PRESS RELEASE

Free trade agreements (DCFTA) with the European Union show positive effects on Ukraine, Moldova and Georgia – major differences between countries

Study on the economic effects of the DCFTA presented by Berlin Economics in Berlin, Brussels, Kyiv, Chisinau and Tbilisi

Berlin, 09.07.2019. The deep and comprehensive free trade agreements ("DCFTA") between the EU and Ukraine, Moldova and Georgia had a positive economic effect on all three EU Eastern partners. At the same time, there are major differences in the way these countries were affected by the DCFTA. This is the main conclusion of a study by Berlin Economics, financed by the Federal Ministry of Economic Affairs and Energy.

The study entitled "The economic effect of the DCFTA on Ukraine, Moldova and Georgia. A comparative analysis" estimates the economic impact of the DCFTA on exports to the European Union, on the commodity composition of exports to the EU and on foreign direct investment (FDI) from the EU.

"Between 2013 and 2018, exports of all three countries to the EU increased in real terms by more than 50% and the importance of the EU market as an export destination grew strongly for Moldova and Ukraine", says Dr. Ricardo Giucci, Managing Director of Berlin Economics.

"The number of new products exported to the EU rose significantly in all three countries. In the case of Georgia, the share of processed products increased from 34% in 2013 to 61% in 2018 of total exports", adds Dr. Giucci.

"The impact on FDI from the EU however has been quite moderate. An improvement in the business climate would most likely allow for a much stronger impact of the DCFTA on FDI", stresses Dr. Giucci.

In order to estimate the effect of the DCFTA on EU Eastern partners, the economic consultancy Berlin Economics compares key economic indicators in 2013 (i.e. in the last calendar year before the DCFTA) with 2018 (i.e. the last completed calendar year after the DCFTA). The economic indicators are grouped into three categories: exports, commodity composition of exports and FDI.

The study is – to the best of our knowledge – the first comparative quantitative analysis of the economic effect of the DCFTA on Ukraine, Moldova and Georgia. It clearly shows an overall positive effect of the DCFTA on the EU partners. Key results are:

- **Increase in exports:** From 2013 to 2018, exports to the EU increased by 54% in real terms in Ukraine, 73% in Moldova and 115% in Georgia.
- **Stronger integration with the EU:** The share of the EU in total exports increased from 56% to 74% for Moldova and from 27% to 42% in the case of Ukraine.
- **Improved commodity composition of exports:** The high number of new products exported to the EU in all three countries suggests a significant improvement of the commodity composition of exports. In the case of Georgia, concentration of exports to the EU decreased by 43%;

- **Limited effect on FDI:** The DCFTA has had only a limited impact on FDI, as the share of EU FDI has not changed significantly.
- **Heterogenous development of trade with Russia:** Trade with Russia has decreased heavily for Ukraine and Moldova, but increased significantly in the case of Georgia, which benefited from a lifting of Russian sanctions at the time of DCFTA implementation.

The study has been recently presented by Berlin Economics in Berlin, Brussels, Kyiv, Chisinau and Tbilisi.

Link to the study: "The economic effect of the DCFTA on Ukraine, Moldova and Georgia. A comparative analysis" http://bit.ly/2J7JhbV

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