

“Cooperation Scenarios”: Vladimir Putin’s Speech at the Minsk Summit.

Speech at the meeting of the Customs Union Heads of State with President of Ukraine and European Union representatives

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PRESIDENT OF RUSSIA VLADIMIR PUTIN: Colleagues,

First, I would like to thank Minsk and Belarus for the opportunity to meet here. The format we are using here – the [Customs Union](#)-Ukraine-EU – gives us a good opportunity to discuss issues pertaining to the impact of signing by Ukraine of the EU Association Agreement within the context of its cooperation with the Customs Union states.

Russia has always respected the sovereign choice of any nation to organise its political life and make all sorts of unions, both military and economic, and we will continue to do so. However, we hope that this will not be detrimental to other participants in international communication, and not at our cost. As you may know, Ukraine is deeply integrated into the [CIS](#) economic space. Alongside Russia, Belarus and Kazakhstan, it is actually an inseparable part of the largest economic complex in the world, which took ages, rather than years or decades, to create – and this is no exaggeration.



Photo: the Presidential Press and Information Office Full caption

Our countries’ companies have developed close ties in all the basic industries: in the fuel and energy sector, which includes nuclear power, in chemical production, in aviation and machine building, space, metallurgy and metals processing, in construction and agriculture. We have developed unique production chains and created technological alliances. Russian

capital represents about 32 percent of the Ukrainian banking system.

The Customs Union states are Ukraine's key foreign trade partners. In 2013, mutual trade turnover came up to \$50 billion. This is comparable to what is going on the western track. In the first six months of 2014, our trade turnover reached \$22.7 billion. The Customs Union accounts for 30 percent of Ukraine's exports. We have to openly state that the Russian market takes up most of this volume.

We have developed a good legal basis for our cooperation. In 2011, a free trade zone agreement was signed within the CIS framework. I would like to stress here that Ukraine took a very active stance in this respect. It actually insisted on signing this agreement.

We are still drafting agreements on free trade in services, on state purchases and on pipeline transit. We believe that it would be expedient not only to maintain, but also to significantly step up our cooperation. However, the question arises of whether this would be possible if the Ukraine's association agreement with the EU really starts to work.

Russia has stated on numerous occasions that full acceptance by our Ukrainian friends of all the tariff liberalisation requirements and the adoption of the European Union technical, sanitary and veterinary norms will have a negative impact on the scope and dynamics of trade and investment cooperation in Eurasia.

Not to mention the fact that all these norms – the EU sanitary norms and regulations that we do not apply or apply only partially, and the technical regulations will actually close the Ukrainian market for our goods, for goods from the Customs Union and Russia.

The rejection of common CIS technical norms and adaptation to EU standards will cost Ukraine billions of euros. It will lose its partnerships with the Customs Union states in industry, finance, agriculture and transportation. As soon as Ukraine introduces zero import duty on goods from the EU, a step envisaged right after the ratification of the agreement that would apply to 98 percent of all the goods, there will obviously be a sharp increase in the supply of European goods to the Ukrainian market. We understand our European partners; they have already developed the Ukrainian market rather well, and would like to get hold of whatever is left and squeeze out everyone else. Besides, less competitive Ukrainian produce will also be squeezed out from its own market. Where to? Primarily to Russia and the other Customs Union states, but primarily to us.

We should not rule out the risk of illegal re-export to the Customs Union market of goods from the EU under the guise of Ukrainian produce, either. Technical regulations and ways of establishing the country of origin are very important here. Nobody ever discussed this with us. Nobody, actually, ever discussed with us any of the issues I have just mentioned. I believe we will take this up in detail later, without press coverage. At some stage, we were simply told that this was none of our business, that they do not, for instance, discuss our relations with China or Canada. However, let us bear in mind that China and Canada are far away, while economic relations between Russia and Ukraine are a completely different story. Besides, Russia is not the least of our EU friends' partners. I believe it would be appropriate to have an open discussion of this matter. There has been nothing of the kind, unfortunately. However, we pin great hopes on this meeting, in the sense that it would be frank and substantive.

By very conservative estimates, the total loss for the economy of Russia alone may amount

to 100 billion rubles on the first stage, that is \$3 billion. This will affect entire sectors of our economy and agriculture, with all the consequences for economic growth and employment rates. Belarus and Kazakhstan will also incur losses, of course. And of course, Russia cannot lie by in this situation. I would like to stress that we would be forced to reciprocate, to protect our market. In full compliance with the provisions of the CIS agreement on the free trade zone and with WTO norms, I would like to stress this, we would be forced to cancel preferences for imports from Ukraine.

I would like to note here that we do not intend to discriminate against anyone, and we will not do it. I simply wanted to make this perfectly clear. We will simply be forced to introduce a regular trade regime for Ukraine. The same one that applies to trade between Russia and the European Union. It is called the most-favoured nation treatment. Sounds good and is exactly to the point. However, no preferences that are now envisaged by the CIS free trade zone regulations.

We will of course take a very careful look at the application by our Ukrainian friends of the phyto-sanitary norms envisaged by the EU Association Agreement and we will mirror them. Our regulations in this area are very flexible now. We will introduce the exact same norms for Ukraine; and as regards the industry, one of the major components here, as I have said, is establishing the origin of the goods. We have a strong suspicion, as I have already said, and there is a great threat that European goods will be brought in through Ukraine. Mr Poroshenko will say what he thinks about this when he makes his address, I can see him disagreeing. Even within the Customs Union, we are already receiving goods from the EU that are banned for import in Russia. In this case, unfortunately, they are coming through Belarus.

The label reads: the country of origin – Belarus. You remove it: Poland. With Ukraine this would increase manifold. We will be flooded, you see? I know that both the President and the Government of Belarus are trying to prevent this negative illegal practice. We at least have an agreement, which we do not have with Ukraine.

We expect today to have a constructive discussion, during which our partners will hear our arguments. Overall, we are in favour of establishing closer cooperation between the EU and the Eurasian Economic Union, of searching for ways to combine the two integration processes. I hope that all the participants in today's meeting support the strategic goal of creating a common economic space from Lisbon to Vladivostok.

I would like to stress that we are ready to consider any cooperation scenarios that are based on the consideration of mutual interests. We are ready to have an exchange on the critical situation that has developed in Ukraine, which, I am certain, cannot be resolved through further escalation of force without due consideration of the vital interests of the country's southeast regions and without a peaceful dialogue with these regions' representatives.

Thank you for your attention.

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