



Developments and Trends in the International Trade in Goods in the Republic of Moldova

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ABSTRACT

International trade between various countries is a significant factor in raising the standard of living, providing jobs and allowing consumers to enjoy a larger variety of goods. Over the last years, international trade has become more and more important, having a growing weight in the Gross Domestic Product (GDP) of all countries in the world. International trade was and is still being an important factor in promoting economic growth. This increase has led to a lowering of the absolute poverty level. Along with acquiring the independence of the Republic of Moldova, it has also gained the freedom to choose business partners, as well as those of foreign trade. Although it has been 30 years since independence in the country, the mentality persists that the country depends on the Russian Federation and the exports made in this country. The author intends to present the situation of exports of Moldovan goods in comparative analysis between the member countries of the Commonwealth of Independent States (CIS) and those of the European Union (EU) in order to be able to deduce which will be the weight of each in total exports of goods, thus concluding which are still the main export partners of the republic. Therefore, the purpose of the paper is the submission of the main partners of the Republic of Moldova in international trade in goods, their structure and the main categories of exported goods. Presentation of the statistics for foreign trade of the Republic of Moldova from January-August 2019-2021, and what is the trade balance of 2021 to August.

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1. Introduction

Exports are extremely important for the economy of a country. Exports provide the companies and businesses more markets for their goods than are available in their home countries. In addition, economic trade is a major component of diplomacy and foreign policy among governments.

Governments encourage exports and generally wish to increase exports over imports. Exports create jobs, bring higher wages, raise the standard of living for the residents of a country, and increase foreign exchange reserves and liquidity. Governments will usually use tariff protections that consist of tariffs to raise the price of imports in order to offer their industries an advantage on the market. Moreover, countries also negotiate trade agreements with other countries, diminishing trade protection and creating mutually convenient trade relations with other countries.

The importance of foreign trade relations for the state economy is hard to overestimate. As a supplier of goods and services on the international market, the country is proving its capabilities to the entire world, it is shown to be a reliable partner with whom there can be built long-term trusting relationships. In other words, exports:

- fuels the production of goods, works and services;
- pushes forward the pace of economic development and GDP growth;
- ensures the inflow of foreign capital in the country;
- is a source of funds for the budget;
- strengthens the position of the national currency.

Under modern conditions, foreign trade is a weighty component of the performance and development of each country and the world as a whole, as no state is able to blossom without building an efficient system of economic connections with the economies of other countries in the light of globalization. In the context of international economic relations, national economies are considered not as separate economic systems, but as a complex system of interconnections between business entities on the world market, consequently, the role of foreign trade in the development of the country's national economy is significant.

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2. Export of goods of the Republic of Moldova to the countries of the Commonwealth of Independent States

Before discussing about exports to CIS countries, we need to put across what these countries are. Accordingly, the Commonwealth of Independent States (CIS) is the free association of sovereign states, which was set up in 1991 by Russia and 11 other former republics which previously were part of the Soviet Union. The Commonwealth of Independent States (CIS) had its origins on December 8, 1991, when the elected leaders of Russia, Ukraine, and Belarus signed an agreement to form a new association to replace the collapsed Union of Soviet Socialist Republics (USSR). The three Slavic republics were later joined by the Central Asian republics, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, the Transcaucasian republics represented by Armenia, Azerbaijan and Georgia, and by the Republic of Moldova. The remaining Soviet republics — Lithuania, Latvia, and Estonia — refused to join the new organization. The CIS was officially established on 21 December 1991 and began operations the following month, the city of Minsk in Belarus being designated as the administrative center. The CIS functions are to coordinate the policies of its members as concerns their economies, external relations, defense, immigration policies, environmental protection and law enforcement. Its top governmental body is a council made up of the heads of state of the member republics (namely, the presidents) and the government (prime ministers), who are assisted by committees of cabinet ministers in key areas such as economics and defense. The CIS members gave their commitment to keep both the armed forces and the former Soviet nuclear weapons stationed in their territories under a single unified command. Notwithstanding, in practical terms, this proved to be difficult, like the efforts of members to coordinate the entry of market-based mechanisms and private property into their respective economies. [2]

Next, the author proposes for analysis the dynamics of exports of goods of the Republic of Moldova within the CIS countries during January-August of the years 2019-2021.

Thousands US dollars

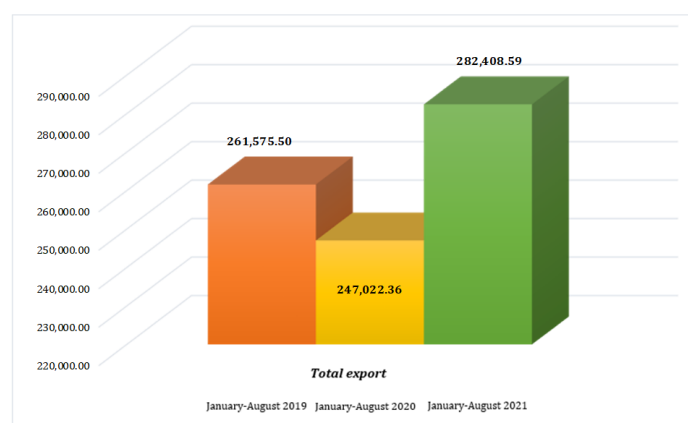


Figure 1. Exports of the Republic of Moldova to the CIS countries during January-August 2019-2021

Source: Drafted by the author based on statistical data.md

On the basis of Figure 1, we can notice how the export of goods of the Republic of Moldova to the CIS countries evolved, in particular, in January-August 2019 Moldova exported goods worth 261,575.50 thousand US dollars, and in the following period we can note a decrease in exports to these countries to the amount of 247,022.36 thousand US dollars, which occurred in the context of the restrictions imposed by the COVID-19 pandemic in 2020. We can still find a positive dynamic of exports during the period January-August 2021, when the value of exports reaches the amount of 282,408.59 thousand US dollars, which is higher than the exports of previous years and is rated positively.

In August 2008, following an escalating of the hostilities between Russia and Georgia over the separatist region of South Ossetia, Georgia announced its intention to withdraw from the CIS. The withdrawal was completed in August 2009. A similar war erupted in the eastern Ukraine in 2014, following the illegal annexation by Russia of the Ukrainian autonomous republic of Crimea. By 2018, at least 10,000 people had been killed in clashes between the Ukrainian armed forces and the paramilitary units backed by Russia in the Donets Basin. In May of that year, the Ukrainian President Petro Poroshenko officially withdrew from the CIS. [2] Georgia, Ukraine, Azerbaijan and the Republic of Moldova formed GUAM in 1997, as an organization trying to prevent Russian influence in the former Soviet republics.

The diagram below shows the main partner countries of the Republic of Moldova within the CIS countries in international trade in goods during 2021.

According to Figure 2, we conclude that the main partner country of the Republic of Moldova within the CIS countries is the Russian Federation, correspondingly in 2021 Moldova exported goods to Russia amounting to 168,922.79 thousand US dollars.

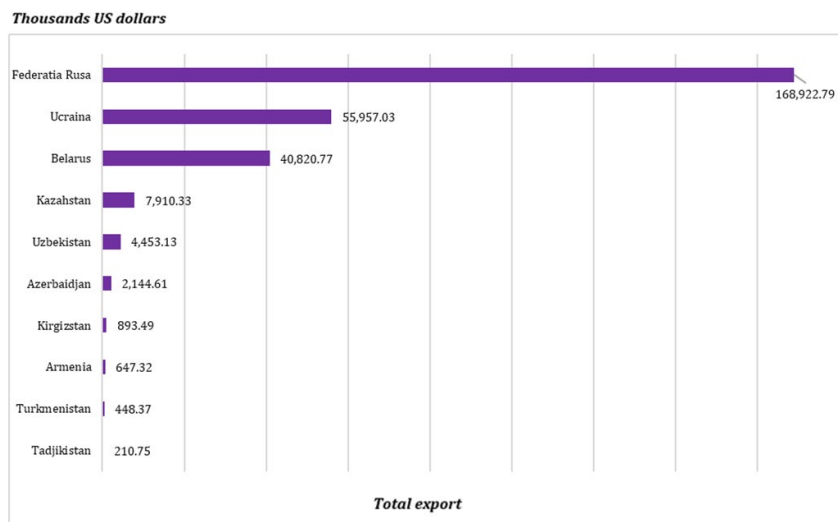


Figure 2. The main partner countries of the Republic of Moldova within the CIS countries during 2021

Source: Drafted by the author based on statistical data.md

The next country in the ranking of exports of the Republic of Moldova belongs to the neighboring country Ukraine, in which Moldova exported goods in the amount of 55 957.03 thousand US dollars, followed by Belarus with 40 820.77 thousand US dollars exports. With a position below we notice that Kazakhstan is placed with 7,910.33 thousand US dollars exports, then Uzbekistan with 4 453.13 thousand dollars exports and Azerbaijan with 2,144.61 thousand US dollars exports. And the following positions belong to the countries of Kyrgyzstan, Armenia, Turkmenistan and Tajikistan, where the Republic of Moldova exported in 2021 goods worth less than 1 thousand US dollars.

3. Export of goods of the Republic of Moldova to the countries of the European Union

The European Union (EU) is one of the largest and most competitive economic areas in the world. This means high demand from enterprises, the public sector and consumers in this economic space. Also for this reason, the European Union countries are attractive markets for goods and services from abroad. Along with the signing of the Association Agreement between the Republic of Moldova and the European Union, on June 27, 2014, the relations between the two partners were brought to another level. On 1 September 2014, the Agreement entered into force, but provisionally. Following the completion of the ratification process of the Agreement by all Member States of the European Union, it came into force definitively in July 2016. An important component of this Association Agreement is the creation of a Deep and Comprehensive Free Trade Area. The main goal of this Free Trade Area between the Republic of Moldova and the European Union is to facilitate the market access of each partner and to remove tariff and non-tariff barriers. Based on the Agreement, the Moldovan entrepreneurs have the opportunity to export their products and services, largely avoiding customs duties and tariff quotas. With the signing of the Free Trade Agreement, the door to the European market was opened for Moldovan producers. Thus, one of the major priorities of the Republic of Moldova, in the process of European integration, is to increase the possibilities to increase the export volumes especially on the European Union market. [6, pp. 6-9]

In the following, the author will analyze the actual dynamics of Moldovan exports to European Union countries during January-August 2019-2021.

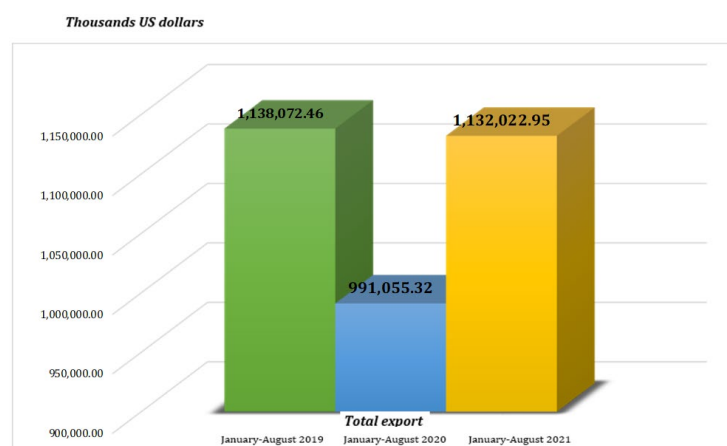


Figure 3. Exports of the Republic of Moldova to the EU countries during January-August 2019-2021

Source: Drafted by the author based on statistical data.md

Based on Figure 3, we can distinguish how the export of goods of the Republic of Moldova to the EU countries progressed, accordingly, in January-August 2019 Moldova exported goods amounting to 1,138,072.46 thousand US dollars, which is a considerably higher than what we analyzed in Figure 1. During 2020, we also notice a diminution in exports to EU countries to the value of 991,055.32 thousand US dollars, which was similar in the context of the restrictions imposed by the pandemic COVID-19. In the following we find a positive dynamic of exports in the period January-August 2021, when the value of exports reaches the amount of 1,132,022.95 thousand US dollars, although this value is lower compared to 2019, this increase anyway it is positively estimated and, in the future, it is expected that the Republic of Moldova will rise its exports, reaching the ceiling of previous years. [8]

It is an explicit purpose of the European Union to promote cross-border trade. This includes - even though it seems strange, curious at first glance - promoting imports into the European Union. The motivation for these efforts is to recognize that trade leads to eliminating economic imbalance and increased prosperity. Following the signing of the Association Agreement with the EU, a favorable environment has been created for more intensive exports to Western countries. The purpose of the Free Trade Area (CEFTA) is to promote economic cooperation between Member States and to prepare them for stronger/closer cooperation with the European Union. [6, p. 10-14]

And next it is proposed to visualize which are the EU countries with which the Republic of Moldova has the closest collaboration as concerns the export of goods in 2021.

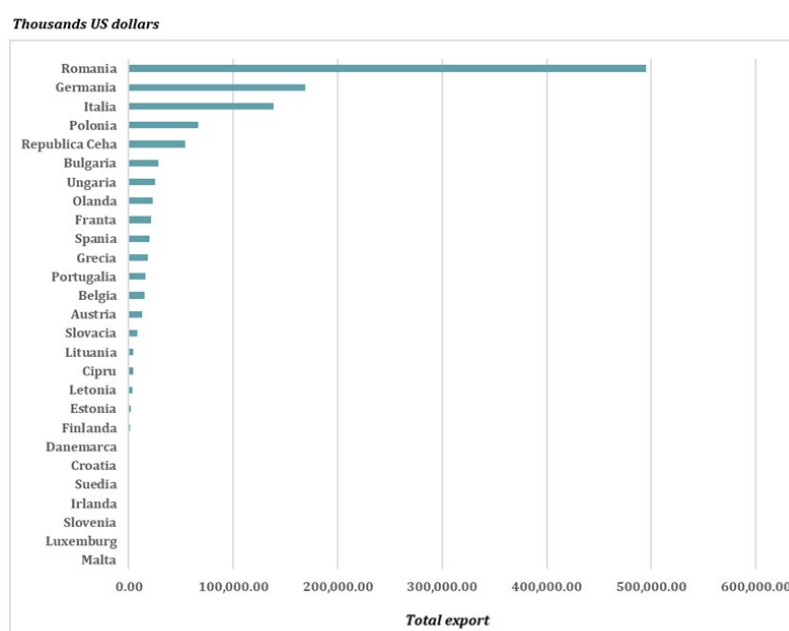


Figure 4. Moldova exports to the EU countries in 2021

Source: Drafted by the author based on statistical data.md

Further according to Figure 4, we note very clearly that the main partner country of the Republic of Moldova within the EU countries is Romania, respectively in 2021 Moldova exported goods to Romania in the amount of 495,385.98 thousand US dollars, a little more and it could be said that about half of the exports of Moldova to the EU countries belong to Romania. The following country in the ranking of Moldovan exports belongs to Germany, in which Moldova exported goods in the amount of 169,043.55 thousand US dollars, followed by Italy with exports of 138,661.18 thousand US dollars. With one position below we notice that it follows Poland with 66,305.69 thousand US dollars exports, then the Czech Republic with 54,329.48 thousand US dollars exports and Bulgaria with exports of 28,158.42 thousand US dollars. Among the countries in which Moldova exported goods in the amount of more than USD 20 million in 2021 are ranked Hungary, the Netherlands, France and Spain. Greece, Portugal, Belgium and Austria are one position below the export value of more than USD 10 million. More than USD 1 million worth of goods were exported from the Republic of Moldova to Slovakia, Lithuania, Cyprus, Latvia, Estonia and Finland. And the following positions fall on Denmark, Croatia, Sweden, Ireland, Slovenia, Luxembourg and Malta, where the Republic of Moldova exported in 2021 goods amounting to less than 1 million US dollars.

4. Evolution of goods exports of the Republic of Moldova in dynamics and comparative analysis

Most countries wish to enhance their exports. Their companies intend to sell more and they want to sell abroad when they have sold everything they could to the people of their country. They acquire experience in producing goods and services and gain knowledge on how to sell in foreign markets. The more a country

exports, the larger its competitive advantage. Governments encourage exports as they bring up jobs, bring higher salaries and raise the living standards of residents. People are becoming happier and more likely to support their national leaders as a result. In addition, exports also bring up foreign exchange reserves held in the central bank of a country. Foreigners pay for exports in either their own currency or the US dollar. A country with large reserves can use them to manage the value of its own currency. It has enough foreign currency to flood the market with its own currency. This decreases the cost of their exports to other countries. Moreover, countries also use foreign exchange reserves to manage liquidity. This means that they can better control inflation, which is the result of too much money following too few goods. They use foreign currency to buy their own currency in an effort to control inflation. This reduces the money supply, making the local currency more valuable. [3]

In a successive idea, the author will analyze which was the dynamics of Moldovan exports in 2019, how much foreign currency could have earned through them and making the comparison among partner countries we will deduce who will have the main weights in the ranking of exports of goods of the republic.

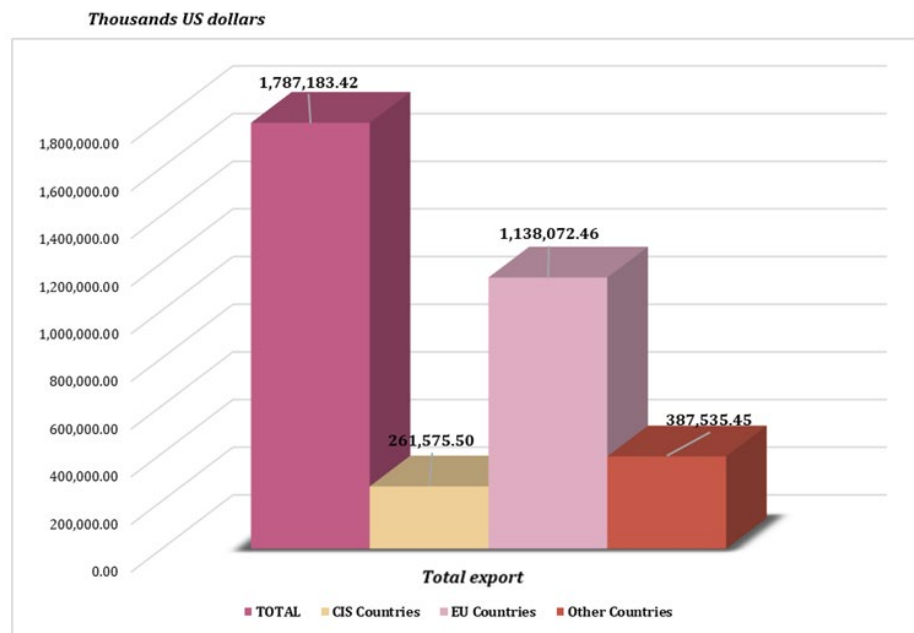


Figure 5. Exports of the Republic of Moldova in January-August 2019

Source: Drafted by the author based on statistical data.md

On the basis of Figure 5, we can notice the dynamic evolution of Moldovan exports between January and August 2019. Thus, out of the total of 1,787,183.42 thousand US dollars of Moldovan exports, 1,138,072.46 thousand US dollars belong to exports in the European Union countries, with a considerable weight of total exports. In the next position are the exports to the other countries of the world in the amount of 387,535.45 thousand US dollars, and in the last position are the exports in the CIS countries in the amount of 261,575.50 thousand US dollars.

Countries can attempt to increase their exports in three manners. First of all, they use trade protectionism in order to offer their industries an advantage. This usually consists in tariffs that raise import prices. It also provides subsidies for its own industries to lower prices. But other countries can respond with the same measures, reducing international trade for everyone. Second, countries also go up exports by negotiating trade agreements. They foster exports by curtailing trade protectionism. The third way in which countries stimulate exports is to lower the value of their currencies. This makes their export prices comparatively lower in the host country. [3]

In the same train of thoughts, it is proposed to analyze the evolution of Moldovan exports in the demanding period of 2020, taking also into account the Association Agreement with the EU which was signed and the restrictions imposed by the COVID-19 pandemic.

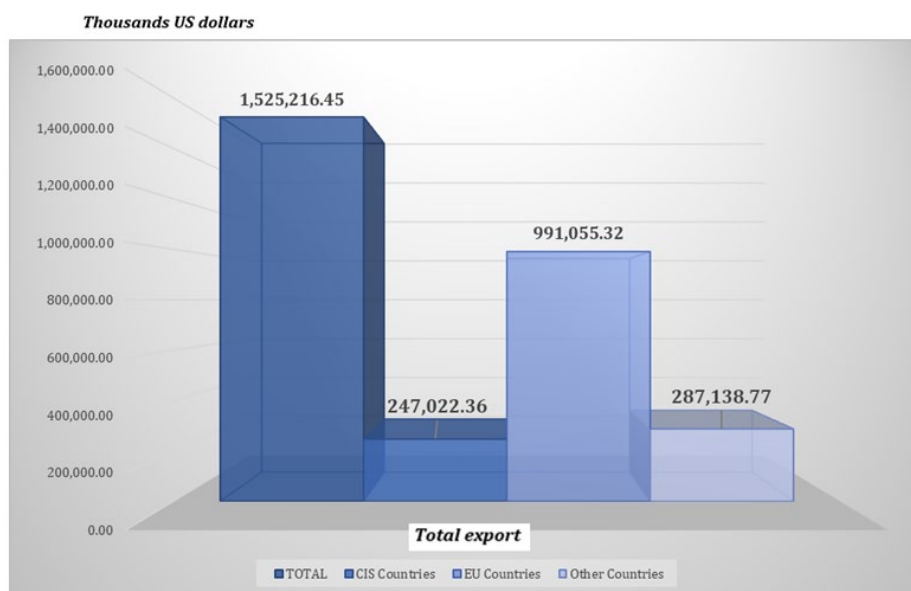


Figure 6. Exports of the Republic of Moldova in January-August 2020

Source: Drafted by the author based on statistical data.md

Corresponding to Figure 6, we see similarly the dynamic evolution of the exports of the Republic of Moldova during January-August 2020. Respectively, out of the total of 1,525,216.45 thousand US dollars of the Moldovan exports, 991,055.32 thousand US dollars European Union countries, with a weight as evident as the previous year of total exports. In the next position are similarly the exports to the other countries of the world in the amount of 287,138.77 thousand US dollars, and exports to the CIS countries in the amount of 247,022.36 thousand US dollars are again placed in the last position. At the same time, based on Figure 6, we remark how there have occurred diminishes of the exports in all positions, as a consequence of the restrictions imposed in 2020 in relation to the COVID-19 pandemic. [8]

Most economists tend to agree that "open" economies are growing faster than "closed" economies, as international trade has the potential to promote economic growth by increasing external demand for goods and services providing, at the same time, consumers a larger choice, and often lower prices, promoting efficiency and productivity gains and supporting innovation. Businesses and households are more motivated to consume goods and services from an international partner if such transactions are free of tariffs and other trade barriers, thus enabling goods and services to cross borders efficiently and without friction. [7]

Correspondingly, below we find the dynamics of the Moldovan exports for 2021 and what were the changes that occurred in that year.

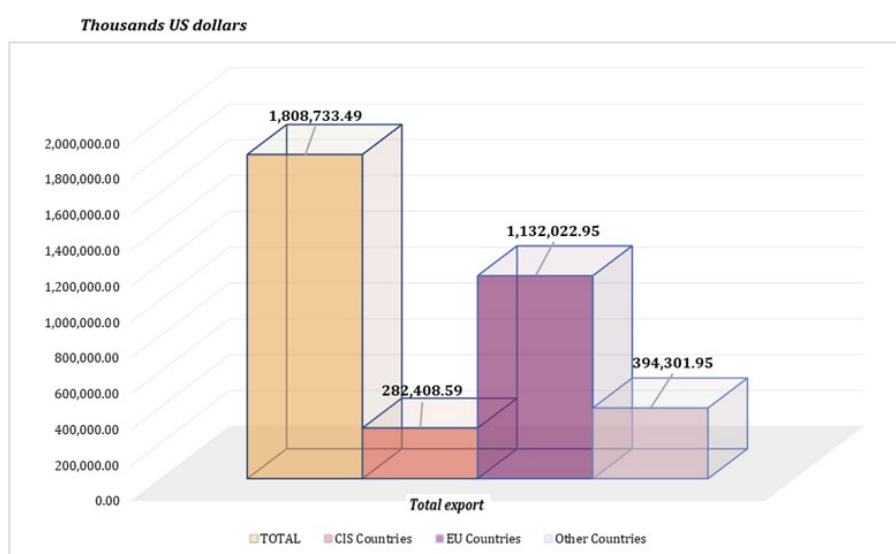


Figure 7. Exports of the Republic of Moldova in January-August 2021

Source: Drafted by the author based on statistical data.md

In the next place, based on Figure 7, similar to previous years, we view the evolution of the dynamics of Moldovan exports between January and August 2021. In particular, out of a total of 1,808,733.49 thousand

US dollars of Moldovan exports, 1,132,022.95 thousand of US dollars go again to exports to the European Union countries, with a weight as obvious as in the exports related to previous years Exports to the other countries of the world amount to 394,301.95 thousand US dollars, similar to previous years, and exports to the CIS countries amount to 282,408.59 thousand US dollars, again on the last position. At the same time, based on figure 7, we highlight the positive trends of increasing exports in 2021, which is judged positively.

Before now, the exports of goods of the Republic of Moldova to the CIS and EU countries have been analyzed in detail, but also in dynamics for the period 2019-2021, in which we noticed that the second largest weight in international trade belongs to other countries, but what are these countries? Next, the author further proposes their analysis and which are the main export partners in these countries in 2021.

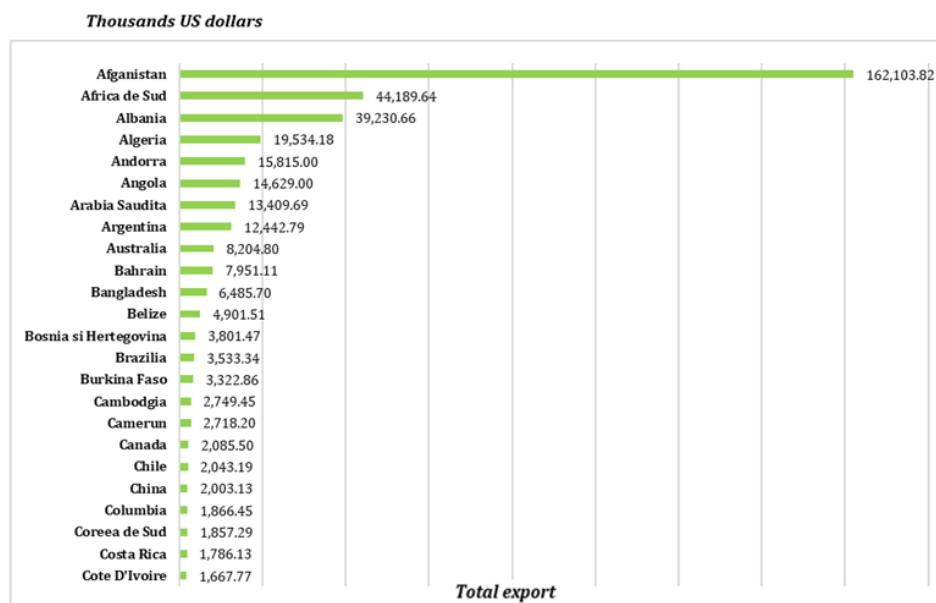


Figure 8. Export of the Republic of Moldova to other countries of the world for 2021

Source: Drafted by the author based on statistical data.md

In a continuous idea, Figure 8 shows the partner countries of the Republic of Moldova in the other countries of the world, respectively we see that the main partner country of the Republic of Moldova in the other countries of the world is Afghanistan, respectively in 2021 Moldova exported goods to Afghanistan amounting to 162,103.82 thousand US dollars. The next country in the ranking of exports of the Republic of Moldova belongs to South Africa, within which Moldova exported goods in the amount of 44,189.64 thousand US dollars, followed by Albania with exports of 39,230.66 thousand US dollars. With a position below we notice that Algeria is placed with 19,534.18 thousand US dollars exports, then Andorra with 15,815.00 thousand US dollars exports and Angola with 14,629.00 thousand US dollars exports. Saudi Arabia, Argentina, Australia, Bahrain and Bangladesh are among the countries where Moldova exported goods worth more than 5 million US dollars in 2021. Belize, Bosnia and Herzegovina, Brazil, Burkina Faso, Cambodia, Cameroon, Canada, Chile and China are one position below the export value of more than 2 million US dollars. And goods worth of more than 1 million US dollars were exported from the Republic of Moldova to Colombia, South Korea, Costa Rica and Cote D'Ivoire.

5. The most representative exported goods and the trade balance of the Republic of Moldova

A product that is sold on the global market is called export, and a product that is bought on the global market is called import. Imports and exports are accounted for in the current account section of a country balance of payments. Global trade allows rich countries to use their resources - for example, labor, technology or capital - more efficiently. Different countries are endowed with various assets and natural resources: land, labor, capital and technology, etc. This allows some countries to produce more efficiently the same good - in other words, faster and at a lower cost. Therefore, they may sell it cheaper than in other countries. If a country cannot produce an item efficiently, it can get it by trading with another country that can. It is known as a specialization in international trade. [4]

In the following, the author proposes for examination which were the most representative goods exported from the Republic of Moldova in 2021, and therefore what the country specializes in international trade of goods.

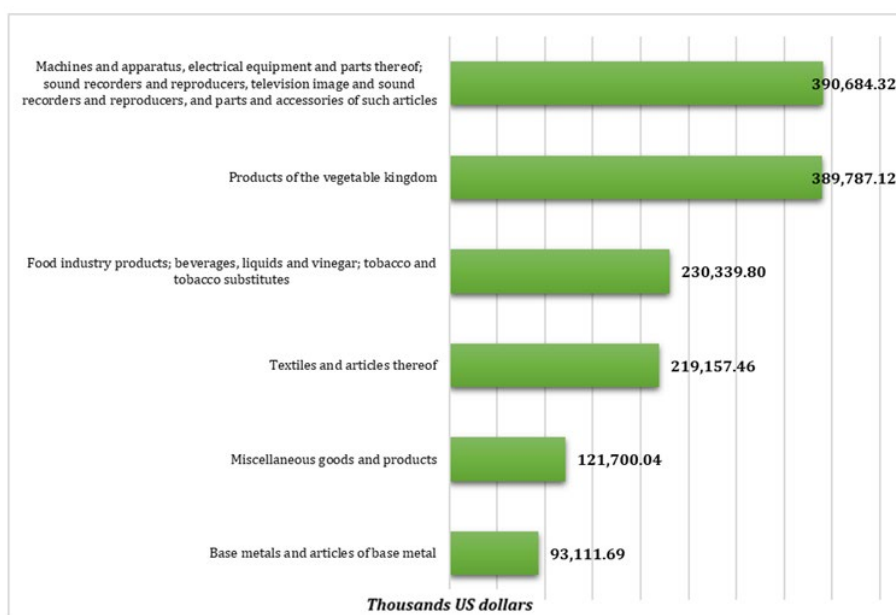


Figure 9. Export of the most representative goods from the Republic of Moldova in 2021

Source: Drafted by the author based on statistical data.md

Within the exports of the Republic of Moldova, as we can see based on Figure 9, the largest weight is held by machines and appliances, electrical equipment and parts thereof, sound and image recorders and parts thereof, with an export volume of 390,684.32 thousand US dollars in 2021, the second position, with a small difference, is held by products of the vegetable kingdom in the volume of 389,787.12 thousand US dollars, and the third position belongs to the products of the food industry, beverages, alcoholic liquids and vinegar, as well as tobacco and tobacco substitutes, with an export volume of 230,339.80 thousand US dollars. Also among the most representative goods exported from the Republic of Moldova are textiles and articles of these materials in the volume of 219,157.46 thousand US dollars, goods and miscellaneous products in the volume of 121,700.04 thousand US dollars, and base metals and articles of base metal in the amount of 93,111.69 thousand US dollars.

The trade balance is the difference between the value of the goods that a country exports and the value of the goods imported. If exports exceed imports, then the country has a trade surplus and the trade balance is said to be positive. If imports exceed exports, the country has a trade deficit and is said to have a negative trade balance. Nevertheless, the words "positive" and "negative" have only a numerical meaning and do not necessarily reflect whether the economy of a country is working well or not. A trade deficit may reflect, for example, an increase in domestic demand for consumer goods and/or production. The total trade balance, including all goods exported and imported, is one of the major components of the balance of payments. A large surplus or deficit for a single product or product category may show a certain national competitive advantage or disadvantage in the global commodity market. [5]

The author further proposes for analysis the trade balance of the Republic of Moldova for the year 2021.

Table 1. Trade balance of the Republic of Moldova in 2021

	EXPORT		IMPORT		TRADE BALANCE (export - import)
	total	weight, %	total	weight, %	
T O T A L	1.808.733,49	100,00	4.403.469,79	100,00	-2.594.736,30
CIS countries - total	282.408,59	15,61	1.051.072,71	23,87	-768.664,12
European Union countries - total	1.132.022,95	62,59	2.050.096,44	46,56	-918.073,49
The other countries of the world - total	394.301,95	21,80	1.302.300,64	29,57	-907.998,69

Source: Drafted by the author based on statistical data.md

Based on table 1 we have the possibility to analyze the share of exports and imports that were made in the Republic of Moldova in 2021. Correspondingly, out of the total exports of 1,808,733.49 thousand US dollars, the main weight of 62.59% is held by exports made in the countries of the European Union, the next

position is held by exports to other countries of the world, which accounted for 21.80% of total exports. And on the last position are the exports made in the CIS countries, with a weight of 15.61% of total exports.

In like manner, in the case of imports of goods, we can deduce that the main partner in imports to the Republic of Moldova are also the countries of the European Union, with a weight of 46.56% of the total of 4,403,469.79 thousand US dollars imports carried out in 2021. The second position, similar to exports, is held by the other countries of the world, from which Moldova imported goods amounting to 1,302,300.64 thousand US dollars, which accounted for 29.57% of total imports. Respectively, on the last position are the imports from the CIS countries, which have a weight of 23.87% of the total imports of the Republic of Moldova.

Furthermore, we can notice that the Republic of Moldova has a negative trade balance, both in total and in each category separately, and given that Moldova has a negative trade balance of 2,594,736.30 thousand US dollars in 2021, we can deduce that the Republic of Moldova is a predominantly consumer country, but not a producer, which is negatively valued.

6. Conclusions

Based on the research carried out, the author presented the situation of the exports of goods from the Republic of Moldova in a comparative analysis among the member countries of the Commonwealth of Independent States and the European Union, based on this analysis the author deduced which was the weight of each export of the total exports of goods, thus concluding that the main export partners of the Republic of Moldova are the countries of the European Union, in particular represented by Romania with the largest share in the total exports of the republic.

Thus, the purpose of the paper was to present the main partners of the Republic of Moldova in international trade in goods, namely the European Union countries which in the structure of exports held the main weight of 62.59% in 2021. In addition, there have been presented the main categories of exported goods, namely machinery and apparatus, electrical equipment and parts thereof, sound and picture recorders and parts thereof, vegetable products and products of the food industry, beverages, alcoholic liquids and vinegar, as well as tobacco and substitutes of tobacco. And we noticed that the trade balance of 2021 until August, was a negative one, which indicates that the Republic of Moldova is one of the countries that mainly consume goods.

According to the given research, the author was able to prove that despite the mentality that still dominates the society of the Republic of Moldova after 30 years of independence, the Russian Federation is no longer the main partner of the exports of the republic and no longer depends economically on exports carried out in this country and in the CIS member countries, beyond, the exports of the republic are oriented in the other direction, that of the European Union and especially towards Romania, which is the main export partner of the Republic of Moldova.

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