



## THE FASHION INDUSTRY IN MOLDOVA IN THE CONTEXT OF ALIGNMENT WITH EUROPEAN UNION TRENDS AND PROSPECTS FOR INCREASING COMPETITIVENESS AND SUSTAINABLE DEVELOPMENT

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**Abstract:** *The fashion industry is among the most dynamic economic sectors worldwide, but also one of the most exposed to environmental and social pressures due to intensive resource use, short production cycles, and complex global value chains. In the European Union, these challenges have triggered a profound transformation of the fashion industry, driven by policies promoting sustainability, circular economy principles, digitalization, and extended producer responsibility. As an economic partner closely integrated into European markets, the Republic of Moldova is directly influenced by these structural changes.*

*This article analyzes the alignment of the fashion industry in the Republic of Moldova with key European Union trends and examines the prospects for increasing competitiveness while ensuring sustainable development. The study highlights the structural characteristics of the Moldovan fashion industry, which remains predominantly based on C&M and CMT production models. Although these models have facilitated integration into European value chains, they have also constrained domestic value added and limited functional upgrading.*

*At the same time, recent trends indicate a gradual shift toward higher value-added activities. An increasing number of small and medium-sized enterprises have initiated production under their own brands, mainly targeting the domestic market. The analysis shows that sustainability, digitalization, eco-design, and circular economy practices can act as strategic drivers of competitiveness rather than merely compliance requirements. Strengthening innovation capacity and human capital emerges as essential for the long-term sustainable integration of the Moldovan fashion industry into European markets.*

**Key words:** *fashion industry, competitiveness, sustainability, value chain, digitalization, circular economy.*

### 1. INTRODUCTION

The fashion industry is among the most dynamic but also most pressured economic sectors globally, characterized by short production cycles, intense competition, and significant environmental impact. For small and medium-sized enterprises (SMEs) in the European Union and the Republic of Moldova, competitive challenges are intensified by increasingly stringent requirements regarding sustainability, traceability, and social responsibility along the value chain. In this context, integrating competitiveness with sustainable development becomes not merely a strategic option, but an essential condition for maintaining and strengthening market position.

The sustainable development approach is particularly relevant for the fashion industry, a sector traditionally associated with intensive resource consumption, waste generation, and social



pressures related to working conditions.

From a competitiveness perspective, Michael E. Porter emphasizes that sustainable competitive advantage does not derive from short-term cost reductions, but from productivity, innovation, and continuous improvement capability [1]. Applied to SMEs in the fashion industry, this vision highlights the importance of investments in design, efficient production technologies, supply chain management, and differentiation through value-added, including sustainability criteria.

For fashion enterprises in the European Union, the transition toward sustainable business models is accelerated by European policies promoting the circular economy, environmental impact reduction, and social responsibility. In this framework, competitiveness is no longer assessed exclusively through immediate economic performance, but through firms' ability to create long-term value for customers, employees, and communities. The World Economic Forum emphasizes that sustainable prosperity is determined by an integrated set of factors including effective institutions, innovation, human capital, and the responsible use of natural resources [2].

For fashion enterprises in the Republic of Moldova, the challenge of sustainable competitiveness is twofold. On the one hand, firms must respond to European market requirements, including quality and sustainability standards. On the other hand, they operate in an economic context characterized by limited financial and technological resources. Thus, sustainable competitiveness can be defined as the ability of organizations and economies to achieve economic performance while simultaneously preserving social and natural capital. [3]

## **2. EUROPEAN TRENDS IN THE FASHION INDUSTRY**

### **2.1 Sustainability as a new industrial paradigm**

Over the past two decades, the fashion industry has entered a profound process of structural reconfiguration, driven by growing recognition of the significant negative environmental and social impacts of the traditional fast fashion model. The dominant linear model, based on the logic “produce–consume–discard”, has led to overproduction, intensive use of natural resources, and the generation of substantial volumes of textile waste, becoming incompatible with global sustainable development objectives. [4]

In response to these challenges, sustainability increasingly asserts itself as a new industrial paradigm, steering the fashion sector toward principles inspired by the circular economy. This paradigm entails designing products to be durable, repairable, and recyclable, keeping materials in use for longer periods, and minimizing waste generation throughout the product life cycle. [5]

At the European Union level, this shift is institutionally supported by the EU Strategy for Sustainable and Circular Textiles, which aims at the structural transformation of the textile industry by 2030. The strategy stipulates that textile products placed on the European market should be more durable, contain a higher share of recycled materials, and be accompanied by effective mechanisms for collection, reuse, and recycling.[6] In this context, sustainability is no longer perceived as an external constraint, but as an essential criterion of competitiveness and industrial adaptability.

One of the central dimensions of the new paradigm is extending the lifespan of clothing products. Studies show that prolonging the use of a garment significantly reduces its carbon footprint and the resource consumption associated with producing new items. Consequently, business models based on repair, reuse, resale, and rental are gaining increasing importance, particularly for SMEs in the fashion industry, which can more rapidly adopt such flexible solutions [7].

The transition toward sustainability also entails cultural and organizational change within fashion firms. This includes the adoption of eco-design, greater transparency in supply chains, and the assumption of extended producer responsibility throughout the textile product life cycle. For



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SMEs, this approach may generate competitive advantages through differentiation, the development of a responsible brand image, and facilitated access to European markets.[8]

To assess the level of sustainability within the fashion industry in the Republic of Moldova, a survey was conducted among 20 enterprises operating in the sector and representing different business models, including service provision for European clients and production and commercialization under own brands.[8]

The findings of the survey enabled a comparative analysis between sustainability-related trends and policy orientations at the EU level and the current state of sustainability practices in the Republic of Moldova (Table 1).

*Table 1. Dominant trends in the fashion industry: European Union and Republic of Moldova*

<b>Dimension</b>	<b>European Union</b>	<b>Republic of Moldova</b>
Production model	Transition from fast fashion to sustainability. Durable and circular textiles	~76% production in lohn regime; ~24% own-brand production; early transition toward sustainability
Role of sustainability	Regulatory obligation	Incipient implementation
Digitalization	3D design, Digital Product Passport	3D design, low level
Value chains	Controlled supplier integration, nearshoring	Peripheral position
Competitiveness	Innovation and branding, quality and compliance	Manufacturing quality, cost competitiveness

Source: Compiled by the author based on [6] and [8].

This comparative overview highlights the structural gaps between the Republic of Moldova and the main EU markets, justifying the accelerated implementation by the APIUS association of the Action Plan to Ensure Sustainability for the Textile Industry in the Republic of Moldova. [8]

## **2.2 The European Union as a normative actor in the fashion industry**

The EU Strategy for Sustainable and Circular Textiles establishes as a strategic objective a paradigm shift by 2030 from the linear model of production and consumption toward a systemic model aimed at maintaining the value of products, materials, and resources in the economy for as long as possible. Within this framework, circular-oriented design becomes an essential tool for reducing primary resource consumption and limiting textile waste generation.

At the same time, the EU strategy integrates the principle of extended producer responsibility (EPR), through which economic actors in the fashion industry are called upon to assume greater responsibility for the impact of their products throughout the entire life cycle, including post-consumer stages. The implementation of EPR mechanisms stimulates waste prevention, separate collection, reuse, and textile recycling, thereby contributing to reduced environmental pressure and internalization of the social and ecological costs of production.

By combining the circular economy with extended producer responsibility, the EU strategy seeks not only to reduce the environmental and social impact of the textile industry, but also to create a competitive framework in which sustainability becomes a determining factor for access to and performance on the European market. [6].

To translate the objectives of the EU Strategy for Sustainable and Circular Textiles into concrete economic practices, the European Union has introduced a series of public policy instruments that directly influence production, reporting, and textile product management. These measures significantly affect external suppliers to the European market, including enterprises in the

Republic of Moldova, which must adapt their processes and standards to remain competitive and eligible on the EU market.

Based on the surveyed enterprises' responses and the current state of the fashion industry in the Republic of Moldova, the analysis outlines the expected impact of EU policy instruments on the sector. The results show how these measures may affect sustainability practices, strategic orientation, and compliance capacity of Moldovan fashion enterprises, shaping the industry's future development (Table 2).

*Table 2. EU public policy instruments and implications for the fashion industry in the Republic of Moldova*

<b>EU instruments</b>	<b>Main objective</b>	<b>Implications for Moldova</b>
EU Textile Strategy	Circular economy	Industrial modernization
Extended Producer Responsibility (EPR)	Textile waste management	Increased compliance costs
Digital Product Passport	Traceability	Need for digitalization
European Green Deal	Climate neutrality	Gradual adaptation of standards

Source: Compiled by the author based on [6], [8] .

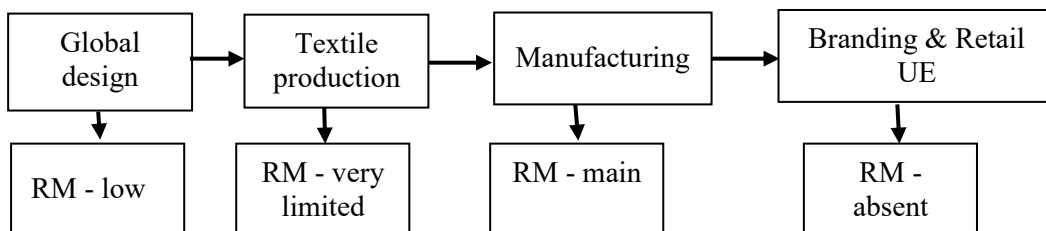
The table shows that EU policies generate both constraints and opportunities for the development of Moldova's light industry.

### **3. THE REPUBLIC OF MOLDOVA IN THE FASHION INDUSTRY VALUE CHAIN**

#### **3.1 The current structural model**

The fashion industry is one of the important branches of the manufacturing industry in the Republic of Moldova and of the national economy as a whole. [10] In 2024, it accounted for approximately 13% of the total number of enterprises in manufacturing, over 20% of total employment, and nearly 8% of turnover. The sector is strongly export-oriented, accounting for about 9.6% of total national exports.

Despite being among the country's top five exporters, the industry is predominantly oriented toward export manufacturing operations under C&M and CMT regimes. This positioning limits the value-added created at the national level. The degree of Moldova's integration into the European fashion value chain is illustrated in Figure 1.



*Fig. 1. Positioning of the Republic of Moldova in the fashion industry value chain*

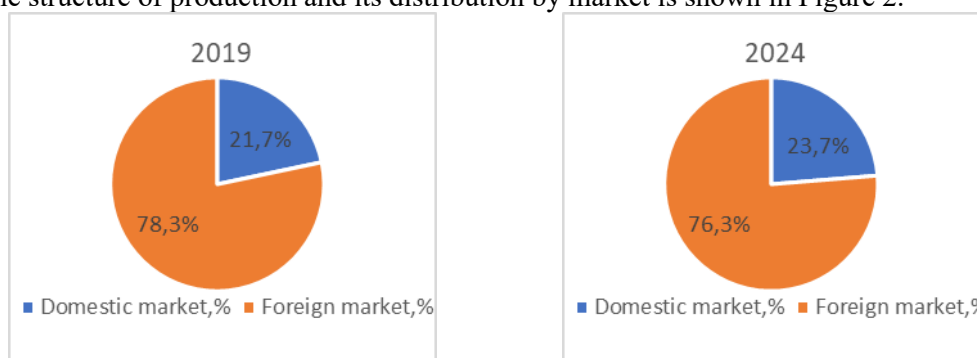
Source: Compiled by the author.

Figure 1 highlights the concentration of activities in Moldova at low value-added stages and the need to expand participation toward higher stages of the value chain.

Aligning Moldova's fashion industry with European trends involves a structural transition from cost-based competitiveness (C&M and CMT models) toward a value-added and innovation-oriented model. This requires the implementation of in-house design and the development of own brands as resilient and competitive business models.

To strengthen competitiveness, Moldova's light industry must overcome a purely cost-based model and shift toward higher value-added activities, such as own product development, design, and local branding. Over the past five years, the share of production manufactured and sold under own brands on the domestic market increased by two percentage points. Although growth is relatively slow, it indicates a clear trend toward higher value-added products. It should also be noted that some enterprises sell own-brand products on external markets through e-commerce.

The structure of production and its distribution by market is shown in Figure 2.



*Fig.2. Evolution of the structure of manufactured and marketed production by sales markets*  
Source: Compiled by the author based on [11].

In addition to implementing high value-added products to enhance competitiveness, fashion enterprises in Moldova need innovation, digitalization, and circular economy practices. Technological investment and professional skills development are essential conditions for this transition. The adoption of energy-efficient technologies, use of sustainable materials, and respect for social standards can increase the sector's attractiveness for European investors and partners.

For the Republic of Moldova, adapting to new EU market requirements is no longer optional, but an essential condition for maintaining competitiveness. With APIUS Association joining EURATEX, Moldova's fashion enterprises will be guided in aligning with European policies and capitalizing on opportunities created by new trends. Consequently, the fashion industry can evolve toward a sustainable and resilient long-term model.

## 5. CONCLUSIONS

The analysis reveals that the predominant reliance of fashion industry enterprises in the Republic of Moldova on C&M and CMT production models significantly constrains value creation and positions the sector at the periphery of European value chains. This structural dependence is likely to hinder the alignment process with European Union trends, which are increasingly oriented toward sustainability, circular economy principles, and digitalization.

To overcome this situation, it is recommended to accelerate the implementation of the Action Plan 2023–2027 for the implementation of the sustainability roadmap for the light industry in the Republic of Moldova [8]. This plan prioritizes several key strategic directions, including: increasing the production and commercialization of garments under own brands to enable diversification and a shift toward higher value-added products; retechnologization of the industry and the adoption of innovation; digital transformation of production and management processes;



implementation of sustainable and circular textiles; and alignment with standards compatible with the requirements of the European market.

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