



Benefits for Ukrainian business

The Association Agreement aims to create a new stronger relationship between Ukraine and the European Union, enhanced cooperation across a wide range of policy areas and a gradual harmonisation of regulation leading to Ukrainian producers having direct access to the internal market of the European Union.

For Ukrainian businesses the implementation of the Association Agreement will bring considerable benefits. At least five types of benefit will accrue:

The opening of new markets in the EU will help to boost trade and expand output. This will occur through the gradual harmonisation of regulation in Ukraine with that of the EU and the gradual incorporation of Ukrainian business sectors into the internal market of the EU. Being part of the EU's internal market will reduce costs and considerably simplify exports. In some areas such as agriculture, in which EU sanitary and phyto-sanitary rules are being implemented in Ukraine, there will be the possibility of exporting some products for the first time.

Improving the business environment in Ukraine will benefit domestic business through its impact on the modernisation of business regulation and through its simplification. State aid rules and those on public procurement will open the way for small business to access public contracts, while not suffering from unfair competition from large companies which receive state aid from the government.

Greater transparency and openness in both government and the enterprise sectors should lead to a gradual disappearance of the insider economy, under which there is a comfortable relationship between government and some of the largest enterprises, which stifles competition and entry to the market by newer and smaller companies.

Improved access to finance should follow from the increase in credibility which is given to the Ukrainian Government through its implementation of the terms of the Association Agreement. As confidence grows internationally that Ukraine is progressing well in economic reform and is gradually integrating with the business environment of the European Union, margins on international borrowing should decline both for the government and for business.

A growing attractiveness of Ukraine to foreign direct investors emanating from the implementation of the Association Agreement will lead to faster growth, a higher quality performance of the economy and expanding employment opportunities.

The EIPA Project supports Ukrainian Government to develop the mechanism for closer European Cooperation and good governance.

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Strong foreign direct investment following similar agreements with the new member states in Central and Eastern Europe was crucial in the growth story of these countries. Increased FDI in Ukraine will similarly stimulate domestic companies as input suppliers, at the same time raising the quality of their output and opening new markets at home and abroad.

The impact of the implementation of the Association Agreement on Ukrainian business may lead to some problems in companies which are inefficient users of inputs or which produce inferior quality products. But there is no doubt that Ukrainian business as a whole will gain considerably from the implementation of the agreement and the gradual integration with the European Union's internal market.

Further information on the Association Agreement can be found at:

www.nrdevelopment.com/eipa.html