

TRENDS IN THE FOREIGN TRADE EVOLUTION OF THE REPUBLIC OF MOLDOVA

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Abstract: Foreign trade and economic cooperation have a particular importance for economic development in general as well as for national economies. The Republic of Moldova does not have energy resources and it does not produce many types of goods needed for domestic production and consumption. That is why the Moldovan economy is geared towards promoting foreign economic relations, in particular by boosting exports, by protecting the national economy based on competition and transparency, by regulating and monitoring imports and maintaining balance of trade. The paper aims to analyze the current trends of the trade relations of the Republic of Moldova by analyzing the flow of goods in dynamics with an emphasis on the period of 2000-2017, partly for 2018. For this research paper there were used such research methods as: monographic, analysis and synthesis, statistics, comparison, etc. A particular attention was paid to the preferential trade regime which has contributed to a gradual opening of the Community market for Moldovan exports.

Key words: Foreign trade; economic development; production; consumption; export; import.

JEL Classification: F1, F13, F14.

1. Introduction

The foreign trade and economic cooperation are an important part both for economic development in general and for the national economy particularly. The Moldova's trade policy has the aim to promote external trade and economic relations by boosting exports, protecting the national economy in foreign competition conditions, and by regulating and monitoring imports, as well as engaging in international agreements in order to maintain trade balance. The most important field of foreign economic cooperation of Moldova with other countries is actually foreign trade. Therefore, the Moldovan economy is export-oriented (in 2017, exports accounted for 25% of GDP) and depended on imports (imports accounted for 50% of GDP) and the volume of foreign trade is practically equal to the GDP, that tendency was maintained in 2018.

2. Description of the problem

The Moldovan foreign trade tendencies are characterized by a significant excess of imports versus exports. But it is well known that both *import* and *export* are two main activities of a country's international trade. Such, during the 2017 year, the increasing of foreign trade in goods was influenced by a positive evolution of the agricultural sector and constituted around US \$ 7 256.5 million, by increasing with 19.6% (US \$ 1 191.5 million) in comparison to the similar period of the previous year (Figure 1).



Figure 1. International trends of commodity trade

Source: Elaborated by authors based on data of the National Bureau of Statistics of Moldova

At the same time, the evolution of trade was influenced by the improvement of the external demand, by the increasing of global energy and food products prices, by the re-launch of production in some industrial sectors, as well as positive developments in transport services, the economic situation in the region and of the national currency appreciation. Exports of goods increased by 18.6% compared to the same period of the previous year, while imports increased by 20.2% compared to 2016. The gap in the evolution of exports and imports led to the accumulation of a deficit of trade balance of US \$ 2406.3 million, up by US \$ 431.3 million d (21.8%) more than in 2016. For 2018 this indicator still has an increasing tendency.

From a geographic point of view, a big part of Moldova's exports and imports are concentrated on two target- groups of EU and CIS countries. Since 2000, in the structure of the total volume of exports and imports, there have been significant structural changes in the share of these groups of countries. The main trend is to continuously reduce the share of CIS countries in favor of countries in other groups, especially the EU, and other countries, which evolution is reflected in the figure (figure 2).

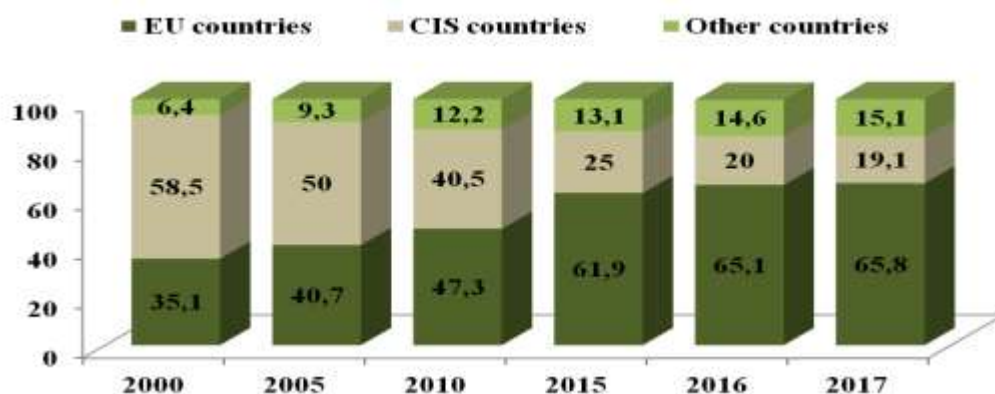


Figure 2. Export structure by groups of countries, %

Source: Elaborated by authors based on Data of the National Bureau of Statistics of Moldova <http://www.statistica.md/>

In 2000, the main destination for exports was CIS with 58.5%, while the share of EU countries was only 35%. Gradually, the share of CIS countries from total exports decreased and the share of EU countries was increasing. These changes took place due to the EU, which became the main destination for Moldovan goods exports. This situation

was available as well as for 2018 year. Several factors contributed to this evolution, such as increasing of the value and volume of Moldovan exports on the Community market, and the export decreasing to the CIS. In the reviewed period, a gradual liberalization of the EU trade regime, in particular by the EU, was made by the EU providing more facilities for Moldovan exporters.

During the 2017 year, the EU market attracted a big part of Moldovan products. The Exports of goods to EU countries totaled US \$ 1596.9 million (with 19.9% more than in 2016), accounting for 65.8% of total exports (65.1% in 2016). The main partners still are Romania (24.8%), Italy (9.7%), Germany (6.9%), Great Britain (5.6%), Poland (4.2%) of total exports. Also, in the total volume of Moldovan exports, the CIS countries hold an important share of 19.1% (20.3% in 2016). The value of the exported volume to these countries amounted to US \$ 462.9 million. Exports of goods to these countries increased by 11.8% compared to 2016. The largest share of the Russian Federation was 10.5% from the total export volume, amounting to US \$ 254.5 million, Belarus 4.5 % (US \$ 110.1 million) and Ukraine 2.7% (US \$ 65.5 million). At the same time, deliveries to other countries have the lowest share (15.1%) in total exports, and in 2017 they amounted to US \$ 365.3 million, up 22.4% more than in 2016. The greatest influence on growth exports in 2017 had exports of vegetables and fruits increasing by US \$ 95.1 million, compared to 2016. In 2018 it was the same situation.

It should be mentioned that the value of imported goods in Moldova in 2017 increased by 20.2%, this increasing was due to an increase in domestic demand, fueled by real wage growth, rising remittances from abroad and appreciation of the national currency (see figure 3). The imports of goods from EU states totaled US \$ 4831.4 million, such being increased with US \$ 811 million compared to the same period of the previous year. Imports of goods from EU countries have a share of 49.4% and CIS countries - 25% of total imports, others are imported from other countries, including China - 10.5%, Turkey - 6.3%, USA - 1.5% etc. Imports of goods from EU countries constituted US \$ 2389.1 million, up 21.1% more than in 2016 0.4p. p. (*percentage point*) more than in 2016). Most of the imports came from Romania totaled US \$ 694.5 million, with 25.9% more than in 2016, Germany - US \$ 390.6 million (+ 23.4%), Italy - US \$ 331.2 million (+ 18%), Poland - US \$ 165.7 million (+ 25.4%), France - US \$ 112.7 million (+ 25.3%). The imports of goods from the CIS countries compared to 2016 increased by 17.4% to US \$ 1206.1 million, which is about 25% of total imports (with 0.6 percentage points more than year 2016). Most of goods were imported from the Russian Federation - about US \$ 571.7 million, with 6.8% more than in 2016, from Ukraine - US \$ 511.1 million (+ 33.1%) and Belarus - US \$ 114.6 million (+ 13.1%). Imports from other countries in 2017 year increased by 21.3% compared to 2016. The volume of these imports amounted to US \$ 1236.2 million and accounted for 25.6% of total imports (with 0.2 p.p. more than in 2016). The most significant imports from China amounted to \$ 505.4 million (+ 28.4%), Turkey US \$ 304.3 million (+ 11.9%), US \$ 70.2 million (+31.8%).

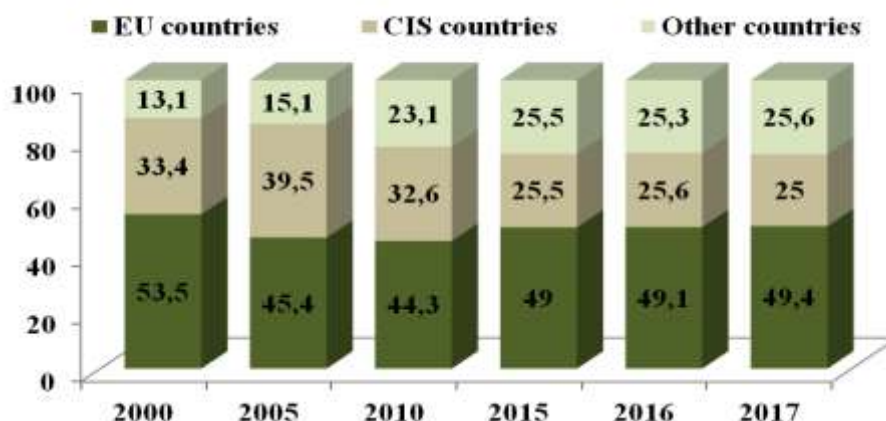


Figure 3. Structure of imports by groups of countries, %

Source: Developed by the authors, according to the National Bureau of Statistics.
<http://www.statistica.md/>

The greatest influence, during the 2017 year, on the imports increasing was the import of petroleum, petroleum products and related products with an increase of 26.9%, electric energy 224.8 times, electrical machinery and apparatus and parts there of 20.4%, 24% road vehicles, and others. At the same time, there were decreases in imports of gas and industrial products obtained from gas by US \$ 27.1 million, processed rubber by US \$ 0.7 million dollars, live animals by US \$ 0.3 million, etc.

3. Exploitation of export tariff quotas in the EU

The signing of the Association Agreement with the EU opened new opportunities for the Moldovan economy. Moldova has certain export limits in the EU for some product categories, these are such products which are exempt from taxes for certain tariff quotas. This category includes tomatoes, garlic, grapes, apples, plums and grape juice. In 2017, both Moldovan table grape and plum producers managed to capitalize 100% of the tariff quotas for the export of table grapes and plums in the EU, the apple export quota was modestly capitalized: 2 191 tons from 40 000 tones (just 5% from total volume). At the same time, no batch of tomatoes, garlic and grape juice was exported (figure 4).

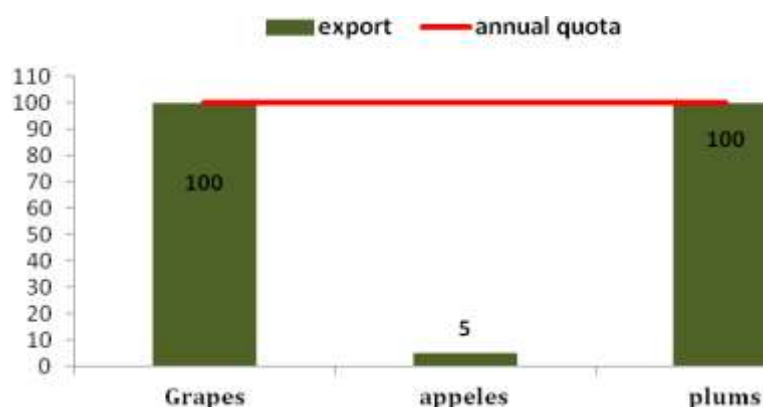


Figure 4. Valorization of tariff quotas of fruit exports to EU, 2017%

Source: Elaborated by the authors, according to data, the Ministry of Economy of the Republic of Moldova,
<http://date.gov.md/ro/system/files/resources/2018-05/valorificare%20cote%20la%20export%202016-2018.xlsx>

The second category of goods where the EU establishes export quotas- the subject to a circumvention mechanism (table 1). Thus, in 2017, the quotas established in the Association Agreement between the Republic of Moldova and European Union, for some product categories were exceeded, namely for wheat quota (75000 tons), and our country exported 348177 tons (464%), barley quota set (70000 tons), were exported 72945 tons or about 104%, processed cereals, where 11021 tons (441%) were exported instead of 2, 500 tons.

Table 1. Valorization of tariff quotas of agri-food products as a subject of the anti-circumvention mechanism, exports to EU, 2017%export to the EU, %

Nr.	Products categories	Volume (tons)	2015, %	2016, %	2017, %
1.	Wheat	75000,00	237,98	746,48	464
2.	Barley	70000,00	111,94	110,79	104
3.	Corn	130000,00	125,19	153,91	72
4.	White sugar	37400,00	21,35	176,83	85
5.	Processed grains	2500,00	220,20	671,88	441
6.	Processed sugar	4200,00	24,07	29,79	24
7.	Sweet corn	1500,00	0,00	62,93	27

Source : <http://dcfta.md/valorificarea-contingentelor-tarifare-pentru-anul-2017>

4. Conclusions

In conclusion, it should be mentioned, that during the analyzed period, are visible many changes as the following: the recovery of exports to the EU market and the acceleration of exports to the CIS market, as well as an insignificant export increasing to other countries. According to our researches of the analyzed period, we have found that the share of Moldova's revenues on the EU market grew from 47.3% in 2010 to 65.8% in 2017, except for 2013, when it decreased compared to the level of 2010 by 1.1%. These changes have taken place due to the Association Agreement with the EU for the Republic of Moldova which opened many new opportunities for our country. In this situation, as an associate member, Moldova has benefited from opportunities, especially for the trade development in relations with the EU. The intensification of bilateral trade relations was possible due to the gradual opening of the EU market for Moldovan exports in 2006 under the Generalized System of Preferences (GSP and GSP plus). By amending Regulation Nr. 980/2005 and Commission Decision Nr. 2005/924 / EC, the Council of the European Union adopted the Regulation Nr. 55/2008 of 21 January 2008 on the introduction of the Autonomous Trade Preferences (PCA) for the Republic of Moldova, this regulation granted the PCA by deleting tariffs for industrial products and improving access to agricultural products on the EU market.

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