



Export and Import in the Republic of Moldova Ensured by the Negotiations of International Agreements in the Last 10 Years

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Abstract: Correlation between import and export is essential for a country's economic development and stability. Adequate management of these processes can contribute to economic growth, resource diversification, strengthening international relations and improving the quality of life for citizens. The author intends to present in this article the evolution and particularities of import and export in the Republic of Moldova in the last 10 years. During this period our country faced several events, difficult economic periods, crises, situations of force majeure, etc. But by negotiating international agreements with the European Union, international organizations, other independent states, it was possible to register a positive evolution of exports and imports. As a result, the author proposes the correlation between import and export as an essential part for economic development and stability of the Republic of Moldova.

Keywords: export; import; international agreements; negotiations; business activity; goods

JEL Classification: F18; F60; F50

1. Introduction

The emergence of business, or business activity, is related to the development of human societies and has a long history. The exchange of goods has been practiced since the dawn of human civilizations. In Mesopotamia, Ancient Egypt, and other regions of the ancient world, people engaged in trading activities and created markets to exchange goods, including food, textiles, metals, and precious objects. At different periods of history, important trade routes and sea routes emerged and developed, such as the Silk Road, which connected Asia with Europe, and the Sea Route, which facilitated the exchange of goods between Asia, Africa, and Europe. Today, business

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is a complex and varied activity involving a wide range of industries and sectors, from retail and industrial manufacturing to financial and technology services.

Mass production has led to increased availability of products, and trade can involve the sale and purchase of products or services in exchange for money. Trade can take place at the local, national or international level and can be between individuals, companies or governments in order to obtain benefits. As a trade result summarizes the import and export for a country.

Foreign trade is influenced by a variety of factors, both domestic and international. These factors may vary by country, region or global context, but there are a few main factors that commonly affect foreign trade: government policy, negotiation of trade agreements, the state of the global economy, currency and exchange rates, consumer demand and preferences, regulations and international standards, geopolitical conflicts and tensions, innovation and technology, geographical and geo-economic factors. Analyzing the studies carried out by researchers regarding the factors influencing exports, we found that each author identifies, from the identified factors, those particular to the author's country of origin. Thus, the factors that influence foreign trade identified by Anis, Tri, Wulandari. are production, the diversity of conditions, and the quantity of goods a country can produce (Wulandari, Soleha & Wulandari, 2023).

Alam, Md, Zahangir believes that the factors that influence foreign trade are factor endowments, trade policies, exchange rate, foreign exchange reserve, inflation and economic development (Zahangir, 2022). The authors M., Ayisha, Millath., S., Thowseaf consider that the factors that influence foreign trade are social, technological, economic, political, international, natural, transport and organizational factors (Millath & Thowseaf, 2016, pp. 150-158).

Anders, Riel, Muller in the paper Analysis of Influencing Factors of China's International Trade Based on the Gray Model, believe that the factors influencing China's international trade, as stated in the paper, are GDP, net foreign direct investment, stock at social finance scale, net foreign direct investment and total online sales (Muller, 2023).

However, S Magaji mentions the concept of trade balance, which reflects the relative strength of an economy in terms of international trade position. This concept is important in measuring the net effects of a country's foreign trade on an economy's aggregate productivity (Magaji, 2023).

Andrea, Sujová., Lubica, Simanová., Václav, Kupčák., Jarmila, Schmidtová., Adriana, Lukáčiková in a study finds that net export growth has a positive effect on industry performance, but only if import growth is less than of the exports (Sujová, Simanová, Kupčák, Schmidtová & Lukáčiková, 2021).

Alexandru, Stratan., Tatiana, Gutium, studying the growth of turnover from foreign trade, especially imports, established that foreign trade has a negative impact on the unnoticed economy of the Republic of Moldova (Stratan & Gutium, 2022). Mircea Diavor analyzes the vulnerability of the foreign trade of the Republic of Moldova in the current period (Diavor, 2022). The author, N. Lobanov, presents the impact of free trade agreements on the foreign trade of the Republic of Moldova and the development of economic and commercial relations with new partners (Lobanov, 2020).

Importing is essential to modern economies, bringing significant benefits such as access to resources, economic diversification and increased competitiveness. However, it is important to manage importation responsibly and to consider the impact on local industry and the economy as a whole. Imports can help diversify a country's economy by bringing in new industries and sectors. This can reduce reliance on certain sectors and make the economy more resilient to economic shocks. In normal effect the import should bring technology and innovation to an economy, which can support economic growth and development of local industry.

At the same time, importation brings competition to the domestic market, because foreign products compete with local ones. For consumers it can cater to their requirements and preferences, allowing them to choose from a wider variety of options. This competition can encourage companies to improve product quality and reduce prices to remain competitive. Thus B.Corețchi O., Sârbu., E., Moroi, analyzing the competitiveness of the Republic of Moldova, has a separate position regarding the impact of foreign trade on the Moldovan economy in terms of agricultural products (Corețchi, Sârbu & Moroi, 2014). Jouko, Kinnunen., Hans, Lofgren., Victor, Sulla., Dino, Merotto (Kinnunen, Lofgren., Sulla & Merotto, 2013) in their study state that increased export demand and increased productivity have a more positive impact on the Moldovan economy when they are directed to manufacturing, a stronger sector linked to international trade compared to agriculture.

Under these conditions, we consider it opportune to analyze the evolution of exports and imports in the Republic of Moldova in order to generate clearer circumstances regarding the trade balance.

2. Results and Discussions

Imports play an essential role in securing resources for a country, allowing it to obtain resources it cannot produce or produce in sufficient quantities. Sometimes a country may be in short supply in the production of certain resources or goods, such as oil, natural gas or food. Imports can cover these shortfalls, thereby ensuring a steady supply of essential resources for citizens and industry. The entry of advanced

technologies and capital goods can play a significant role in a country's economic development by contributing to the diversification of supply, covering deficits, bringing technology and knowledge, stimulating competitiveness and stabilizing prices. However, it is important for a country to manage its imports wisely in order to avoid trade imbalances and over-dependence on foreign resources.

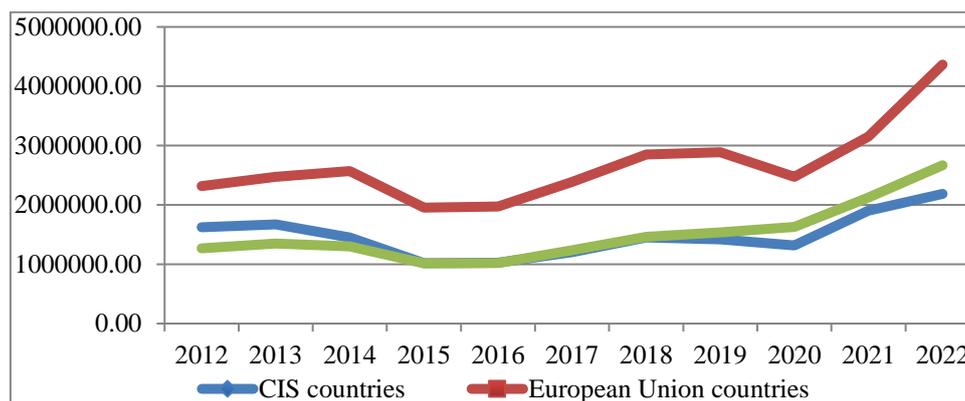


Figure 1. Evolution of Imports in the Republic of Moldova in the Period 2012-2022 (US Dollars)

Figure 1 shows the evolution of imports from the CIS countries, the EU and other states with which trade agreements are being negotiated. From the result of figure 1, we notice that the graphs of the three groups of states with which trade relations are maintained, especially imports, evolved differently during the analyzed period. Imports into the Republic of Moldova from the European Union had growth periods from 2012 to 2014, then from 2016 to 2019 and from 2020 to the present. The decrease of imports from the European Union was registered from 2014 to 2016 and from 2019 to 2020.

Exporting in the Republic of Moldova has an important particularity, which can influence the way a business environment operates. The Republic of Moldova has a significant dependence on Russia and the European Union regarding its exports. Changes in commercial relations with these countries may affect Moldovan exports. Thus, in Figure 2, three graphs of the evolution of the Republic of Moldova's exports to the EU, the CIS countries and other states are presented.

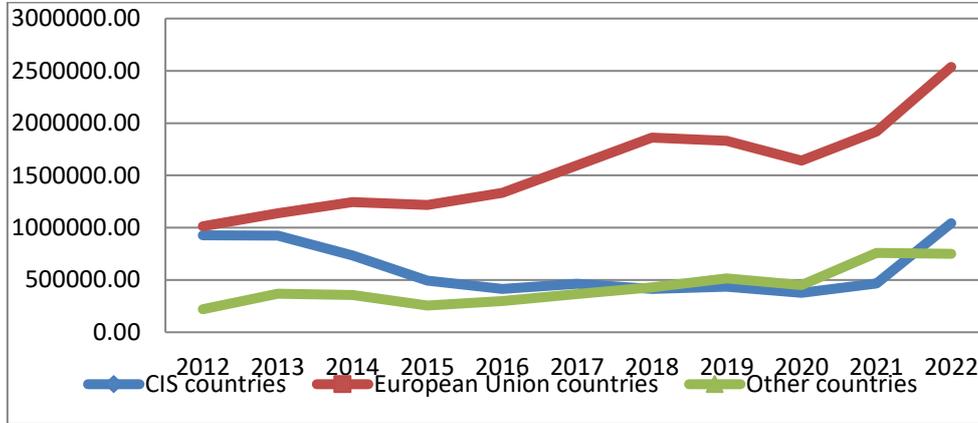


Figure 2. Evolution of Exports to the Republic of Moldova in the Period 2012-1022 (US Dollars)

Analyzing these three graphs, we notice that the largest share of exports is to the EU, and to the CIS countries and other states it is approximately equal. Thus, exports to the EU had an upward trend from 2012 to 2019 and from 2021 to the present. The decrease in exports to the EU in the period from 2019 to 2020 was caused by the COVID-19 pandemic. The evolution of exports to the CIS countries registered a decrease from 2013 to 2020. An increase is observed in the period 2021-2022. Exports to other countries had a constant evolution, only a small decrease can be observed in 2015. The fact that the graphic representation shows us that exports to other countries is constantly increasing. It provides us with an advantage in the negotiation of several trade agreements.

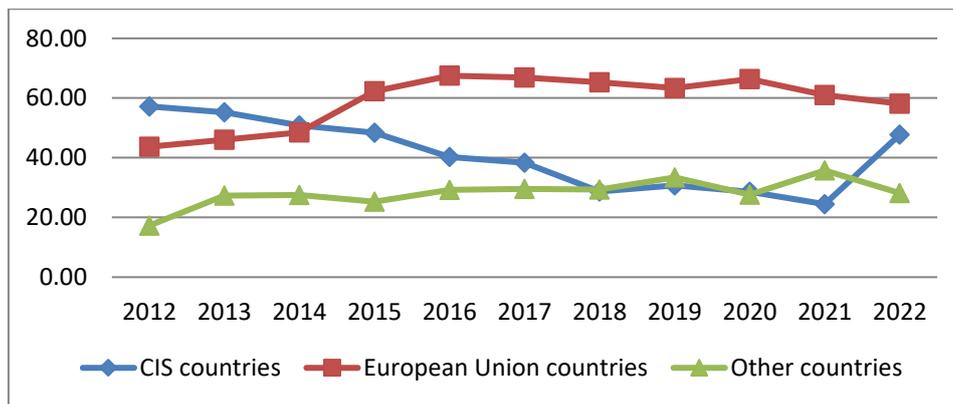


Figure 3. Degree of Coverage of Imports with Exports, in %

Figure 3 does not express advantages for the Republic of Moldova, because the degree of coverage of imports with exports to the 2 strategic directions recorded

values higher than 50%, which is a negative factor. In our opinion, the orientation of foreign trade would be much more advantageous, if it will be oriented towards other states, including and by the graph in figure 3 it constitutes an advantage of 25 percent.

An important role is played by the negotiation of the trade agreements that a country has and through which it can develop its exports. The Republic of Moldova is part of the Association Agreement with the European Union, which offers significant trade advantages. Thus R. Shevchenko mentions that the Association Agreement between the Republic of Moldova and the EU contributed to the reorientation of the foreign trade and economy of the Republic of Moldova towards the European Union (Shevchenko, 2022). Companies that want to export to the EU can benefit from reduced or zero tariffs on many products. However, it is important to comply with European standards and regulations in order to access these benefits. Outcomes of international negotiations contribute to market diversification Table 1. While Russia and the EU are important trading partners, diversifying export markets can be beneficial to reduce the risks associated with dependence on a single trading partner. Exploring other markets such as Asia or North America may be a smart strategy for the Republic of Moldova.

Table 1. Priority for the Negotiation of International Agreements

Results of the international negotiations	Benefits of negotiations
Association Agreement with the European Union (EU)	in 2014 and implemented gradually, establishes closer cooperation between the Republic of Moldova and the EU in the fields of trade, economy, social and environmental policies. allows the Republic of Moldova to access the European markets with preferential tariffs and to adopt European standards in different fields
Comprehensive and Enhanced Free Trade Agreement (CETA) with Canada	the trade agreement provides trade facilities for the Republic of Moldova in terms of access to the Canadian market. It eliminates or lowers import tariffs on many products and promotes economic cooperation between the two sides.
Free Trade Agreements with CIS (Commonwealth of Independent States) countries	The Republic of Moldova has signed free trade agreements with several CIS countries, such as Belarus, Kazakhstan, Armenia, and others. These agreements facilitate trade with the CIS countries and eliminate or reduce customs tariffs for certain products
Bilateral agreements	bilateral trade agreements with various countries around the world, which govern trade and economic cooperation.
Participation in the World Trade Organization (WTO)	The Republic of Moldova is a member of the WTO and respects the rules and standards of this international organization regarding international trade

Negotiating international agreements also implies the transition to international standards. In order to facilitate export, Moldova started to adopt international standards and regulations regarding product quality and food safety. Companies must adapt to these requirements in order to be able to export successfully. The Moldovan government offers some incentives and assistance to companies that want to export, including subsidy programs and support for promoting products in foreign markets. Customs regulations and documentation must be compliant to avoid delays or issues at the border. Transport and logistics infrastructure can be a challenge for the business environment in the Republic of Moldova.

It is important to note that as the Republic of Moldova continues to develop its commercial relations with different countries and organizations, the list of commercial agreements may evolve and expand. Companies that want to export or import to the Republic of Moldova should be aware of these agreements and use them effectively to develop their business in international markets.

Thus, we find that export to the Republic of Moldova has both opportunities and challenges. It is important that businesses are well prepared and do their homework before starting to export to maximize their success in international markets.

Therefore, the Republic of Moldova has the potential to develop its exports in several directions. The development of exports can contribute to economic growth, the diversification of the economy and the strengthening of the country's position on international markets.

Some export development perspectives for the Republic of Moldova in our view

- expanding the range of exported products, moving away from dependence on agricultural and food products.
- diversification of export destinations, as well as promotion on emerging markets or more mature markets outside the European Union
- compliance with international quality and safety standards
- integration into regional supply chains, collaborating with neighboring countries and other countries in the region to develop competitive products and services
- attracting Foreign Direct Investments in sectors with export potential can stimulate the growth of exports
- investments in the development of ports, the transport network and warehouses

In conclusion, export development represents an important opportunity for the Republic of Moldova to stimulate economic growth and diversify the economy. With a strategic approach and adequate support from the government and the private sector, the Republic of Moldova can strengthen its position in international markets and benefit from its export potential.

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