

## THE ANALYSIS OF THE AGRO-FOOD SECTOR TRADE OF THE REPUBLIC OF MOLDOVA AND THE EUROPEAN UNION: POSSIBILITIES AND LIMITS

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### **Abstract**

*The paper studied the development of the agro-food sector trade in the Republic of Moldova and the European Union. Also, within this study there were identified the possibilities and limits of trade in the agro-food sector development to demonstrate the importance of agriculture for the economic development of the Republic of Moldova. To accomplish this, it was conducted an analysis during the period 2003-2013. Various research methods such as: analysis and synthesis, comparison method, induction and logical inference were used to determine the possibilities and limits to growth competitiveness and efficiency of the sector. The new opportunities of the EU market on one side (hand) and the Republic of Moldova on the other side (hand) will boost investments, stimulate the modernization of agriculture and improvement of working conditions.*

**Key words:** agro-food sector, agricultural markets, agricultural protectionism, commercial policies, food crisis

### **INTRODUCTION**

In any society based on production, exchange is the base of economic activity. The exchange allows a better allocation of rare resources and thus, an increase of effectiveness of the economic system. The development of exchanges accompanies the specialized process of legal entities, which gradually give up to produce all the goods they need. This rule of exchange and of specialization applies regardless nature of the production unit: individual, enterprise, region, and nation. Seen in its historical context, it shall be remarked the fact that presence of trade exchanges was made necessary from time when people began to communicate with each other.[8]

From those specified we shall mention that trade also has a strategic importance for balanced and viable development of economic and social systems of any country. In such sense, trade is one of the most important side of the modern economy, regardless its form, becoming the main element of market economy. Starting from such premises, the knowledge of this field, interpreting phenomena which are the base of exchange

documents and outlining specific management processes raises special complex for which solving needs knowledge and extensive scientific analysis within which shall be called both the vast theoretical tools provided by specialized disciplines as well as practical experience gathered during the centuries, trading being one of the oldest human occupations.[4] To all this shall be added the fact that in future, changing the exchange that shall also create important new business opportunities shall require extremely fast reactions from firms, the ability to interpret correctly the new changes and the power to influence a highly competitive market and one generating continuous restructuring. All this requires a good knowledge of commercial problems, of trade and its structures.[9]

### **MATERIALS AND METHODS**

The study used different methods of research, such as: method of analysis and synthesis, comparison method, the method of induction and logical inference to determine possibilities and limits to growth competitiveness and efficiency of the sector. The period analysed in

this study was 2001-2013.

## RESULTS AND DISCUSSIONS

The respective trade is a specific business sector with a high level of complexity, structured on multiple interior fields, within which the important roles are assigned to retail distribution, storage goods and supply with wholesale as well as import-export activities of a country.[10]

Currently, it is shown the fact that the condition of the national economy concerns everyone – the evolution of macroeconomic indicators in the country are followed up with maximum attention, and thus every branch of the national economy is a part of a giant mechanism which evolution must be considered that can contribute to a better or malfunction of the economy as a whole. The condition of the national economy depends mostly on trade policy through which diversification of economic relations occurs.[5]

Trade policy of the Republic of Moldova is part of economic policy aiming the sphere of foreign economic relations and assumes all

regulations, instruments and measures of commercial policy following to promote external trade exchanges and stimulate on shelter the national economy development from foreign competition.[7]

In this context, trade policy of the Republic of Moldova aims to promote external economic relations, especially by boosting exports, protecting national economy of foreign competition and by regulating and monitoring the import, as well as to maintain trade balance.

Trade of the Republic of Moldova tends to focus on the European Union. The European Union shall be the main trading strategic commercial partner of Moldova in future, whose sales market remains attractive especially for agro-food sector.[3] According to economic experts, trade with the European Union prevails both exports and imports. For this, we propose to analysis the possibilities of commercial exchanges of the Republic of Moldova on the agro-food sector, as well as its limitations on the European market, given the fact that agriculture is and shall remain the branch that has a vital importance for local population.[6]

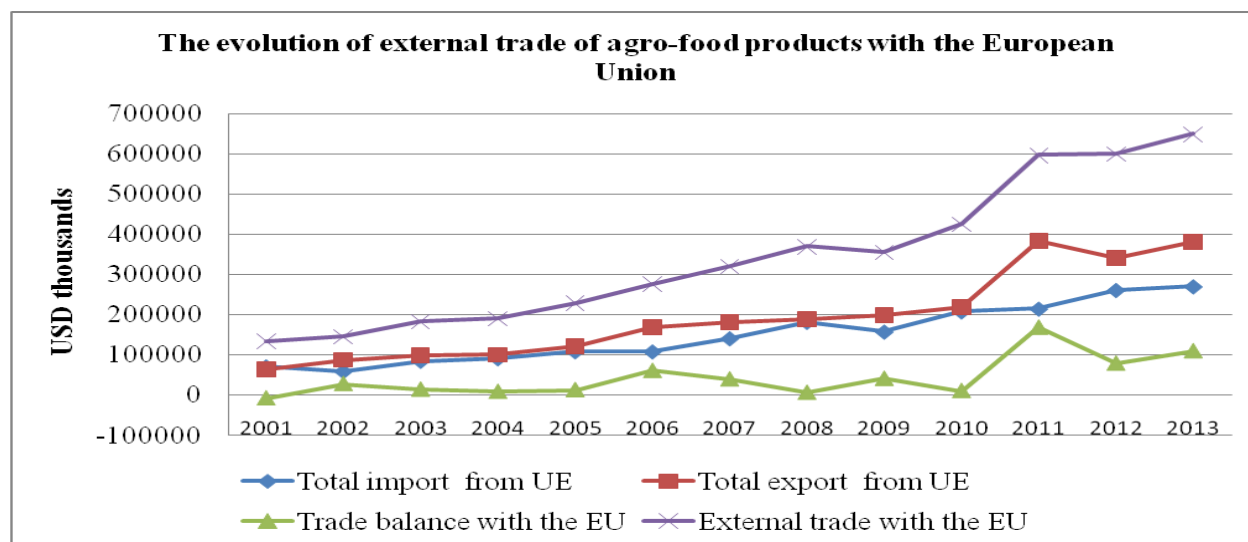


Fig. 1. The evolution of external trade of agro-food products with the European Union

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

Based on the data presented in Fig. 1, during the analyzed period, the value of foreign trade of agro-food products of the Republic of Moldova with the European Union registered an upward growth in 2013 compared to 2001,

approximately 4.9 times. On this upward trend, a negative influence had the global crisis in 2009, which led to a decrease of Moldova’s foreign trade with the European Union. Thus, if in 2008, foreign trade was

USD thousand 368, 851, then at the end of the year 2009 decreased up to USD thousand 354,791.2.[2]

The foreign trade increase has been influenced mostly by the export increase of agro-food products than of imports, with rates slightly higher exceeding imports with agro-food products. Analyzing exports of agro-food products we observe that in 2013, their real value was USD thousand 379,516.1 and has increased compared to 2001 with approximately USD thousand 317,090.7. Negative trends are observed in 2012, when exports decreased from previous year with USD thousand 42,777.5. This decrease in exports is explained by the fact that, 2012 was marked by a severe drought affecting almost all the territory of the Republic of Moldova. Its effects were manifested by reducing or damaging crops in the north and south region, thus giving priority to imports of agro-food

products. Therefore, the evolutions of the Republic of Moldova's imports from the European Union register a trend of increased imports from USD thousand 69,980.5 in 2001 to USD thousand 269,779.1 in 2013, or more with 3.9 times. During this upward trend were registered small oscillations, especially in 2009, when imports decreased compared to previous year with USD thousand 24,448.7. Also, the reduction in imports is observed in 2006 but with some insignificant oscillations. So, after the performed analysis, we observe that the growth rate of exports exceeds the growth rate of imports and led to an increase of certain positive trade balance of the Republic of Moldova with the European Union generating a positive balance during the analyzed period from USD thousands 28,073 in 2002 to USD thousand 109,737 in 2013, or more 3.9 times.[1]

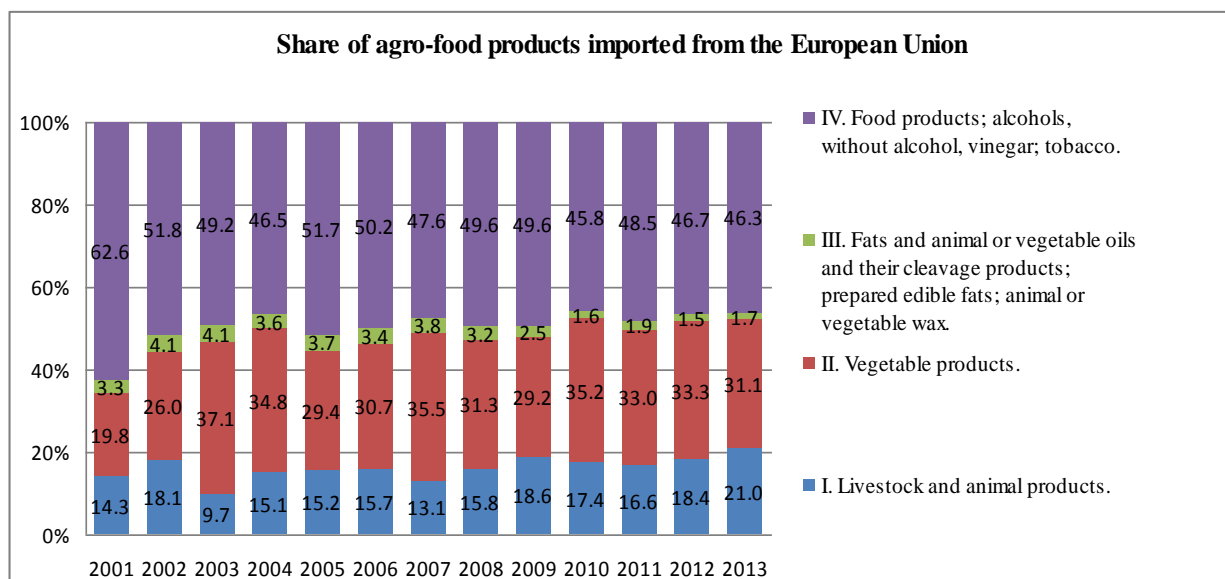


Fig. 2. Evolution of imports share of agro-food products from the European Union

Source:Elaborated by the author based on the National Statistic Bureau of the Republic of Moldova

During the years 2001-2013, examining the import of agro-food products from the European Union, we observe light changes in their structure on groups of goods: namely, we can find out that the Republic of Moldova has imported more and more agro-food products (alcohols, without alcohol vinegar, tobacco), their weight being primary, but also decreasing from 62.6% in 2001 to 46.3% in 2013 with some deviations

in 2005, when imports of agro-food products has increased compared to 2004 with about 5.2 percentage points. Increases are observed also in 2011 compared to the same period of the previous year with 2.7 percentage points. Light changes are observed also in the category: "Vegetable products". Although, this trend plays a certain pessimism note, however it was observed that imports from the given

category register an upward trend, but also an oscillatory one, increasing by about 11.3 percentage points in 2013 compared to 2001. Also, the “Animal products” represent 21% of total volume of imports of agro-food products from the European Union, having a value of USD thousands 56,233.1 in 2013, being increased by 6.7 percentage points compared to the same period of 2001. In the structure of imports of agro-food products for the period 2001 to 2013, the most

insignificant share went to section “Fats and animal or vegetable oils and their cleavage products; (prepared edible fats; animal or vegetable wax)”, registering a value of USD thousands 44, 435. 4 thousand USA in 2013, representing 1.7% of total imports of agro-food products from the European Union. We shall mention that the share of imported products in this section decreased compared to the same period of year 2001 by about 1.6%. [1]

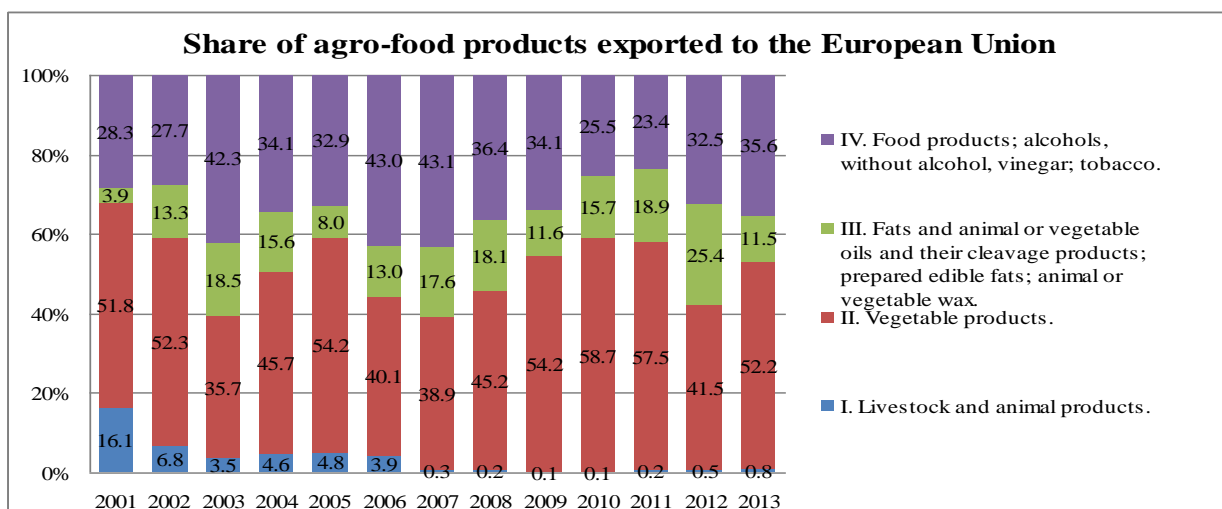


Fig. 3. The contribution of export share of agro-food products destined for the European Union Source:Elaborated by the author based on the National Statistic Bureau of the Republic of Moldova

During the analyzed years, the export of agro-food products performed by the legal entities of the Republic of Moldova with the European Union registered an upward trend with approximately 6.07 times in 2013 compared to the same period of 2001. The structure of agro-food products in export resulted from agricultural activities, the main share went to goods of the section “Vegetable products” registering a share of 52.2% of the total exports of agro-food products destined for the European Union in 2013, ie more with 0.04% compared to 2001. Goods of the section “Food products; alcohol, without alcohol vinegar; tobacco” making up 35.6% of total exports of agro-food products destined for the European Union represents a value of USD thousands 134,951.2 in 2013. It shall be mentioned that, the share of exported products of this section has seen a substantial increase of 7.3% compared to the same period

of 2001. Moldova exported to the European Union and animal products (Fats and animal or vegetable oils and their cleavage products; prepared edible fats; animal or vegetable wax) that worth thousands USD in 2013, or 7.6% more compared to the same period of 2001. Also, were exported livestock and animal products that worth thousands USA representing 0.8% in 2013 of total exports of agro-food products in the European Union less than the similar period of 2001 when exports of this section were 16.1%. [1] Analyzing the coverage level of imports through exports of agro-food products with the European Union during all the analyzed period, we observe that exports with the European Union ensured imports with 141.73% in 2013 to 89.20% in 2001, which implies that the Republic of Moldova export more to the European Union countries than try to import.

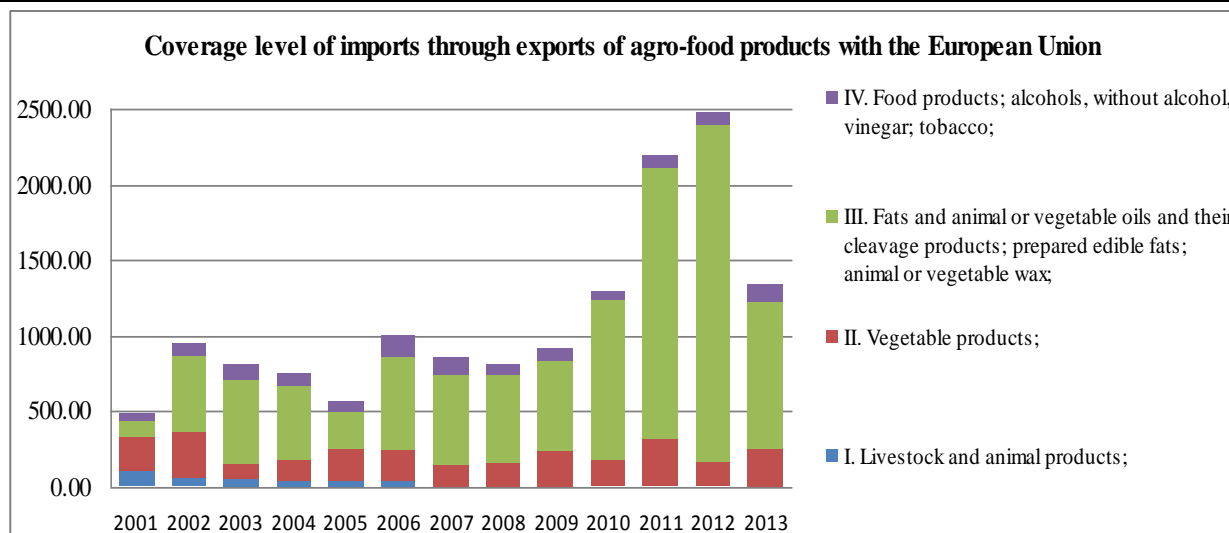


Fig. 4. Evolution of the coverage level of imports through exports of agro-food products with the European Union  
 Source:Elaborated by the author based on the National Statistic Bureau of the Republic of Moldova

Positive trade balance is influenced by the coverage level of imports through exports of products of section “Fats and animal or vegetable oils”, registering an increase of 105.70% in 2001 to 981.09% in 2013. The analysis of evolution of coverage level of imports through exports in the reference period 2013 reveals that, compared to the same period in 2001 have been registered increases by about 5.4% also to products of the section “Vegetal products”.[2]

A wider view on the evolution of external trade of the Republic of Moldova with products of section “Food; alcohols, without alcohols vinegar; tobacco” highlights the dominant trend of increased imports with a higher intensity than exports of this category. During the years 2001-2012, the considerable gap in the evolution of exports and imports of “Food; alcohols, without alcohols vinegar, tobacco” determine the accumulation of a certain deficit of trade balance in amount of USD thousands 15,7. The largest deficit of trade balance of agro-food products with the European Union was registered with products of the category "Livestock and animal products”.

Regarding unfavorable evolution of this trend on external trade with products of this section: “Livestock and animal products” also indicates the coverage level of imports through exports, which from 2002, no longer meets the minimum limits, continuously

decreasing from 57.38% in 2002 to 5.12% in 2013.

## CONCLUSIONS

From those stated, we shall mention that trade has a strategic importance also for balanced and viable development of economic and social systems of any country. In the condition of market economy, in order to regulate the export - import relation, the necessity to achieve certain activities by the state is indisputable.

Therefore, regulating by the state the trade has a conclusive impact on the development of export - import relations, state using for these purposes a large variety of means and methods of influence against trade in such way to be able to enter on a new market.

Regarding the Moldovan producers, they are able to sell more on the European Union market, fact demonstrated also by the performed analysis, where exports of agro-food products designed for the European Union registered increases during the analyzed period. Thus in 2013, their actual value was USD thousands 379,516.1 and increased compared to 2001 with approximately USD thousands 317,090.7. The imports of agro-food products from the European Union also register an upward trend from USD thousands 69,980.5 in 2001 to USD thousands 269,779.1 in 2013, or more

with 3.9 times.

Thus, the growth rate of export exceeds the growth rate of imports and led to an increase of certain positive trade balance of the Republic of Moldova with the European Union, generating a positive balance during the analyzed period from USD thousands 28,073 in 2002 to USD thousands 109,737 in 2013, or more with 3.9 times. The most popular agro-food products on the European market, according to the performed analysis are the goods of the section "Vegetable products" which register the main share of 52.2% in 2013, of the total exports of agro-food products, ie with 0.04% more than in 2001.

So, following to the performed analysis we can state that the Republic of Moldova has the possibility to achieve agro-food products on the European market, but in future need to intensify efforts on other sections, which are part of the agro-food sector and have a lower share to export to the EU market.

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