

**EXPLANATORY MEMORANDUM ON THE ASSOCIATION AGREEMENT  
BETWEEN THE EUROPEAN UNION AND THE EUROPEAN ATOMIC ENERGY  
COMMUNITY AND THEIR MEMBER STATES, OF THE ONE PART, AND THE  
REPUBLIC OF MOLDOVA, OF THE OTHER PART**

**TITLE OF TREATY**

**Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Moldova, of the other part**

**Command Paper Number:** 8942

**SUBJECT MATTER**

1. The Association Agreement ('the Agreement') presented in this Command Paper represents the outcome of the negotiations undertaken by the European Commission (acting on behalf of the European Union [EU]) and its Member States and the European Atomic Energy Community (Euratom) and its Member States) with the Republic of Moldova (hereafter Moldova).
2. In January 2010, the European Commission and Moldova began negotiations on the Agreement, including a Deep and Comprehensive Free Trade Area (DCFTA) as a key part of the Agreement. Negotiations were completed in June 2013 and the Agreement was initialled at the Vilnius Summit in November 2013. It was signed at a European Council on 27 June 2014 by all 28 EU Member States, Prime Minister Iurie Leanca, the European Commission President José Manuel Barroso and the European Council President Herman Van Rompuy. Similar Association Agreements were signed on the same day between the EU and Ukraine and Georgia.
3. Moldova ratified the Agreement on 2 July 2014 and the European Parliament is expected to give its consent to the conclusion of the Agreement by the end of 2014. As it is a mixed agreement, it must be ratified by all Member States and approved by the European Union itself. Certain provisions on Common Foreign and Security Policy (CFSP), Justice and Home Affairs (JHA), Energy, Transport, Environment, Financial Services, Agriculture, Fisheries and Maritime, Consumer Protection, Health, Taxation, Employment, Civil Society, Financial Assistance and Trade will be applied on a provisional basis by the EU and Moldova as of 1 September, before the Agreement comes into force.
4. Signature and conclusion of those matters in the Agreement falling under Euratom Community competence (which are subject to a separate procedure) is recorded in a Council Decision of 16 June 2014. Provisional application does not apply to those matters in the Agreement falling under Euratom Community competence.

5. The Agreement contains eight areas: General Principles; Political Dialogue and Reform, Cooperation in the Field of Foreign and Security Policy; Justice, Freedom and Security; Economic and Other Sector Cooperation; Trade and Trade-related Matters (DCFTA); Financial Assistance and Anti-Fraud and Control Provision as well as Institutional, General and Final Provisions.

#### **NATURE OF THE AGREEMENT**

6. The Agreement with Moldova is part of a new generation of Association Agreements with Eastern Partnership countries seeking to deepen political and economic relations. It establishes an enhanced framework for cooperation between the EU, its Member States (and in this case Euratom and its Member States) and Moldova and is based on political association, embedding democratic principles, such as fundamental freedoms and human rights, and the rule of law. It goes further than previous agreements and is comprehensive in its breadth (number of areas covered) and depth (detail of commitments and timelines). Core reforms in a number of key areas from public governance, justice to economic recovery and growth, as well as enhanced cooperation in some 28 key sector policy areas including energy, transport and environmental protection, will support Moldova in becoming a stable and prosperous democracy through gradual approximation with the EU acquis and where relevant, international norms and standards.

#### Trade

7. The main effects of the DCFTA will be to modernise Moldova's economy to stimulate its economic growth, creating business opportunities for all Parties. The provisions establish conditions that deepen economic and trade relations between the EU and Moldova, leading towards Moldova's gradual integration in the EU Internal Market through the progressive approximation of its legislation in areas such as financial services, telecommunications services, postal and courier services, and international maritime services, to that of the EU.
8. A 2012 Trade Sustainability Impact Assessment carried out for the EU forecast that following implementation of the DCFTA, Moldova's national income will increase by €142 million, i.e. 5.4% of the country's GDP, while its exports to the EU and imports are expected to increase by as much as 16% and 8% respectively, driving an increase in wages and offering better prices to consumers.

#### Tariffs

9. The Agreement will eliminate tariffs for the vast majority of customs duties as soon as the Agreement enters into force. For industrial and manufactured goods, the DCFTA involves the immediate removal of import duties on most products, but with transition periods for some products to enable a more gradual opening of the Moldovan market. For agricultural

products, concessions have been made taking into account particular sensitivities on both sides.

#### Technical barriers to trade

10. The Agreement addresses technical and procedural obstacles, with a commitment under the WTO Agreement on Technical Barriers to Trade (TBT) to agree to cooperate on TBT issues to simplify and avoid unnecessary divergence of technical requirements.
11. Moldova will progressively adapt its technical regulations and standards to those of the EU. Future negotiation of an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) will provide that in specific sectors covered by it trade between the Parties will take place under the same conditions as between EU Member States. Labelling provisions seek to avoid undue restrictions on trade and unjustified requirements on imported products by keeping to a minimum the information required on labels.
12. The Agreement contains WTO sanitary and phytosanitary (SPS) requirements in key areas such as the regionalisation of animal diseases and pests, and the transparency of SPS import requirements and procedures. It commits Moldova to bring its SPS legislation in line with the EU's and in the selected sectors of interest to Moldova's economy. It includes other useful trade facilitation tools, such as the listing of eligible exporting establishments. Improvements in the field of animal welfare have been agreed, which will help strengthen capacity and facilitate market access in Moldova.
13. The Agreement contains improved market access commitments in government procurement, services and investment, compared to commitments under the WTO Agreements.

#### Common rules to level the playing field

14. The Agreement includes a chapter on the effective protection of intellectual, industrial and commercial property rights and other rights covered by the WTO Agreement on trade-related aspects of intellectual property rights (TRIPS). In many cases EU rights holders will thus benefit from improved procedures to defend their rights more effectively in case of infringements.
15. The Agreement will help to guarantee a fair competition environment by encouraging Parties to ban all types of anticompetitive practices, including restrictive agreements, cartels and abuse of dominance.
16. The DCFTA includes an efficient and streamlined dispute settlement mechanism which is based on the model of the WTO Dispute Settlement Understanding, but with faster

procedures. Time-limits of the arbitration procedure are reduced in urgent cases, with further reductions for urgent energy disputes.

#### **MINISTERIAL RESPONSIBILITY**

17. The Secretary of State for Foreign and Commonwealth Affairs is the Minister with overall responsibility for UK policy on the EU's Common Foreign and Security Policy. Given the broad content of the Association Agreement, the Secretaries of State at the Department for Business, Innovation and Skills, the Home Office, the Department for Energy and Climate Change, the Department for Environment, Food and Rural Affairs, HM Treasury, the Ministry of Justice, and the Departments of Transport, Health, and Work and Pensions have an interest.

#### **POLICY CONSIDERATIONS**

18. A more stable, prosperous and democratic Moldova is very much in the UK's security and prosperity interests. The UK believes the EU should take very seriously the Moldovan Government's efforts to continue down its chosen path of a closer relationship with the EU and therefore supports ratification of the Agreement as soon as possible, while remaining alert to the possible regional consequences, particularly in relation to its border with Ukraine and the Russian troops stationed in the protracted conflict and breakaway region in Transnistria.

19. The Moldovan Government has consistently demonstrated support for a closer European track and its readiness to press forward with an ambitious programme of political and economic reform since signing the Agreement. Implementation has been sporadic to date, partly because Moldova's institutional capacity is still weak. Russia placed an embargo on Moldovan fruit and vegetables (not from Transnistria or the Autonomous Region of Gaguzia) on 21 July. The new ban has highlighted serious weaknesses in the Moldovan agricultural and food processing sector that will affect an already weak economy. Moldova has been very clear in its wish to reach out to partners in the West, particularly in light of events in Ukraine and vulnerability to additional Russian pressure. The UK has begun work in this sector to develop closer trade and technical links between the UK and Moldova, which will be of benefit to both countries.

20. Endemic corruption and a lack of transparency has been a barrier to UK companies doing business in Moldova. The reforms supported by the Agreement will assist Moldovan planning to develop an increasingly prosperous free-market economy, underpinned by democracy and rule of law as well as bolster ongoing efforts to tackle corruption in the country.

#### **JUSTICE AND HOME AFFAIRS**

21. The EU commitments on temporary movement of personnel (Mode 4) include provision for the admission of key personnel, graduate trainees and business service sellers. The Government's position is that Mode 4 provisions on the temporary movement of skilled personnel (which concerns the admission of third country nationals onto the territory of the United Kingdom), and the readmission provisions which commit the Parties to ensure the full implementation of the existing readmission agreement, fall within the scope of the UK's Title V opt-in. As the UK already participates in the existing re-admission agreement between the EU and Moldova, and the Mode 4 commitments are consistent with those the EU has previously offered in WTO negotiations, the Government decided it was also appropriate to opt in to these provisions. In June 2014 the Minister for Europe informed Parliament that we had done so.

#### **FINANCIAL IMPLICATIONS**

22. None.

#### **RESERVATIONS AND DECLARATIONS**

23. None.

#### **IMPLEMENTATION**

24. The Agreement must be ratified by all 28 Member States, the EU and Moldova in order to enter fully into force. The Agreement may not enter into force for Euratom until the European Commission has been notified by the Member States that such agreement has become applicable in accordance with the provisions of their respective national laws. Those provisions agreed for provisional application by the EU and Moldova will be applied before the Agreement comes into force. Member States that have ratified the Agreement so far are Romania, Lithuania, Latvia and Bulgaria.

25. Before the UK can complete the ratification process of the Agreement, an order must be made under section 1(3) of the European Communities Act 1972 specifying the Agreement as an EU Treaty for the purposes of that Act. The Government is still assessing whether any additional implementation measures are required and will not complete the ratification process of the Agreement until any issues arising are resolved.

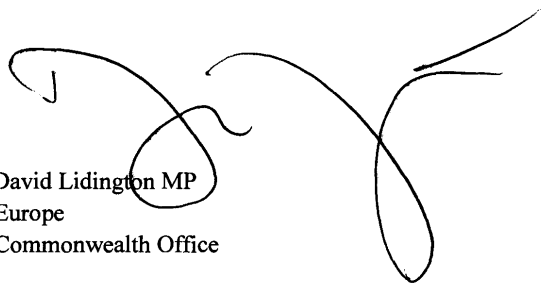
#### **CONSULTATIONS**

26. The Parliamentary EU Scrutiny Committees were consulted on the Council Decisions relating to signature (and provisional application) and conclusion of the Agreement between March and June 2014. The House of Lords Select Committee on the European Union gave its consent on 5 June 2014 and the House of Commons European Scrutiny Committee on 10 June 2014. Throughout the process of negotiation and signature of the Agreement, the FCO has actively engaged and consulted across Government.

**OTHER OBSERVATIONS**

27. On entry into force of the Agreement, the Partnership and Cooperation Agreement (PCA), between the European Communities and their Member States, on the one hand, and Moldova, on the other hand, signed on 28 November 1994, will be repealed. During the period of provisional application, in so far as the provisions of the PCA are not covered by the provisional application of the Agreement, they continue to apply.

The Rt Hon David Lidington MP  
Minister for Europe  
Foreign and Commonwealth Office

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