 10 100 5.6 7.4 20
 0.8 7.0 Fish & fish products 7.5 0 77 100 12.4 0.4 77 0.9 2.6 Minerals & metals 8.0 0.1 20
 100 9.9 6.4 90 9.5 12.8 Petroleum 5.0 0 5 100 4.5 10.0 5 1.1 1.3 Chemicals 5.2 0.4 10 100
 6.4 5.8 21 13.8 13.2 Wood, paper, etc. 7.9 5.0 15 100 12.8 6.1 30 3.3 9.8 Textiles 7.8 0 18
 100 10.9 0.6 37 2.1 2.7 Clothing 11.8 0 42 100 19.6 0 100 2.4 0 Leather, footwear, etc. 6.4
 0 15 100 10.3 8.7 176 3.2 7.7 Non-electrical machinery 5.8 7.9 15 100 3.4 66.2 21 18.7
 73.6 Electrical machinery 6.2 23.3 16 100 7.3 25.2 27 11.1 37.8 Transport equipment 8.9
 2.5 20 100 10.6 17.7 35 16.1 29.9 Manufactures, n.e.s. 8.4 7.9 20 100 11.4 17.2 190 4.4
 39.7 Part B

Exports to major trading partners and duties faced

Major markets Bilateral imports Diversification MFN AVG of Pref. Duty-free imports
 in million 95% trade in no. of traded TL margin TL Value

US\$ HS 2-digit HS 6-digit Simple Weighted Weighted in % in % Agricultural products

1. Kazakhstan 2011 1,569 22 120 20.8 24.5 24.5 100.0 100.0 2. European Union 2011
 1,510 22 55 14.6 7.9 1.3 21.8 67.7 3. Egypt 2011 1,386 2 2 112.0 0.5 0.0 25.0 97.4 4.
 Turkey 2011 863 6 13 29.5 85.4 0.0 14.2 3.7 5. Ukraine 2011 679 12 49 9.8 10.4 8.8 96.1
 80.8 Non-agricultural products

1. European Union 2011 241,503 16 62 4.1 0.3 0.2 69.5 97.1 2. China 2011 40,298 18 46
 7.7 1.4 0.0 17.1 73.3 3. United States 2011 33,383 19 49 2.3 0.2 0.1 87.7 33.4 4. Ukraine
 2011 28,386 45 347 3.7 0.9 0.9 100.0 100.0 5. Belarus 2011 23,958 50 540 9.5 3.3 3.3
 100.0 100.0 Source: WTO (<http://stat.wto.org/TariffProfiles/>).

Table B2 Tariffs and imports, Ukraine

Part A.1

Tariffs and imports: Summary and duty ranges

Summary

Total Ag Non-Ag WTO member since

2008 Simple average final bound

5.8 11.0 5.0 Binding coverage:

Total 100 Simple average MFN applied

2012 4.5 9.5 3.7

Non-Ag 100 Trade weighted average

2011 2.7 9.1 2.2 Ag: Tariff quotas (in %)

0.1 Imports in billion US\$

2011 82.2 5.8 76.3 Ag: Special safeguards (in %)

0

Frequency distribution Duty-free 0 \leq 5 5 \leq 10 10 \leq 15 15 \leq 25 25 \leq 50 50 \leq 100 \geq

100 NAV

Tariff lines and import values (in %) in % Agricultural products

Final bound

12.6 19.6 27.5 13.9 25.5 0.8 0.1 0 1.0 MFN applied 2012 21.1 22.0 26.3 12.1 17.5 0.8 0.2
0.1 0 Imports 2011 39.3 20.4 28.4 5.8 1.6 3.8 0.7 0.0 0 Non-agricultural products

Final bound

33.8 16.8 43.0 5.8 0.5 0 0 0 0.0 MFN applied 2012 43.1 29.9 21.3 5.4 0.3 0 0.0 0 Imports
2011 66.4 18.1 14.7 0.9 0.1 0 0 0 0

Part A.2

Tariffs and imports by product groups

Final bound duties MFN applied duties Imports Product groups AVG Duty-free Max
Binding AVG Duty-free Max Share Duty-free

in %

in %

in %

in % in % Animal products 13.0 0 20 100 11.0 9.0 20 0.5 15.0 Dairy products 10.0 0 10
100 10.0 0 10 0.2 0 Fruit, vegetables, plants 13.1 10.2 20 100 9.9 18.9 20 1.4 54.6 Coffee,
tea 5.8 35.4 20 100 5.8 35.4 20 1.3 42.0 Cereals & preparations 12.7 3.3 20 100 12.6
3.8 20 0.9 27.1 Oilseeds, fats & oils 10.7 11.0 30 100 8.3 20.1 30 0.9 89.9 Sugars and
confectionery 17.5 0.6 50 100 17.5 0 50 0.3 0 Beverages & tobacco 7.9 25.7 64 100 12.2
26.2 424 1.2 23.9 Cotton 1.4 40.0 5 100 1.4 40.0 5 0.0 61.3 Other agricultural products
7.6 23.9 20 100 5.5 45.2 20 0.5 19.3 Fish & fish products 3.7 61.7 20 100 2.6 68.2 20 0.7
68.0 Minerals & metals 4.5 42.4 20 100 3.0 47.6 20 32.8 79.0 Petroleum 1.5 72.0 10 100
0.9 84.3 10 13.7 97.3 Chemicals 5.1 16.1 10 100 3.2 39.3 65 12.7 55.4 Wood, paper, etc.
0.4 95.8 10 100 0.3 95.8 10 3.1 99.1 Textiles 4.1 33.7 13 100 3.8 35.6 13 2.1 25.6 Clothing
11.4 1.0 12 100 11.3 1.1 12 0.6 0.1 Leather, footwear, etc. 7.2 14.9 25 100 5.4 27.0 25 1.9
20.3 Non-electrical machinery 4.2 38.7 12 100 2.1 51.3 10 8.8 62.4 Electrical machinery
5.3 33.0 25 100 3.8 39.1 25 6.8 34.2 Transport equipment 7.5 15.8 20 100 5.1 39.6 20 7.5
21.4 Manufactures, n.e.s. 6.4 31.9 25 100 5.5 32.0 25 2.1 68.6 Part B

Exports to major trading partners and duties faced

Major markets Bilateral imports Diversification MFN AVG of Pref. Duty-free imports
in million 95% trade in no. of traded TL margin TL Value

US\$ HS 2-digit HS 6-digit Simple Weighted Weighted in % in % Agricultural products

1. European Union 2011 3,627 15 25 13.7 4.5 0.9 27.3 70.6 2. Russian Federation 2011

2,093 17 77 15.6 20.9 20.9 99.7 100.0 3. Turkey

2011 1,183 4 11 30.6 46.7 0.0 12.7 2.2 4. Egypt

2011 997 3 5 4.6 0.2 0.0 24.3 95.3 5. India

2011 903 1 1 40.2 2.2 0.0 15.6 95.9 Non-agricultural products

1. Russian Federation 2011 17,846 45 514 9.6 7.9 7.9 100.0 100.0 2. European Union

2011 14,866 37 249 4.0 0.9 0.6 71.5 90.8 3. Turkey

2011 3,564 14 50 5.0 7.3 0.7 66.1 39.6 4. China

2011 3,174 11 17 8.0 0.9 0.0 16.1 77.7 5. Belarus

2011 1,615 43 477 9.4 7.3 7.3 100.0 100.0

Source: WTO (<http://stat.wto.org/TariffProfiles/>).