

## COMPARABLE ANALYSIS REGARDING KEY MACROECONOMIC INDICATORS ON MOLDOVA'S WAY TOWARDS EUROPEAN INTEGRATION

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*As Moldova has the purpose to enter the European Union the actual situation in the country is analyzed in this article. The article gives the comparative analysis of the basic parameters of Moldova with the other European Union country-members to define the ways of development of the country in the given direction.*

*Since 1994 relations between Moldova and the European Union have developed on an upward trajectory. The dialogue between the two sides officially started that year with the signing of the Partnership and Cooperation Agreement (PCA), which entered into force in 1998 and provided the basis for cooperation with the EU in political, commercial, economic, legal, cultural fields. EU-Moldova relations have advanced to a higher level in 2009 when the country participated in the Eastern Partnership – an instrument of European policy that favored the signing on 29 May 2013 of the Association Agreement, the document which came to replace previous PCA and that is currently the most important element of the legal framework of Moldova-EU dialogue.*

*But beyond the respective treaties signed, individually, between EU and states that intend to join the European community, there are a number of fundamental requirements<sup>3</sup> (criteria), which condition the process of European integration of the state with declared intentions of accession. The aim of the research is to analyze to what extent Moldovan economy meet the requirements of economic alignment with EU standards, achieving a comparative analysis of the main relevant macroeconomic indicators. Research methodology. For analysis were used analysis-synthesis method, comparison method and others. Results of the analysis. Part of the criteria analyzed converge with EU requirements, while the most relevant indicators regarding standards of living show reserves for future improvement, such as the average wage, the lending rate, the exchange rate of the Moldovan Leu against the major international currencies. There are a number of other indicators such as transparency in the banking system administration, territorial conflicts (Transnistria), etc. which are points of incompatibility with the policy of the European Union.*

**Key words:** *integration, criteria, convergence, Maastricht, prices, rate, debt, deficit, GDP, wages, unemployment.*

*În prezentul studiu este analizat situația actuală a Republicii Moldova în contextul declarării oficiale a obiectivului strategic național de integrare europeană pe termen lung. Articolul cuprinde o analiză comparativă a indicatorilor social-economici de bază ai Republicii Moldova cu diferite state membre UE, dar și cu principalele forțe economice internaționale ale momentului.*

*Începând cu anul 1994 relațiile între Republica Moldova și Uniunea Europeană s-au dezvoltat pe o traiectorie ascendentă. Dialogul între cele două părți a debutat oficial cu semnarea în acel an a Acordului de Parteneriat și Cooperare (APC), care a intrat în vigoare în 1998 și asigură baza colaborării cu UE în domeniul politic, comercial, economic, juridic, cultural. Relațiile UE-RM au avansat la o treaptă superioară în 2009 când RM participă la Parteneriatul Estic – un instrument de politică europeană care favorizează semnarea la 29 mai 2013 a Acordului de Asocieră, documentul cea venit s*

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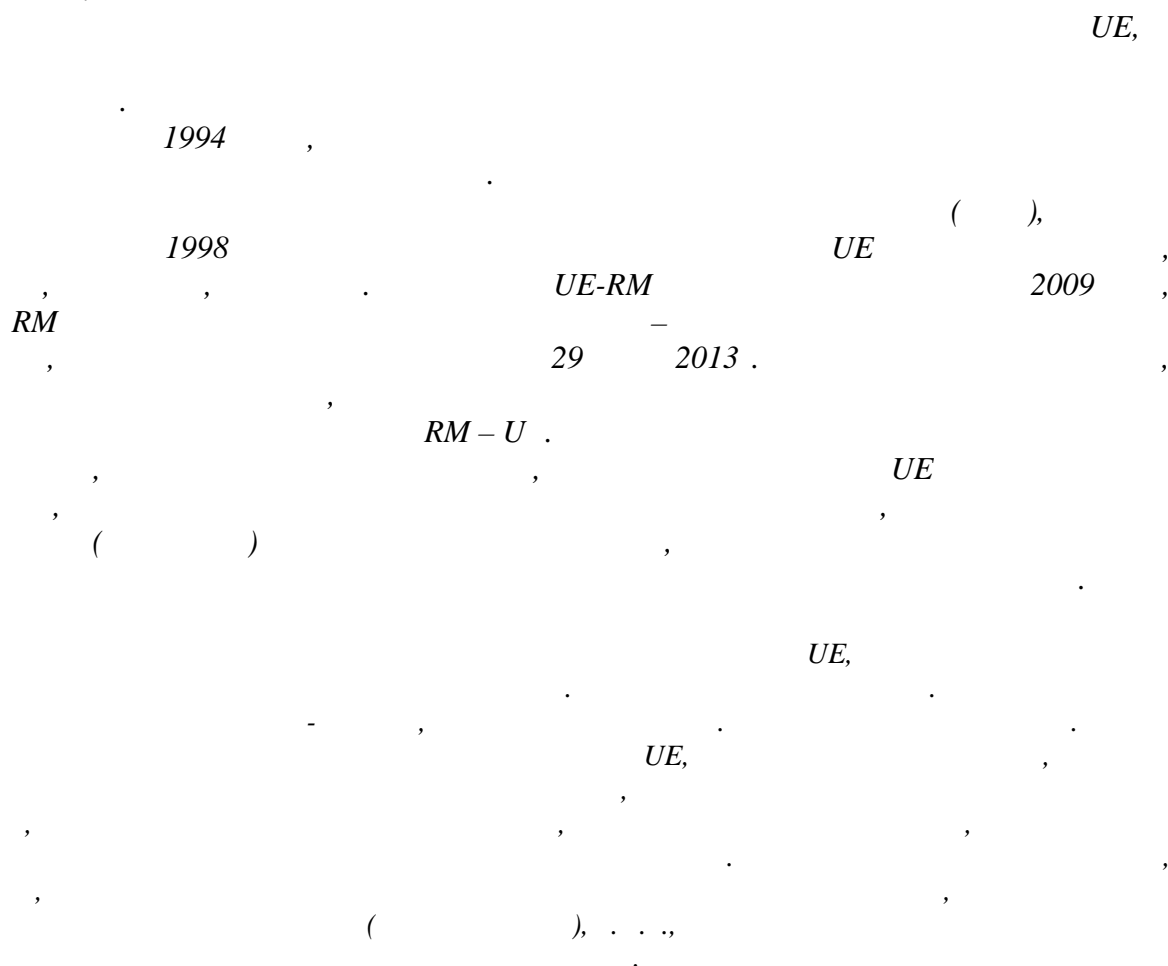
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<sup>3</sup> The requirements mentioned above are set out in the Treaty on European Union, also called the Maastricht Agreement signed on 7 January 1992 by the European Council and are prerequisites to adopt the euro as the single currency of the EU member states.

înlocuiește precedentul APC, și care constituie la momentul actual cel mai important element al cadrului juridic al dialogului RM-UE.

Dar, dincolo de prevederile tratatelor bilaterale pe care le semnează UE individual cu statele ce intenționează să adere la comunitatea europeană, există o serie de cerințe (criterii) economice fundamentale<sup>1</sup>, de implementarea corectă în durată procesului de integrare europeană a statului cu intenții declarate de aderare. Scopul cercetării este de a analiza în ce măsură economia Republicii Moldova corespunde cerințelor de aliniere economică la standardele UE, realizându-se o analiză comparativă a principalilor indicatori macroeconomici relevanți. Metodologia cercetării. Pentru analiză au fost utilizate metoda analiză-sinteză, metoda comparației și altele. Rezultatele analizei. O parte din criteriile supuse analizei convergenței cerințelor UE, în timp ce indicatorii cei mai relevanți la aspectul nivelului de trai prezintă rezerve de îmbunătățire pe viitor, cum ar fi cazul salariului mediu pe economie, rata dobânzii la credite, rata de schimb a leului față de principalele valute internaționale. Există și o serie de alți indicatori precum transparența administrării în sistemul bancar, prezenta conflictelor teritoriale (Transnistria), etc. care sunt impedimente în calea parcursului european al Republicii Moldova.

**Cuvinte cheie:** integrare, criterii, convergență, Maastricht, prețuri, rată, datorie, deficit, PIB, salariu, șomaj.



<sup>1</sup> Cerințele sus menționate sunt prevăzute în Tratatul privind Uniunea Europeană, numit și Acordul de la Maastricht semnat la 7 ianuarie 1992 de către Consiliul European și sunt condiții obligatorii la adoptarea euro ca monedă unică de către statele membre UE.

**JEL Classification: E31; F15; J21; J31; E43; H63.**

**Introduction.** The indicators examined below serve as "measurements" of the preparedness and harmonization of the Moldovan economic environment with the European one. Only the results of the indicators shall be able to justify the confidence Moldova has to become an EU member – which is an officially stated strategic objective of the RM's political agenda. All current indicators and those further developed will seek to reveal Moldova's position in the region, including the area of European integration.

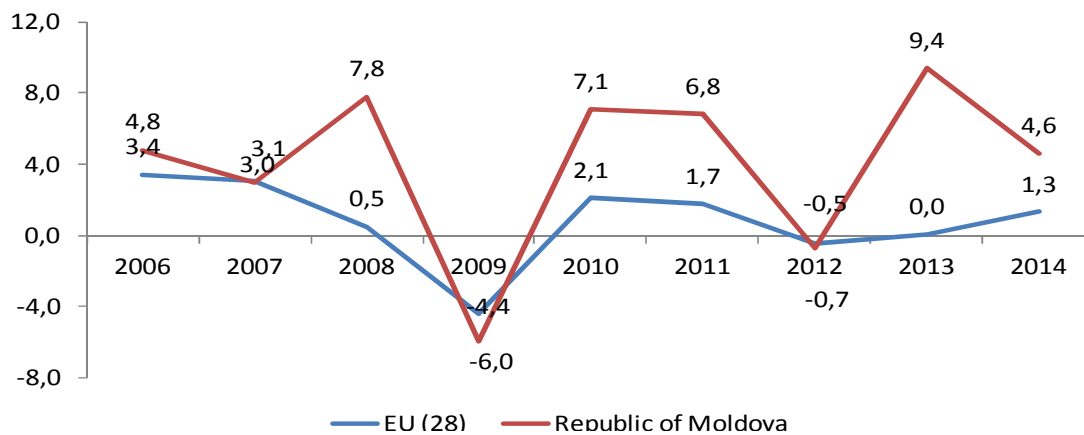
Main economic requirements for EU membership, in addition to stable economic growth and standard of living near the European average are the four so-called "Maastricht convergence criteria":

1. Price stability
2. Sustainability of government financial position
3. Exchange rate stability
4. Long-term interest rates

**Stable economic growth.** The analysis of RM economic development shows that the growth rates of GDP during 2007-2014 are stable, exclusive of only two years in the period. They are as follows: y.2006 – 4.8%, y.2007 – 3.1%, y.2008 – 7.8%, y.2009 – (-6%), y.2010 – 7.1%, y.2011 – 6.8%, y.2012 – (-0.5%), y.2013 – 9.4% and y.2014 – 4.6% (see Fig.1). In the years 2009 and 2012 decreasing of GDP was conditioned by the global crisis and unfavorable weather conditions.

Across EU countries in this period there was a moderation in the growth rate of GDP from 3.4% in 2006 to (-4.4%) in 2009 to 1.3% (2014). In 2010 GDP growth was about 2.1% over the previous year, 2011 (+1.7%), 2012 (-0.7%), in 2013 – economic stagnation, 2014 (+1.3%). Obviously, the EU economy has been influenced by the global crisis of these years.

Fig. 1 shows the annual growth of GDP of Moldova (yoy), which is higher than the same indicator for the EU-28. However, it is noted that unlike the EU-28, the dynamic fluctuations for Moldova are larger, which confirms the volatility of the national economy.



**Fig. 1. Economic growth, 2006-2014, % (yoy)**

**Source: Eurostat, National Bureau of Statistics of the Republic of Moldova.**

Analysis of the main economic blocs indicates the highest economic growth rates over time for emerging economies, which in 2014 recorded an increase of 4.6%. While the dynamics of growth for this bloc have been mostly downward in the last 7 years, economic growth for advanced countries had a slightly upward trend, marking a rate of 1.8% in 2014. The CIS block demonstrates over time increased volatility compared to other listed economic groups, marking a 1% growth in 2014. However, over the analyzed period Eurozone shows growth rates below the same indicators developed for the European Union. According to the IMF assessment, the economic development in 2014 of the main international economic forces is as follows: US (+2.4%), China (+7.4%), Russia (+0.6%), Germany (+1.6%), France (+0.4), Japan (-0.1%).

**Price stability.** The Protocol of the Treaty<sup>1</sup> stipulates that a member state shall have an average rate of inflation, observed over a period of one year before the examination, which does not exceed by more than 1.5 percentage points the reference value. The reference value is calculated as the unweighted average of the average rates of inflation of, at most, the three best-performing Member States in terms of price stability plus 1.5 percentage points. In such way, the reference value is floating and allows to take into account the effects of a common shock that affects inflation rates across all Member States.

Currently, the reference value is 1.7% and is based on the corresponding rates of Latvia, Portugal and Ireland. Thus, in order to meet this criteria, the countries' average annual rate of inflation should be below 3.2%.

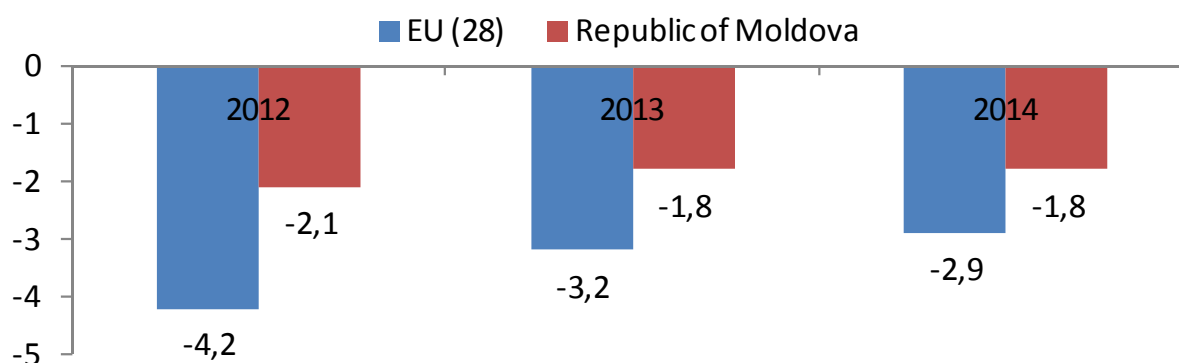
To analyze this convergence criterion, the Protocol provides the calculation of average annual inflation rate according to a special methodology [1, p.32], which provides the Harmonized Index of Consumer Prices. The providers of official statistics in Republic of Moldova (National Bureau of statistics) use the methodology of Consumer Price Index which is a non-harmonized indicator with European standards. Still, for an estimative imagine of the situation and without claim for consistency between the two indicators, the authors consider it appropriate to compare inflation values available in the national statistical system.

Using NBS data, it gives an average rate of inflation during May 2014-May 2015 amounting to 2.8%. A value that, although without absolute compliance with HICP, falls within the range provided.

**Sustainability of government financial position.** Article 126 (1) of the Treaty refers to the criterion of the government budgetary position and the avoidance of excessive budget deficit. The convergence criterion of budgetary discipline implies the following two criteria:

- the ratio of the government deficit to gross domestic product must not exceed a reference value, specified in the Protocol on the EDP as 3 percent of GDP

In the last three years analyzed Moldova met the budget deficit criterion, with its 2014 level of -1.8% of GDP (Fig.2). EU-28 exceeded this limit, enciphering -4.2% and -3.2% in 2014 and 2013, rebounding in 2014 to a level of -2.9%.



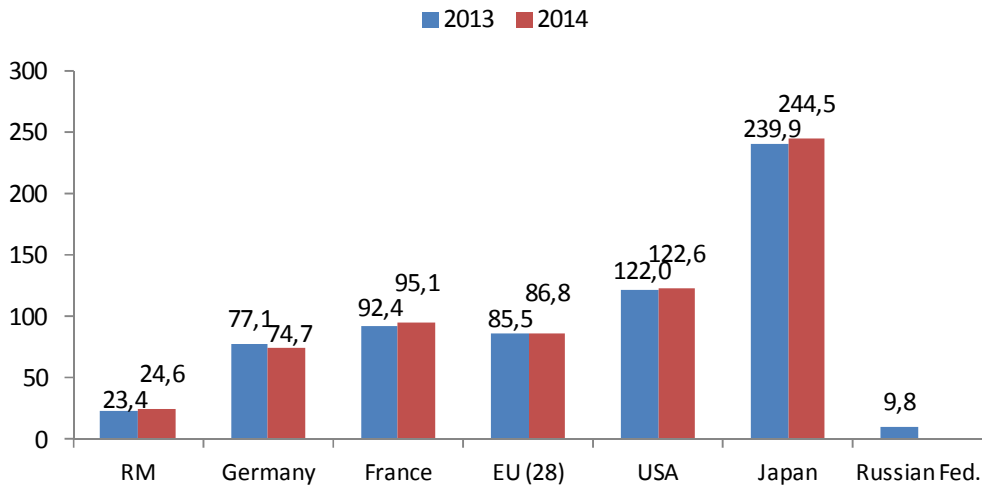
**Fig. 2. Dynamics of average budget deficit to GDP, 2013-2014, %**

**Source: Eurostat, Ministry of Finance of Republic of Moldova.**

- the ratio of government debt to gross domestic product must not exceed a reference value, specified in the Protocol on the EDP as 60 percent of GDP

Figure 3 notes that Moldovan government debt to GDP in the years 2013 and 2014 constituted 23.4% and 24.6%, which is far below the level of the Treaty. For comparison, in the EU-28 situation is critical, since the indicator exceeds the limit by 26.8 pp. This is due to high rates of countries such as Greece (177.1%), Italy (132.1%), Portugal (130.2%), Ireland (109.7%), Cyprus (107.5%), Belgium (106.5%) and a number of other states, which form more than half of European countries.

<sup>1</sup> Convergence Report 2014, European Economy 4/2014, European Commission, pg. 45 ([http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2014/pdf/ee4\\_en.pdf](http://ec.europa.eu/economy_finance/publications/european_economy/2014/pdf/ee4_en.pdf))



**Fig. 3. Share of government debt in GDP, 2013-2014, %**

Source: Eurostat, Ministry of Finance of Republic of Moldova.

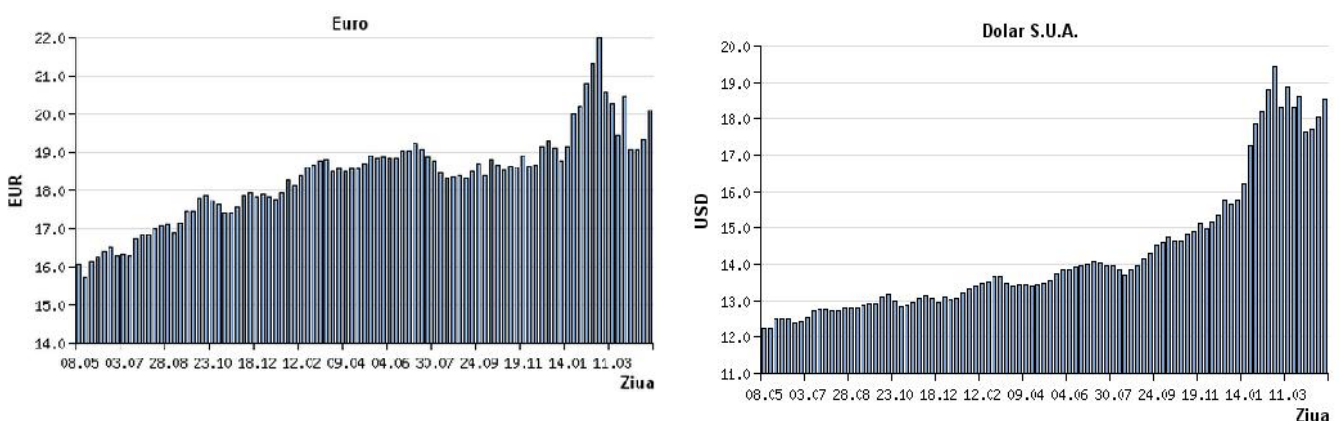
Strong economies like the US (104.8%) and Japan (246.4%) have also high levels of debt to GDP. It is worth noting the very low rate of public debt to GDP to Russia, where most of the loans belong to private environment.

**Exchange rate stability.** The exchange rates of the national currency should remain lower the margins of the European Monetary System authorized fluctuations (+/- 15%), without devaluation, at least for a period of two years. Although Moldova is not a member of SME, below will be made an analysis of the average exchange rates for the main foreign currencies to illustrate the stability of the national currency. As the reference rate will be considered average exchange rates of Moldovan Leu against the euro and US dollar for 2013.

Exchange rate deviation was calculated for the largest deviation of the exchange rate recorded daily, according to National Bank of Moldova<sup>1</sup>, in the period May 2013 - May 2015. Figure 4 shows a moderate increase of the considered rate, with a steady pace throughout the period May 2013 - May 2015, followed by strong increases for both currency exchange rate in the first months of 2015.

Figure 4. Exchange rates MDL / EUR and MDL / USD in May 2013-May 2015, the daily data (MDL)

Thus, in February were registered maximum values for the indicators, for which the deviation exceeded the permissible range – 2 times for European currency (30,9%) and 4 times (60,3%) for the US dollar.



**Fig. 4. Exchange rates MDL / EUR and MDL / USD in May 2013-May 2015**

<sup>1</sup> The authors used the methodology presented in the report "Romania and the Eurozone", Mugur Is rescu, the International Conference ESPERA 2013.

Table 2

## Dinamics of national currency exchange rates against the USD and EUR, 2013-2015,%

Official rate	Average official exchange rate in 2013 (reference vaue)	Average exchange rate in 2014	Average exchange rate in 2015*	Maximum registered, MDL	Deviation from reference value	Date when max. registered
MDL/EUR	18,34	19,76	20,09	24,0154	30,9%	18.02.2015
MDL/USD	12,59	18,06	17,99	20,1809	60,3%	20.02.2015

\*first 5 months of 2015

Source: National Bank of Moldova.

Thus, it is estimated that this indicator does not meet the requirements imposed by the EU.

**Long – term interest rate.** Article 140 of the Treaty stipulates that the sustainability of convergence must be reflected in the value of long-term interest rates. Protocol stipulates that the average nominal long-term interest rate, recorded over the last year, must not exceed by more than 2 p.p. the same indicator of the three best performing countries in terms of price stability. The reference value for 2014 was calculated as a simple average of the average long-term rates in Latvia (3.3%), Portugal (5.8%) and Ireland (3.5%), plus 2 p.p., thereby achieving reference value of 6.2%.

As stipulates in the Protocol<sup>1</sup>, interest rates will be calculated based on state securities or other securities, specific to the national banking system. According to the authors, more appropriate for the purpose of the analysis are the interest rates on government securities with terms of three years. Fig. 5 shows the ascending trend of the indicator, which averaged 9.3% during the period May 2014-May 2015. So, the long-term interest rate in moldovan economy exceeds the reference value of the Treaty.

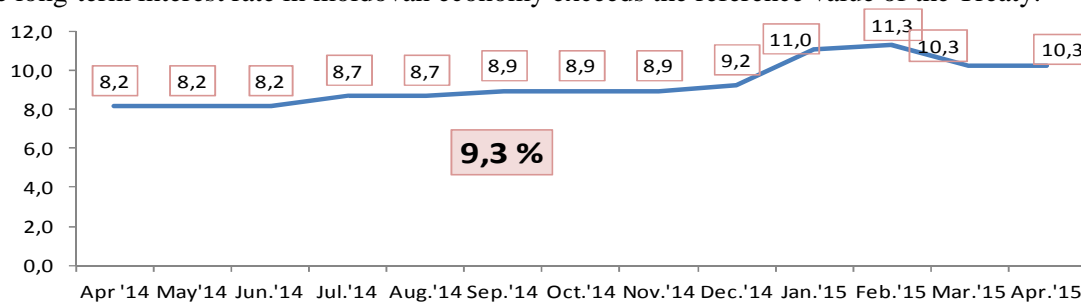


Fig. 5. The evolution of interest rates on government securities, with a term of 3 years (%)

Source: Authors' calculations based on data of the National Bank of Moldova.

For a more authentic reflection of the situation Table 2 presents the monthly average rates on loans over 5 years granted by commercial banks during the period May 2013 to May 2015. It can be seen that the monthly average interest rate was 9.68 % during apr.2013-apr.2014 and 9.84% in apr.2014-apr.2015.

Table 2

## Average monthly interest rates for loans granted by commercial banks

Period	Average monthly interest rate,%
May 2013-Apr.2014	9,68
May 2014-Apr. 2015	9,84

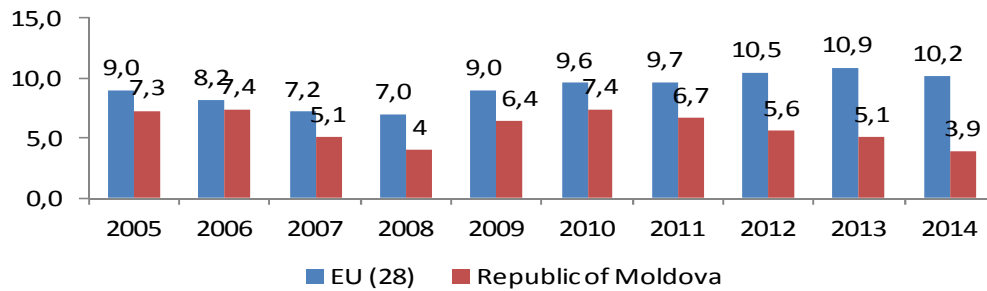
Source: Authors' calculations based on NBM data.

Interest rates applied by commercial banks in the period under review proved to be higher than the margins allowed, proving once again the divergence toward the criterion.

**Living standards** of Moldova were assessed through two relevant indicators:

**Unemployment rate.** Unemployment in Moldova over the years has remained much lower than the EU average. For example, in 2014 the unemployment rate of the national economy amounts to 3.9% (Figure 6), which is about 3 times less than the European community (10.2%).

<sup>1</sup> Convergence Report 2014, European Economy 4/2014, European Commission, pg. 51 ([http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2014/pdf/ee4\\_en.pdf](http://ec.europa.eu/economy_finance/publications/european_economy/2014/pdf/ee4_en.pdf))

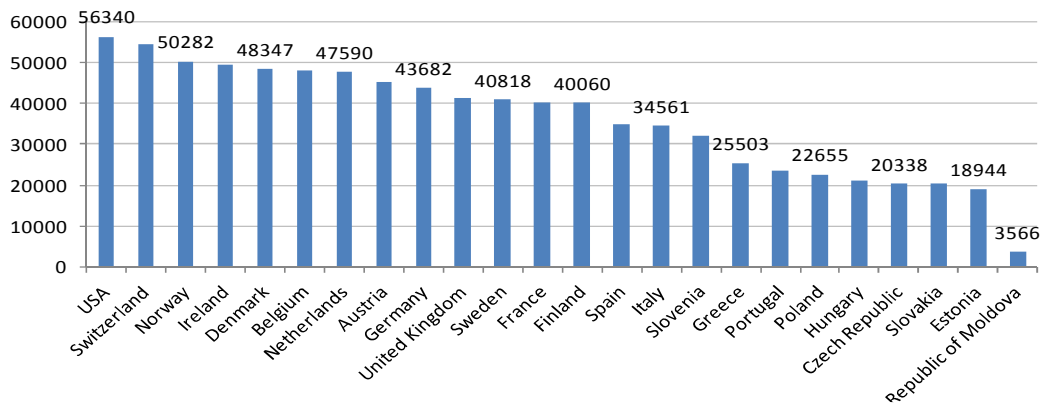


**Fig. 6. The evolution of unemployment, 2005-2014, %**

Source: Eurostat, National Bureau of Statistics of the Republic of Moldova.

The highest unemployment rates in 2014 were registered in Greece (26.5%), Spain (24.5%), Croatia (17.3%), Cyprus (16.1%), Portugal (14.2%), while the minimum values of the indicator were recorded in Germany (5.0%), Austria (5.6%). For comparison the USA recorded 6.2% and Japan 3.6% in 2014.

**The average salary.** In 2014, the average annual salary per economy in Moldova amounted to \$ 3,566, well below other European countries (Figure 7). The highest wages are registered in the US (\$ 56,340), Switzerland (\$ 54,236 / year), Norway (\$ 50,282 / year), Sweden (\$ 47,590 / year), and the Republic of Moldova (\$ 3,566 / year).



**Fig. 7. Annual average gross salary in 2014 USD**

Source: Organization for Economic Cooperation and Development

**Conclusion.** The review finds that Moldova has reserves regarding the banking system indicators: the interest rate and the exchange rate of the national currency. However, although the level of unemployment and GDP growth place Moldova advantageously compared to other states, the average wage shows the contrary and positions Moldova to the end of the states-list considered.

However, the criteria are only part of the general economic framework that Moldova must align to for acceding to EU - a goal impossible to realize without the implementation of the legal and social framework concurrently.

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## GEOGRAPHICAL INDICATIONS AS OBJECT OF INTELLECTUAL PROPERTY RIGHT

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*Geographical indications are one of the least valued objects of intellectual property. In recent decades, however, particularly after the conclusion in 1994 of the Agreement on issues of intellectual property related to trade (hereinafter TRIPS Agreement), we register an increase of interest in several States for the system of protection of geographical indications. This interest is due in large part to economic effects, the geographical indications have in trade with agricultural and manufactured products. Concomitantly, geographical indications also perform numerous social functions. Given the specificity of the Moldovan economy, and proceeding from the European vector of development of our country strengthening the system of geographical indications is extremely important.*

**Key words:** *agricultural policy, geographical indication, intellectual property, products with determined origin, quality systems, regional products.*

*Indica iile geografice reprezintă unul dintre cele mai puţin valorificate obiecte ale proprietăţii intelectuale. În ultimele decenii însă, în special după încheierea în 1994 a Acordului privind aspectele proprietăţii intelectuale legate de comerţ (în continuare Acordul TRIPS), se înregistrează o creştere a interesului mai multor state pentru sistemul de protecţie a indicaţiilor geografice. Acest interes se datorează în mare parte efectelor economice palpabile pe care le au indicaţiile geografice în comerţul cu produse agricole şi manufacturate. Concomitent indicaţiile geografice îndeplinesc şi numeroase funcţii sociale. Înănd cont de specificul economiei Republicii Moldova, dar şi reieşind din vectorul european de dezvoltare a ţării noastre consolidarea sistemului indicaţiilor geografice se prezintă extrem de important.*

**Cuvinte cheie:** *politica agricolă, indicaţie geografică, proprietate intelectuală, produse cu origine determinată, sisteme de calitate, produse regionale.*

1994

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**JEL Classification: O34; O130.**

**Introduction.** In the era of globalization more and more consumers around the world appreciate agricultural products with determined origin. This follows from the fact that agricultural products bear a clear imprint of the territory and the conditions from which they come. Climate, soil and people influence

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the quality of an agricultural product to such an extent that it is clearly different from other products in the same category.

In the European Union this was acknowledged for more time alongside the fact that commercialization of typical products in no way distinguishable in the multitude of products of the same type cannot create the necessary prerequisites for sustainable development. In this context, taking the best national practices (France, Italy, Portugal) it was established at Community level the GI protection system. This system involves the protection of geographical names used to identify certain products whose quality is influenced by their geographical origin. At the same time, the geographical indications protection system is not limited to the simple registration of names, but embraces a whole philosophy focused on the exploitation of the potential of products with determined origin.

**Backgrounds.** The major interest in the development and promotion of geographical indications arises from the fact that geographical indications have an important economic role and are valuable tools of marketing in the global economy. However, as mentioned by some authors, major problems are also related to geographical indications, because no other intellectual property is as complex, as anchored and involved in the world economy and politics as they [6].

Speaking about the historical evolution of the concept of geographical indication we can say that although geographical indications were used since antiquity to differentiate products and to concomitantly indicate their source of origin legal shaping of the concept of geographical indication in its current sense began at the close of the nineteenth century in some European countries (Portugal, France, Italy) and was completed at the beginning of the twentieth century in France, and because the system of geographical indications has proved to be successful, very soon other European countries have oriented their policies, particularly the agricultural and food ones towards the exploitation of the given system.

The study of specialized literature attests that geographical indications have become, at present, an important economic tool that contributes to solving problems of economic growth and competitiveness of rural areas both in developed and developing countries [1].

Analyzing the economic dimension of geographical indications, it can be highlighted the fact that unlike other intellectual property objects that have at their basis the activity of creation and the exclusive right in a new idea/product/process, which are founded from the prism of conception of property, in the case of geographical indications one cannot talk of the same approach. This is mainly due to the following:

- Geographical indication is not a product of human creation in the classical sense because the rights in a geographical indication relate to existing geographical names
- Geographical indication is not the object of monopoly rights and not included de facto in the property of persons initiating the process of recognition and protection on it.

The reasoning of assigning geographical indications to the category of intellectual property objects, according to the author, lies, especially, in the fact that geographical indications are an effective tool for conservation of cultural heritage, including regional know-how, and protection of geographical indications is a symbiosis of industrial property rights (particularly trademarks), copyright and quality systems. Proceeding from the similarity of functions performed by geographical indications with those performed by trademarks, as well as from their intangible nature, their assignment to the category of intellectual property objects is manifested thoroughly substantiated.

The added value of products with protected geographical indication is founded through the prism of neoclassical theory of utility value, since these specific objects of intellectual property provides:

- Certainty of geographical origin, methods used and quality expected;
- Minimization of transaction costs due to the fact that the consumer is guided in the choice of products by the information transmitted by the geographical indication;
- Presence of the additional value caused by the membership of an elite group of consumers.

Due to these properties, geographical indications have, in consumer perception, a greater utility than other similar products intended to meet the same needs.

Economically geographical indications present a complex instrument of using products of guaranteed origin involving the training of several factors. According to (Food and Agriculture Organization of the United Nations (2010)), to which we subscribe, geographical indications can be seen in a complex context that can be rendered through a closed cycle, in which the main role lies with producers interested in the exploitation of the product with determined origin and special qualities, and the role of support for the entire system, including for each stage rests with the state.

The main stages in the origin-linked quality virtuous circle are:

1. Identification: growing local awareness and appreciation of the potential of the product.
2. Product qualification: establishment of rules for value creation and the preservation of local resources.
3. Product remuneration linked to its marketing and to management of the local system.
4. Reproduction of local resources, boosting the sustainability of the system.
5. Public policies providing an institutional framework and possible support for the various stages in the circle.



Fig. 1. The origin-linked quality virtuous circle [4]

Proceeding from the logic functioning of the system of geographical indications and relying on previously analyzed materials one can define the system of geographical indications as being the totality of constituent elements – product, manufacturer, market, society, state – which interact with each other on the basis of economic principles and rules forming an integrity in which the exploitation of products with determined origin and guaranteed quality is organized in an efficient manner.

**Economic effects of the geographical indications system.** Numerous studies carried out at Community level, but not only, showed that a product with protected geographical indication may have positive effects on the sustainable economic development of the territories, the regional socio-cultural development and the preservation of the environment.

In particular:

1) Geographical indications are effective tools for promoting rural development, because they:

- help producers to get a superprofit in exchange for the guarantee of quality (high prices are obtained from products bearing the appellation of origin Mozzarella di Bufala Campana compared to other kinds of cheese mozzarella, the appellation of origin Camembert de Normandie compared to other kinds of cheese Camember, the appellation of origin Brie de Meaux and Brie de Melun compared to other kinds of cheese Brie, etc. The prices of products bearing the above AO are 35-45% higher than the prices for similar products without AO. In the EU, the price difference between the products with AO and GI and similar products without such appellations of origin is on the average 10-15% [8];

- help to the correct and equitable distribution of income throughout the production chain beginning with raw material producers and ending with traders (producers of cheese with appellation of origin will be willing to pay 15-20% more for milk harvested in accordance with the specifications for that appellation of origin) [7];

- exploit the place of origin of the product, create jobs, prevent rural exodus (one of the basic requirements for a geographical indication to be protected is that harvest or production, or processing must take place in the defined geographical area, which is usually a rural area. Thus, new jobs are created, and by this fact is prevented the rural exodus).

2) GIs are effective marketing tools, because they:

- promote the diversification of products (products bearing a geographical indication differ significantly from other products of the same kind, both through their specific qualities that are due to the geographical origin and the physical appearance which is usually different from that of other products. For

example the cheese with the appellation of origin Camembert de Normandie is sold in a container of poplar wood);

- allow producers to market obviously differentiated products that are quite easy to identify (due to the fact that the physical appearance of products with geographical indication is different from other products in the same category, manufacturers can easily differentiate products).

3) GIs are effective tools for preserving local traditions and natural resources, because they:

- encourage preservation of natural resources (most often products with geographical indication are traditional products, which are manufactured using natural resources characteristic of the geographic region, without using any chemical substitutes and without using production methods that adversely affect the environment);

- prevent uniformization of foodstuffs (geographical indications allow of preserving traditional recipes avoiding certain obligations that manufacturers should normally follow. For example, in the European Union, as in the Republic of Moldova, is forbidden to produce cheese in rooms that are not covered with tile using other than stainless steel surfaces, however, where to obtain a cheese with geographical indication is required that the entire process shall take place in a cave whose walls are covered with mold, this is possible).

4) GIs are a component part of our culture:

- contribute to the cooperation of local producers with a view to solve common problems (the whole concept of geographical indication assumes that producers in a defined geographic area will exert a collective effort to exploit the geographical indication, and as is generally known where there are more than one producer there are more chances of gain);

- play a positive role in building national identity, making the producers proud of their traditional unique products (as a rule products with geographical indication are traditional products manufactured according to recipes inherited from ancestors. They being promoted new generations of consumers can learn something new about themselves, about the nation to which they belong);

- positively influence tourism (products with geographical indication are true ambassadors of our culture, moreover, for foreigners may be of interest to know the tradition of making cheese or weave carpets for example. Thus, lately increasingly popular around the world become the tours, in which participants are given the opportunity to meet some local traditions. For example in Germany, France, Italy and Romania are popular the so-called wine roads, in Italy and France cheese roads are also popular. Moreover, very often for the purpose of promotion local producers organize festivals, outdoor exhibitions of products with geographical indication, which also attracts tourists).

Being aware of these facts at Community level has been continuously developed and perfected a system of protection and promotion of geographical indications. Thus, according to the study *Value of production of agricultural products and foodstuffs, wines, aromatized wines and spirits protected by a geographical indication* in 2010 the total exports of goods with protected geographical indication constituted €1.5 billion, which constituted 15% of the total EU exports in the agro-food field [3].

At the same time, exquisite attention began to be paid to exploitation of products with geographical indication also protected by countries other than European. Thus, geographical indications system is currently widely promoted in India, China, Mexico, Colombia, Peru, Georgia, etc. Although several countries have realized the economic importance and the potential of geographical indications and take full advantage of this system, in the Republic of Moldova geographical indications system has not yet become a reality, in spite of the huge potential of our country in this field.

**Table 1**

**Appellations of origin/geographical indications registered in the Republic of Moldova (by years)**

Years	1993-2000	2001-2010	2011	2012	2013	2014	Total
National applicants	2	0	0	0	4	0	6
Foreign applicants including:	5	811	6	8	5	19	854
- national procedure	5	0	0	2	0	0	7
- Lisbon Agreement	0	811	6	6	5	19	847
- Bilateral Agreement RM-UE	0	0	0	3136	0	357	3493
Total	7	811	6	3144	9	376	4353

Source: Elaborated by the author based on IP statistics [9].

**Development of geographical indications system in the Republic of Moldova.** We affirm that the Republic of Moldova has a great potential in the area of geographical indications because, according to data of the National Bureau of Statistics of the Republic of Moldova the exports of goods to the EU countries (EU-28) in 2014 totaled \$1246.0 mln. (9.6% more than in 2013), holding a share of 53.3% in the total exports (46.8% in 2013). The weight of agricultural products and foodstuffs in the total exports of the Republic of Moldova for 2014 is 38.8% [10]. The major problem of Moldovan agriculture lies, however, in the fact that the products are sold in bulk and consumer market is not diversified.

It should be noted that according to (Biroul Regional al FAO pentru Europa i Asia Central (REU), 2012) the Republic of Moldova has a well-developed wine industry. Vineyard area covers 148,500 ha, of which 107,800 ha are used for commercial production. The remaining 40,700 ha are planted around the village houses, the grapes being used to make domestic wine. According to the same source the Republic of Moldova also ranked fourth among the world exporters of unshelled walnuts, behind the United States, Mexico and China. Moldova is the largest European exporter of unshelled walnuts, with a volume of 9163 tons, worth 29.8 million euros. Throughout the country, there are plantations as field curtains, small orchards attached to households and commercial orchards [2].

The development of geographical indications system would address many problems facing Moldovan agro-food products:

- export in bulk (anonymity);
- lack of traceability of products;
- diversification of markets.

To have a more realistic approach of the prospects which geographical indications system has in the Republic of Moldova, the author conducted a survey among consumers. The method used was sociological inquiry. Survey results showed that products with protected geographical indication have in the Republic of Moldova an advanced potential, because of the 94% of persons who have indicated that geographical origin influences the quality of an agricultural product or foodstuff, 57% have attributed a great importance to it, in some cases even decisive. The results achieved in this chapter are comparable with the results achieved as a result of a survey conducted in 2005 among US consumers, in which it was established that for 72% of respondents geographical characteristics, such as soil, climate, influence the taste and quality of foodstuffs [4]. Moreover, the results achieved in Moldova are even more favorable for the establishment of the geographical indications system compared to the results achieved in the USA, because Moldovan consumers put more value on the geographical origin of the product (94% vs. 72%). This is attributable mainly to the fact that the Republic of Moldova is a predominantly agrarian state, and the average consumer is either from the rural environment or has ties of relationship with people from the rural environment thus being pretty well acquainted with the process of cultivation and production of agricultural products and foodstuffs.

Concomitantly, 88% of respondents prefer Moldovan products to imported ones where the price does not differ.

Furthermore, most of the respondents responded that they would choose a Moldovan product even if it will be more expensive, provided that the price difference would be reasonable. Unfortunately, according to the survey results, the notion of geographical indication is practically unknown. However, after respondents have been explained the essence of the notion of product with geographical indication it proved to place on products a potential added value. Of the 77% of people who answered affirmatively to the question whether they would be ready to pay more for a product with protected geographical indication 47.3% declared themselves ready to pay up to 10% extra, 43.58 % 10-20% more and 9.12% said they were prepared to pay even more than 20%. We recall in this connection that according to a poll conducted in 1999 in the Community space over 20,000 people, 51% of respondents said they were prepared to pay 10-20% more for a product with protected geographical indication to an equivalent product without protected geographical indication [5]. According other two studies conducted in 1996 and 1999 over 16,000 people in the Community space, 43% of the Community consumers are willing to pay extra 10% for products with protected geographical indication; 8% would pay extra 20%; and 3% would be ready to pay up to 30% more for products with protected geographical indication compared to a similar product which shows no signs of quality and origin [5].

Table 2

## The degree of confidence given by respondents to Moldovan products

If the price of an agricultural product or foodstuff is the same will you?

		prefer a Moldovan product		prefer an imported product		make no difference by the criterion of geographical origin	
<b>Total</b>		<b>337</b>	<b>88%</b>	<b>9</b>	<b>2%</b>	<b>39</b>	<b>10%</b>
<b>Medium</b>	<b>Rural</b>	162	48%	4	44%	17	44%
	<b>Urban</b>	175	52%	5	56%	22	56%
<b>Sex</b>	<b>Feminine</b>	179	53%	6	67%	21	54%
	<b>Masculine</b>	158	47%	3	33%	18	46%
<b>Age</b>	<b>15-24</b>	31	9%	4	44%	12	31%
	<b>25-34</b>	99	29%	1	11%	12	31%
	<b>35-49</b>	131	39%	2	22%	11	28%
	<b>50 and more</b>	76	23%	2	22%	4	10%
<b>Education</b>	<b>Incomplete secondary</b>	14	4%	3	33%	7	18%
	<b>Secondary</b>	106	31%	3	33%	17	44%
	<b>Incomplete higher</b>	79	23%	2	22%	6	15%
	<b>Higher</b>	138	41%	1	11%	9	23%
<b>Level of income</b>	<b>Low (less than 1650 *MDL per person)</b>	114	34%	1	11%	15	38%
	<b>Average (1650 – 3050 MDL per person)</b>	147	44%	7	78%	15	38%
	<b>High (more than 3050 MDL per person)</b>	76	23%	1	11%	9	23%

\*1 MDL ~ 0,05 EUR

Source: [11].

In terms of results obtained in the Republic of Moldova, we draw the attention on the fact that the level of income influences not only the willingness to pay more but also the amount that the local consumer is ready to pay, thus, the higher the income is the readily the consumer will be to pay more in order to have the guarantee of origin and quality of an agricultural product or foodstuff.

Table 3

## Distribution of respondents prepared to pay more for a product with geographical indication by categories of income

Are ready to pay more for a product with geographical indication

	Income up to 1650 *MDL/person		Income from 1650 to 3050 MDL/person		Income greater than 3050 MDL/person	
	No. of respond.	%	No. of respond.	%	No. of respond.	%
Up to 10%	61	62%	57	45%	22	31%
10-20%	32	32%	62	49%	35	50%
More than 20%	6	6%	8	6%	13	19%
<b>Total</b>	<b>99</b>	<b>100%</b>	<b>127</b>	<b>100%</b>	<b>70</b>	<b>100%</b>

\*1 MDL ~ 0,05 EUR

Source: [11].

**Conclusions.** Geographical indications system is a new system for the Republic of Moldova and is not yet used and appreciated at its true value. The results obtained by the Republic of Moldova in the field of the protection of geographical indications so far are modest and do not correspond to the real potential of our country in this area.

In the economic sense, geographical indications represent an advanced tool to exploit products with guaranteed origin and we firmly believe that this tool may be successfully implemented in our economy.

In conclusion, we should assert that the harmonious development of geographical indications system in the Republic of Moldova is in the interests of all economic actors:

- Producers get an effective mechanism for product differentiation and concomitantly for loyalty of customers;

- Consumers get access to a quality system reliably guaranteed by the manufacturer and the State;

- State benefit from the increased quantity and value of the consumption of local products.

Thus why, we believe that the agricultural policy of the Republic of Moldova shall be revised in the view of implementing the system of geographical indications.

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