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FACT SHEET

Georgia and Moldova one step closer to enhanced political and trade relations with the EU

At the Eastern Partnership summit in Vilnius on 29 November the EU initialled Association Agreements with Georgia and the Republic of Moldova, including provisions establishing Deep and Comprehensive Free Trade Areas (DCFTAs). The Association Agreements will further strengthen political, economic and trade relations between the parties. They represent a concrete way to take advantage of the positive dynamics between the EU and the two countries.

How did we get here?

Negotiations on the Association Agreements started with the Republic of Moldova and Georgia in January and July 2010 respectively, and were concluded in mid-2013. This paved the way to the official closure of the negotiating process with the initialling ceremony today in Vilnius.

The negotiations were not a stand-alone exercise: EU assistance to Georgia and the Republic of Moldova is linked with the reform agenda as it emerges from the result of negotiations.

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What are the Association Agreements about?

The Association Agreements focus on support for core reforms, democracy and human rights, economic recovery, governance, sectoral cooperation and the far-reaching liberalisation of Georgia's and the Republic of Moldova's trade with the EU.

The Agreements will equally promote people-to-people exchanges through activities related to for example education, tourism and culture. Civil society will be involved in the implementation of the Agreements.

Main aims of the Association Agreements

The Association Agreements aim to accelerate the deepening of political and economic relations between the partner countries and the EU. The Agreements also constitute a reform agenda for the partner countries, based on a comprehensive programme of approximation of the partner countries' legislation to EU norms and standards.

More concretely, the Association Agreements will focus on promoting a gradual rapprochement between the EU and the partner countries on the basis of common values, strengthening political dialogue, promoting and preserving peace and stability, promoting cooperation on peaceful conflict resolution, enhancing Justice, Freedom and Security cooperation, and the promotion of sustainable development and effective multilateralism.

In addition, the Association Agreements foresee cooperation on over 25 different sectors, including environment, agriculture, tourism, energy, transport, consumer policy, education, small and medium enterprises, training and youth, as well as culture. Georgia and Moldova will benefit from EU Financial Assistance through existing funding mechanisms and instruments in order to achieve the objectives of the Association Agreement.

What are the trade provisions of the Association Agreement?

The Deep and Comprehensive Free Trade Areas (DCFTA) cover trade in goods including tariff reductions, rules of origin, facilitation of customs procedures, together with anti-fraud provisions as well as trade defence instruments. These rules aim to ensure that trade is liberalised to the fullest extent possible but provide for necessary precautions to ensure only eligible goods qualify for preferential treatment. A bilateral dispute settlement procedure is envisaged to solve issues in an expeditious manner.

Phasing out existing customs tariffs and regulatory barriers will increase the variety and quality of products and services. The competition stemming from liberalisation of market access will encourage specialisation, thereby lowering costs and generating innovation. Better products and services will enhance the overall standard of living.

The DCFTA also tackles other elements designed for Eastern Partnership countries. These include regulatory disciplines that aim to ensure a stable and growth-oriented policy framework that will boost competitiveness. It includes competition and transparency provisions, protection of intellectual property rights, adaptation of domestic law with the EU acquis in the selected services areas and in public procurement.

Furthermore, Georgia and Moldova strive to bring its legislation closer to that of the EU to modernise its export capacity in agricultural and industrial goods, as well as enhance consumer safety. Of notable concern are sanitary and phytosanitary standards. They aim to create a food safety environment similar to the EU's, allowing it to export products of animal origin to the EU and will adapt several laws concerning industrial goods, focusing on domestic safety and consumer protection aspects.

The regulatory approximation with the EU acquis will create a more favourable business climate, attract investors and strengthen the competitiveness of the Eastern Partnership partners' companies, while ensuring high levels of social, environmental and consumer protection. It will provide governance rules, especially for the SMEs, which are more vulnerable.

What we want to achieve on trade?

The DCFTAs are part of the respective Association Agreements, which have the overall objective to significantly deepen EU political association and economic integration with these Eastern Partner countries.

The DCFTAs are new generation agreements, reflecting the EU's privileged relations and increased trade with Georgia and Moldova. The DCFTAs go significantly further than classical forms of economic integration, offering not only improved trade and investment opportunities but also assistance in trade-related reforms with the aim to contribute to economic recovery and growth and to better integration of the Eastern Partner's economies with the world markets.

The DCFTAs as part of the Association Agreements with Georgia and Moldova constitute, after the Eastern Partnership initiative, a following, important instrument of European support to the Eastern neighbours, offering a pathway to Georgia's and Moldova's future prosperity.

What is the expected economic impact?

An [independent study](#) predicts that the DCFTA will increase Georgia's export to the EU by 12% and import by 7.5%. Georgia's GDP could increase by 4.3% or €292 million in the long term, provided that the DCFTA is implemented and its effects sustained.

For Moldova, the change in national income is estimated to be around €142 million, i.e. 5.4% of the country's GDP, while its exports and imports are expected to increase in relation to the EU by as much as 16% and 8% respectively, driving an increase in wages and offering better prices to consumers.

When will the agreements become operational?

The initialling of the Association Agreements will be followed with signature next year. The parties have also confirmed their intentions to implement the agreements as soon as possible. Following standard procedural steps, including approval by the Council and the European Parliament, it may still take several months for the agreement to become effective.

For further information

Text of the agreement with Georgia:

http://eeas.europa.eu/georgia/assoagreement/assoagreement-2013_en.htm

Text of the agreement with Moldova:

http://eeas.europa.eu/moldova/assoagreement/assoagreement-2013_en.htm

EU-Georgia relations: http://eeas.europa.eu/georgia/index_en.htm

EU-Republic of Moldova relations: http://eeas.europa.eu/moldova/index_en.htm

EU trade relations with the South Caucasus countries:

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/south-caucasus/>

EU trade relations with Moldova:

<http://ec.europa.eu/trade/policy/countries-and-regions/countries/moldova/>

Eastern Neighbourhood summit in Vilnius:

http://europa.eu/rapid/press-release_MEMO-13-1057_en.htm
