Myths about the Association Agreement – setting the facts straight

Myth one: The signature of the Agreement could lead to immediate economic difficulties

NOT TRUE: Ukraine will actually benefit from new trading opportunities and easier access to the largest market in the world. It can expect to reap the benefits of a choice that flags its firm commitment to a path of much-needed institutional and economic reforms. Of course, if Russia decided to retaliate as it did during the summer of 2013, there would be negative short-term consequences for Ukraine's exports, but this would be a policy choice made in Moscow and cannot be attributed to the Agreement.

- To read more click here -

Myth two: The Agreement with the European Union would prevent Ukraine from joining the Customs Union between the Russian Federation, Belarus and Kazakhstan

NOT TRUE. In fact, it is quite the opposite: if Ukraine were to join the Customs Union, it would have no choice but to terminate all its existing Free Trade Agreements with other countries, including the one with the EU under the Agreement. If, on the other hand, Ukraine wanted to maintain independent preferential trade relations with both the EU and the Customs Union, this would still be possible, through the establishment of Free Trade Areas. The Agreement was meant to do just that: to leave Ukraine free to determine its own trade policy.

- To read more click here -

Myth three: Ukrainian companies will not be able to cope with the introduction of EU standards and regulations and will lose out to EU companies

NOT TRUE: Although the Agreement will require producers based in Ukraine to adopt EU standards, replacing current Ukrainian standards, such changes will be phased in over time, and should be manageable. Although this will be a major shift in practices for many companies, the long term results will be positive as Ukrainian companies will be rewarded with easier access to the EU market and become more competitive globally. Modernisation of Ukrainian industry is urgently needed in any case: the requirement to introduce international production standards is an essential part of that modernisation process. A combination of targeted assistance, investment and advice will assist the process of adjustment. .

- To read more click here -

Myth four: If the Agreement is signed, Ukraine's traditional exports to Russia, as well as cooperation with Russia companies, will be disrupted because of the adoption of European standards

NOT TRUE: EU standards are not a burden for EU companies when exporting to Russia or cooperating with Russian companies. So why should they cause a problem for Ukrainian companies ? Ukrainian companies that are already exporting to the Russian / Customs Union market and cooperate with companies there can continue to do so, even after the Association Agreement is implemented (unless blocked artificially by politically motivated bans and restrictions).

- To read more click here -

Myth five: The costs of reforms in Ukraine linked to the Agreement will amount to up to 160 billion USD

NOT TRUE: 160 billion is the size of the Gross Domestic Product of Ukraine. No country that ever aligned to the EU norms and regulations (the so-called EU *acquis*) has ever needed such a colossal investment.

- To read more click here -

Myth six: To sign the Agreement, Ukraine first has to comply with IMF conditions related to gas prices, Hrivnia exchange rate and fiscal balance

NOT TRUE: IMF requirements for a possible Stand By Arrangement are not preconditions for signing the Association Agreement. In the view of the EU, the conditions proposed by the IMF are should be considered seriously as they aim to address fundamental, long term problems in the Ukrainian economy, but they are distinct in substance from the Agreement.

- To read more click here -

Myth seven: No benefits for Ukrainian citizens can be anticipated from the Agreement

NOT TRUE: Independent studies suggest that the simple implementation of the agreement would bring benefits of +6% of additional GDP over the medium run and +12% in terms of increased welfare for the Ukrainian people.

- To read more click here -

Myth eight: Signing the Agreement would lead to a flood of EU goods entering Ukraine. Ukrainian producers would not be able to compete and would go out of business.

NOT TRUE: The Ukrainian negotiators of the Agreement made sure that this would not happen by building in protection for the more sensitive sectors. The Agreement is "asymmetrical" in favour of Ukraine: while Ukrainian exporters will have almost immediate access to the European markets, Ukraine will open its border much more progressively.

- To read more click here -

Myth nine: EU is ready to assist Ukraine only if it signs the Agreement

NOT TRUE: Over the past few years, the EU has already given hundreds of millions of euros to Ukraine to help the modernisation of the economy, reform its administration, better implement rule of law principles, etc.

- To read more click here -

Myth ten: Ukrainian companies do not currently comply with EU standards, so they will not be able to export to the EU. Therefore the Association Agreement is more advantageous to the EU than to Ukraine

NOT TRUE: About 25% of Ukrainian exports are already sent to the European Union. This demonstrates that Ukrainian companies are already able to adapt to EU standards and export there.

- To read more click here -

Myth eleven: Countries from the former soviet bloc which have developed closer economic links with the EU over the past decades have not benefited from this.

NOT TRUE: All countries that developed closer economic links with the EU in the early 90s (through association agreements) have benefited from this, through strong economic development, with the result materialising many years before their accession to the European Union..

- To read more click here -

Myth twelve: The EU has not provided very much funding and assistance to Ukraine in the past and is not prepared to provide much in the future.

NOT TRUE: Since Ukraine's independence the EU has committed over €3.3 billion in non-reimbursable funds (technical assistance, supplies, works, and grants) for Ukraine. In addition the EU has made over €3 billion of loans available (macroeconomic support and project lending from the EIB).In addition, further funds are available, if Ukraine undertakes economic reforms in line with the Agreement and IMF requirements.

- To read more click here -

Myth thirteen: The Association Agreement forces Ukraine to allow same sex marriages

NOT TRUE: There is nothing at all in the Association Agreement that forces Ukraine to adopt regulations related to same sex marriage.

- To read more click here -

Myth fourteen: The signature of the Association Agreement will permit visa-free travel to the EU for Ukrainian citizens

NOT TRUE: The EU signed an amended Visa Facilitation Agreement with Ukraine in July 2012, but this Agreement is not linked to the Association Agreement. This is therefore a different process.

- To read more click here -

Myth fifteen: The signature of the Agreement means that Ukraine will become a member of the EU in future

NOT TRUE: The Agreement is not about EU membership for Ukraine. Association can be regarded as a first step in the process, which allows each country to weigh up whether or not to take things further. We take note of recent opinion polls which show that a majority of Ukrainians supports future EU membership.

- To read more click here -

Myth one: The signature of the Agreement could lead to immediate economic difficulties

The signature of the Agreement will not in itself change anything. The Agreement will come into force after ratification by the Rada and agreement by the EU to apply it provisionally. This could take a few months. However, signature of the Agreement is expected to have a positive impact on the attitude of investors and international markets towards Ukraine, as it would establish a clear path for future economic reform.

From the first day the Agreement comes into force (after ratification) Ukrainian exporters will gain wider access to the EU market as import tariffs will fall. Some Ukrainian import tariffs will also be lowered, but for the more sensitive good Ukrainian negotiators ensured that there would be time to allow domestic producers to adjust, so many tariffs will fall only 2, 3 or 5 years later.

There is nothing in the Agreement which will affect trade with any other trade partner of Ukraine, including Russia. Therefore no negative economic effects regarding trade with other trade partners of Ukraine can be expected as a result of the Agreement itself. Threats by Russia to raise its tariffs if Ukraine signs the Agreement are not based on economic reasoning.

The tariff cuts foreseen in the Agreement amount to approximately € 0.8-1 billion from the entry into force, or about four times the amount of financial assistance provided by the EU with its cooperation programmes (approx. € 200 million per year)

This money represents a cash injection in EU/Ukraine trade that will benefit mostly Ukrainian businesses, due to the asymmetry in tariff dismantling which favours Ukrainian exporters (see explanatory box below). Furthermore, because of the higher EU tariffs notably for agricultural products, their dismantling will produce larger gains for Ukraine than for the EU.

Moreover, the available evidence shows that all trade partners with a preferential agreement with the EU (South Africa, Mexico, Chile, Morocco, etc) have benefitted from access to the large EU market and have seen their trade expand at a two-digit percentage point level in the medium/long run, above the rate of growth of total EU trade.

In the long run, estimates of the economic growth that will result following implementation of the Agreement are largely positive. Both the impact assessment commissioned in 2007 and more recent independent analyses point at a growth of GDP in excess of 5% per year. This additional growth for Ukraine will also generate resources for the public sector through increased tax and customs revenues.

As regards the trade in goods between the Ukraine and other trade partners, notably Russia, there is nothing in the Agreement which will affect those flows directly.

BOX 1 - Asymmetry in implementation of tariffs liberalisation

General considerations

The asymmetry in the liberalisation and the more favourable treatment offered to Ukraine is evident in the fact that:

a) The transitional period until full liberalisation spans over 7 years only for the EU while up to 10 years for Ukraine (*de facto* 15 years for cars);

b) The tariff dismantling granted by the EU to Ukraine is front-loaded (most of the liberalisation will occur in the first years after entry into force), while Ukraine will only have to liberalise most of its tariffs later in the transitional period.

Note that both the EU and Ukraine restrict the liberalisation in some sensitive sectors via the introduction of Tariff Rate Quotas and commitment to partial tariff liberalisation within 5, 7 or 10 years. In this case too, the Ukrainian offer is generally more conservative than the EU's.

Sector-specific considerations

- Ukraine will grant immediate preferential treatment to only 52,6% of the EU exports of agricultural products while the EU will grant immediate preferences to 82.2% of UA exports of agricultural products. The products covered by Tariff Rate Quotas (TRQs) represented 17,8% of the value of Ukraine's exports to the EU during the reference period, and only 4% of the EU exports to Ukraine. Additionally, Ukraine has offered only partial liberalisation on 10.6% of the value of EU exports to Ukraine.

- Ukraine will grant immediate preferential treatment to only 49,2% of EU exports of processed food products while the EU will grant immediate preferences to 83.4 % of UA export of these products. Moreover, the EU has offered TRQs to Ukraine representing 15,9% of the value of Ukraine's exports to the EU during the reference period. Additionally, Ukraine has offered only partial liberalisation on 6.1% of the value of EU exports to Ukraine.

- At the time of entry into force, Ukraine will grant immediate preferential treatment to only 49,2% of EU exports of industrial products. After 7 years of transitional period, the share of EU exports benefitting from preferential access in Ukraine will increase to 96%. The automotive sector (cars), representing 4% of EU exports to Ukraine, will enjoy a particularly long transitional period of 10 years, and will benefit from additional specific safeguards over a period of 5 extra years. Compared to the calendar of tariff dismantling granted by the EU, where 94.7% of the products will be immediately liberalised, Ukraine benefits from a considerable advantage.

Myth two: The Association Agreement with the European Union would prevent Ukraine from joining the Customs Union between the Russian Federation, Belarus and Kazakhstan

From both economic and legal point of views, there is nothing in the Association Agreement which will affect other trade partners of Ukraine, including Russia.

All countries which have signed Free Trade Agreements with the EU are free to sign further Free Trade Agreements with whatever trading partners they choose to. Free trade agreements can easily exist side by side as each participant remains free to continue implementing their independent trade policy. The EU itself, as most other countries in the world, has a wide network of free trade agreements with its partners.

In addition, it is currently negotiating trade agreements with the US, Japan, India, etc. In fact the EU encourages Ukraine to maintain and develop its trade partnership with Russia and the Customs Union, as these economic links are important for Ukraine and do not hurt EU-Ukraine trade relations.

On the other hand all members of a customs union agree to apply the same external import tariff when importing goods from outside the customs union. For instance, this is the case of the member states of the EU, who are not free to change their external tariff as this is managed at EU level.

If Ukraine were to join the Customs Union with Russia, Belarus and Kazakhstan, it would be forced to revise the entire structure of its external tariff, currently significant more open than that of the CU. The existing free trade areas would need to be nullified, and so would the terms under which Ukraine joined the WTO. Moreover Ukraine would need to grant compensation to other WTO members negatively affected by the changes, as they would face higher tariffs when exporting to Ukraine.

<u>Myth three: Ukrainian companies will not be able to cope with the introduction of EU standards and regulations and will lose out to EU companies.</u>

With the implementation of the Association Agreement, Ukraine will adopt EU standards for key industrial sectors, and firms will be required to undertake the necessary changes and investments that will result in the production of better and higher quality goods. The Agreement identifies several industrial sectors where the approximation to the EU regulations and standards is already foreseen, to be phased in over a number of years. For other sectors, including the agricultural sector, the Agreement foresees that the EU and Ukraine will agree a timetable for movement to EU standards.

To make sure that the adoption of new standards results from a managed and controlled process, the Agreement gives Ukraine a certain amount of power to decide which sectors to prioritise, and the period of time required to make the changes.

This process will certainly not be achievable without cost. Modernisation Ukrainian industry cannot be done without investments that have unfortunately been lacking over the past 20 years. A considerable amount of investment will be needed by the companies themselves, by foreign investors and by assistance from government and the international financial institutions. But such investments will ultimately benefit the domestic and international competitiveness of Ukraine-based industries, and will benefit consumers by providing better quality goods. The EU is committed to provide its assistance, advice and experience in this important area.

<u>Myth four: If the Agreement is signed, Ukraine's traditional exports to Russia will be disrupted because of the adoption of European standards</u>

EU standards are not a burden for EU companies when exporting to Russia, so why should they cause a problem for Ukrainian companies ? EU standards make it easier to comply with CU standards. The investments required to upgrade the production process of currently obsolete Ukrainian industries will not be lost.

- In 2012, the EU as a whole exported close to 9 times more to Russia than Ukraine did (152,4 bn$ of export from EU to Russia vs. 17,6 bn$ from Ukraine to Russia).
- Given that the population of Ukraine is roughly 11 times smaller than the population of the EU, this implies that exports per capita from the EU or Ukraine to Russia were about the same scale, in spite of the facts that (i) Ukraine and Russia have privileged trade relations (duty free trade) and (ii) Ukraine and Russia share close standards, which should normally make it easier for Ukraine to export to Russia.
- This shows that adopting EU standards (which all EU industries have to comply with) does not represent a significant burden when exporting to Russia.
- In any case, Ukrainian companies that are producing products for the Russian / CU market will be able to continue to do so, even after the Association Agreement is implemented. The main change will be domestic production, where Ukrainian companies will need to invest in modernising their production where necessary to bring products up to EU standards. This investment will pay off through easier access to the much larger EU market. But this does not affect products that are produced solely for export to Russia / CU.
- Adoption of EU standards would not only **improve the quality of domestic goods** available for Ukrainian consumers, and give access to the EU market, but also **boost the competitiveness** of such Ukrainian goods in other international markets (eg. US, China, Middle East, Far East).

In addition, industrial cooperation between the EU and Russia is very significant, even on very technical products which require a great level of compatibility (for instance the Sukhoï Superjet 100's engines are designed and produced by the French-Russian PowerJet joint venture). There is therefore no reason why adopting European standards would prevent Ukrainian companies from cooperating with Russian ones.

Myth five: The costs of reforms in Ukraine linked to the Agreement will amount to up to 160 billion USD

At one point, up to € 160 billion were requested as compensation by some Ukrainian officials (and quoted by Russian media) to cover for the costs linked to the Agreement reforms. This volume of 'costs' is equivalent to the entire GDP of Ukraine in 2010. Assuming that the period of implementation is 10 year, the 'cost' of reforms would represent 10% of the annual GDP each year over the next ten years.

Such an order of magnitude is unheard of, and is many times larger than that experienced by Poland, when it adopted the **entire** EU acquis during the accession process.

These figures lack any credibility and have neither been explained nor corroborated by any reliable evidence. But if Ukraine wants to modernise its economy and compete globally, it really needs serious investments. It is not correct to present investments as a cost, in any case, as it rather represents future revenues. This is confirmed by empirical evidence: over the past 10 years (2002-2011, World Bank figures), the most developed industrial powers have invested enormous amounts in their production capacities. For instance, Germany has invested a total of $5,400 bn, Japan 10,300 $bn, the US 23,000 $bn, the EU 29,700 $bn and Ukraine only $250 bn. Rebased on investment per capita, Ukraine has invested 2,5 times less than China, 3 times less than Russia, 11 times less than the EU (on average), 12 times less than Germany, 15 times less than Japan or the US.

The Association Agreement represents in itself an investment for modernisation, and can catalyse additional investments, from foreign businesses, from the international financial institutions such as the EBRD and World Bank, and from foreign governments.

In fact, no other partner of the EU has ever considered as costs the investments linked to the implementation of an association agreement or a free trade area. No one has even dreamt of asking for compensation.

Myth six: To sign the Association Agreement, Ukraine first has to comply with IMF conditions related to gas prices, Hrivnia exchange rate and fiscal balance

IMF requirements for a possible Stand By Arrangement are not preconditions for signing the Association Agreement. They are not mentioned in the Agreement and have never been considered as such by any EU Authority or Institution.

More specifically, there are no provisions in the Association Agreement which impose conditions on gas prices, Hrivnia exchange rate or fiscal balance.

This being said, the EU considers that the conditions being posed by the IMF, although not connected to the signature of the Agreement, would assist the process of economic reform and modernisation in Ukraine. Notably:

- Balancing the budget will help Ukraine to get cheaper loans on the international markets, hence less interest paid to external investors;
- Increasing flexibility in exchange rates would create less distortion in prices and could boost exports and improve the trade balance;
- More market-based energy prices would also help to balance the State budget and create incentives to optimize consumption.

Myth seven: No benefits for Ukrainian citizens can be anticipated from the Agreement

In addition to the straightforward economic benefits stemming from lower tariffs and a free trade zone between the EU and Ukraine (ie. lower prices for goods), the Agreement could also be the basis for a dramatic improvement in the business climate, in the rule of law, in the protection of property rights, etc.

By improving the business climate, Ukraine would attract substantial private investment from the EU and the rest of the world, which would help to modernise the economy and boost GDP growth.

This will create the conditions for the convergence to European standards of living, as the Eastern European countries which have joined the EU in 2004 have experienced over the past two decades.

Myth eight: Signing the Association Agreement would lead to a flood of EU goods entering Ukraine. Ukrainian producers would not be able to compete and would go out of business.

The transitional period until full liberalisation of import tariffs is 7 years only for the EU but up to 10 years for Ukraine (even 15 years for cars); the EU will dismantle its tariffs before Ukraine is required to do so.

The EU's obligations to cut tariffs are front-loaded (most of the liberalisation will occur in the first years after entry into force), while Ukraine does not need to liberalise most of its tariffs until later in the transitional period. This gives time for Ukrainian producers to adjust.

In those sensitive sectors where only partial liberalisation will be achieved, the Ukrainian tariff reductions are more conservative than the EU's.

Note that both the EU and Ukraine restrict the liberalisation in some sensitive sectors via the introduction of Tariff Rate Quotas and commitment to partial tariff liberalisation within 5, 7 or 10 years. In this case too, the Ukrainian obligations are less than the EU's.

Myth nine: EU is ready to assist Ukraine only if it signs the Agreement

In addition to what it has already disbursed over the past years, the EU is ready to assist Ukraine in moving ahead with much needed economic reforms, modernisation of its economy, and implementation of the terms of the Association Agreement, but it is not prepared to pay off past debts accumulated by Ukraine, or to compensate businesses for losses caused by the "blockade" actions of others countries.

If the Agreement is signed, the financial support already provided by the EU to Ukraine, through technical assistance and budget support, will focus on implementation of the Agreement.

This already represents close to €200m of grants every year – as opposed to loans –and could increase if the Agreement is signed.

Given that the implementation of the Agreement would improve the business and investment climate, it would help Ukraine to fulfil the conditions for loans which the IMF is negotiating and macro financial assistance from the EU. It should be clear however that there is no direct link between the Agreement and these processes.

In addition, no public support can compare to the increases in private foreign investment that Ukraine could attract if the business climate improves, which would be the case if the Association Agreement is signed and implemented.

Myth ten: Ukrainian companies do not currently comply with EU standards, so they will not be able to export to the EU. Therefore the Agreement is more advantageous to the EU than to Ukraine

First, the assumption underlying this statement is not correct: approximately a quarter of Ukrainian exports are already sent to the EU market, so many companies *already* comply with EU standards, and these companies will therefore benefit immediately from the implementation of the Agreement.

Second, the **EU** represents a market which is almost **100 times larger** than the Ukrainian market: in other words Ukraine has much more to gain from this agreement than the EU.

Finally, while the Agreement will grant immediate access to the EU market, delays are foreseen for exports from the EU to Ukraine, precisely to allow Ukrainian companies to adapt progressively.

Myth eleven: Countries from the former soviet bloc which have developed closer economic links with the EU over the past decades have not benefited from this.

Countries of Central and Eastern Europe (including former countries of the USSR) which have joined the EU represent a relatively good benchmark for Ukraine, notably during the period when they had already signed FTAs with the EU, but were not yet candidates for EU membership. Poland for instance signed an FTA with the EU in 1992, applied in 1994 and joined ten years later, in 2004. The economic benefits which can be observed before they became candidates for EU membership are therefore not linked to the latter but to the closer trade and economic links which had been established. The dismantling of trade barriers and economic reforms undertaken by these countries were very similar to what is proposed in the AA/DCFTA for Ukraine today. In that sense, it makes sense to compare the respective evolution of these 10 countries and Ukraine (in fact the AA/DCFTA is more ambitious in its level of liberalisation and reform than the FTAs signed by the countries of Central and Eastern Europe in the 1990s, so the impact on Ukraine should be even greater).

They benefited very much from this process:

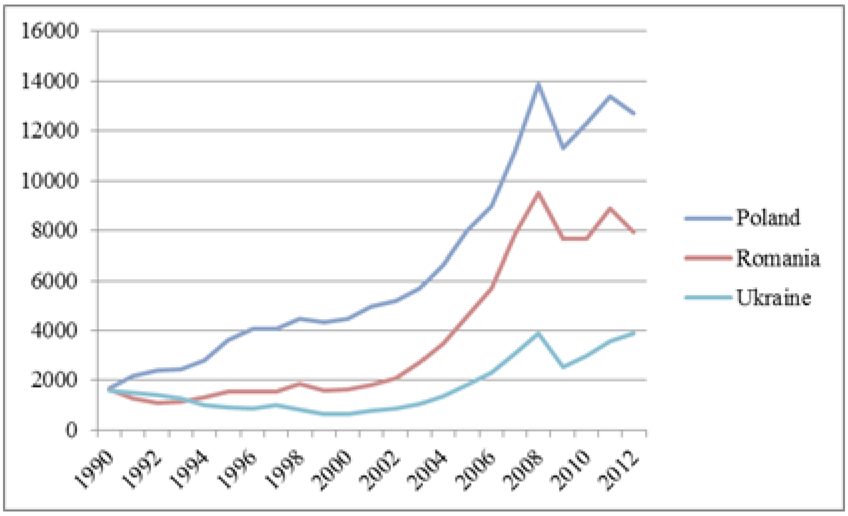
Higher GDP per capita: in 1990, just before the COMECON collapsed, Polish GDP per capita was 8% higher than in Ukraine. 5 years later it was almost 4 times higher;

Higher exports: in 1990, Ukrainian exports per capita were almost exactly identical to those of Poland and 50% above those of Romania. In 1995, they were two times smaller than those of Poland and identical to those of Romania;

Higher investment: over 5 years (1990-1995), total investment in Ukraine fell by 42%, while it rose by 64% in Poland;

The most striking figure is probably the evolution of GDP. In 1990, among Eastern Europe / CIS members, two had GDP per capita very similar to Ukraine: Romania and Poland (only Moldova had a lower GDP per capita, and all others had higher or even much higher GDP per capita). Since then, the situation has evolved along very different scenarios, as Poland is now 3 times richer and Romania 2 times richer than Ukraine:

Graph.: nominal GDP, US dollars, 1990-2012 (Source World Bank)

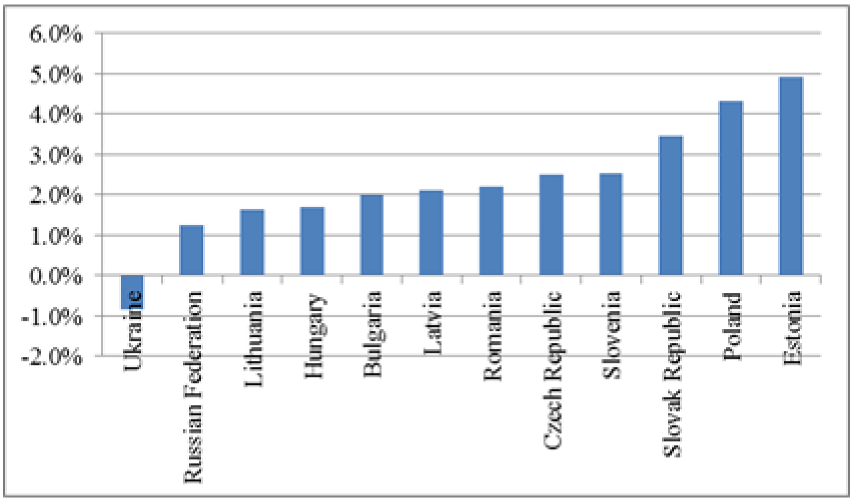


If we focus on the early 90s, the picture is not different (here rebased on Ukraine's GDP), also because Ukraine GDP sharply declined in these early years:

	1990	1991	1992	1993	1994	1995
Poland	108	147	170	194	278	385
Romania	105	84	78	92	131	167
Ukraine	100	100	100	100	100	100

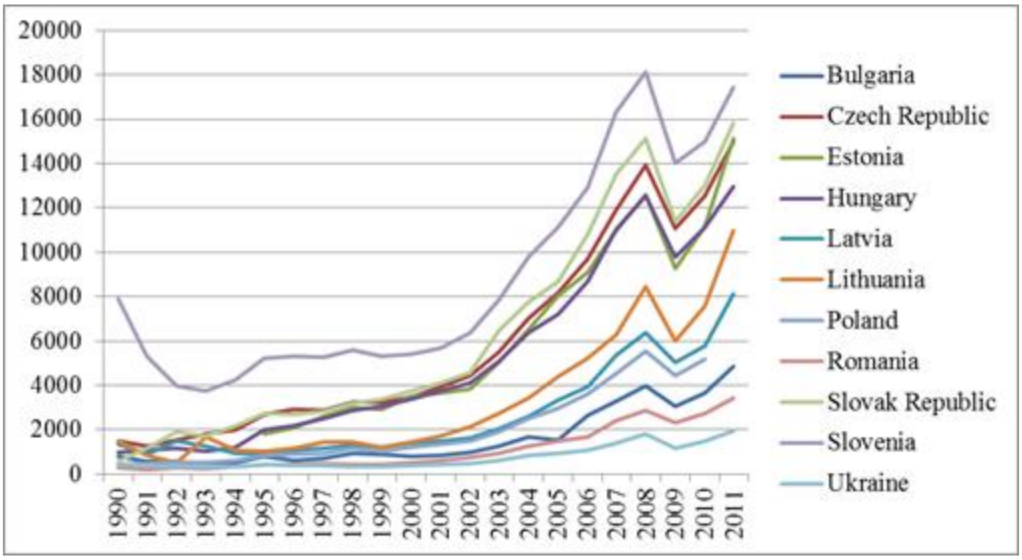
This is also reflected in real GDP growth statistics, as among Ukraine and the EU10 countries, only Ukraine had a negative average real growth over the last two decades. EU10 countries benefited from dynamic or very dynamic GDP growth, from 1,6% (Lithuania) to 4,9% (Estonia) on average. It should also be noted that in spite of booming energy prices, the Russian Federation only registered a limited average growth of 1,2% over the period.

Graph.: real GDP growth, US dollars, 1990-2012 (Source World Bank)



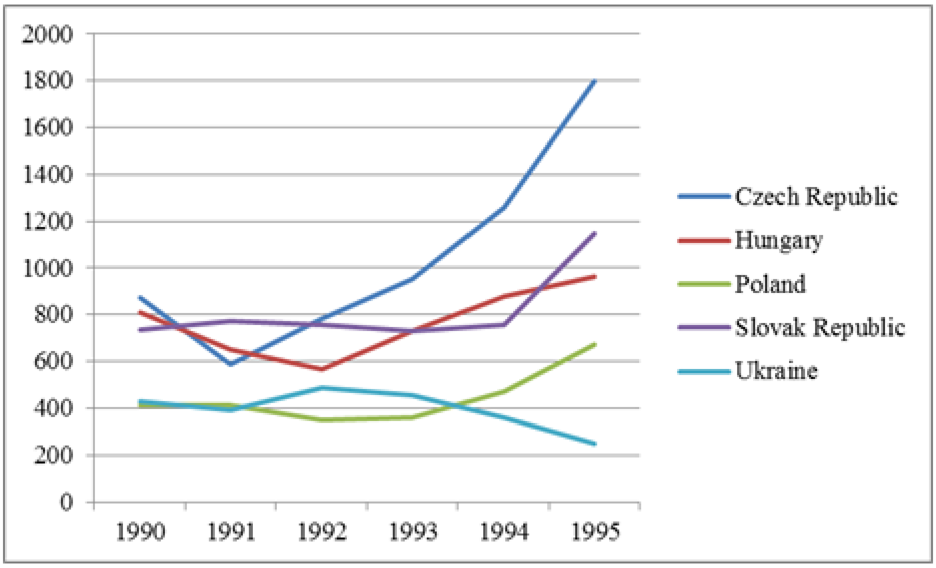
Obviously, correlation does not mean causality: there is no undisputable evidence that this strong growth came directly from the trade agreements signed with the EU. However, the sharp rise in export in EU10 countries suggests that external trade was a key factor in this evolution, while on the contrary in Ukraine exports stalled in real terms:

Graph.: Exports per capita, US dollars, 1990-2011 (Source World Bank)



Finally, these sound growth rates undoubtedly stemmed from high investments, both from foreign and domestic origin. In this area, EU10 Member States benefited from much higher investments than Ukraine, probably boosted both by return rates prospects and also by a much better business climate:

Graph.: Investment per capita, US dollars, 1990-1995 (Source World Bank):



Myth twelve: The EU has not provided very much funding and assistance to Ukraine in the past and is not prepared to provide much in the future

Since Ukraine's independence the EU has committed over €3.3 billion in non-reimbursable funds (technical assistance, supplies, works, and grants) for Ukraine. In addition the EU has made over €3 billion of loans available (macroeconomic support and project lending from the EIB).

The EU is ready to provide the following assistance to Ukraine:

1. Macro-financial assistance (loan)

A loan of **€610 million** ($825 million) has already been agreed. A Memorandum of Understanding (MoU) between the EU and Ukraine was signed in early 2013. This foresees disbursement in three instalments, provided macroeconomic and structural conditions are met. A working arrangement with the IMF is a condition for all three disbursements, including the first one (€100 million). The second and the third instalments, of €260 and €250 million respectively, are also conditional on structural reforms, including improvements to public finance management and taxation, and reforms in the energy and financial sectors.

The minimum delay between the disbursements is three months. This means that in the best case scenario, i.e. if a new IMF programme is approved in early January 2014, and all the conditions set out in the MoU are met, the EU would be able to release the first tranche already at the end of January or in early February, the second tranche in late April or early May, and the third and final tranche – in late July or early August.

2. Import tariff reductions

The EU will lower its tariffs on imports – in most cases to zero. This will save Ukrainian exporters about **€490 million per year** from the date of the implementation of the DCFTA.

Tariffs will be dismantled asymmetrically, in favour of Ukrainian exporters. The EU will dismantle its tariffs before Ukraine does: most of the EU liberalisation will occur in the first years after entry into force, while Ukraine will only have to liberalise most of its tariffs later in the transitional period. The transitional period until full liberalisation is only 7 years for the EU but up to 10 years for Ukraine (15 years for cars).

3. European Investment Bank support

EIB lending has risen gradually over recent years and in 2012 reached **€634 million**. The current pipeline indicates that such a level could be maintained or even increased in coming years.

4. European Neighbourhood Instrument support

Should the Association Agreement be signed it is currently foreseen that the basic annual national programme for Ukraine could be of the order of **€120 million**. In addition Ukraine could receive up to **€40-50 million per year** from the umbrella programme ("more-for-more") if it is eligible on the basis of proven progress in democracy (which is the trigger for this programme) and a further **€20 million per year** from the Neighbourhood Investment Facility. The NIF allocation would unlock significant additional investment funds from International Financing Institutions (typically in a ratio of 8 or 10:1).

Ukraine will also continue to benefit from regional programmes (notably nuclear safety and cross-border cooperation).

Myth thirteen: The Association Agreement forces Ukraine to allow same-sex marriages

There is nothing at all in the Agreement that forces Ukraine to adopt regulations related to same-sex marriage.

This statement seems even more pointless when one observe the current situation in the EU: same-sex marriage is not even a requirement of EU membership or EU law as it is a matter for national legislation, and in fact only a minority of EU countries permit same-sex marriage.

European Union member states have very different views regarding same-sex marriage: while recognized in some countries, it is not recognized in many others (e.g. Cyprus, Estonia, Greece, Malta, Romania, Slovakia) and even banned by the Constitution, as in Ukraine, also in many of them (Bulgaria, Croatia, Hungary, Latvia, Lithuania, Poland).

Myth fourteen: The signature of the Association Agreement will permit visa-free travel to the EU for Ukrainian citizens

The EU is aware of the concerns expressed by Ukrainian citizens in obtaining visas. In order to improve the situation within the limits of our competence, the EU signed an amended Visa Facilitation Agreement with Ukraine in July 2012.

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The Agreement, which entered into force this year, is expected to bring additional facilitations, for instance simplified lists of supporting documents will be required for certain categories of Ukrainian citizens; more persons will be eligible for multiple-entry long-term visas; obtaining multiple-entry visas will be facilitated and more categories of persons will be able to benefit from visa fee waivers.

In addition, a Visa Liberalisation Action Plan, setting out the conditions to be met before the possible establishment of a visa-free travel regime for Ukrainian citizens, is currently being implemented. The achievement of a visa liberalisation regime with Ukraine will largely depend on the implementation of reforms by Ukraine according to the above mentioned Visa Liberalisation Action Plan.

Myth fifteen: The signature of the Agreement means that Ukraine will become a member of the EU in future

According to Article 49 of the Treaty on European Union, any European state which respects the principles on which the EU is based may apply for membership. Membership requires that the candidate country has institutions which guarantee democracy, the rule of law, human rights and respect for and protection of minorities, and has a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union.

Whether or not to apply to join the EU is a decision for each individual country to make. Association is one step in the process, and allows each country to weigh up whether or not to take things further. We take note of recent opinion polls which show that a majority of Ukrainians supports future EU membership.