



*Understanding the EU's Association Agreements
and Deep and Comprehensive Free Trade Areas
with Ukraine, Moldova and Georgia*

3DCFTAs Youth Essay Competition – Prize winner

EU – The guarantor of Moldovan economic and business prosperity

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My name is Augustin Ignatov, I am 22 years old and I was born in Lipnic, Ocnita. Since 2014, I have been a student of the Academy of Economic Studies of Moldova (ASEM) where I also work at Centre for Studies in European Integration. Also, I am an assistant professor at the University's Department of International Economic Relations. I publish extensively in foreign and national academic journals on subjects related to the European Union. My efforts in this field were acknowledged by various institutions: I was awarded the title of the best student of the ASEM (in 2016 and 2017) as well as was one

of the winners of the Scholarship of the Republic (2016) granted by the Moldovan government and Merit Scholarship (2017) coordinated by Education Advising Centre of the country.

I strongly believe that the European integration of my country, besides being a dream of millions of Moldovans, is an achievable goal which requires the people's efforts, consistency and cooperation. I think, feel and live European, and consider that challenges should be treated as opportunities to demonstrate peoples' best qualities. My hometown and the Academy always inspire me to love my country and wish it the best, which is the European Union.



“Success is not final, failure is not fatal: it is the courage to continue that counts.”

Winston Churchill

Throughout its history the European Union has demonstrated that it represents the core of stability, sustainability and prosperity on the continent. The EU values and principles i.e. respect for human dignity, human rights, freedom, democracy and rule of law constitute its heart and the driving force for progress and development. Established at the founding of the Union by the founding fathers and pioneers of integration, Jean Monnet, Robert Schuman, Alcide De Gasperi and Konrad Adenauer, these values, the community and the idea of a peaceful Europe spread across the continent during the second half of the 20th century as more and more nations have joined the EU. The European Union became a symbol of human civilization capable to offer for the world, countries and individuals – opportunities, liberty and security.

The path of Moldova towards independence was long and turbulent costing much in terms of lives, effort. The endeavors of our forerunners made it possible to have a choice, to write our own history. The Republic of Moldova led by the will of the free people has chosen joining European family as only the European Union meets the hope, aspiration and ambitions of a young nation challenged by a world of competitiveness and a great responsibility – to forge our own destiny. Fortunately, the European Union embraced the idea of a European Moldova, offering immense support, assistance and opportunities for this young country which appeared on the map in 1991 and had not had previous experience of self-governing. In 2014, the efforts of the Republic of Moldova which were undertaken within the last decade were rewarded – the nation succeeded in concluding Association Agreement (AA) with the EU, which officially recognizes the European integration choice of Moldova and commits to assist the country in this regard. Moreover, the European Union offered Moldova free access to its market through establishing a deep and comprehensive free trade area with the state. In the same year, the EU liberalized visa-regime for Moldovan citizens, a symbolic act stating that Moldova is welcome, its citizens are part of Europe sharing the same values.

Much has been done, but even more is to be done. Moldova joined the Eastern Partnership initiative in 2009, and since then, the European Union has become by far the most important development partner of the Republic of Moldova, providing immense opportunities in terms of trade, considerable investments in the country’s infrastructure and institutional effectiveness and also external assistance in terms of financial and technical support. The main goal is to deepen state’s integration into European supply chains, business, and society to increase economic competitiveness and social welfare of Moldova. Therefore, it is important to understand the real extent of how much the European Union means for Moldova and the prosperity of its people taking into account that the EU has always demonstrated that it is a predictable, fair and open-minded partner in each area of cooperation.

When speaking about the opportunities the EU offers for the Republic of Moldova, the first thing which should be considered is trade. The European Union has proved numerous times that it understands the difficulties of the state offering consistent and straight backing to

Moldovan economy and business while the country was confronting with the Russian embargoes (2006, 2013, 2014). Fair, impartial and supportive attitude of the European Union towards Moldova made community's market the most important destination for the country's exports. As a result, by 2017 the exports towards the EU reached €1.6 billion, 23% more as compared to the previous year, which accounts for around 70% of all Moldovan exports. The total trade has grown to €4 billion, growing by 18% as compared to previous period. The most important goods exported on the community's market include: agricultural products (€621 million) increasing with 28% in comparison with 2016 and machinery and transport equipment worth €302 million (27% growth) (EEAS, 2018). Also, favorable evolution can be assessed for the first months of 2018, particularly considering sunflower seeds, grapes, cereals, essential oils, footwear, carpets, glassware and bedding articles. On overall, the European Union share in the total trade of Moldova reached in 2017, 55%. The deepening of implementation of the regulations specified in the AA and DCFTA will improve the success of Moldova in terms of health and safety standards, enlarging the opportunities for country's exports (EEAS, 2018). When finally, the Republic of Moldova implements all reforms its products will comply with the standards of the EU's market which is one of the most developed in the world, meaning that the country will be able to compete everywhere. Moreover, DCFTA does not impede trade within other FTAs which provides additional possibilities for Moldovan economy and business. In such a way, exploitation of trade opportunities is expected to boost economic development in the country with 5.4% annually (EEAS, 2018).

Moldova certainly needs investments, technical expertise and financing to successfully reform the country to raise the country's competitive readiness. The European Union, as well as other development partners clearly understand this necessity, this why they provide various funding opportunities to help Moldova to redress its socio-economic potential. According to Moldovan Government (gov.md, 2018) presently the European Union alongside with European Bank for Reconstruction and Development (EBRD) offer grants for consolidation of private sector and economic development in amount of €124.3 million, other \$38.7 million is allocated by other partners. €242.6 million are offered by European Investments Bank and EBRD in form of preferential credits, alongside with \$56.2 million coming from other sources. It is important to mention that the European Union suspended financing of Moldova for the period of 2014-2015 following major frauds in the banking sector in the country, resuming financing at the end of 2016, the fact re-freezing reform implementation. According to the Ministry of Finance of the Republic of Moldova (MF, 2018) Moldova received \$510.9 million as external assistance in 2017, from which \$169.2 million came from the European Union, \$62.2 million from European Investment Bank, \$60 million - EBRD, \$57.8 million – Government of Romania, \$22.6 million – Government of Poland, etc., \$148.3 million came in form of grants and \$363.6 million, loans. Resuming financing of the EU meant that the Government of Moldova was allocated \$135.7 million as compared to 2016. The main areas consolidated through external funding in 2017 included state services, agriculture, roads, energy, education and justice, etc. The European Union is by far the largest source of development assistance offered for the Republic of Moldova and its business, thus, since

2009 the community provided €190.5 million for 5000 companies of the country through EU4Business initiative (EEAS, 2017). It is important to mention that within the period of 2012-2016 the Republic of Moldova was allocated €1.992 billion in external assistance, from which 393 million originated from the European Union (€85.9 million in 2012, €68.1 million in 2013, €97.4 million in 2014, €46.8 million in 2015 and €94.9 million in 2016) (AMP, 2017). Accordingly, it should be underlined that the EU pays increased attention to country's stability and progress the fact explaining large disbursements in terms of development assistance alongside with other partners to balance budget, foster business, stimulate economy, consolidate institutions, develop socio-economic infrastructure for the overall revival of socio-economic potential of the Republic of Moldova. Peter Michalko, Head of EU Delegation to Moldova declared that for the period of 2014-2020, the could receive up to €740 million of financing support, the fact demonstrating that the European Union is by far the most significant promoter of Moldovan development (Bani.md).

What do AA and DCFTA mean for the Republic of Moldova? First of all, they mean development in every aspect i.e. economy, business, institutions, yet the most important beneficiaries remain the citizens who are offered a bright perspective to build the EU at home. DCFTA is directed to foster the trade competitiveness of the Republic of Moldova by offering propitious commercial conditions for the local business – no tariffs which ease the access of Moldovan products on the community's market. Moldova applies the origin rules making possible the integration of the country within The pan-Euro-Mediterranean cumulation and the PEM Convention, offering the possibility to enhance state's economic potential by deepening integration and interconnection in Europe. Moreover, the Republic of Moldova and EU offer through DCFTA a liberalized environment for services which ease the access of Moldovan workers on the EU's market. This fact motivates the provision of more favorable labor conditions for Moldovan qualified workforce. Furthermore, DCFTA provides clear competition rules which provides European regulations in the area of the prevention of monopolistic practices or the abuse of market dominance. The EU commits to help Moldova in establishing the necessary institutions in this regard and make them efficient. Besides, it is consolidated the capacities of Moldova in the area of intellectual property protection such as trademarks, patents, design, plant varieties. At the same time, it promotes the development of Moldova's economy in a sustainable manner comprising important regulations regarding environment and social protection, also stimulating the involvement of the public in the decision-making process. Finally, DCFTA brings European standards to Moldova in the area of food safety / sanitary and phytosanitary measures, technical regulations and standards for industrial goods, public procurement, services and commercial and customs facilitation. AA includes DCFTA covering a wider range of reforms marking political association, economic integration, security and foreign policy cooperation, justice, liberty and individual security, economic sector cooperation (including DCFTA), public administration, trade, financial and anti-fraud cooperation and institutional development, areas structured into 5 titles. In this regard, AA should be regarded as a roadmap towards assuring the compliance of Moldovan legal and institutional framework with the European Union one considerably enlarging the chances of the country to integrate into the European Union in the future. In short, AA and

DCFTA means for Moldova (its business, economy, institutions and citizens)- clear rules, safety, competitive standards, developed infrastructure, fostered technological and innovation capacities and predictability. These elements are aimed to consolidate the economic, social and political fundament of the Republic of Moldova increasing its development perspectives.

How AA, DCFTA and the cooperation of Moldova with the European Union affects me, the citizen? Firstly, I have experienced multiple times what means free visa regime, travelling for the first time to the European Union as a member of Moldovan delegation in the “free visa plane” towards Greece. It was a memorable day motivating me to stay in Moldova and fight for my country’s European future. Presently, as a citizen of Moldova I can freely move to the EU, travel and also learn how to apply European experience in Moldovan higher education institutions, since I am working in several national Erasmus+ projects within the Academy of Economic Studies of Moldova. Free visa regime meant to me an openness of the European family for the Republic of Moldova, especially for its citizens who can directly experience what is the EU and to which future we tend. Back home, the support of the European Union, the AA and DCFTA can be seen everywhere. New and safe roads, rehabilitated buildings, trained administrative staff, more competitive and European universities, renewed schools, hospitals, more professional police, teachers, doctors, revived villages, entrepreneurs who built their business with the EU funding are just few of the positive transformations the country, the citizens and I have experienced with the support of the EU. Step by step, Moldovans together with Europeans are building a brighter future. AA, DCFTA and the support of EU are transforming the country into a modern state driven by competitive economy, institutions, and thriving citizens.

These positive transformations made by the Republic of Moldova with the immense support of the European Union resulted in a more favorable environment for business, the driving force of the economy. Thus, according to Ease of Doing Business Index, Moldova was ranked in 2018 44th most competitive country while in 2014 it was ranked 78th, considerable improvement of the environment being assessed (World Bank, 2014, 2018). Another important index showing the extent to which country’s socio-economic environment is propitious for business activities is the Index of Economic Freedom (Heritage, 2018). According to this indicator, the Republic of Moldova is positioned slightly below world average, having few steps towards reaching moderately free category. The dynamics are favorable since the country becomes more free as compared to the last period of time including 2014. Yet, more steps are to be done to reach the level of the European Union.

The people of the Republic of Moldova see the European Union as a stronghold of democracy, a source of light and support, this why, in times of greatest challenges they defend the European values. The frauds in the banking system, corruption and growing influence of politics over institutions motivated the people to protest peacefully during 2015-2016 in the name of freedom, justice and democracy, and these values’ symbol in Moldova- the European Union (The New York Times, 2016). During these events, people have risen their compatriots’ awareness regarding the fragility of European integration of Moldova due to the

resistance of “the rotten mentality” towards reform implementation. These events mobilized pro-European, open-minded part of the population to protect their “motherland” and democratic principles. Winning was not always easy, yet through enthusiasm, effort and cooperation the country will join the EU. Revival of political class of Moldova who “thinks and feels European” feed the hope of the whole nation to escape present challenges such as corruption, poverty, and weak economy. And certainly the nation will succeed in reaching these aims since the European Union through AA and DCFTA provides decisive opportunities in terms of funding and markets.

Concluding, it can be mentioned that the European Union for me and my family represents trust in tomorrow, trust in a society driven by liberty, compassion and cooperation. The EU represents a symbol of integrity, solidarity and fair competition capable of driving people into the future. Through the immense European support, the people of Moldova were able to bring EU home by rebuilding roads, hospitals and schools. Being able to move freely in the European Union means that Moldovans regardless of their ethnicity are able to learn what it European Union and to see which direction needs to be followed. The AA and DCFTA offered a strong confidence regarding country’s future motivating the business to grow, compete and develop for the mutual benefit of the society. It has been felt by Moldovan people and business representatives that the EU’s market is reliable, fair and convenient, our mission is to become competitive to be capable of efficiently integrating Moldova’s economy within the single market. The AA and DCFTA provide the means and guidance to become accustomed with the rules which make the EU a global leader in terms of economic competitiveness, sustainability and social welfare. Implementation of the reforms will enable the country to become competitive not only on the European market, but also to embrace the opportunities provided by globalization and technical progress. Referring to the words of Winston Churchill, it can be mentioned that the difficulties met by the Republic of Moldova and its people on the route of European integration are not fatal, with courage, effort, enthusiasm and open-mindedness, everything can be accomplished. At the same time, each success must be a motivation to continue to progress, to develop and reach new heights in our pursuit of a brighter future.

Moldova has been always a part of the European culture, this why, one of our most beloved heroes, Stefan the Great (Stephen III of Moldavia, ruler of Moldova during the second half of the 15th century) defended the Eastern part of the European civilization standing with courage in the front of overwhelmingly more numerous enemy. Presently, it is our mission to protect our European identity and join the European Union family.

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