

# EU offer of free-trade pact with Ukraine still stands, Brussels ready to sign - EU trade chief

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European Union Trade Commissioner Karel De Gucht attends a session at the World Economic Forum (WEF) in Davos January 25, 2014.

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(Reuters) - Ukraine would see the economic benefits of a free-trade deal with the European Union within weeks of signing the accord, helping the near-bankrupt nation's standing in the eyes of its creditors, the EU's trade chief said on Friday.

Despite the upheaval since pro-EU Ukrainians drove the Russian-backed President Viktor Yanukovich from power, EU Trade Commissioner Karel De Gucht told Reuters that Brussels' offer of a comprehensive trade deal was Ukraine's for the taking.

"The offer stands, that's very clear. We are ready to sign when Ukraine is ready to sign," De Gucht said in an interview following a meeting of EU trade ministers in Athens. "The benefits will be seen a couple of weeks after the signature."

Unrest erupted in Ukraine after Yanukovich abandoned the proposed trade pact with the European Union in November and turned instead towards Moscow, which offered a \$15

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billion (8 billion pounds) bailout and cheaper supplies of natural gas.

Compared to billions of dollars in cheap loans, even the EU's offer of unfettered access to the 28-nation bloc's 500 million consumers could not compete, crushing Brussels efforts to build closer relations with its eastern neighbours.

But in a dramatic turn of events at the weekend, Ukraine's parliament voted Yanukovich out of office and set early presidential elections for May 25.

That gives the European Union a second chance to offer Ukraine a deal that De Gucht said would save Ukrainian exporters almost 500 million euros (\$685 million) a year in cuts in EU import duties and mean a historic shift away from Russia.

De Gucht said it was up to Ukraine and EU leaders to decide whether they sign the association agreement now or after the May elections. Whatever the choice, Brussels is ready to implement the free-trade deal immediately and the European Parliament has agreed to approve it, De Gucht said.

In the long run, Ukraine's economic output could grow an additional 1 percent a year annually because of increased exports in goods and services, as well as more European investment in Ukraine, according to an EU study.

Under the accord, the EU will open access to its market more quickly than Ukraine, so the country will enjoy better access to the bloc than the EU will get in Ukraine in the first few years.

#### 'UNIQUE OPPORTUNITY'

One reason Yanukovich rejected the deal in November was because he said it would cost Kiev \$500 billion in trade with Russia over the coming years, while implementing EU legal and other standards would cost another \$104 billion.

De Gucht countered that Ukraine would be free to continue to trade with Russia, while Ukrainian companies would receive technical help and funds to help adapt to EU regulations and bid for lucrative EU public works contracts.

Russia is trying to maintain its influence over Ukraine and other newly-independent states it dominated during the Soviet era, especially those with energy pipelines and large ethnic Russian communities.

Moscow is offering Ukraine membership of its customs union with Belarus and Kazakhstan, an area that Ukraine could not be a part of if it joined the EU's pact because Belarus and Kazakhstan are not members of the World Trade Organisation.

Trade officials in Ukraine's Economy Ministry were not immediately available to comment but a Ukrainian trade diplomat said new government would lean towards the EU.

"European integration is now the main strategy priority of Ukraine. Not the Customs Union, but European integration."

De Gucht said the EU's offer was not directed against Russia. He said the so-called association agreement with the European Union, which includes the free-trade deal, was a special opening for modernising Ukraine's sick economy.

"Much more important is the dynamic that would result from such an agreement and yes it would influence the judgment of international investors and creditors with respect to Ukraine," said De Gucht, a Belgian lawyer.

Ukraine has said it needs \$35 billion in emergency financing to survive 2014 and 2015 and De Gucht reiterated the EU's offer of financial support for Kiev, although he did not give details.

"What is of importance is to bring together all the elements to give Ukraine a new future. That will imply financial support because they are in a very dismal financial situation," he said.

"It is also about this deep and comprehensive free-trade agreement, which gives them a unique opportunity to come closer to European standards and modernize their economy."

Asked if Ukraine could ever join the European Union, De Gucht said: "If and when the conditions are met to sign the association agreement...then we take it from there."

(Reporting by Robin Emmott, additional reporting by Tom Miles, Editing by Angus MacSwan) nL6NOLX43N

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