

The EU and Moldova - Partners for Growth

Speech by Cecilia Malmström

European Commissioner for Trade

Conference: Making the Most of the DCFTA

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Ladies and gentlemen,

I am delighted to be back again in Moldova.

It is the first time I've come here as Commissioner for Trade, but I have been here in Chisinau several times before. I was very happy to contribute when visa freedom was granted to Moldova in April of last year, when I was EU Commissioner for Home Affairs. Thanks to that visa freedom, hundreds of thousands of Moldovan citizens have been able to enjoy visa free travel to the EU.

But this is my first time here to talk about trade and investment policy.

They are different issues, certainly - as I've learned myself over the last year!

But in a broader sense they are two sides of the same coin.

Because they are both attempts to deal with the fact of the deepening connections between countries and people that globalisation is creating.

And because the solution to the challenges presented by both these issues is, in my view, more openness not less.

And I think that applies particularly to our neighbours.

We have so much to gain from deeper exchange - whether we are talking about people or commerce.

But today we are here to talk about the latter.

And more specifically, we are here to examine how we can make the most of the deep and comprehensive free trade agreement between the European Union and Moldova, or DCFTA for short. Our discussion here is indeed timely, since it is one year since it went into effect.

On one level, the answer is simple.

Open trade creates economic opportunities in several ways.

- It gives exporters access to foreign markets - creating jobs at home.
- It allows consumers to choose between a wider range of products at better prices.

- It allows companies to use imported components to become more efficient - meaning they can create more jobs at home over time.
- And it brings innovation. Because traded products embody ideas.

By lowering barriers to trade, as we have done over the last year, we are giving people the chance to take up these opportunities.

So the DCFTA should, in theory, mean just that.

But of course things are rarely simple as we would like.

Even the most hardened free trade economist accepts that trade only works in the right context.

It requires physical infrastructure, like roads and ports and bridges.

But, just as important, trade needs virtual infrastructure to function properly - from education and healthcare to the rule of law and political stability.

In the first year of the EU Moldova DCFTA the importance of this second key component has become all too clear.

When this agreement entered into force last September, the prospects looked positive.

However, since then the economy has shrunk and the banking system is in crisis.

In such a context, what can we say about the DCFTA?

Three things, in my view.

First, access to the European Union's market has provided a source of considerable stability at this very difficult time.

Over the first year of the DCFTA, even as Moldova's overall exports fell dramatically, they continued to grow with the EU. EU imports from Moldova increased by 5%, while our total bilateral trade remained constant.

This is a hugely positive result at a time when just getting access to finance is a major challenge for exporters.

As a result, in the last year the EU's share of Moldovan exports rose by 10 percentage points. Today we buy almost two thirds – 62% - of the goods you sell to the rest of the world.

And that's not just the product of pure economic forces. It's also because the EU has been a reliable partner for the people of Moldova at your time of need.

We in the EU have further opened our market to Moldova's exports.

Second, the way to get more out of this relationship is by continuing to implement all the provisions of the DCFTA.

I know it's not easy.

The set of regulations, policies, systems and international commitments is large and complex. Putting it into place requires time, effort and know-how.

But I also know that it's possible.

Because Moldova has already made good progress. Implementation is now reaching cruising speed.

- There have been significant reforms to the way customs works, including the launch of an authorised economic operator scheme and joining an important convention on rules of origin.
- There have been increased efforts to tackle piracy and new legislation has been put in place to bring the Moldovan intellectual property rules into line with the DCFTA.

- Moldova has joined the World Trade Organisation's government procurement agreement.
- The Moldovan standards authority has joined the EU's umbrella organisation.
- And almost 2000 EU standards have been adopted in the first half of this year alone.

But there is still of course a lot of work to be done.

And what I would say about that is: It's worth it.

Because what the DCFTA can provide is part of that second key component needed for trade to work. It can help establish the virtual infrastructure of rules that allows entrepreneurship to flourish.

There are so many areas where Moldovan products can be huge successes on the European market - but the rules have to be implemented to make it happen.

I'm thinking of agriculture for example. Dairy and other animal production should be great success stories for Moldova on the EU market. But rules on food safety and animal health need to be put in to practice before that can truly happen.

The final point I want to make is on the broader context. Because the DCFTA will only go part of the way to establishing the right business climate in this country.

The relationship between the European Union and Moldova is between the people of both countries. It's a close relationship. It's a friendship. As I've said, the last year has shown that the EU is an ally that the Moldovan people can count on.

And friends must tell their friends the truth. Even when it's difficult.

That's why I want to be very clear that we in the European Union are extremely concerned about the banking scandal in Moldova. We are also concerned about how long the process to bring justice is taking.

And we have a very simple position on this issue. Those who are responsible need to be found. They should be tried and, if found guilty, punished with the full force of the law.

I say this not only because I believe in fairness and justice as principles.

And not only because I believe corruption is wrong in any circumstances.

I say it because it's in the interest of ALL the people of this country.

Only by punishing ALL those responsible can Moldova show that the rule of law applies here.

And only by doing that can Moldova create confidence:

- for the foreign investors who do want to come here
- for anyone who wants to trade with Moldovan exporters
- and - most of all - for the Moldovan businesses who want to invest and grow themselves.

Getting this issue sorted out is essential.

And while it's certainly the government's responsibility to take action.

It's also the responsibility of civil society, including the business community.

I'm very happy to say that the DCFTA has helped in a small way to boost the strength of civil society here. We have named a list of experts who will support the implementation of the agreements rules on labour rights and environmental protection.

But that is, of course just a detail.

What needs to happen is that civil society's uses its independence to keep the pressure on the people who make decisions on your behalf.

I urge you to do so.

Ladies and gentlemen,

As a channel between the East and the West, Moldova is a country with enormous potential as a trading hub and a producer in its own right.

The DCFTA represents a chance to make that potential a reality.

We in the European Union hope that Moldovans will seize it.

And we stand ready to support you and work with you as you do.

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