

# Mapping the EU–Republic of Moldova Trajectory: Roadblocks on the Way to Economic Integration with the EU

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**Abstract:** *This article focuses on EU–Republic of Moldova relations by taking an in-depth look at the Association Agreement and Deep and Comprehensive Free Trade Agreement’s provisions. Specific attention is given to both the political and economic integration aspects, benefits for the agriculture sector and an assessment of risk factors. Within the European Neighbourhood Policy instrument and the policy of Eastern Partnership, the Republic of Moldova has gained a crucial importance over the past 10 years. Having been positioned between two political and economic strong poles, many times it had to decide on which side to be. Moreover, the Association Agreement signed in June 2014 has updated the EU–Moldova relations and gave it a boost towards European integration, economic and commercial development, encouraging the Republic of Moldova to finally break from its Soviet past and move forward.*

**Keywords:** *EU, Republic of Moldova, European Neighbourhood Policy, Association Agreement, Deep and Comprehensive Free Trade Agreement (DCFTA), economic integration, agriculture sector, Trade policy, EU-model society, Eastern Partnership*

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## Introduction

The Association Agreement (AA) is an economic and political tool applied by the EU in order to develop its foreign policy and commercial relations with the neighbouring countries and implemented by the later in order to prosper and cultivate the EU core values. In this particular case, the AA is meant to grow closer political relations, as well stronger economic ties between the EU and the Republic of Moldova<sup>2</sup>, according to former Enlargement Commissioner Štefan Füle<sup>3</sup>. The AA negotiations between the European Commission and the Republic of Moldova, including the Deep and Comprehensive Free

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<sup>2</sup> European Commission, *European Union supports key reforms in the republic of Moldova*, Press release database, 29 July 2014. Available at: [http://europa.eu/rapid/press-release\\_IP-14-886\\_en.htm](http://europa.eu/rapid/press-release_IP-14-886_en.htm).

<sup>3</sup> Štefan Füle, Commissioner for Enlargement and European Neighbourhood Policy, in office of Barroso II Commission between Feb. 2010–Nov. 2014.

Trade Agreement (DCFTA), started back in 2009, and the agreement was finally signed<sup>4</sup> on 27 June 2014.<sup>5</sup> By replacing the Partnership and Cooperation Agreement (PCA), the AA has moved the political dialogue and economic integration between the EU and Moldova to a new stage. In the aftermath, Moldova has proven remarkable results in implementing all the EU reforms and so far is the most promising of the Eastern Partnership (EaP) partners. This is an important acceleration of the EU–Moldova relationship and reflects the progress of Moldovan society, its openness and readiness to enhance European values, democracy, rule of law and respect for equal rights. However, it was and still is a long and difficult path for Moldova and the constant political instability, pressure from the Russian Federation (e.g. numerous embargoes on wine and other domestic products) and economic difficulties render it extremely challenging. Despite that, Moldova is recognized as the fastest reforming country in the European neighbourhood. For example, Moldova is the only EaP partner that has already achieved a visa-free regime with the EU.<sup>6</sup> Indeed, even after signing the AA, Moldova will have to implement numerous internal institutional reforms, take necessary measures in fighting corruption and reach a proper level of transparency in governance structures (i.e. in 2013, the Transparency International Corruption Perception Index placed Moldova on 102 out of 137 positions included).<sup>7</sup> Acknowledging its vulnerabilities and tending to radically reform the society in all necessary sectors, the AA was concluded based on general principles (provided in Title I) of democracy, human rights and fundamental freedoms, free market economy, sustainable development and effective multilateralism, rule of law and good governance, good neighbouring relations.<sup>8</sup>

It is important to highlight that even though the AA was concluded between the EU and the Republic of Moldova, existing and expected relations between the country and certain Member States have been differently established. Nevertheless, Moldova, even before launching into a deeper political and economic association with the EU, had closer partnerships with certain EU MS, for example Romania, Poland and Germany. In case of Poland and the Republic of Moldova partnership, it has been described as the most active interaction through high trade volumes and constant political support, Poland being in TOP-10 as the most valuable partner of Moldova.<sup>9</sup> For instance, in May 2014 the Government of Poland provided a soft loan of 100 million Euro for modernizing the agriculture sector through different projects and 1 million Euro funded by the Ministry of Foreign Affairs of Poland through the “*Polska Pomoc*” platform, for three big projects: alternative energy sources, increasing the competitiveness of the agricultural sector, as

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<sup>4</sup> The AA was ratified by the Moldovan Parliament on 02 July 2014 and came into provisional application on 01 September 2014.

<sup>5</sup> Amanda Paul, *Moldova – Heading into a hot autumn*, Policy Brief, European Policy Centre, Brussels, 06 October 2014. Available at: [http://www.epc.eu/documents/uploads/pub\\_4880\\_moldova\\_-\\_heading\\_into\\_a\\_hot\\_autumn.pdf](http://www.epc.eu/documents/uploads/pub_4880_moldova_-_heading_into_a_hot_autumn.pdf).

<sup>6</sup> Amanda Paul, *Op. cit.*

<sup>7</sup> Amanda Paul, *Op. cit.*

<sup>8</sup> European External Action Service, *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*, Official Journal of the European Union, no. L260/4, 30 April 2014. Available at: [http://eeas.europa.eu/moldova/pdf/eu-md\\_aa-dcfta\\_en.pdf](http://eeas.europa.eu/moldova/pdf/eu-md_aa-dcfta_en.pdf).

<sup>9</sup> Interview with Mr. Vladislav Nastas, diplomat – Second Secretary, responsible for the economic cooperation at the Embassy of the Republic of Moldova in the Republic of Poland, Warsaw, 06 March 2015.

well as water treatment.<sup>10</sup> Moreover, according to the data of National Statistics Bureau of Moldova, in 2013 an increase of approximately 8% of exports of Poland was observed and in 2014, already 64 companies operating in Moldova were launched with a Polish capital which accounts investments of 16 million dollars USA.<sup>11</sup> Thus, the AA also aims at extending Moldova’s trading potential by implementing the necessary reforms and structural changes that will support the country on its road towards the Single European market and engage with more EU Member states.

**Figure 1. Eastern Partnership Association Agreements, including DCFTAs**

Country	Negotiations (from/to)	Initialling	Signature	Provisional application	Ratification <sup>2</sup>	EP consent <sup>3</sup>
<b>Belarus</b>						
<b>Republic of Moldova</b>	Feb 2012 – June 2013	29 Nov 2013	27 June 2014	1 Sep 2014	18 July 2014	13 Nov 2014 <sup>4</sup>
<b>Georgia</b>	Feb 2012 – July 2013	29 Nov 2013	27 June 2014	1 Sep 2014	18 July 2014	18 Dec 2014
<b>Azerbaijan</b>	<i>(requires WTO membership)</i>					
<b>Ukraine</b>	18 F Feb 2008 – 19 Oct 2011	19 July 2012	27 June 2014	31 Dec 2015	16 Sep 2014 <sup>5</sup>	16 Sep 2014
<b>Armenia</b>	Feb 2012 – 24 July 2013	-		-	-	

Source: *Official Journal of the European Union*

Nevertheless, the EU acts by the means of the Eastern Partnership at a multilateral level with each neighbouring partner in particular, as well it aims at strengthening bilateral relations between themselves. In this context, sharing similar problems and following the same goal of ensuring prosperity in their society, Georgia, Moldova and Ukraine, the three countries of EaP that signed the AA, consider developing bilateral relations and reinforce the core meaning of the EaP, especially after the EaP summit in Riga<sup>12</sup> that took place in late May 2015.<sup>13</sup> Currently in Moldova, according to the statistics, about 11% of the AA has been already implemented in the first 6 months and about 10% of the DCFTA by March 2015.<sup>14</sup>

<sup>10</sup> Ibid.

<sup>11</sup> Interview with Mr. Vladislav Nastas, Op. cit.

<sup>12</sup> The EaP Riga Summit emphasized once again upon the shared values, visions and support for progress that is foreseen from the deeper cooperation between the EU and the six EaP partners. The brand - new approach reflected in this meeting is the equal partnership.

<sup>13</sup> Georgia, 07 March 2015. Available at: <http://www.civil.ge/eng/article.php?id=28108>.

<sup>14</sup> Interview with a diplomat from the Department for European Integration at the Ministry of Foreign Affairs and European Integration of the Republic of Moldova, 24 March 2015.

**Figure 2. The Republic of Moldova's main trading partners (2013)**

Origin of imports				Destination of exports				Trade partners				
#	Origin	€ million	%	#	Destination	€ million	%	#	Partner	€ million	balance	Share of total (%)
1	EU	2390	45.2	1	EU	887	49.8	1	EU	3277	-1503	46.4
2	Russia	1214	23	2	Russia	330	18.5	2	Russia	1544	-884	21.9
3	Ukraine	761	14.4	3	Turkey	182	10.2	3	Ukraine	833	-590	11.8
4	Turkey	233	4.4	4	Ukraine	171	4.0	4	Turkey	415	-51	5.9
5	Belarus	224	4.2	5	Belarus	64	3.6	5	Belarus	288	-160	4.1
<b>All imports:</b>		<b>5281</b>		<b>All exports:</b>		<b>1781</b>		<b>Balance of trade:</b>		<b>-3500</b>		

Source: EU Commission, DG Trade

### Objectives and contents of the EU – Moldova Association Agreement (June 2014)

The main objectives of the EU's Association agenda is to deepen political and economic relations with the Republic of Moldova and following the implementation of the appropriate reforms in different key areas, integrate the country in the "largest single market in the world – EU's Internal Market".<sup>15</sup> The agreement points out at creating new opportunities for the stagnating economy of Moldova in order to make it more competitive and capable of integrating into the EU economy. Through the DCFTA, the AA is aiming at boosting the economic performance of Moldova and based on some researches it may increase exports to the EU by 16% and imports by 8%, while the GDP is expected to increase by 5.4% annually.<sup>16</sup> In this context, an *Association Council* was established, chaired both by a representative of the EU and Moldova, that shall supervise and monitor the application and implementation of the agreement.<sup>17</sup> The Association Council is the main monitoring body that will ensure the adequate and successful implementation of the AA and guide Moldovan authorities especially in regard to the implementation of Title V on trade and trade-related matters (DCFTA) and it is capable of issuing binding decisions.<sup>18</sup> Apart from that the agreement also provides for the establishment of an *Association Committee* that shall assist the Association Council and shall meet at least once a year.<sup>19</sup> Moreover, the agreement established a higher level body – *the Parliamentary Association* –, consisting of Members of both the European and the Moldovan Parliament. The Parliamentary Association has the right to request relevant information on the stage of implementation of the AA from the

<sup>15</sup> European Commission, *The EU's Association Agreements with Georgia, the Republic of Moldova and Ukraine*, Memo, Brussels, 23 June 2014. Available at: [http://europa.eu/rapid/press-release\\_MEMO-14-430\\_en.htm](http://europa.eu/rapid/press-release_MEMO-14-430_en.htm).

<sup>16</sup> European Commission, *The EU's Association Agreements with Georgia, the Republic of Moldova and Ukraine*, Op. cit.

<sup>17</sup> European External Action Service, *Association Agreement between the European Union (...) and the Republic of Moldova*, Op. cit., Title VII, p. 138.

<sup>18</sup> *Ibid.*, p. 139.

<sup>19</sup> *Ibid.*, p. 139.

Association Council and to make recommendations to the Association Council.<sup>20</sup> The EU and Moldova recognize the importance of involving and informing the civil society about the AA and its positive effects, and have created a Civil Society Platform where the civil society can meet, exchange views and make recommendations to the Association Council.<sup>21</sup>

The AA is composed of the following seven titles: Title I – General principles; Title II – Political Dialogue and Reform. Cooperation in the field of Foreign and Security Policy; Title III – Justice, Freedom and Security; Title IV – Economic and other Sector Cooperation; Title V – Trade and Trade-related Matters; Title VI – Financial Assistance and Anti-Fraud and Control Provisions; Title VII – Institutional, General and Final Provisions.<sup>22</sup>

Regarding the mutual strengthening of the *political dialogue*, *Title II* provides for the following main goals set by the parties: “deepen political association and increase political and security policy convergence and effectiveness, promote international stability and security based on effective multilateralism; strengthen cooperation and dialogue between the Parties on international security and crisis management, foster result-oriented and practical cooperation between the Parties for achieving peace, security and stability on the European continent, strengthen respect for democratic principles, the rule of law and good governance, human rights and fundamental freedoms, including the rights of persons belonging to minorities, and to contribute to consolidating domestic political reforms, develop dialogue and to deepen cooperation in the field of security and defence and promote the principles of sovereignty and territorial integrity, inviolability of borders and independence”<sup>23</sup>. As one can notice, the political dialogue covers a broad area of mutual interests, not only on the European level, but also on the international level. In the fields of *freedom, security and justice cooperation*, provided in *Title III*, it “enhances the importance of promoting the rule of law, including all its aspects (judiciary independence, access to justice and right to a fair trial), stresses the importance of ensuring the protection of personal data, cooperation on migration issues, cooperation on preventing and combating organized crime, corruption, cooperation on tackling illicit drugs, preventing money laundering and financing of terrorism, combating terrorism and legal cooperation”<sup>24</sup>.

When it comes to *economic and social cooperation*, provisions included in *Title IV*, the common consensus is to develop and focus on a spectrum of different sectors. The cooperation in public administration reform seeks to increase its efficiency and transparency, modernizing public services (e.g. introducing e-Governance) and facilitating services delivery to the citizens.<sup>25</sup> Within the economic dialogue in order to establish a functioning market economy in Moldova and gradually approximate it to the EU’s policies and facilitate the trade between the two, an exchange of information on macroeconomics policies, analysis and expertise is expected. In order to establish a fair competition and

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<sup>20</sup> Ibid., p. 140.

<sup>21</sup> Ibid., p. 141.

<sup>22</sup> Ibid.

<sup>23</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., p. 5.

<sup>24</sup> Ibid., pp. 8-10.

<sup>25</sup> Ibid., p. 11.

eliminate any existing monopolies, Moldova should approximate its legislation in regard to company law, accounting and auditing and corporate governance, following EU's rules and recommendations in this area.<sup>26</sup> Other important areas for cooperation and development which are covered by the content of the Title IV are the following: employment, social policy and equal opportunities (i.e. where promoting International Labour Organisation principles is envisaged); consumer protection; ensuring a proper management of public finances (i.e. including budget policy, internal control, financial inspection and external audit in order to fight against fraud and corruption); enhancing good governance in tax area, trade investments and fair competition; enhancing proper functioning of financial services that will serve an open market economy and the protection of investors; industrial and enterprise policy with a particular emphasis on small and medium-sized enterprises (SMEs); agriculture and rural development (promoting modernisation of agriculture products); fisheries and maritime policy; energy cooperation (elaborating strategies and policies in order to diversify energy resources, suppliers and transportation routes and reduction of greenhouse gas emissions); transport (improving infrastructure on regional and international level); environment and climate change (improving air and water quality, ensuring better environmental protection, managing industrial pollution etc.); information society (developing ICT tools in governance, *e-learning* and research, *e-commerce*, etc.); tourism; regional development, cross-border and regional level cooperation (by decentralization of the decision-making process); public health; civil protection; education, training (modernizing education systems); research, technological development; culture, audio-visual policy and media; civil society and protection and promotion of the rights of the child (by combating all forms of exploitation of a child, abuse and violence).<sup>27</sup>

*Title V* which stands mainly for the trade and trade-related matters (DCFTA) which will be analysed below. Regarding *financial assistance, anti-fraud and control provisions* the EU and Moldova agreed in *Title VI* that in order to successfully implement, materialize and achieve objects envisaged in the AA, the country shall benefit from financial assistance from the EU through relevant EU funding mechanisms and instruments, as well loans from the EIB, EBRD or other international financial institutions. Yet, Moldova and the EU shall agree and evaluate the priority areas of the EU financial assistance. This should be mentioned in the annual action programmes which represent the agreed policy priorities for each particular year, taking into account the needs of the country, the progress made so far and other aspects. In this case, the Association Council shall be the responsible institution to be informed about the progress of the proper implementation of the EU's financial assistance, proving conclusions and recommendations.<sup>28</sup>

On the other hand, *Title VI* also stresses the importance of the parties to "*take effective measures to prevent and fight fraud, corruption and illegal activities*".<sup>29</sup> Definitely, it is one of the most important challenges for the Moldova–EU relations, considering the still

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<sup>26</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., p. 12.

<sup>27</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., pp. 13-34.

<sup>28</sup> Ibid., p. 134.

<sup>29</sup> Ibid., p. 135.

high level of fraud, corruption and illegal actions. This situation should be addressed and relevant measures should be taken the soonest. For the purpose of eliminating such practices, the AA provides as solutions the following: exchange of information and further cooperation on operational level, providing mutual administrative and legal assistance, conducting proper investigation and prosecution of suspected and potential cases by the competent Moldovan authorities and imposing corresponding administrative measures and penalties.<sup>30</sup> Finally, *Title VII* stands for institutional, general and final provisions of the AA, envisaging the importance of mutual political and policy dialogue, establishes the institutional framework and institutions that should accelerate, supervise and monitor the implementation of the AA and their responsibilities (i.e. *Association Council, Association Committee and its sub-committees, Parliamentary Association Committee*).<sup>31</sup>

### **Prospects of transforming the Republic of Moldova into an EU-model society**

Through such instruments as the AA, the EU aims at reforming countries in its near neighbourhood, like the Republic of Moldova, by promoting its values of democracy, rule of law and human rights. Not only the EU implements such policies, but it also provides the necessary support to faster these changes and help Moldova transform into an EU-model society. But what is an EU-model society? And what it takes Moldova to become one? One can find it quite difficult to define what an EU-model society is. The EU-model is a unique contemplation of 28 different countries and cultures aligned together, united by the same history, principles, scopes, agenda and interests. Based on this example of coexistence, collaboration and mutual support, Moldova tends to inspire itself and shape a similar model in its society. By signing the AA with the EU, Moldova entered into a new phase of cooperation with the EU and transformation that will require implementation of reforms in accordance with EU standards for democratic societies (i.e. fighting wide-spread corruption, achieve a larger transparency, rule of law) and a strong market economy. The EU external actions and policies are operating through “*soft diplomacy*”, which is a way of building external cooperation relations and exporting EU values.<sup>32</sup> In this case, the Commission is the “EU agent” to establish, monitor, coordinate and promote external cooperation. There are two distinct approaches/policies that the EU applies towards its neighbouring partners. One is stabilization that aims at fostering regional cooperation, and second is integration that is based on bilateral relations and works through “*strict conditionality*”. So far “*conditionality*” has proven to be the most effective tool in modelling neighbouring partners according to the EU’s standards and shaping a sort of “*Eastern dimension*” of the EU.<sup>33</sup> Sharing common interests with the EU, in order to win the “*big prize*” of economic integration into the Single Market, EU’s political and economic support and may be the

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<sup>30</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., pp. 135-136.

<sup>31</sup> Ibid., p. 138.

<sup>32</sup> Franck Petiteville, “EU external co-operation as a ‘soft diplomacy’”, in: Michele Knodt and Sebastian Princen (ed.), *Understanding the European Union’s external relations*, Routledge, London, 2003, pp. 127-141.

<sup>33</sup> Antonio Missiroli, “The EU and its changing neighbourhood: stabilization, integration and partnership”, in: Roland Dannreuther (ed.), *European Union Foreign and Security Policy: Towards a neighbourhood strategy*, Routledge, London, 2004, pp. 12-26.

prospect of European membership, Moldova has to implement the *acquis communautaire*, comply with all the provisions of the AA and follow all recommendations and instructions coming from Brussels.

One important moment in defining the EU–Moldova future relations after signing the AA, was the parliamentary elections that took place on 30 November 2014. The result of the elections was a success, since the three pro-European parties have won 56-58 seats, while pro-Russian parties only 43-44 seats of the total available 101 seats.<sup>34</sup> To what the spokesperson on foreign policy of Social and Democrats group – Knut Fleckenstein, commented: “*I am confident that it will be possible to build a strong pro-European coalition [in Moldova] that will continue to implement the necessary reforms*”.<sup>35</sup> Certainly, the outcome of these elections was crucial in determining the goals and political orientation of Moldova on its European path. Thus, Federica Mogherini<sup>36</sup> and Johannes Hahn<sup>37</sup> issued a statement on 01 December 2014, reflecting the EU’s support for further implementing the AA in the Republic of Moldova and the importance of the European economic and political integration:

*“A new impetus to key reforms will be crucial for the Republic of Moldova’s political association and economic integration with the EU. The EU will remain a reliable partner supporting the Republic of Moldova’s reform endeavours and working towards unleashing the full benefits of the Association Agreement in the interest of all its citizens, wherever they live.”*<sup>38</sup>

The EU is keen to support Moldova in reforming and acts through different tools to ensure its progress. For example, via such instrument as *Single Support Framework 2014-17, Annual Action Programme 2014* (which is a support package that provides 101 million Euros for two main actions: Support to Public Finance Policy Reforms in Moldova – 37 million Euros, and European Neighbourhood Programme for Agriculture and Rural Development Moldova – Support to Agriculture and Rural Development – 64 million Euros) and *Additional support programme* (a budget of 30 million Euros aiming at boosting “competitiveness of small business, development of national legislation in line with EU quality standards and promotion of export and investment opportunities, communication and information campaigns on the DCFTA”).<sup>39</sup> However, is the AA the ultimate phase in transforming the Republic of Moldova into an EU-model society? Indeed, the AA may encourage changes and implementation of the European values, reforms and rules, but it certainly does not set the limit in the EU–Moldova relations progression and according to

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<sup>34</sup> Jon Benton, *MEPs warmly receive pro-EU Moldovan election results*, The Parliament magazine, 03 December 2014. Available at: <https://www.theparliamentmagazine.eu/articles/news/meps-warmly-receive-pro-eu-moldovan-election-results>.

<sup>35</sup> Ibid.

<sup>36</sup> Federica Mogherini - High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission.

<sup>37</sup> Johannes Hahn - Commissioner for European Neighbourhood Policy and Enlargement Negotiations.

<sup>38</sup> European Commission, *Joint statement on the parliamentary elections in the Republic of Moldova*, Statement 14/2270, Brussels, 01 December 2014.

<sup>39</sup> European Commission, *European Union supports key reforms in the republic of Moldova*, Op. cit.



Article 49 of Treaty on European Union, Moldova being a European country, may have a European perspective and apply for the European membership in any case.<sup>40</sup>

### **The Deep and Comprehensive Free Trade Agreement (DCFTA) and its significance for Moldova's economy**

*“The creation of the DCFTA between the EU and Moldova represents one of the most significant benefits of the agreement, bearing incontrovertible importance for trade and economic growth, jobs creation, prosperity and stability in the Republic of Moldova”, Parliamentary Report dated October 2014.*<sup>41</sup>

The DCFTA intention is to enhance the Republic of Moldova's access to the EU market<sup>42</sup>, which as a final result will stimulate attracting more investments in the country, sustain the growth of local small and medium businesses and tighten commercial relation between commercial agents of the EU's Member States and Moldova.<sup>43</sup> The DCFTA, as an integral part of the AA, has been provisionally applied since 01 September 2014<sup>44</sup> and aims at establishing a free-trade area in a transitional period of maximum 10 years, in accordance with the provisions of this Agreement and in accordance with Article XXIV of the General Agreement on Tariffs and Trade 1994 (GATT 1994). It is expected to have long term beneficial effects for Moldova's economy by implementing the commitments undertaken by both the EU and Moldova.<sup>45</sup>

### **The areas of priorities and contents of the DCFTA**

The content of the DCFTA has a vast application for different areas of trade, customs, competition, development and others. The priorities are envisaged in the idea of reforming and modernizing agriculture sector, small and medium-sized enterprises (SMEs), businesses, investments flows, by introducing structural and institutional reforms at big scale, harmonizing national legislation with the *acquis communautaire*. This will foster reshaping Moldova's economy into an open-market economy and make it suitable to integrate in the EU's market and enhance its capability to absorb more EU products, as well as boosting exports of Moldovan products both on the EU market and further. The DCFTA (trade and trade-related matters), as integral part of the AA, envisaged in Title V, consists of the following fifteen chapters, corresponding to different trade areas or trade-related matters: *Chapter 1* - National treatment and market access to goods; *Chapter 2* - Trade

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<sup>40</sup> European Parliament, *Report containing a motion for a non-legislative resolution on the draft of Council decision on the conclusion, on behalf of the EU, of the Association Agreement between the EU and the Euratom and their members, of the one part, and the Republic of Moldova, of the other part*, Committee of Foreign Affairs, A8-0022/2014, 21 October 2014.

<sup>41</sup> European Parliament, *Op. cit.*

<sup>42</sup> *Ibid.*

<sup>43</sup> *Ibid.*

<sup>44</sup> Interview with a diplomat at the Department for European Integration at the Ministry of Foreign Affairs and European Integration of the Republic of Moldova, 24 March 2015 (see Annex 3).

<sup>45</sup> European Parliament, *Report (...)*, *Op. cit.*

remedies; *Chapter 3* – Technical barriers to trade, standardisation, metrology, accreditation and conformity assessment; *Chapter 4* – Sanitary and phytosanitary measures; *Chapter 5* – Customs and trade facilitation; *Chapter 6* – Establishment, trade in services and electronic commerce; *Chapter 7* – Current payments and movement of capital; *Chapter 8* – Public procurement; *Chapter 9* – Intellectual property rights; *Chapter 10* – Competition; *Chapter 11* – Trade-related energy; *Chapter 12* – Transparency; *Chapter 13* – Trade and sustainable development; *Chapter 14* - Dispute settlement; *Chapter 15* – General provisions and approximation under Title V.<sup>46</sup>

Analysing chapter by chapter the provisions of Title V of the AA on trade and trade-related matters, the EU and the Republic of Moldova agreed on closer cooperation and economic integration by implementing necessary reforms and providing each other support and assistance. *Chapter 1* regulates the elimination of customs duties, fees and other charges on both imports and exports. Regarding imports, special provisions are codified in Annex XV and focus mainly on developing agriculture policy on both sides. On the other hand, anti-circumvention procedures and mechanisms shall apply for agriculture products and an annual average volume of imports from Moldova is set in Annex XV-C (e.g. pork – 4500 tones; poultry – 600 tones; dairy products – 1700 tones; cereal processed – 2500 tones; cigarettes – 1000 tones, etc).<sup>47</sup> *Chapter 2* emphasizes trade remedies through mechanisms such as anti-dumping, countervailing measures and application of bilateral safeguard measures which aim to investigate proper implementation, respect and use of the trade procedures.<sup>48</sup> *Chapter 3* relates to technical barriers to trade and stresses the importance of strengthening cooperation in the field of “standards, technical regulations, metrology, and market surveillance”.<sup>49</sup> Thus, Moldova shall progressively transpose European standards on a national level and comply with marketing and labelling requirements.<sup>50</sup> In *Chapter 4* the sanitary and phytosanitary (SPS) provisions underline the need for Moldova to approximate its regulatory system in SPS and animal welfare, establish procedures for trade facilitation operating through transparency and information exchange. Also, the certification and verification procedures are included, and establishing of SPS Sub-Committee that shall monitor the implementation of the relevant provisions in this sense, give opinions and formulate recommendations.<sup>51</sup>

Customs and trade facilitation conditions reflected in *Chapter 5* provide for stable and comprehensive legislation and procedures, proportionate, non-discriminatory and impartial rules in order to facilitate trade.<sup>52</sup> With the same objective at heart, this chapter reflects the importance of boosting economic performance by enhancing trade. The Republic of Moldova will also apply the Single Administrative Document, as well use modern custom techniques, reduce costs for economic operators, and apply binding rulings on

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<sup>46</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., pp. 34-134.

<sup>47</sup>Ibid., pp. 34-39, 210-220.

<sup>48</sup> Ibid., pp. 39-42.

<sup>49</sup> Ibid., pp. 42-44.

<sup>50</sup> Ibid.

<sup>51</sup> Ibid., pp. 44-54.

<sup>52</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., pp. 54-59.

tariffs classification and rules of origin, implementing simple requirements and formalities. Moreover, starting from 1<sup>st</sup> January 2015, any administrative fees with equivalent effect to imports or exports duties and charges shall be prohibited.<sup>53</sup> Yet, like in any other cases, Moldova shall approximate its legislation to the Union's law in the customs matters, in order to benefit from these provisions.

Within *Chapter 6*, which is divided in 7 sections, Moldova and the EU agreed on provisions of establishment, trade in services and electronic commerce. In order to achieve objectives set in this chapter, parties should undertake commitments under the WTO Agreement; allow and facilitate the establishment of subsidiaries, branches and representatives offices of both judicial persons of the EU and Moldova; assuring market access, provide clear conditions for licensing, qualifications and procedures. In this sense, mutual recognition of qualifications for natural persons is compulsory.<sup>54</sup> In the context of this chapter, it is crucial for Moldova to develop and promote computer services, electronic communication networks and services. Electronic commerce represents the future of trade relations; therefore, Moldova will create trade opportunities in many sectors in this regard. In fact, the launch of *e-customs* represents one of the success projects established as an online tool for electronic services for both the export and the import procedures to facilitate them.<sup>55</sup> As per financial services, it is necessary to have a regulatory framework for financial services which needs to be liberalized.<sup>56</sup> *Chapter 7* entitled “*current payments and movement of capital*” reflects the importance of ensuring free movement of capital related to direct investments, but also including acquisition of real estate. It also specifies that in the first 4 years after the entry into force of the AA, Moldova shall take necessary measures to create proper conditions for gradual implementation of the Union's rules on free movement of capital.<sup>57</sup> In *Chapter 8* provisions related to public procurement are agreed on. They imply mutual access to public procurement (should apply to works, supplies and services) and the need to enable the market to be open to competition and once again prevent any corrupt practices.<sup>58</sup> *Chapter 9* consists of one of the most important elements in succeeding implementation of the DCFTA – intellectual property rights (IPR). Therefore, it requires achieving in this field a proper and effective level of protection of the IPR, including WTO Agreement clauses. It refers to the protection of authors' performers, producers of phonograms, trademarks, designs, patents and clear regulation and rules on enforcement procedure of the IPR.<sup>59</sup>

Provisions related to competition are addressed in *Chapter 10*. It includes such competition related issues as antitrust and merger control, which need to be monitored and controlled by the relevant authorities from Moldova. It requires free and undisturbed competition in trade relations, in the same time state monopolies or public undertakings

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<sup>53</sup> Ibid.

<sup>54</sup> Ibid., pp. 52-86.

<sup>55</sup> Interview with Mr. Vladislav Nastas, Op. cit.

<sup>56</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., pp. 52-86.

<sup>57</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., pp. 86-87.

<sup>58</sup> Ibid., pp. 87-91.

<sup>59</sup> Ibid., pp. 91-109.

cannot be prevented. Moreover, concerning state aid, it is not possible if it has the potential to disturb competition by favouring certain companies.<sup>60</sup> The area of competition is very new and feeble in Moldova and is managed by the Council of Competition of Moldova, which acts based on the Competition Law dated 11 June 2012 and several regulations.<sup>61</sup> In the framework of this Competition Law formation of cartels, anti-competitive behaviour, abuse of dominant position on the market and not only – are prohibited. Yet, in practice the Council of Competition is still struggling to monitor and cease any anti-competitive actions, also due to the fact that it has not yet established good practices.

*Chapter 11* addresses the trade related to energy. In this regard, the EU and Moldova agreed on trade in energy products such as crude oil, electricity and natural gas; but none of them shall interfere in the transit of energy goods through their respective territory; also, dual pricing is not allowed.<sup>62</sup> This chapter does not contain any details about how Moldova's energy demands are met, although this is an issue that may jeopardize the proper implementation of the AA. The Republic of Moldova is heavily (almost 100%) dependent on energy supplies from Russia (just like the Baltic States, Bulgaria and Italy inside the EU), which may and most of the times is used as a political tool to put pressure on Moldova and its relations with the EU or Russia.

Transparency – should consist of predictable regulatory environment for economic operations, based on legal certainty and proportion is envisaged in *Chapter 12*.<sup>63</sup> To this end, the EU and Moldova should work together in order to establish a proper field for well working governance, facilitating decision-making procedure, enhance better connection between different institutions and ministries in Moldova and bring transparency in actions and decision available to the citizens through the civil society organizations. Trade and sustainable development provisions are reflected in *Chapter 13* where the parties agreed to encourage a high level of environmental and labour protection. Following this idea they should seek to enhance the contribution of trade, by promoting trade in forest products and fish products. The cooperation *inter alia* should take place in the following: the positive or negative impacts of Title V (trade and trade-related matters), promoting private and public certification, traceability and labelling schemes, trade related issues of the current and future international climate change and others. In the same context, in order to perform the purposed objectives, Moldova should establish an institutional and overseeing mechanism, as well a joint civil society dialogue forum.<sup>64</sup>

*Chapter 14* provides for all possible ways for dispute settlement in case of any inconsistencies between Moldova and the EU arising from the AA. Therefore, resolving any existing disputes may be possible through consultations, mediation and arbitrations procedure.<sup>65</sup> Finally, *Chapter 15* sets general provisions on approximation, which should

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<sup>60</sup> *Ibid.*, pp. 109-112.

<sup>61</sup> Competition Law of Moldova no. 183 dated 11 June 2012. Available at: <http://www.competition.md/uploads/files/legi/concurenta/Lege%20Nr183%20din%2011.07.2012.pdf>.

<sup>62</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., pp. 112-115.

<sup>63</sup> *Ibid.*, pp. 115-117.

<sup>64</sup> *Ibid.*, pp. 117-123.

<sup>65</sup> *Ibid.*, pp. 123-131.

take place by withdrawing provisions of domestic law that is inconsistent with the EU's law. In this case, the Association Committee should be the institution involved in the approximation and the assessment of its correct implementation by adopting necessary procedures and ensuring exchange of information.<sup>66</sup>

To summarise, one can emphasise that the content of the Title V of the AA covers many areas and aspects of the new level of cooperation between Moldova and the EU, with a special emphasis of the trade and trade-related matters (DCFTA). Each of the above mentioned Chapters touches upon diverse sectors of mutual cooperation (e.g. trade, intellectual property rights, SPS, trade in energy, competition, transparency), and some of them may be new for Moldova, while others may be very challenging to implement and adjust to domestic legislation and operating practices to the Union's requirements.

### **Benefits for the agriculture sector of Moldova**

The main operating sector of the Moldova's economy is agriculture. Therefore, the DCFTA has as its main priority to enhance reforms and modernize the agriculture sector and make agriculture products more attractive on the EU market. Through the removal of the EU's import duties, accounting for approximately 43 million Euros, the agriculture sector will benefit from higher production standards, modern technologies, European funds and investments and improved labour conditions.<sup>67</sup> The transitional period of 10 years is granted for opening Moldova's market for European products, implementing necessary reforms and adapting national standards to the EU's.<sup>68</sup>

The Regional Centre of Moldova presented a report in which it has offered a precise analysis of the impact (positive/negative) of the DCFTA on the agriculture sector of Moldova. According to this report, the agriculture sector of Moldova is currently stagnating because of lack of innovative recourses, technologies, support from the government and lack of qualified labour capacity.<sup>69</sup> Therefore, the DCFTA has a great emphasis on agriculture and food sectors. Yet, many changes, costly and lengthy in time, are required in order for Moldovan products to integrate on EU's market (i.e. certification of origin of the goods, control of compliance with sanitary and phytosanitary standards, compliance with competition rules etc.). Furthermore, the report stresses that, according to statistics, starting from 2006 the EU has been the main trade partner of Moldova. However, since 2010 the exports diminished considerably, due to such factors as: incompatibility of the exported products with the EU's standards of quality, difficulties to meet sanitary and phytosanitary criteria and low competitiveness of the Moldovan producers.<sup>70</sup> Among the EU's Member

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<sup>66</sup> European External Action Service, Association Agreement between the European Union (...) and the Republic of Moldova, Op. cit., pp. 131-134.

<sup>67</sup> European Commission, *The EU's Association Agreements with Georgia, the Republic of Moldova and Ukraine*, Op. cit., p. 4.

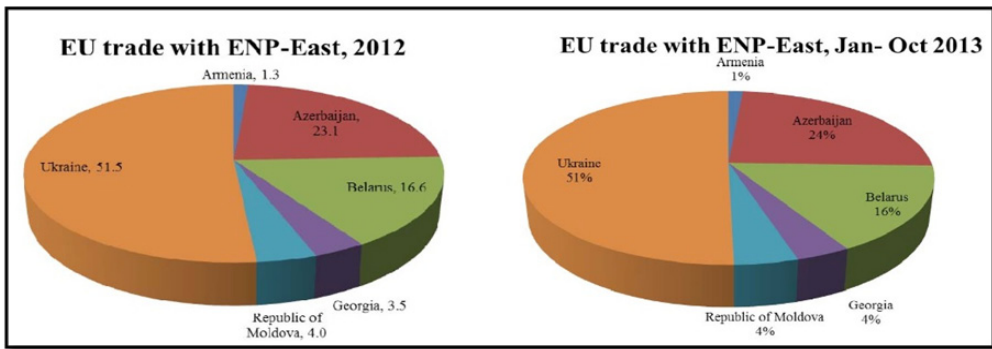
<sup>68</sup> Centrul Regional de Mediu Moldova, *Impactul Acordului de Liber Schimb Aprofundat și Cuprinzător între Republica Moldova și Uniunea Europeană asupra sectorului agroalimentar moldovenesc*, Chișinău 2013. Available at: [http://www.rec.md/sites/all/themes/daycare/images/Publicatii/studiu\\_impactul%20zlsac\\_agricultura.pdf](http://www.rec.md/sites/all/themes/daycare/images/Publicatii/studiu_impactul%20zlsac_agricultura.pdf).

<sup>69</sup> Centrul Regional de Mediu Moldova, Op. cit., p. 8.

<sup>70</sup> Ibid., p. 19.

States, the main trading partners in agriculture goods in the past year were Romania, Poland, Italy, Germany, France, Spain, Bulgaria and the Netherlands.<sup>71</sup>

**Figure 3. EU Trade with the Eastern Partners (2012-October 2013)**



Source: Eurostat (COMEXT database)

In order to “fit” the EU’s market standards and easily expand its capacity within it, one of the main challenges for the agriculture sector of Moldova is the poorly developed sanitary and phytosanitary systems. The norms related to sanitary and phytosanitary measures are part of the DCFTA and are very important to ensure the safety of the agriculture products of vegetal and animal origin. Currently, the Republic of Moldova is implementing the relevant measures and is in a process of harmonizing the national legislation in this regard. But the main downfall derives from the absence of specialised laboratories with advanced technologies to run the sanitary and phytosanitary tests and the only responsible authority is the State Inspectorate for Market Surveillance, Metrology and Consumer Protection which has not enough means and specialists.<sup>72</sup>

Having said that, in the past couple of years Moldova took the following steps to redress this situation, although the changes are not significant: 1) the *Law on sanitary-veterinary activities* was adopted back in 2008, envisaging the creation of a specialised Agency responsible for sanitary-veterinary issues and safety of animal products; 2) the *Law on establishment of general principles and requirements of food safety legislation* was adopted in 2011; 3) the *Regulation on the organization and functioning of the National Agency for Food Safety* was adopted in 2013 in order to regulate and control the safety of food products, along with the implementation of the Food Safety Strategy 2011-2015; 4) the *Regulation on procedures and documentation related to the Identification and Traceability system of animals* was adopted in 2007, and harmonized in accordance with the EU’s norms and directives in 2012; 5) Moldova ratified the *Agreement on Sanitary*

<sup>71</sup> Ibid.

<sup>72</sup> Ibid., p. 29.

and *Phytosanitary measures* which seeks to reduce any risks as such for the consumers, animals and plants.<sup>73</sup>

The trade barriers in the EU-Moldova trade relations are different in nature, namely tariff and non-tariff barriers and technical barriers. After the implementation of the DCFTA, tariff barriers costs for the agriculture sector are expected to decline to 2%, which represents a clear advantage for the further development of trade flows.<sup>74</sup> The non-tariff barriers include restrictions and measures applied on products and producers, such as: sanitary and phytosanitary measures, rule of origin, requirements and high standards of quality and quantity, high competitiveness, diversification of products, etc. On the other hand, technical barriers continue to be the most challenging for the local producers/exporters (e.g. only for the purpose of standardization it requires implementation of approximately 20 000 new standards).<sup>75</sup> In this sense, Moldova ratified the *Agreement on Technical Barriers in Trade* which aims at “ensuring proper technical regulations and standards, including requirements for packaging, marking and labelling, and procedures used to assess compliance with these regulations, requirements and standards are not formulated and applied so as to create unnecessary obstacles to the Trade”.<sup>76</sup>

The agriculture sector needs constantly direct implication and innovative solutions from the government, by launching agriculture related projects, funds, etc. The *Common Agriculture Policy*<sup>77</sup> launched by the EU in the 60's serves as an example for Moldova on how to support agriculture's development, its modernization and to encourage the farmers to produce, be competitive and observe the needs of the market. Thus, in June 2013 Moldova adopted the *Strategy for Agriculture and Rural Development in Moldova 2014-2020*<sup>78</sup> which has the following priorities: “enhancing investments in agricultural holdings, improving the processing and marketing of agricultural products, creating assistance and management services for farmers, organizing courses and instructions seminars on new technologies, improving control and verification structures for quality, veterinary and plant health aiming at higher food quality and consumer protection”.<sup>79</sup> Once the DCFTA implemented Moldovan agriculture sector is also integrated into the EU's agriculture sector and will have to comply with the CAP provisions. Among the main benefits of the implementation of the DCFTA for the agriculture sector of Moldova, one can underline the following: 1) unlimited access without any tariff barriers to the EU's market; 2) enhanced competition which will bring positive effects as lower prices, better quality and diversification of the products; 3) implementation of the best practices of European partners; 4) increase in imports/exports of agricultural products between Moldova and EU's Member States; 5) financial and technical support from the EU through different projects and funds directed to modernization and sustainable development of agriculture sector; 6) potential business development and increase in investments in Moldova.<sup>80</sup>

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<sup>73</sup> Centrul Regional de Mediu Moldova, Op. cit., pp. 29-30.

<sup>74</sup> Ibid., p. 33.

<sup>75</sup> Ibid., pp. 33-35.

<sup>76</sup> Ibid., p. 34.

<sup>77</sup> More details at: [http://ec.europa.eu/agriculture/cap-history/index\\_en.htm](http://ec.europa.eu/agriculture/cap-history/index_en.htm)

<sup>78</sup> More details at: <http://www.maia.gov.md/public/files/Proiecte/ProiectStrategiaAgriculturaDezvRur.pdf>

<sup>79</sup> Centrul Regional de Mediu Moldova, Op. cit., pp. 42-43.

<sup>80</sup> Ibid., p. 44.

## The DCFTA - A risk assessment for the Republic of Moldova

The gradual implementation of the DCFTA, intended to take place within 10 consecutive years, will obviously have a positive impact on the country's economy, its business, trade flows, market development and general increase of living standards for Moldovan citizens (i.e. higher incomes, lower prices, increased trade and more prosperity). However, the positive effects of the DCFTA will require different structural and institutional reforms and may have certain risks for several areas of the Moldovan economy. The risk assessment of the DCFTA is presented as a way to face the upcoming challenges and manage to "soften" the impact for businesses that are most vulnerable. Therefore, below is presented an analysis of different views on risk assessment of the German Economic Team Moldova, Visegrad group and the World Bank.

In the light of the German Economic Team Moldova report, the main challenges for Moldova's economy may be the fall in demand, possible unemployment and shift in tax revenues for government.<sup>81</sup> Therefore, it is crucial for the government to know clearly the sectors that are the most vulnerable and most likely to fall under the risk of immediate implementation of the DCFTA. The report estimates the impact of removing tariffs of EU imports (impact on demand for imports and impact on government finances), as well as making recommendations on how to redress the situation. According to its estimations, "manufacturers of leather products, textiles, wearing apparel as well as producers of tiles and bricks may see significant increases in competition", as well as an increase in imports of some agricultural products.<sup>82</sup> Moreover, it also finds that the DCFTA will bring between 5.4% and 6.4% to Moldova's GDP, while exports are most likely to increase by 11-16% and imports by 6-8%.<sup>83</sup> Higher competition also coming from the imported products from the EU will impose stricter "rules of the game" on the domestic companies, also by discouraging monopolies and creating proper conditions for open market competition.

Based on the experiences of the Visegrad Group (V4), consisting of cases and examples of economic integration and policy implementation in Hungary, the Czech Republic, Slovakia and Poland at their time, a report was issued to present an analysis and give recommendations for Moldova economic integration with the EU. In each of the presented cases it is clear that because some of the countries were not ready to absorb all the necessary changes and implement structural reforms, they were confronted with several difficulties. In this context, economic integration with the EU through DCFTA is quite challenging, demanding and risk assessment is a "must" in order to minimize possible negative side effects. This report, among others, presents the following conclusions and recommendations for implementing the DCFTA:

1. "enhance firm political leadership of Moldovan authorities and set up a clear policy objectives, not implementing the DCFTA "blindly";

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<sup>81</sup> Jörg Radeke, *The DCFTA between Moldova and the EU – A Risk Assessment*, German Economic Team Moldova, Policy Paper Series [PP/03/2012], Berlin/Chisinau, September 2012. Available at: [http://www.berlin-economics.com/download/policypapers/GET\\_Moldova\\_PP\\_03\\_2012\\_en.pdf](http://www.berlin-economics.com/download/policypapers/GET_Moldova_PP_03_2012_en.pdf).

<sup>82</sup> *Ibid.*, p. 17.

<sup>83</sup> *Ibid.*, p. 7.



2. take necessary actions to measure the potential impact of the new legislation and structural reforms on businesses;
3. set up an online portal to improve communication and interaction between government and business;
4. engage in more SME corporate actors in the DCFTA implementation;
5. open regional information centres to provide consultations in areas of the DCFTA implementation and EU integration in general<sup>84</sup>.

According to the World Bank Economic update for Moldova dated 02 October 2014, projections for the following years are relatively encouraging. In 2014, the economy of Moldova experienced a great growth in the first half, but by the end it slowed down, also because of the Russian embargos on Moldovan exports. Moreover, World Bank growth forecast reduces 3% of GDP for 2015 and 3.5% for 2016, due to many factors, including weak economic activity which is expected with Russia reducing trade relations with Moldova, and quite reduced trade activities with Ukraine.<sup>85</sup> At the same time “soundness and transparency of the financial sector remain the main domestic policy challenges.”<sup>86</sup> However, World Bank considers that for improving Moldova’s trade competitiveness it requires implementation of relevant structural reforms in all sectors of its economy. To this end, the DCFTA gives the right opportunity for a greater economic integration of Moldova into global economy and the possibility to enhance openness, transparency and proper structural reforms. So far, Moldova’s main trading partners remain the EU and the CIS countries, but in order to improve its economy growth indicators and the living standards of its citizens, it needs to find new markets and producers.<sup>87</sup>

Can the EU actually through the DCFTA substitute the CIS (i.e. Russian) market area of activity, or compensate its trade share? By signing the DCFTA Moldova encountered serious trade destructions with Russia (which still remains an important trade partner in the region), especially in fruits exports (e.g. apples, grapes, plums and others).<sup>88</sup> In response to Russia’s restrictive trade policy, the EU increased imports on Moldovan wine, fruits and other products. However, it is more difficult to increase exports to the EU because of the high and restrictive standards that need to be respected (i.e. maximum level of containments in food, of pesticides, health and hygiene standards, labelling requirements, proof traceability, compliance and responsibility of food and feed<sup>89</sup>) and poor technical conditions of the producers.

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<sup>84</sup> Georgian Institute for Strategic Studies, *Report of the Task Force under the Project “V4 supporting Economic Integration of Georgia and Moldova with the EU”*, July 2014. Available at: [http://www.ceid.hu/wp-content/uploads/2014/11/Report-Moldova\\_ENG.pdf](http://www.ceid.hu/wp-content/uploads/2014/11/Report-Moldova_ENG.pdf).

<sup>85</sup> World Bank, *Economic Update Moldova*, 02 October 2014. Available at: [http://www.worldbank.org/content/dam/Worldbank/document/eca/moldova/Moldova%20Economic%20Update%20October2014\\_Final\\_ENG.pdf](http://www.worldbank.org/content/dam/Worldbank/document/eca/moldova/Moldova%20Economic%20Update%20October2014_Final_ENG.pdf).

<sup>86</sup> *Ibid.*

<sup>87</sup> *Ibid.*

<sup>88</sup> Jörg Radeke, *Moldova’s fruit exports: Can the EU substitute the Russian market?*, German Economic Team Moldova, Policy Paper Series [PB/05/2014], Berlin/Chişinău, June 2014. Available at: [http://www.get-moldova.de/download/policybriefings/2014/PB\\_05\\_2014\\_en.pdf?PHPSESSID=f3820de4165392bd0c10205bb09b11d7](http://www.get-moldova.de/download/policybriefings/2014/PB_05_2014_en.pdf?PHPSESSID=f3820de4165392bd0c10205bb09b11d7).

<sup>89</sup> Jörg Radeke, *Op. cit.*, p. 14.

## Conclusion

All these achievements were possible due to the enormous support of the EU and distinct pro-European orientation of the Republic of Moldova. And the strong dependency on the external factors played its role as “booster”. The Association Agreement, including DCFTA, has a wide area of application, covering domains such as political dialogue and cooperation in the field of foreign security policy, justice and freedom, economic sector, trade and trade-related matters, financial assistance and anti-fraud and control provisions. Among top priorities are issues related to combating organized crime, corruption, increasing transparency and efficiency of good Governance, establishing better consumer protection and boosting employment. As a result, Moldova will benefit from increased imports and exports, increased GDP and salaries, enhancement of business environment, as well involvement of the EU companies in investment projects in Moldova. The DCFTA carries a distinguished added value, that has to be gradually implemented in a transitional period of 10 years and which includes trade remedies, technical barriers to trade, standardization, metrology, sanitary and phytosanitary measures, customs, trade in services and electronic commerce, intellectual property rights, competition and other aspects. The best achievement of the DCFTA is the elimination of customs duties, fees and other charges on imports and exports; as well as boosting trade in services and electronic commerce, by mutual recognition of qualifications for natural persons and the launch of *e-customs*. The new element which challenges nowadays Moldova’s business environment is the enhanced competition and competition related issues as antitrust and merger control, which need to be monitored and controlled by relevant authorities. Trade barriers in the EU-Moldova trading relation are of different nature, namely tariff (which are expected to reduce) and non-tariff barriers (include restrictions and measures applied on products and producers, such as: sanitary and phytosanitary measures, rule of origin, requirements and high standards of quality and quantity, high competitiveness, diversification of products, etc.) and technical barriers (the most challenging one – standardization). The DCFTA also has a separate focus for the agriculture sector, which represents the core of Moldovan economy, and is foreseen to benefit from higher production standards, modern technologies, European funds and investments and improved labour conditions. Importance of the DCFTA for agriculture sector is crucial, since it represents more than 50% of total employment in the country, having most of the population established in the rural areas. The expected effect of liberalizing trade is to create more business activities between the EU and Moldova’s business milieu. However, the Foreign Direct Investment is very small, through implementation of the DCFTA it is foreseen to gradually increase. But, is the DCFTA sufficient in order to enhance closer cooperation and economic integration with the EU? Is the EU successful in shaping Moldova in an EU-model society?

The EU acts in its role of normative power, exporting its values towards neighbouring countries, offering development, innovation and political and trade cooperation, in exchange for them to implement the EU’s *acquis*. How far can the EU go in order to continue to invest and maintain its cooperation with its neighbouring partners, acting as normative power, however not being able to offer the most desired outcome – EU membership? Is the EU ready for further enlargement? What else could it offer to the EaP countries?

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