



To: Michael FROMAN

Ambassador

Office of the United States Trade Representative

February 20, 2014

Re: Letter in Support of Signing a Trade and Investment Framework Agreement

Dear Ambassador Froman,

On behalf of the American Chamber of Commerce in Moldova and U.S. companies operating in the Republic of Moldova, I am pleased to address this letter to you and to express the support of American investors and the overall business community in signing a Trade and Investment Framework Agreement (hereinafter "TIFA").

I. Milestones of the US - Moldova Economic Partnership

1. On June 19, 1992, in Washington, D.C., Moldova and the United States signed the Investment Incentive Agreement to support U.S. private sector investment in Moldova. This agreement offers more guarantees/potential to existing investors and is a prerequisite for promoting economic cooperation and investment attraction.
2. Within 22 years of independence of Moldova, the United States of America has contributed to Moldova's development and democratization with more than \$1.1 billion USD, including \$262 million USD in financial support under the Millennium Challenge Corporation (MCC) Compact Agreement. The MCC Compact Agreement was only signed after the Millennium Challenge Threshold Program systematically and thoroughly verified Moldova's economic, political and social improvements through international standards.
3. In a similar fashion of confidence and recognition, Moldova signed an agreement with the Overseas Private Investment Corporation to provide loan guarantees for U.S. investments in Moldova and creating new bridges for future cooperation between U.S. - Moldovan business communities.
4. In 2012, the Republic of Moldova was excluded under the Jackson-Vanik Amendment by U.S. public authorities. By the end of 2012, the two chambers (Senate and House of Representatives) of the U.S. Congress accepted the cancellation of the Jackson-Vanik Amendment for Moldova, with the approval of Bill H.R. 6156. Subsequently, this bill was enacted on December 14, 2012 by U.S. President Barack Obama. Thus, Moldova has been permanently excluded from the scope of Jackson-Vanik, and therefore, obtained a permanent normal trade regime with the U.S. Removal of this amendment creates the conditions necessary for the recovery of economic relations between Moldova and the U.S.: U.S. market promotion of Moldovan products, attraction of U.S. investments, obtaining state loans and loan guarantees for Moldova, etc. The signing of TIFA will serve as another vivid illustration of U.S. support in Moldova, thus, helping Moldova in its democratic aspirations.

II. Arguments for Signing a TIFA Agreement

1. In 2001, Moldova acceded to the WTO as a full member, recognizing Moldova's status as a market economy. Moldova adhered to the international rules which govern trade with services, state commerce and public procurements, etc. Therefore, Moldova agreed to follow the best practices and international rules of commerce.
2. Although bilateral trade between the U.S. and the Republic of Moldova has not been a continuous ascent, we see a positive trend in 2012. More details on the development of bilateral trade and comparative analysis of bilateral trade with the United States can be found in the table below. Therefore, bilateral trade with the U.S. for 2012 is estimated at nearly \$109 million USD according to the National Bureau of Statistics of Moldova or almost \$64 million USD according to data presented by U.S. authorities.

Table 1: Evolution of bilateral trade between USA and Moldova, US dollars, millions

Year	Source	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Moldova	US Data	104	70	68	89	90	67	76	78	35	50	55	64
	Moldovan Data	53	83	68	72	78	52	62	108	57	84	105	109

3. On December 31, 2012, U.S. investment in the Republic of Moldova constituted about \$103 million USD of the total balance of \$3.533 billion USD of foreign direct investment for the same period. There may be a slight downward trend in the weight of U.S. investments in the total of foreign direct investments in Moldova.

Table 2: Rank of top investors in the Republic of Moldova, US dollars, millions

Rank	Country	FDI
1	Russian Federation	785
2	Netherlands	561
3	Cyprus	290
4	France	270
5	Spain	252
6	Germany	207
7	Romania	191
8	Italy	169
9	United Kingdom	123
10	USA	104

Source: International Monetary Fund, as of 12.31.2012

According to the data provided above, it may be concluded that the U.S.A. is the tenth largest investor in the Moldovan economy. Notwithstanding, according to AmCham, the presence of U.S. investments in Moldova is much greater than ~3% of the total amount of foreign direct investments, but taking into consideration the absence of a Double Taxation Treaty, U.S. companies prefer to invest in domestic economies via other jurisdictions (Cyprus, Netherlands, etc.). This exercise leads to a more expensive cost of investment and discourages U.S. investors in placing their capital in Moldova.



Considering the low level of U.S. direct investments in Moldova it is our view that TIFA would bring tangible benefits to both the U.S. and Moldova through the focus on achieving specific trade and investment goals.

4. Moldova has also gained the confidence and recognition from members of the international financial community. Moldova improved its rank of the ease of doing business by almost 20 positions within the last 4 years. These achievements have resulted in increased cooperation with The World Bank, International Monetary Fund and other major donors to Moldova which, in turn, have resulted in economic growth and earlier recovery from the economic crisis.

Moldova is also steadily integrating into the European Union. On November 29, 2013, Moldova and the EU initialled the EU Association Agreement, including a Deep and Comprehensive Free Trade Area with the EU.

Moldova's accomplishments in reform, emigration and establishment of a strong, free-market economy have been recognized by virtually every international institution and have been validated by every U.S. or U.S. supported organization that has measured Moldova's progress.

In light of the above, we firmly believe that the establishment of a TIFA platform for cooperation will encourage increased trade and investment relations between the U.S. and Moldova, as well as serve as a strong acknowledgment of Moldova's positive reforms and accomplishments.

I kindly appreciate your attention and support.

Sincerely,

Emilia Malairau

Executive Director

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