



## The EU-Moldova Deep and Comprehensive Free Trade Area - Three Years On

Chisinau, 6 November 2017

**EU Trade Commissioner Cecilia Malmström**

*Speech to the European Business Association and civil society representatives*

Ladies and gentlemen,

I am delighted to be back again in Moldova.

This is the second time in Moldova during my mandate as Trade Commissioner, but I have been here many other times in other capacities. I am here to talk about trade policy and the deep and comprehensive free trade area, DCFTA for short - part of the Association Agreement between the European Union and Moldova.

When I was last here in 2015, the DCFTA was already in force, but Moldova was in a challenging situation with the banking system in crisis and the economy shrinking.

Although many challenges remain, I am glad to see that since then the political and economic stability have improved.

This has had a visible impact on trade, notably with the EU, as well as on economic growth – both showing an upward trend.

Our bilateral trade continues to increase – Moldova now relies on the EU for 66% of its exports. EU imports from Moldova have increased by more than 15 percent since the entry into force of the DCFTA. And the trend is even more pronounced in the first half of this year, with as high as a 20% increase.

This shows that the EU remains not only Moldova's main trade partner – but also a particularly stable one.

Let me take this opportunity to say a few words about the DCFTA, to which the success can be attributed.

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After three years of implementation, we are seeing progress on the adoption of policy planning documents and of legislation in areas essential for facilitating Moldova's exports to the EU, such as sanitary and phytosanitary measures, technical barriers to trade, and customs procedures.

Just to name a few examples, over the past year, Moldova has adopted roadmaps for reforms in the food safety system and technical regulations and standards related to safety of industrial goods, and is working on adopting a new customs code in line with the EU one. The comprehensive roadmap on regulatory and institutional reforms in public procurement has also

been adopted by the Moldovan authorities. These reforms will lead not only to approximation with EU standards but also to savings of taxpayers' money.

Now, the focus of attention of government ministries and agencies, including regulators, should really be on the implementation and enforcement of new laws, which cannot be properly done without strengthening institutions in terms of staff, salaries and code of conduct. This is why we have been closely following the comprehensive reform of the Moldovan public administration and civil service this year.

I hope that it will improve the functioning of key regulatory bodies responsible for the proper functioning of the economic sectors in your country.

There are still efforts that need to be made to reap the full benefits of the ambitious Association Agreement, which increases access to the EU market for Moldovan producers and exporters and further attracts EU and international investment.

I am thinking in particular of the food safety reform which, once properly implemented, will enable Moldova to export its agricultural products, notably animal products, to the EU and other foreign markets but also benefit local consumers by increasing the quality of food.

I am also aware that despite the advantages of the DCFTA, some Moldovan producers find it hard to adapt to certain EU quality standards or may have trouble identifying customers. The EU market may be new for those producers, who have been used to exporting to other neighbouring countries.

However, I am positive that this will improve over time, as operators learn to know the EU market better and adapt their products to market requirements. Business promotion and improved marketing skills to enter the EU market are the right solution.

We already see that the number of Moldovan companies exporting to the EU is increasing every year. As a reminder, since 2009, the EU has provided financial support for 5,000 companies in Moldova and supported jobs in small and medium-sized businesses.

We will of course continue, in the context of the Association Agenda and the new Single Support Framework, to provide substantial financial and technical assistance to increase the export capacity of Moldovan companies - and to develop the private sector not only in Chisinau but also on the countryside.

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And while our Association Agreement and DCFTA has been an important factor behind Moldova's reform efforts, everyone certainly realises that we cannot discuss trade and related reforms in isolation from the business climate and rule of law.

The business climate depends not only on easy registration processes or streamlined inspections of companies; it depends much more on solid institutions that defend the rule of law and ensure a level-playing field for all businesses and citizens alike.

The principle of integrity and transparency must be respected, above all, by the authorities, which should lead by example. In the spirit of friendship and frankness which characterizes my contacts with the Moldovan authorities, I will raise the EU's concerns on certain specific cases.

The absence or progress of reforms in the crucial areas I have just mentioned have a tremendous impact on the patterns and volumes of trade, on business opportunities, and on domestic and foreign investment.

In particular, there is untapped potential in the level of foreign direct investment in Moldova, which is needed to modernize and diversify the economy. I was pleased to hear that a number of EU companies have recently announced their intention to invest in Moldova during the Moldova Business Week in October. Pursuing the fight against corruption, ensuring policy

stability and predictability, and improving access to finance would certainly attract more investors. From the EU side, we will of course continue asking for and helping in these reforms.

Here, civil society - including the business community - has a vital role to play to hold decision-makers accountable and keep up the pressure for reforms to continue. I am sure that you, as representatives of European businesses established in Moldova, are acutely aware of this.

I have heard positive echoes of your work under the Prime Minister's Economic Council, and would also like to take this opportunity to congratulate you for your active engagement here in Moldova in making the voice of business heard. You are in this sense a key partner for us in making the DCFTA work in practice, letting us know what works and what does not.

And so are Civil Society Organizations, which have a great role to play in overseeing the implementation of the DCFTA and signalling to us and to the general public areas where improvements are required in order to ensure coherence between trade and sustainable development.

I am aware that the legislative framework for Civil Society Organisations to operate in Moldova is far from perfect and needs to be improved to enable organizations to better take part in debates and to be heard in legislative processes.

I am very encouraged by the statement of the 3rd EU-Moldova Joint Civil Society Dialogue Forum of 17 October. From the EU side, support to Civil Society will continue to be an important part of our assistance and we will continue to consult civil society organisations on a regular basis.

Ladies and gentlemen,

Let me finish by recalling that the Association Agreement and DCFTA is the basis of mutual partnership between the EU and Moldova – it is about the economy, and trade of course, but it is also about improving the life of citizens. Fundamentally, it is about shared values such as democracy, human rights, the rule of law, and the fight against corruption. It is very much a tool to bring our peoples together - that's actually the best part.

Let me also reiterate the EU's continued support to the development of the Republic of Moldova, to the strengthening of its democratic institutions, and to increasing the prosperity of its citizens.

Thank you very much for your attention. I look forward to our discussion.