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# THE EUROPEAN UNION AND REPUBLIC OF MOLDOVA ASSOCIATION AGREEMENT'S IMPACT ON NATIONAL ECONOMY

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## Abstract

*This scientific article seeks to explain the role of the Association Agreement on the national market and its impact over the economy as a whole. The Republic of Moldova is passing nowadays through a weak economy, resulted from the Russian embargoes and the great Moldovan bank robbery. However, due to AA and DCFTA agreements, indicators tend to grow. The article attempts to provide an evaluation of the changes, impact, and perspectives of the European Integration through the agreements ratified two years ago.*

## Introduction

The European integration represents a valuable perspective of development for the Republic of Moldova, considering the partnership built on the *Association Agreement* including a *Deep and Comprehensive Free Trade Agreement* between the Government of Moldova, the European Union and the European Union Member States. The importance of AA and DCFTA for our Republic's evolution in the following decades is determined by the understanding of the EU programs reflected in the mottos: "united in diversity" and "welfare states".

The Association Agreement between EU and Republic of Moldova is an international treaty signed in June 2014 and entered fully into force on 1 July 2016. It is a project for development in medium and long terms, in accordance with the values, standards and regulations of EU. Due to this agreement, DCFTA was signed and nowadays plays an important role in reducing barriers for trade between EU and Republic of Moldova.

The Agreement is settled on shared priorities of Moldova and the European Neighborhood Policy, emphasizing democracy, rule of law, human rights, fundamental freedoms, good governance, a functioning market economy and sustainable development. In line with the implementation of these AA priorities, critical areas for cooperation include: visa liberalization, justice, police and integrated border management, trade, agriculture and rural development, public administration reform, and civil society.

This agreement offers Moldova a framework for boosting trade and economic growth through improved access to the EU market for its products and services and by comprehensively approximating its trade-related laws and regulations to Union standards. If implemented fully, it will facilitate Moldova's progressive integration with the EU single market.<sup>1</sup>

For the time being, AA does not confer to RM the status of candidate for EU membership, however does not exclude this attribute and provides a possible change in the relationship between UE and RM. Furthermore, in the context of crisis in Ukraine, on 17 April 2014 the European Parliament adopted a Resolution where is recognized for the first time the right of Republic of Moldova, Ukraine and Georgia to invoke the art. 49 of Treaty on European Union, where is written that: “any European State which respects the values referred in art. 2 and is committed to promote them may apply to become a member of the Union”.

The Association Agreement document includes: a preamble (an introductory statement of the Agreement, setting out the Agreement’s purpose and underlying philosophy), seven titles (General Principles; Political Cooperation and Foreign and Security Policy; Justice Freedom and Security; Trade and Trade related matters (DCFTA); Economic and Sector Cooperation; Financial Cooperation with Anti-Fraud Provisions, as well as Institutional, General and Final Provisions), 43 Annexes setting out EU legislation to be taken over by a specific date and three protocols. The preamble represents a selection of the most important aspects of EU-MD cooperation, confirming the intention of the parties to develop a close and lasting relationship.

In preamble at the art. 1, are written the goals of Association, which are:

- to promote the association policy and economic integration between parties on basis of mutual values and close relations, including an increase of participation of the Republic of Moldova in the policy, programs and EU agencies;
- to strengthen the consolidated political dialogue in all areas of mutual interest;
- to contribute at the consolidation of democracy and the stability of politics, economy and institutions in Republic of Moldova;
- to promote, to keep, to consolidate the peace and regional and international stability;
- to support and to increase the cooperation in the field of justice, freedom and security, with the goal of strengthening the rule of law, respecting the human rights and the fundamental freedoms;

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<sup>1</sup> European Commission - Press release, Available at: [http://europa.eu/rapid/press-release\\_IP-16-2368\\_en.htm](http://europa.eu/rapid/press-release_IP-16-2368_en.htm), [visited on 09.12.2016]

- to support the Republic of Moldova's efforts in development of its economic potential through the international cooperation, and by harmonizing its legislation to the legislation of EU;
- to create conditions for economic and trade relations which will lead to a gradual integration of RM on the internal market of EU;
- to create conditions for a closer cooperation in the other fields of mutual interest.

The 1st Title of the Agreement, art. 2, defines the general principles which will stay at the basis of Association between Republic of Moldova and European Union, as following:

- respect democratic principles, human rights, fundamental freedoms and the rule of law;
- respect sovereignty principle and territorial integration of the states, inviolability of borders and independence;
- promote market economy principles, good governance, fight against corruption and organized crime;
- promote sustainable development.

In contrast to the Partnership and Cooperation Agreement (PCA) which was signed for a period of 10 years (in 1994), extendable, the duration of AA is unlimited. In order to maintain the political dialogue between RM-EU, and to monitor the implementation of AA, the VIIth Title of the Agreement – General and Final Provisions – provides the existence of permanent dialogue platforms between RM-EU, through the creation of new institutions:

- Association Council (monitors the implementation of AA, examines major issues, defines solutions etc.);
- Association Committee (assists the Association Council in their works);
- Association Parliamentary Committee (a platform of inter-parliamentary dialogue, the members are deputies of European Parliament and Republic of Moldova Parliament);
- Civil Society Platform (systematic meetings of representatives of civil society).

These institutions have the goal to do more for Moldova, and crucially, for Moldovan citizens. For the benefits highlighted by the High Representative and the Commissioner to be fully evident, it is not enough to just adopt additional laws. These also need to be consistently implemented and enforced. More needs to be done in order to effectively address corruption and improve governance. The Agreement, including DCFTA, is no magic wand to cure Moldova's political system and economy of all its problems. However, its provisions do engage

with a substantial part of Moldova's political and economic reform agenda. This normative alignment is far more than a technical matter, and goes to the heart of the urgent task of establishing sound, corruption-free governance.

## **1. Economic Cooperation**

The European Union and the Republic of Moldova undertakes to facilitate the structural reforms in RM, with the purpose to create an economy on functional market and to adjust gradually its policies to the policies of EU. The Union is a model of the biggest world economy, having the most performant systems for health and social protection, the most modern transport and commercial routes, being the world leader for the environmental protection.

On 22 February 2005, the Republic of Moldova signed the Moldova-EU Action Plan in Brussels within the frameworks of the European Neighborhood Policy (ENP). Starting 2005, EU became the main trade partner of RM by commercial value (import+export). In 2013, the trade with EU countries consisted approximately 46% of total trade of RM, in comparison with CIS countries with which the trade balance consisted 33%, and with other countries 22%.

Since 2006, in the EU trade Moldova became the beneficiary of trade preferences regime - GSP + (General System of Trade Preferences - General System of Preferences) consisting of unilateral cancellation by EU of the customs duties on a number of Moldovan goods. This system of tariff trade preferences aims to promote sustainable development of countries that have a vulnerable position in foreign trade. Since 2008, trade between Moldova and the European Union takes place in the Autonomous Trade Preferences - ATP (Autonomous Trade Preferences). This asymmetric bilateral regime, extended tariff exemptions and quantitative exports to the EU originating from Moldova, except for a limited number of agricultural products.

In trade relations with EU, Moldova is a net importer. In general, until crisis, increase of imports from the EU overtook the increase of exports to this region. A decrease commercial balance deficit with the EU occurred in 2009 - under the crisis, exports to EU have decreased only by 18.5%, while imports fell by 36.4%. In 2010 it returned to old patterns with the EU, though the import and export was below the values recorded in 2008.

According to "Fact Sheet: EU- RM relations" publication, trade between EU and Moldova in 2015 year decreased by 6%, largely due to the strong decline of EU exports to Moldova. On a positive note, EU imports from Moldova continue to grow, increasing in 2015 by 5%. The EU imported from Moldova goods to the value of €1.2 billion, up by 27% since 2013 (the year before the DCFTA was signed). The value of agricultural imports from Moldova

grew more strongly, by 9% in 2015. EU exports to Moldova significantly declined since 2014, by 11% and amounted to €2.08 billion in 2015. Moreover, in 2015 exports to the EU of some Moldovan products continued to grow, following sharp increase in 2014. The positive trend continues to be seen for sunflower seeds, nuts, grapes, dried fruits, wheat, barley, soya beans, clothing and bedding articles such as mattresses.

Access to the European markets and benefits from the DCFTA will further increase once Moldova has aligned its health and safety standards to those of the EU. The food safety reform will enable Moldova to export its agricultural products, notably animal products, whose safety for consumers is strictly controlled in the EU. Overall, if reforms are completed, the DCFTA is expected to boost Moldova's GDP by 5.4% annually.<sup>2</sup>

**Table 1: Total goods: EU Trade flows and balance 2005 - 2015**

Period	Imports		Exports		Balance	Total trade
	<i>Value Mio (EUR)</i>	<i>%Growth</i>	<i>Value Mio (EUR)</i>	<i>%Growth</i>	<i>Value Mio (EUR)</i>	<i>Value Mio (EUR)</i>
<b>2005</b>	439		1 082		642	1 521
<b>2006</b>	520	18,4	1 185	9,6	665	1 705
<b>2007</b>	732	40,6	1 496	26,3	764	2 228
<b>2008</b>	754	3,0	1 715	14,6	961	2 469
<b>2009</b>	519	-31,2	1 246	-27,4	727	1 765
<b>2010</b>	585	12,8	1 563	25,4	977	2 148
<b>2011</b>	847	44,7	1 862	19,2	1 015	2 709
<b>2012</b>	944	11,4	2 038	9,4	1 094	2 982
<b>2013</b>	963	2,0	2 280	11,9	1 317	3 242
<b>2014</b>	1 160	20,5	2 352	3,2	1 192	3 511
<b>2015</b>	1 223	5,5	2 087	-11,2	864	3 310

Source: European Union, *Trade in goods with Moldova*, Available at: <http://trade.ec.europa.eu/>

After only two years of implementing the Free Trade Agreement with the European Union, Moldovan authorities boast about performances in foreign trade with European countries. Exports of Moldovan goods rose in this period by 13%, while in other markets, they have decreased by over 25%, according to the Ministry of Economy. Since 1 September 2014, when DCFTA entered into force, Moldova exported to the Community market goods worth over 2.2 billion dollars, representing 64% of total exports. The European Union has become the main market for Moldovan products, and the Free Trade Agreement a tool to attract foreign investors.

<sup>2</sup> Fact Sheet: EU- RM relations, Available at: [http://eeas.europa.eu/archives/docs/factsheets/docs/eu-moldova\\_factsheet\\_en.pdf](http://eeas.europa.eu/archives/docs/factsheets/docs/eu-moldova_factsheet_en.pdf), [visited on 09.12.2016]

In the last year there has been a decrease of about 5% of the value of Moldovan exports to the EU, but in terms of the volumes of goods exported there is an increase. According to official statistics, in the first six months of this year the EU imported from Moldova about 30% of food products, and 70% of industrial products (*see Table 2*). In this period, December 2016, was registered a growth of Moldovan wine exports (+ 16%), cereals (+ 20%) and processed cereals (+ 744%). At the same time, sugar was exported in volumes of 42 thousand tons that is much more than the rate provided by the Free Trade Agreement. On the other hand there has been a decrease in exports of nuts, corn and sunflower seeds. Grape exports in the first six months of this year, had a 48% completion of the quota referred, and plums a quota of 16%. Regarding industrial products, the export of boxes and packaging materials in the first half increased by about 53%. The largest increase is in the export of toilet paper and sanitary products (+ 3600%). There have also registered an increase in exports from carpets (+ 20%), clothing for ladies (+ 33%), metal products (+ 145%). A significant quota of about 15-16% is held by the export of wiring and equipment for machines.

Furthermore, is important to mention that honey is the food product which tends to have an increase in exports. With an annual consumption of 35 thousand tons of honey, of which almost 24 thousand imported, France is the main market for Moldovan honey. It is the only food of animal origin exported in substantial quantities in the European Union and only honey meets EU sanitary products of animal origin. In 2014, Moldova exported honey worth \$ 9.5 million, exports rising by up to 60% in the years 2010-2014 and an increase of nearly 200% in 2014. Almost 30% of exports of honey arrive in France and 23% - in Germany. That being said, even if it's only two years after the entry into force of the Free Trade Agreement there is a positive dynamic and a perspective of increasing in exports for Moldovan products.

The Republic of Moldova's main market is Romania, with nearly a quarter of exports, followed by Italy, Britain, Germany, France and Poland.<sup>3</sup> Nevertheless, the main source of imports for our country remains to be the European Union with a total of 1435 mln. USD in Q1-Q3: 2016, being 1.8% less than in the previous year, holding a quota of 49.6% in total imports (49.3% 2015). Imports from the EU has diminished against the backdrop of cheapening of fuel and reduction of imports of medical instruments and appliances. The most significant decreases were attest from: Romania - 9.6% less, as a result of lower imports of petroleum oils and plastic pipes and tubes; Austria - 18.5% less, a result of lower imports of wires and cables,

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<sup>3</sup>Activitatea de comerț exterior a Republicii Moldova în ianuarie-octombrie 2016, Available at: <http://www.statistica.md/newsview.php?l=ro&idc=168&id=5441>, [visited on 09.12.2016]



copper wire; and Germany - 20.5% less because of reduced import of medical instruments and appliances, cars and other vehicles.

**Table 2: Trade flows of products by Harmonized Section 2015**

HS Sections	Imports			Exports		
	Value Mio (EUR)	% Total	% Growth	Value Mio (EUR)	% Total	% Growth
Total	1 223	100.0	5.5	2 087	100.0	-11.2
I Live animals; animal products	8	0.6	9.8	56	2.7	-5.1
II Vegetable products	240	19.6	18.2	95	4.6	22.2
III Animal or vegetable fats and oils	54	4.4	-17.1	3	0.2	21.8
IV Foodstuffs, beverages, tobacco	100	8.2	7.1	93	4.5	-10.1
V Mineral products	11	0.9	-19.0	374	17.9	-20.4
VI Products of the chemical or allied industries	7	0.6	20.6	218	10.4	-1.7
VII Plastics, rubber and articles thereof	9	0.7	-16.0	125	6.0	-2.3
VIII Raw hides and skins, and saddlery	22	1.8	-9.6	44	2.1	6.2
IX Wood, charcoal and cork and articles thereof	6	0.5	55.9	28	1.3	-13.0
X Pulp of wood, paper and paperboard	3	0.3	30.4	32	1.5	8.9
XI Textiles and textile articles	214	17.5	0.7	174	8.3	-1.9
XII Footwear, hats and other headgear	51	4.2	-2.6	10	0.5	-25.3
XIII Articles of stone, glass and ceramics	27	2.2	24.3	37	1.8	-11.3
XIV Pearls, precious metals and articles thereof	1	0.1	115.8	3	0.1	31.6
XV Base metals and articles thereof	128	10.5	-13.5	131	6.3	5.0
XVI Machinery and appliances	225	18.4	14.8	385	18.5	-7.3
XVII Transport equipment	5	0.4	7.1	166	7.9	-43.5
XVIII Optical and photographic instruments, etc.	16	1.3	-4.3	42	2.0	-11.8
XIX Arms and ammunition	0	0.0		1	0.0	57.1
XX Miscellaneous manufactured articles	94	7.6	23.5	55	2.7	-5.3
XXI Works of art and antiques	0	0.0	8.3	0	0.0	-41.6
XXII Not classified	2	0.2	19.1	14	0.7	30.4
<b>AMA / NAMA Product Groups</b>						
Total	1 223	100.0	5.5	2 087	100.0	-11.2
Agricultural products (WTO AoA)	409	33.4	8.8	234	11.2	1.0
Fishery products	0	0.0	5.9	16	0.8	13.0
Industrial products	814	66.6	3.9	1 837	88.0	-12.8

Source: European Union, Trade in goods with Moldova, Available at: <http://trade.ec.europa.eu/>

During first three quarters of the 2016 year, there is a persistent negative trends mitigation since 2015 with the establishment of a certain political stability, strengthening domestic economic circumstances. During this period, the implementation of commitments under the DCFTA remains a priority for the authorities, although the backlog and delays are given their own process. At the same time, the degree of implementation of the DCFTA in Transnistria since 1 January 2016 is uncertain in the absence of tools for monitoring and reporting compliance efforts in the region. Also, it does not neglect the entry into force from 1

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November 2016 Free Trade Agreement between Moldova and Turkey, which could generate forward a number of new commercial opportunities for the national economy.

## **2. The impact of Association Agreement on national economy**

The official objective of the Association Agreement, as inscribed in the preamble of the document, is to seek “the political association and economic integration” of a signatory state with the EU. The economic integration segment of the AA (Title IV) aims at improving Moldova’s economic situation by, first, focusing on technical areas of major importance to the proper functioning of the economy, ranging from taxation and financial services to company law and accounting. Second, the AA specifically addresses poverty, in line with the main concerns of 26% of Moldova’s population.<sup>4</sup> EU projects have in the past especially focused on addressing the negative effects of migration and the sustainable use of remittances by generating local income, as these issues are at the root of poverty in Moldova.

The economic development of Moldova’s population is focused on strengthening social policies and employees’ rights, and by providing consumer protection and equal opportunities. Till now, Moldova has adopted various laws on social security, and concluded bilateral meetings with eleven EU member states on the issue.

The AA’s sectoral cooperation provisions are particularly comprehensive in the energy sector and agriculture and rural development. Rural development is of the utmost importance to the EU, as 30% of the ENI budget is allocated here, in order to achieve balanced and inclusive economic development in rural areas. Moldova has on its part drawn up an action plan for a national Agriculture and Rural Development Strategy and transposed European regulations into national law. Regarding energy, Moldova has been physically connected to the EU’s energy market by the construction of the Iasi–Ungheni pipeline in 2014, although this has negligible impact on what remains a de facto Russian monopoly.<sup>5</sup> Although Moldova became a member of the European Energy Community in 2010, after effective Russian intervention (by means of pressuring Moldova on the issue of the Transnistrian debt to Gazprom), full implementation of the Third EU Energy Package has been postponed until 2020.

The impact of Association Agreement on national economy is significant positive. In the short run, the DCFTA is expected to lead to an increase in national income of EUR 75

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<sup>4</sup> Institute for Public Policy, Barometer of Public Opinion – November 2015, p. 16, (<http://www.ipp.md/>), [visited on 11.12.2016]

<sup>5</sup> Clingendael Report: The Europeanisation of Moldova: Is the EU on the Right Track? Available at: <https://www.clingendael.nl/sites/default/files/Clingendael%20Report%20The%20Europeanisation%20of%20Moldova%20-%20July%202016.pdf>, [visited on 11.12.2016]



million. This translates to an increase in GDP of 3.2%. In the long run, the change in national income is estimated to double and to amount around EUR 142 million, which is a 5.4 % increase. These increases are mainly attributed to the reduction of Sanitary and Phytosanitary and Technical Barriers of Trade types of non-tariff barriers, in result of the expected approximation to EU standards. Not surprisingly, reductions of non-tariff barriers to trade (and not tariffs) are the main driver of the results. Adaptation of much stricter standards for chemical products (approximating EU regulations) by Moldova may have very pronounced effects. It is likely to largely restrict inflow of low quality chemicals (including medicaments) that currently play an important role in the market. This gap can be filled by (rising) domestic output and imports – most likely from the EU or other countries that have chemical regulations similar to the EU ones. The approximation will not only open the EU market for Moldovan exports, but also lead to more market access of Moldovan products to third countries when Moldovan producers adhere to EU standards. For the EU, in the long run, the impact of the DCFTA on the EU's GDP, trade balance, wages and prices is expected to be negligible, due to the size of its economy.

Based on “Commission services position paper on the Trade Sustainability Impact Assessment”<sup>6</sup>, it could be treated that DCFTA will have a significant impact on the Republic of Moldova's economy with more pronounced changes in the long run when dynamic investment effects commence. Moldovan exports are estimated to increase by 15% and 16 % in the short and long run respectively, with imports increasing by 6% and 8 % respectively. This implies that the DCFTA is expected to relatively improve the trade balance for the Republic of Moldova. Average wages are projected to increase by 3.1% and 4.8 % in the short and long term respectively. As the overall consumer price index is expected to decrease by about 1.0% to 1.3 %, over the short and long term respectively the purchasing power of Moldovan citizens will increase.

The impact of the DCFTA on individual sectors differs. Sectors with expected output gains exceeding 10 % are other crops, textiles and clothing, and air transport. Livestock and meat products, motor vehicles, electronics and computers and other manufacturing are awaited to see output contract by 8-22%.

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<sup>6</sup> Commission services position paper on the Trade Sustainability Impact Assessment in support of negotiations of a Deep and Comprehensive Free Trade Area between the European Union and respectively Georgia and the Republic of Moldova, Available at: [http://trade.ec.europa.eu/doclib/docs/2014/may/tradoc\\_152461.pdf](http://trade.ec.europa.eu/doclib/docs/2014/may/tradoc_152461.pdf), [visited on 12.12.2016]

The positive effects will only be driven by the abolishment of tariff barriers and reduction of nontariff barriers in result of approximation of regulatory regimes. For the rest of the countries in the region, the EU-Republic of Moldova DCFTA is expected to have a limited effect. The liberalization of trade between the EU and the Republic of Moldova is not expected to lead to any significant effect for the EU-Turkey Customs Union.

Exports to the EU may increase as it should become significantly easier to enter EU markets for domestic producers who will anyway need to comply with much stricter domestic regulations. The key issue is to what extent smaller producers will be able to comply with higher domestic standards and carry the costs of required compliance checks. This may particularly be of importance for pharmaceutical producers, as these tend to be smaller companies (than e.g. companies in the chemicals industry). Interviews with companies in this subsector confirmed that non-tariff barriers at present create main obstacles for entering the EU market. Obtaining required certificates to enter the EU market is not economically feasible for small and medium enterprises, hence they prefer to export to neighboring or other non-EU countries. The DCFTA may give these companies a chance to lower fixed costs of entering the EU market if complying with relevant domestic regulations after the DCFTA is not more expensive than combined costs of complying with current regulations applicable to Moldovan market and separately those applicable to access to the EU market. If Moldova manages to establish such an efficient regulatory system in the future this could provide a strong boost to expansion of the sector. On the other hand, if costs of complying with new regulatory requirements (approximated to the EU) ones are high this could be limit the sector's growth, driving some companies out of business.

In the Republic of Moldova, overall wages and employment are likely to grow in line with rising output (the average wage growth is estimated at 3.1 and 4.8% in the short and long run respectively). Combined with a predicted fall in consumer price inflation, this is expected to support improvements in average living standards. The poorest part of the population will benefit less from the DCFTA, mainly because food prices will increase slightly, and less affluent households spend a higher share of their total expenditures on food. Labor reallocation is expected to be slightly higher for the less skilled workers compared to the more skilled workers (5 and 4.5 % respectively). The favorable DCFTA impact on equality may come about if and when increasing living standards begin to support gradual changes in societal preferences on equality. Other mechanisms of positive influence may be related to international conventions supporting equality and condemning discrimination. Some positive impact (albeit limited) may also be related to increase in women's participation in the labor market e.g. through a growing

employment in the textile and clothing sector dominated by female workers. Overall, worsening of the inequality situation relative to current trends does not appear likely. As regards the labor rights, the DCFTA may also trigger various forces acting towards either improving or worsening the situation. On balance, positive forces are likely to be somewhat stronger compared to the current situation.

Until recently, Moldova's banking and financial market seemed, if underdeveloped, at least sound in its basic functions. Yet it was hit by the discovery of extensive bank fraud in 2014, resulting in the liquidation of three major banks. Nonetheless, the Agreement envisages a comprehensive approximation to EU regulatory norms, mostly within three years, although it is getting off to a slow start.

The bank fraud and the corruptly implemented legislation, make investors to fear that they may be mistreated by the state. The fact is that our legislation tends to improve, is much better today, but still because of high corruption in the country, all efforts for economy expansion do not reach the fullest. The EU Ambassador in Moldova, Pirkka Tapiola, claimed: *"It is important to move from quantity to quality. We do not deny what was done before, but we have a message for the future: it is very important how these laws will be implemented, and how state organization will change to be more attractive for investments"*.<sup>7</sup>

In this context, a further suggestion is to continue promoting investment and ensure good business climate, as well as stimulate further entrepreneurship, because in essence it represents the logic of DCFTA, which should induce further EU investors to locate in the Republic of Moldova. To this effect, the Commission services will continue to reach out to the Moldavian businesses and consumers and civil society through public presentations, conferences, roundtables, publications and EU delegation activities, to promote information about DCFTA. The Commission already started these efforts in the course of negotiations, both by negotiating the transparency chapter, which commits the partner to foster an inclusive policy-making in trade area, and by discussing with local businesses in parallel their needs and expectations, as well as promoting their active outreach to the Moldovan authorities. The Commission will continue to support stakeholder participation in the domestic legislative process, which will be a crucial vehicle to reforms, by e.g. providing the partner country with information and best practices on the regulatory policies.

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<sup>7</sup> Știri, Economie, "România - principala piață de desfacere europeană a R. Moldova", Available at: <http://radiochisinau.md/romania--principala-piata-de-desfacere-europeana-a-r-moldova---37652.html>, [visited on 09.12.2016]

The Commission services are further tactful to the stipulated structural changes in relevant economic sectors, where some may be subject to substantial output reduction and hence have an impact on employment. Whereas the commitments to sectoral reform are contained both in DCFTA chapters and sectoral cooperation chapters of the Association Agreement, financial assistance takes in practice different forms, including sector budget support, and provides support for sector reforms. The Commission already assists the Republic of Moldova by drawing their attention to adequate planning of their needs and points to the importance of creating mitigating measures in particular in the social and employment sphere. In addition, the DCFTA contains a commitment to joint dialogue with civil society, including social partners, and stakeholders on the implementation of the Agreement, which is expected to channel the feedback and thus to help adjust the necessary measures during the reform process.

## **Conclusions**

My analysis identifies a strong impact of Association Agreement on Republic of Moldova's national economy and market. Output, value added, exports and employment are all expected to see significant gains. Positive investment effects are likely, including by foreign investors. These changes will be primarily driven by Moldova introducing or upgrading its standards applicable to EU production and trade.

The EU commenced the path towards a Deep and Comprehensive Free Trade Area with the Government of the Republic of Moldova in the firm belief that aspirations and objectives of both sides are based on a common overarching objective of ensuring sustainable economic development. A key objective that the EU increasingly pursues, both multilaterally and in all its bilateral and regional trade negotiations, is to fully exploit the important contribution that trade and investment can make to sustainable economic development. In this context, the launch of the EU-Republic of Moldova DCFTA negotiations presented both challenges and opportunities.

Following the experiences of former candidates, can be concluded that the success of the Association Agreement and our efforts for European integration will depend equally on such factors as the degree of approximation of Moldovan legislation with the European one, as well the Moldovan authorities coherence on intern plan and their desire to prove in further democratization of society.

Through rigorous compliance with its commitments to its European partners, Moldova could register a quantum leap in terms of reforms and achieve qualitative progress in implementing the Association Agreement, which will lead continued EU support internally and

externally. Even if Moldova is not given clear membership perspective, due to reforms and integration into EU policies and programs, by time RM will be a more democratic state, more developed and competitive in the international arena.

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