

EXPORT COMPETITIVENESS – A POTENTIAL ENGINE OF DEVELOPMENT OF REPUBLIC OF MOLDOVA

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Although Republic of Moldova has succeeded to achieve relative good economic growth rates in the last decade, its consumption lead development model on the background of poor internal production capacities make it very vulnerable to external shocks. In this context, exports competitiveness that may generate multiple positive effects on growth should become an important component of the future development path of the country. The paper focuses on analyzing Moldova's exports competitiveness, its determinant factors and the ways of improvement.

The main scope of a countries' long run development strategy should be the increase of productivity and therefore producing a high and rising standard of living for its citizens [3]. That means that the government policies beyond their particular objectives should be directed to achieve in the long an efficient allocation of production resources and productivity increase.

Table 1.

Economic growth – regional outlook

	GDP growth rate, %		GDP per capita, USD	
	Average 2000-2005	Average 2006-2010	Average 2000-2005	Average 2006-2010
Armenia	11.2	4.4	917.1	2785.8
Belarus	7.3	7.3	1830.8	5162.7
Georgia	6.5	5.3	963.6	2422.6
Republic of Moldova	6.3	3.3	552.8	1405.6
Tajikistan	9.2	6.6	230.7	600.7
Turkmenistan	16.6	10.4	2167.0	4088.4
Ukraine	7.5	1.3	1090.3	2967.8

Source: International Monetary Fund data

Notwithstanding the fact that Republic of Moldova has managed to achieve relatively good growth rates during the transition period, its per capita output remains to be among the lowest compared to other countries in the region.

Especially in the last decade, Moldova has followed a consumption led growth, fueled by the remittances' progressive increase. Remittances accounted for 24% of Moldova's GDP in 2010, reaching about the same level as exports -26.5%, while FDI inflows remain to be much lowers.

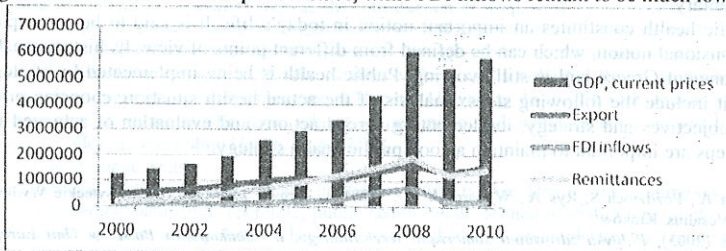


Chart 1. GDP and the main international financial flows in Republic of Moldova, thousand USD

Source: Moldova's National Bureau of Statistics

The Moldova's exports performances in the last decade can't be highly qualified, the following indicators being a confirmation in this regard:

- The very low level of exports per capita and exports share in world trade which is maintaining at about 0.01% ;
- The very low level of imports coverage by exports and obstinate negative trade balance;
- Highly exports geographic concentration that make them volatile to external shocks;
- The loss of international specialization in the traditional industries and the incapacity to develop new one;
- The dynamic growth of re-exports etc.

The empirical studies made for the Republic of Moldova case show that there is a direct correlation between exports and economic growth, but it's very small. A 1% increase in exports determines an economic growth of 0,13-0,2% [1].

In this context an exports competitiveness policy should be an important component of national development strategy in Moldova. Exports competitiveness is usually viewed as the ability of a country or rather of its firms to compete internationally and to sell goods and services in foreign markets at prices and quality that ensure long-term sustainability. Policies focusing on improving exports competitiveness require both private sector and government efforts that must go beyond simple exports promotion actions that would stimulate some sectors or firms international activities. It should encompass the management of many other determinant factors of exports competitiveness, including: macroeconomic environment, economic infrastructure, educational system, government institutions efficiency, business regulation framework etc.

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