

Is the Russian market closing to Ukraine?

On 19 May, at a summit of the CIS countries, no agreement was signed on a free trade zone which would guarantee Ukrainian exporters easier access to the Russian market (and the markets of the other CIS member states) and would ban the imposition of import duties on raw energy materials imported from Russia to Ukraine. In this situation, if Ukraine accedes to an deep and comprehensive free trade area (DCFTA) with the EU – which Russia opposes – it may encounter serious difficulties on the Russian market.

Despite repeated Russian proposals, Ukraine has refused to accede to the Customs Union of Russia, Belarus and Kazakhstan. It is revealing that in the resolution also adopted on 19 May by the Verkhovna Rada, that country's parliamentarians indicated that signing the DCFTA agreement with the EU was a priority for Ukraine's foreign policy. At the same time, Ukraine does not want to lose access to the Russian market (whose participation in Ukrainian exports is around 30%), and so it has also been working to conclude the agreement on the free trade zone within the CIS as soon as possible. Such an arrangement would not restrict Kyiv's freedom in choosing its economic policy, but would allow it to eliminate import duties and non-quota barriers to trade within the area of the CIS. Although the signing of the deal had been agreed on in advance, at the last minute Uzbekistan and Turkmenistan expressed their reservations about it. Russia has not officially expressed any objection to the conclusion of the agreement; however on 18 May, President Medvedev warned the Ukrainian government that it must clearly state whether it wants to integrate with Russia or the EU. Because Russia is not a member of the WTO, it may freely restore its trade barriers with Ukraine; the only obstacle to this is a Russo-Ukrainian bilateral agreement on free trade of 1993, which, however, can be annulled. <mja>