

P r o t o c o l

Austrian-Moldovan Joint Commission for Bilateral Foreign Economic Relations 2nd Meeting

The second Meeting of the Austrian-Moldovan Joint Commission for Foreign Economic Relations was held in Vienna on June 8th in accordance with Article 13 of the Agreement on Bilateral Foreign Economic Relations between the Republic of Austria and the Republic of Moldova signed in Vienna on March 18th, 1993.

The Austrian delegation was headed by Mr. Johann SACHS, Director General for Foreign Economic Relations, Austrian Federal Ministry of Economy, Family and Youth, who hosted this event.

The Moldovan delegation was headed by Mr. Tudor COPACI, Deputy Minister of Economy and Trade of the Republic of Moldova.

The lists of the two delegations are attached to this Protocol.

The second meeting of the Joint Commission was held in a warm atmosphere of cordiality and mutual understanding, reflecting the desire and determination of both countries to find feasible and efficient solutions for further developing and diversifying the bilateral relations in different sectors of their economies.

Both Sides agreed that economic and trade ties would become an increasingly important part of the overall bilateral relationships and furthermore, the private sector in the two countries should play the leading role in this process.

On the occasion of the Commission for Foreign Economic Relations the Moldovan Head of Delegation was received by the President of the Parliament of Styria, Mr. Josef SCHRITTWIESER and they identified the following fields for possible cooperation:

- renewable energies
- viniculture
- tourism
- regional development
- e-government

The Moldovan Delegation also had the opportunity to visit:

- Energiekompetenzentrum Gleisdorf (Centre for Energy Competence of the town of Gleisdorf)
- Steirisches Imkerzentrum (Centre of Apiculture of Styria)
- Biobetrieb Manfred Stix - Obstbau (Organic Farmer Manfred Stix - Fruit and Fruit Processing)
- Weinbauschule Silberberg (School for Viniculture, Silberberg)

- Kleinwasserkraftwerk (Small Hydro Power Plant) in the town of Neuberg an der Mürz
- Landwirtschaftliche Fachschule Warth (Agricultural School of Warth)
- Amt der steirischen Landesregierung (Office of the Regional Government of Styria) where the following presentations were given by:
 - ICS (Internationalisation Centre Styria Ltd.)
 - Europe Direct (information network of Styria)
 - Department for European Affairs and External Relations

Both Sides adopted the following agenda:

1. Presentation of the Economic Situation in the Republic of Austria and the Republic of Moldova.
2. Status and Development of Bilateral Trade and Investment
3. Further Bilateral Economic Cooperation
 - 3.1. Agriculture and Forestry
 - 3.2. Environment and Natural Resources Protection
 - 3.3. Industry and Energy
 - 3.4. Wine Sector
 - 3.5. Tourism
 - 3.6. Technical Assistance
 - 3.7. IT - Sector and Electronic Government
 - 3.8. Regional Development
 - 3.9. Finance
 - 3.10. Statistics
 - 3.11. Research and Innovation
 - 3.12. Construction and Territory Development
 - 3.13. Health and Food
4. EU-Moldova
5. Date and Venue of the Next Meeting of the Joint Economic Commission

1. Presentation of the Economic Situation in the Republic of Austria and the Republic of Moldova

Both Sides exchanged information on the current economic situation in the Republic of Austria and in the Republic of Moldova, respectively.

The Austrian Side presented - via Power Point - the economic situation in Austria and the country's macroeconomic data against the background of the current global economic crisis. It reported that according to the most recent forecast GDP growth was expected to decline from +1.8% in 2008 to -2.5% in 2009 and predicted to turn positive again by +0.3% in 2010.

Inflation was expected to decline further in the upcoming quarters. The rise of consumer prices amounted to +3.2% in 2008 and will reach no more than +0.75% in 2009 and +1.2% in 2010.

Unemployment was to rise from +3.8% in 2008 to +5.2% in 2009 and +6.2% in 2010 (according to Eurostat definition).

The public deficit which amounted to 0.4% in 2008 was bound to reach more than 3.9% in 2009 and even to hit 4.6% in 2010.

Total exports, in spite of the global recession, increased by +2.3% amounting to 117.3 billion €, total imports by +4.3% reaching 119.1 billion € (cover ratio 98.5%). In January and February 2009 though exports declined sharply by -25.0 %, imports by -20.1% compared with the same time period of last year.

The Austrian Side also informed about the budgetary stimulus measures taken by the Austrian government to mitigate the negative impact of the global economic crisis on the Austrian economy:

- Billion for SMEs
- Proactive investment
- Tax reform
- Aid to banks
- Bonus for scrapping cars
- Flexibility in reducing working hours

The Moldovan Side gave an assessment of the current economic trends and highlighted the Government's measures to stimulating the Moldovan economy called to reduce the effects of the crisis. It mentioned that the Government concentrated its efforts towards maintaining stability in the financial and banking sector in order to prevent a stronger impact of the ongoing crisis on the population. It also presented the main macroeconomic data, mentioning the factors that influenced the development of bilateral economic relations.

It was reported that during 2008 the GDP reached 62.84 billion lei. In comparable terms the Gross Domestic Product increased by +7.2% compared to previous year.

In 2008 the investment activity registered an increase of investment inflow and the stock of foreign direct investments (FDI) reached the amount of US\$ 2.6 billion USD.

At the same time, foreign direct investments inflows attracted to the Moldovan economy were up to 848.7 million USD, which showed an increase of almost +49% compared to 2007.

By January 2008, the EU member states had a share of 72 % in total FDI stock, CIS countries 14% and other countries 14%.

The total volume of investments in fixed capital reached 17.7 billion lei (1.2 billion Euro) on January 1st 2009, +0.4% up against the same period of last year.

A significant increase of investments had positively influenced the GDP growth in 2007-2008.

The main investment sources in fixed capital came from economic agents and the population, which represented 51.4% of the total volume of investments in fixed capital in 2008.

The second source of investments according to its importance was the resources of foreign investors which amounted to 18.6 % of the total volume of investments in fixed capital.

Up to date 3375 companies with foreign capital, including 35 companies with the Austrian Capital were registered, which represent only 1 % out of total.

Main sectors for FDI during 2008 were: trade (25.7%), industry (22.1%), energy sector (14.7%), financial activities (13%) and constructions (12%). Over 70% of the attracted FDIs came from EU Member States.

Important Foreign Investors in Moldova are Société Générale of France and Banca Veneto of Italy (banking), Gazprom, Itera and Lukoil of Russia, Union Fenosa of Spain (energy), Lafarge of France and Knauf of Germany (construction), France Telecom (telecommunications), Metro Group of Germany (wholesale trade) and Danube Logistics of the Netherlands (transportation).

Moldova maintained trade relations with more than 100 countries. The main Moldova's trade partners with a share of more than 60% of its total trade came to EU countries, which were due to Asymmetric Trade Preferences, as well as to CIS area given the existing Free Trade Regime with these countries.

The total foreign trade volume of the Republic of Moldova for the year 2008 amounted to 6.5 billion U.S.D. showing a growth rate of 29.1% compared with the previous year.

The exports of goods in 2008 amounted to 1597.3 million US dollars, with 19.0% more than in the previous year. According to destination, up to 55% of the total volume of Moldovan export went to the EU market and 34 % to the CIS countries.

The imports of goods estimated 4.9 billion US dollars, 32.8% higher than in 2007. According to the origin, up to 38.6% of the total volume imports of goods came to Moldova from the EU market and 42 % from the CIS countries.

The Moldovan authorities succeeded in targeting the inflation rate through prudent fiscal - budgetary policy and monetary policy. Annual average inflation rates during the period 2003-2008 remained stable between 11-13%. Yet for 2009 it was expected that annual average inflation rate would drop to 2.6%.

2. Bilateral Trade and Economic Relations between the Republic of Austria and the Republic of Moldova

Both Sides expressed their conviction that the bilateral trade volume does not reflect the economic potentials and the good will of cooperation between the two countries.

Both Sides reviewed the development of the bilateral trade between the two countries.

The Austrian Side informed - based on the Austrian foreign trade statistics - that Austrian exports to Moldova slightly increased by +1.2 % (44.5 million €) in 2008 but started to decline by - 23.6% (4.9 million €) during the first two months of 2009. The Austrian Side also reported that imports from Moldova decreased significantly by - 37.6 % (17.4 million €) in 2008 and continued to decline by -20.7 % (2.1 million €) in the first two months of 2009.

Up to 2008 Austrian companies invested almost 10 million € in Moldova. By the end of 2008 the stock of foreign direct investment reached about 1.8 billion €, the flow of foreign direct investment totalling 485 million € that year.

In this context the Austrian Side presented and handed over the following Memoranda to the Moldovan Side:

- Austrian Airlines
- GRAWE Romania Asigurare S.A.
- ProComert, Centrul Austro-German
- GEYER & BUCHEGGER Leasing GmbH
- Pinto Import-Export GmbH

According to information presented by Moldovan Side, in 2008 the trade volume between the Republic of Moldova and Austria was 87.1 million U.S.D and increased by 27.7% compared to the previous year. By the value of traded goods, Austria is ranked 14th among the main trade partners of Republic of Moldova.

Moldovan export of products to Austria was 12.5 million U.S.D., 60% less compared to 2007. Import was 74.6 millions U.S.D., having doubling itself compared to the previous year.

Starting with 1992 and up to 2008, Austrian investments amounted 23.57 million U.S.D., from which 22.21 million U.S.D. constituted investments in statutory (social) capital of the enterprises which operated on the territory of the Republic of Moldova.

The Moldovan Side reported that it was paying special attention and was interested in consolidating the existing bilateral Moldovan-Austrian relations trough the diversification of activities of common interest. In this regard the extension of the legal framework, organization of reciprocal visits at official and expert's levels, exchange of experience programs would be welcomed.

In view of developing entrepreneurship and enhancing the level of professional knowledge and competences of Moldovan enterprises, the Moldovan Side proposed to continue cooperation between WIFI Austria (Institute for economic promotion of the Austrian Federal Economic Chamber) and the Chamber of Commerce and Industry of the Republic of Moldova, by organizing trainings and seminars with the participation of Austrian trainers.

With the aim of promoting and strengthening economic and commercial cooperation between Moldovan and Austrian enterprises, the Moldovan Side proposed to continue the practice of organizing bilateral economic and business forums, both in the Republic of Moldova and Austria.

Considering that from 1st to 3rd December 2008 the economic mission "Moldova presents" was held in Austria, the Moldovan Side suggested to examine the possibility of organising a business forum in Chisinau, by the end of 2009 or beginning of 2010. The Austrian Side welcomed this proposal.

An important economic sector of cooperation is the creation and functioning of small and medium sized enterprises. In this context, the Moldovan Side suggested to examine the possibilities of concentrating on the following areas:

- integration of small and medium enterprises in business incubators, which would improve the support infrastructure for small businesses creating premises for launching and developing small businesses and increasing their competitiveness.
- development of clusters as mechanisms for fostering economic growth leading to a cooperation framework and an area for dialog, consultations, opinion exchange, information and activity coordination (e.g. research policy, production and marketing) between members of clusters (e.g. enterprises, support organizations, research centres, universities).

3. Further Bilateral Economic Cooperation

3.1. Agriculture and Forestry

The Moldovan Side agreed to carry out the internal procedures for initiating the negotiations on the Memorandum of Understanding on the scientific, agricultural technology and promotion of agricultural products' trade cooperation between the Ministry of Agriculture and Food Industry of the Republic of Moldova and the Ministry of Agriculture, Forestry, Environment and Water Management of the Republic of Austria, presented by the Austrian Side.

The Two Sides agreed on exchanging experience in organic agriculture, establishing agricultural markets and agricultural product labelling. In order to attract investments, the Moldovan Side suggested to disseminate promotional materials concerning production and export potential of the agro-industrial sector.

3.2. Environment and Natural Resources Protection

During the meeting the Moldovan Side acknowledged the positive role of the Austrian Development Agency (ADA) in elaborating the Action Plan for Implementing the Strategy on Water Supply and Sanitation of Localities of the Republic of Moldova. The Austrian Side welcomed this and expressed its intention to further provide necessary support in environmental infrastructure field.

Both Sides agreed to intensify cooperation in waste management and exchange of experience in the sustainable use of natural resources.

3.3. Industry and Energy

The Sides confirmed their common interest in enhancing cooperation in industrial sector. As priority directions of cooperation, the Moldovan Side proposed light industry, machine and equipment construction industry, and electronics.

In this context, the Sides stressed the convenience and desirability of expanding the production cooperation between countries, and attracting investments in the mentioned domains.

The Moldovan Side gave a short presentation about the establishment and functioning of industrial and technological-scientific parks.

Also, in order to further develop bilateral cooperation the Two Sides decided upon the following:

- to exchange information on industrial potential and investment attractiveness of the countries
- to identify opportunities and joint investment projects in machine and equipment construction industry, electronics.

The Moldovan Side underlined its great interest in attracting new residents for the industrial park "Cainari" and it expressed its hope that the Austrian Side will contribute to this process. At the same time, the Moldovan Side presented a set of information on legal frame for the functioning of scientific and technological park, such as "Academica".

The Moldovan Side suggested to exchange information and to work together in order to attract Austrian companies to participate in the privatization process of Moldovan enterprises and in implementation of projects in the energy sector.

The Moldovan Side proposed the following:

- to develop a program of actions and perspectives on energy efficiency and energy conservations
- to exchange experience and contribute to an extended use of renewable and alternative energy sources as well as information on applying ecologically clean technologies.
- to exchange information on various energy projects.

3.4. Wine Sector

The Moldovan Side gave a short presentation of the current situation of the wine sector in its country. The Agro-Industrial Agency "Moldova Vin" confirmed its interest in strengthening bilateral cooperation in this field.

Both Sides agreed upon:

- exchanging experience on small and medium sized enterprises in the viticulture and wine-making sectors;
- looking into the possibilities of educating Moldovan students and personnel in the wine-making sector.

3.5. Tourism

Both Sides highlighted the importance of tourism for their countries and informed on its development in 2008 and the forecast for 2009.

Both Sides agreed on developing a closer cooperation between their administrative authorities and tourism organizations as well as between other organizations participating in the development of tourism and investments in tourism.

They also agreed on examining the possibilities of trainings in the field of tourism and on encouraging the cooperation between organizations, both public and private, concerning tourism development studies and projects.

In this context the Austrian Side informed about the offer of Austrian educational and training institutions with international experience, which can be found on the www.tourism-knowhow.at internet platform. The platform shall facilitate and promote cooperation between Austrian and Moldovan partners in the area of tourism. Furthermore, in case of specific requests or project proposals from the Moldovan Side in the area of tourism, the Austrian Side offered to establish relevant contacts with Austrian institutions or companies.

Both Sides agreed to cooperate in the framework of international organisations in the field of tourism and travel, such as the UNWTO.

The Austrian Side also informed that the Danube Tourist Commission attributed great importance to cooperation with the Republic of Moldova. Moldova had been holding observer status in the Commission since 2007 and had been represented at meetings by diplomats of the Embassy of the Republic of Moldova in Vienna. The Danube Tourist Commission invited the Republic of Moldova to accede to the organization as a full-member.

3.6. Technical Assistance

The Moldovan Side mentioned that on 1st of April 2009 the internal procedures for ratifying the Agreement between the Government of the Republic

of Moldova and the Government of the Republic of Austria on Development Cooperation, signed on 21st of October 2008 in Vienna, had been completed.

The Austrian Side informed that the technical assistance cooperation between Austria and Moldova was based on two sectorial programmes - for the water/wastewater sector and for the vocational educational sector covering the period 2007-2010.

The Austrian Side also informed about its intention to elaborate a country assistance strategy for Republic of Moldova by the end of 2009 for the period 2009-2015.

The Moldovan Side expressed its appreciation for the cooperation with the Austrian Development Cooperation (ADC) initiating new projects in accordance with the proposals forwarded by the Government of Republic of Moldova, which were based on the fundamental objectives and priorities stated in the national strategic documents.

In this context, Both Sides agreed to continue the cooperation within the existing and planned strategic frameworks in order to identify new projects and potentially increase the technical assistance granted to the Republic of Moldova.

The Austrian Side expressed its interest in supporting the Republic of Moldova in implementing the Aid Effectiveness Agenda in order to increase effectiveness and efficiency of foreign aid provided to Moldova.

3.7. IT - Sector and Electronic Government

The Two Sides informed that at the moment they were cooperating within the International Communication Union, Universal Post Union, Central European Initiative.

The Moldovan Side suggested a visit to Austria for autumn 2009 for Moldovan specialist aiming at experience exchange in the fields of electronic government, on-line services, documenting citizens, electronic civil archives etc.

3.8. Regional Development

The Moldovan Side underlined its interest in initiating cooperation and establishing direct contacts between institutions that were responsible for regional development policy.

In this context, the Two Sides expressed their certainty that cooperation in that field would contribute to a progressive development of both states and agreed to exchange experience in the following fields:

- harmonization of national legislation with *Acquis Communautaire*, in the field of local autonomy and accordingly improving national policies in this sphere;
- exchange of experience with the Austrian authorities in the field of regional development;

- structural implementation of the training programs at local and regional level;
- regional development policies and the management of Regional Development Fund.

The Moldovan Side suggested an intensive cooperation in the field of developing technical capacities of elaborating and managing of projects, which will be co-financed through structural instruments, assisted by the application of some training programs at local and regional levels.

3.9. Finance

The Moldovan Side informed about the recent trends and changes in the financial sector and expressed its interest to strengthen the cooperation in that field.

The Moldovan Side also took an interest in exchanging information and encouraging financial institutions of both countries to extend bilateral cooperation in the fields of common interest.

In this context the Moldovan Side respectfully requested the Austrian Side to examine the possibilities of granting technical assistance for creating and endowing the Centre for Financial Training under the Ministry of Finance of Republic of Moldova, which will provide guidance and will train public officers involved in financial management within the central and local public administration institutions.

The Moldovan Side reiterated its interest regarding the assistance for creating and endowing a training centre for tax officers and also for elaborating a non-financial stimulation guide and asked to the Austrian Side the following:

- to examine the possibility of organizing a study visit to a training centre in Austria;
- to examine the possibility of offering consultancy regarding the creation, endowment and the number of staff necessary for the proper functioning of the training centre;
- to exchange good practices, methods and forms of training applied in Austria;
- to exchange experience in non-financial incentive methods of the employees used in Austria.

The Austrian Side took note of the Moldovan suggestions and agreed to forward the presented information to the relevant Austrian authorities.

3.10. Statistics

The Moldovan Side informed that the National Bureau of Statistics had prepared a draft of an Agreement on Cooperation in the Field of Statistics and had presented it for examination to the relevant Austrian institution. It inquired about the stage of coordination of the above mentioned document and stated its readiness to examine the eventual objections to the draft.

3.11. Research and Innovation

The Moldovan Side gave an overview of the infrastructure in the field of science and innovation and expressed its interest in:

- initiating cooperation between the Agency for Innovation and Technology Transfer of the Academy of Sciences of Moldova and the Federal Ministry of Transport, Innovation and Technology of the Republic of Austria;
- collaborating in joint projects, within the European funding programs of the science, in particular FP7;
- establishing cooperation between scientific and technological parks and innovation incubators of the Republic of Moldova and the one of the Republic of Austria.
- studying Austrian experience and exchange of technology in strategic areas of science and innovation development that were tangent to the one of the Republic of Moldova.
- initiating collaboration with the Austrian Energy Agency in the field of wind energy and in the field of renewable energy resources.

3.12. Construction and Territory Development

The Moldovan Side proposed to develop the cooperation in the construction sector.

In this context the Moldovan Side asked the Austrian Side to examine the possibility of exchanging experience on functioning of public private partnerships in the sanitation sector and potential support for the creation of such enterprises in the Republic of Moldova, following the example of "AVE Ungheni" (a joint Moldovan-Austrian company between the Moldovan city of Ungheni and the Austrian city of Linz).

The Moldovan Side suggested to examine the possibilities of organizing a workshop on mitigation of seismic risk similar to the "Workshop on Reducing Earthquake Risk in Europe" aiming at reducing the effects of natural disasters (prevention, protection and attenuation of the effects).

The Moldovan Side asked the Austrian Side to consider the possibility of cooperating in the road construction sector, for example to participate in the reconstruction of the national road R34 Hîncești-Cahul-Slobozia Mare or to help attract Austrian investments in this project.

It also informed that a potential area of cooperation would be the rehabilitation of the existing dwelling fund. In this context the Moldovan Side suggested to the Austrian Side to examine the possibility of participating and supporting studies in this sector.

The Austrian Side proposed a cooperation in the field of construction including training of construction workers and providing know-how for setting up a technical school in this field.

3.13. Health and Food

The Moldovan Side addressed the convenience of strengthening the bilateral cooperation in the health sector and suggested the following:

- to exchange experience in order to implement the informational system concerning the pharmaceutical assistance;
- to exchange experience regarding the organisation of public health services;
- to exchange information on monitorisation of the nutritional status of the population and impact evaluation of the policies and strategies in this area;
- to examine the possibilities of organising traineeships for Moldovan experts in Austrian hospitals and clinics;
- to exchange experience and information on functioning of the public private partnership in the health sector;
- to exchange experience concerning the elaboration of policies, promotion and development of the primary health-care services, prehospital emergency care and specialised stationary and ambulatory medical assistance;
- to exchange information regarding the development of long term financing mechanisms and the provision of access for the population to the basic medical benefits and services in economic crisis conditions.

The Austrian Side referred to the competence of the Ministry of Health in these matters and agreed to forward the presented information to the relevant Ministry and other responsible institutions according to Austrian law.

Both Sides also agreed on continuing the dialog to identify the possibilities of organizing study visits for veterinary specialists from the Republic of Moldova in order to familiarize themselves with the Austrian experience regarding the implementation of legislative framework of animal health and welfare as well as food safety.

4. EU-Moldova

The Two Sides discussed the current state of EU-Moldova relations. Austria underlined its continuous support for Moldova's efforts in further developing and deepening its partnership with the EU, including in the field of establishing a free trade area and the gradual liberalisation of the visa regime as a long term goal.

They welcomed that preparations for negotiations on a new Association Agreement are well under way. This agreement can be the basis for a partial economic integration of Moldova into the EU and will thus go well beyond the existing Partnership and Cooperation agreement.

Both parties stressed the importance of Moldova's continued orientation towards achieving common European values and standards and the EU's support for strengthening Moldova's macroeconomic development as well as its efforts to improve the judicial and administrative systems and with regard to the full respect of human rights. Both Sides commended the continuous efforts of the EU to actively contribute to the settlement of the Transnistrian conflict.

5. Date and Venue of the Next Meeting of the Joint Economic Commission

Both Sides agreed to hold the next meeting of the Joint Austrian-Moldovan Commission in Moldova, at a date, to be agreed upon through diplomatic channels. They also proposed to hold an inter-sessional meeting in order to prepare the next meeting of the Joint Commission.

Done in Warth (Lower Austria) on June 10th, 2009 in two originals in English.

**For the
Austrian Delegation**

**For the
Moldovan Delegation**

Mr. Johann SACHS
Director General for Foreign Economic
Relations, Austrian Federal Ministry of
Economy, Family and Youth

Mr. Tudor COPACI
Deputy Minister of Economy and Trade
of the Republic of Moldova

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