

Russia declares trade war on Ukraine in effort to blunt European direction **World**

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The imposition of a much stricter customs control on Ukrainian products entering Russia appears a blatant attempt by the Putin regime to block Ukraine's pending association agreement with the EU

KYIV, Aug 15, 2015 (UBO) - The Russian Customs Service has included all Ukrainian suppliers into a "risky" list of imports that are subject to stricter customs control, the Interfax news agency reported on August 14, citing the Federation of Employers of Ukraine, Concorde Capital informed its clients today. Beginning August 14, all Ukrainian suppliers to the Russia Federation are subject to customs control that will result in a delay in the flow of goods into the country by weeks or even months, the Federation stated. The Donetsk-based steel producer Metinvest (METINV) confirmed to Interfax that it has experienced tougher control on its products at Russian customs since August 13. In addition to the usual inspections of imports, Russian customs officials started demanding samples of products for additional expertise and performed additional inspections of quality certificates, which will require several months and lead to economic losses, Interfax reported, citing Metinvest's statement. The Russian Customs Service has yet to confirm the claims, while the head of the CIS parliamentary committee of the Russian Duma indicated to the press that such customs issues could be resolved much easier if Ukraine were a Custom Union member. Recall that two days ago, the Ekonomichna Pravda Ukrainian news site released a list of 46 Ukrainian companies that were categorized as "risky" by the Russian Custom Service.

Concorde analyst Alexander Paraschiy added: "These developments, if proven to be true, look like the start of trade war against Ukraine, aimed at demonstrating just how dependent the Ukrainian economy is on Russian consumers, and thereby forcing Ukrainian businessmen to lobby for closer economic integration with Russia. Indeed, Russia accounted for 25% of Ukrainian exports (as of 1H13) and therefore remains Ukraine's main trading partner. "Export delays to Russia are clearly bad for Ukraine's trade balance and the stability of its currency, and the conflict comes at the worst possible time since pressure on the hryvnia usually escalates in early autumn. On the corporate side, the key exporters that may suffer from a trade war are food exporters such as Milkiland (MLK PW), pipe exporters such as Interpipe (INPIP), steel makers such as Metinvest (MET INV), as well as machinery companies. Besides those mentioned in the "risky 46" list such as Stakhanov Railcar (SVGZ UK), Bogdan Motors (LUAZ UK) and Dniprovaonmash (DNVM UK), also under threat now are Kryukiv Railcar (KVBZ UK) and engine maker Motor Sich (MSICH UK). "The Ukrainian government has yet to respond to the hostile moves (if they prove true), which would be certainly aimed at undermining the signing of the Ukraine-EU Association Agreement in late November because it prohibits Ukrainian membership in the Customs Union. The European Union leadership has yet to comment as well. While it's possible the Ukrainians will file complaints with the World Trade Organization (WTO), that won't resolve the severe, immediate damage that can be done to the Ukrainian economy."

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