

TRENDS TO PROMOTE EXPORT OF LOCAL AGRICULTURAL AND FOOD PRODUCTS UNDER THE CONDITIONS OF EUROPEAN ECONOMIC INTEGRATION

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Abstract

This paper deals with the trend to promote export of local agricultural and food products from the Republic of Moldova. We have analyzed the dynamics and structure of the trade balance, the development and the trend to change exports and imports of the Republic of Moldova depending on the partner countries as well as the evolution of exports by the type of agricultural and food products in 2009 - 2013. Research by the authors is based on statistical analysis methods of time series and the application of statistical methods for estimating trends in exports and imports of food products in Moldova. Thus, the authors concluded that reorientation is required to producers of agricultural products to other markets than the traditional, while improving product quality and review marketing strategies, targeting in particular the Russian Federation.

Key words: economic integration, export, import, promotion, quality, trends

INTRODUCTION

The economy of each country depends on the connection with the external world by the mechanism of external trade changes with goods and services. The capacity of a state to ensure its “economic sovereignty” can be appreciated through development angle of external trade with goods and services. The impact of exports and imports on domestic prices, exchange rates, interest rates, including on macroeconomic balance on a whole is crucial for economic growth and sustainable development [7].

Based on the decisive role that agriculture plays in economic and social aspect for any state, addressing issues that prevent its development presents an interest of great topic and importance. Currently, agriculture and food industry in the Republic of Moldova are the most important sectors, designed to contribute greatly to the economic growth of the country. About 24.3% of working population is employed in agricultural sector and the share of agriculture to gross domestic product in 2013 was of 12.3% [6]. It is

obvious that the agro-food sector of the Republic of Moldova needs to promote in future export. Only sustainable development of the country shall give the opportunity to develop these industries and to increase export potential of the Republic of Moldova.

External trade is important for the Republic of Moldova. Being part of a complex system of socio-economic and political relations, external trade is sensitive to changes of certain wide range of factors with direct or indirect impact [3].

Relatively tighten local market, domestic stocks of raw materials and energy resources insufficient to cover the country's needs - both for intermediate consumption (production of goods and services), and for final consumption (households, public and private administration consumption), determines a high level of dependence on imports of the Republic of Moldova, fact that makes it vulnerable to market shocks of financial goods.

The structure of external trade is an important factor capable directly and indirectly to influence in general not only on the level of

economic development, but also on the life quality of country's citizens [4]. In 2013 export was focused on markets of the Russian Federation (in measure of about 47%) and EU countries - 38%.

Currently, the Republic of Moldova needs a well-balanced policy focused on overcoming the financial crisis, ensuring the competitiveness of Moldovan products in accordance with the trends and requirements manifested on global markets.

MATERIALS AND METHODS

In the research, the authors used materials of the National Bureau of Statistics of the Republic of Moldova, reports of Chamber of Commerce and Industry of the Republic of Moldova. In the process of scientific research were applied the following research methods: comparison method, table method and graphical presentation of the studied phenomena, medium size, relative method, the leveling process of chronological series based on linear equation of first degree.

RESULTS AND DISCUSSIONS

Evolution of the value of imports suggests the fact that the Republic of Moldova was and also is an active importer on the background of acute state of deficit of local products satisfying the demand for similar products of import. Low added value of exports of the Republic of Moldova constitutes an element of low competitive and insufficient tech of production processes, especially of those associated with traditional export industries: food industry, alcoholic beverages, soft drinks, tobacco, etc.

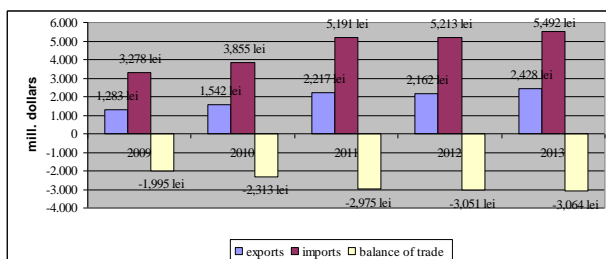


Fig. 1. The evolution of external trade of the Republic of Moldova during 2009-2013, mill. dollars.

Source: processed by the authors based on data of the National Bureau of Statistics.

The analysis of external trade of the Republic of Moldova during 2005 - 2013 (Fig. 1) shows an increased trend with higher rates of imports with a negative balance of trade balance.

The trade deficit is a primary problem of macroeconomic policies of the Republic of Moldova. In this regard, an argument is the fact demonstrated by international practice, that a country with a negative balance of trade balance, which is maintained for a long time, presents the risk of losses of its economic sovereignty.

The trade balance deficit increased from 1202, USD 3 million in 2005 to USD 3,307.7 million in 2008 and since 2009 the balance deficit essentially decreased and reached 1995 million dollars. Starting with 2010 essentially was increased imports that have caused increasing trade deficit to USD 3,064 million in 2013. A positive balance is satisfied only on name of exports of fruits, cereals, alcoholic and soft drinks, fats and vegetable oils.

It shall be mentioned that in recent years was increased the share of exports of wheat grains, sunflower oil, honey to Italy. In some countries like Switzerland, Bulgaria, Spain, Austria, Germany, Israel, Hong Kong, Mongolia shall be exported nuts, honey, dried fruit, jams, marmalades. Also, there has been a decrease of export of products to Poland, Hungary, and Czech Republic.

This fact indicates that it can be penetrated new sale markets but for this is needed appropriate quality products and intense promotion. For instance, the company "Orhei Vit" Joint Stock Company acts based on implementation of modern facilities of BuckerUnipeKtin Company (Switzerland) of 10 million Euros with the purpose to satisfy high quality of products through processing annually 100 thousand tons of fruit. The company produces natural concentrate juice, high quality fruit puree for children from, cherries and grapes, that meet international requirements and is exported to 30 countries of the world [2].

The data of figure 2 demonstrates a share of import of 2-3 times higher than export which in 2013 represents the ratio of 69.4% compared to 30.6 of the export of the Republic of Moldova This situation is

considered negative.

The largest gap between the share of imports and exports has been certified since 2006, the period when the growth rate of exports of goods was restricted essential for well known reasons: the embargo imposed by the Russian authorities to import meat, vegetable products and wine from the Republic of Moldova.

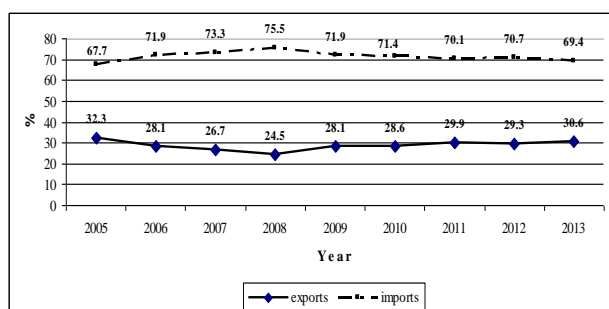


Fig. 2. The share of exports and imports in the external trade of the Republic of Moldova during 2005 – 2013. Source: processed by the authors based on data of the National Bureau of Statistics

The coverage level of imports through exports is also pointed out against unfavorable evolution of external trade, which from 2005 does not respect the minimum limits (60%) for ensuring economic security of the state, being continuously decreasing.

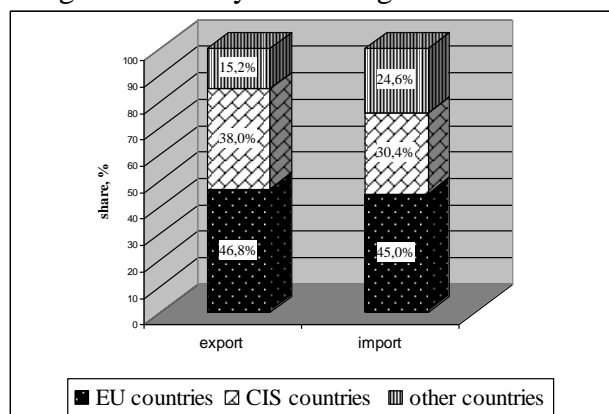


Fig. 3. The structure of exports and imports of the Republic of Moldova on groups of countries, 2013. Source: processed by the authors based on data of the National Bureau of Statistics.

The analysis of evolution of export and import structure demonstrates that the share of exports to CIS countries until 2008 including was more than 52%, with EU countries - up to 40% and other countries - 8-9%. Starting with 2009 was increased the share of exports and imports to EU countries, which already in

2013 (Fig.3) decreased the export and import with CIS countries to 30-38% and the EU countries and other countries increased to 45-46% and to 15-24.6% accordingly. Such a situation is explained by the fact that in 2006, 2011, 2012, 2013, 2014 were introduced embargoes to wine and other agro-food products (meat, vegetables, fruit, grain and flour, sunflower seeds, sugar, canned etc.) by the Russian Federation, being invoked inadequacy cases of phyto-sanitary requirements for quality products that actually refers to products inconsistency in international requirements of homogeneity products by size of fruit, vegetables, packaging etc.

The establishment by the Russian Federation of embargo on imports of meat, vegetable products (in May 2005) and wine (in March 2006) from the Republic of Moldova has stimulated Moldovan exporters' efforts to penetrate alternative markets for concerned products, including the markets of EU countries, countries - members of the multilateral free trade Agreement between countries of Central and Eastern Europe (CEFTA) and on the market more "nontraditional" as China, Japan etc.

The consequences of the embargo in wine industry were analyzed in 18 large companies operating on the Russian market. After the first embargos, the number of companies producing wine was decreased from 189 in 2005 to 141 in 2013. The embargo introduced in 2013 decreased the forecast incomes with 18.3 million dollars, and that of 2014 complicated the situation even worse, because on the Russian market the enterprises of this companies in export portfolio share of exports to Russian Federation was from 20% to 95%.

In the first quarter of 2014 missed incomes reached USD 15 million or 82% [5].

The data of table 1 demonstrates that the export of the Republic of Moldova from the main partner countries is dependent firstly of the Russian Federation, Romania, Italy, Ukraine, United Kingdom and Turkey. In external trade until 2011 was observed an improvement with the following countries: Ukraine, Russian Federation, Italy, France, Hungary, and Greece when export prevailed

import, influencing positive to reducing the trade balance of the country.

Table 1. Dynamic of export of the Republic of Moldova on some of the main partner countries, million dollars

Partner countries	Year				
	2009	2010	2011	2012	2013
Total Export	1,283.0	1,541.5	2,216.8	2,161.8	2,428.3
of which:					
Russian Federation	286.5	404.0	625.5	655.0	631.9
Romania	239.6	246.4	376.4	356.7	411.1
Italy	135.7	147.4	215.2	202.4	185.2
Ukraine	81.3	91.6	153.0	122.4	140.4
United Kingdom	60.3	82.1	101.7	83.9	105.5
Belarusi	80.7	80.3	75.6	80.7	90.3
Poland	33.9	46.7	85.9	74.2	85.3
Germany	75.5	75.4	106.4	70.2	113.1
Turkey	31.8	67.5	73.4	56.1	127.2
Kazakhstan	26.5	30.5	45.5	50.3	39.2

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

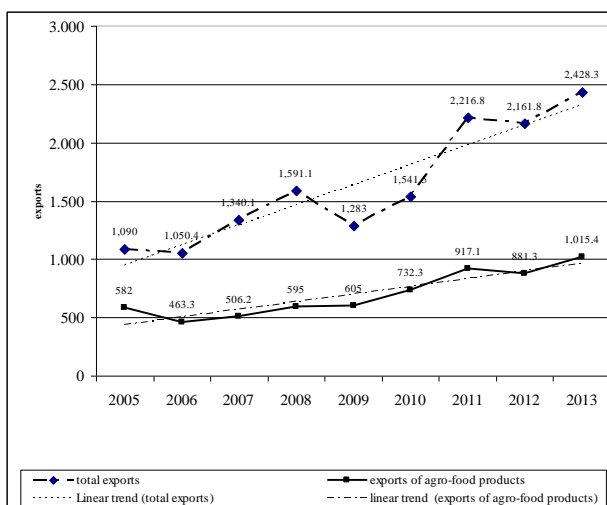


Fig. 4. The evolution and linear trend of total exports and exports of agro-food products from the Republic of Moldova, period 2005-2013.

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

The analysis of evolution of export (Fig.4) and import (Fig.5) during 2005 - 2013 demonstrates an essential increase both for total exports and total imports, as well as agrarian and agro-food products.

The data presented in Figure 6 shows that the share of agro-food products in exports is significant, owning in the last period about 42 percent, which decreased compared to 2005 with about 11 percentage points.

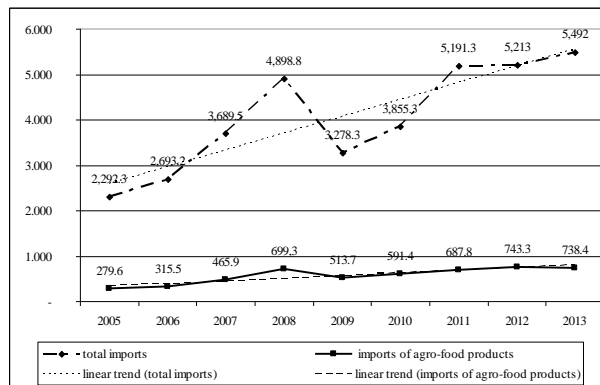


Fig. 5. The evolution and linear trend of total imports and imports of agro-food products in the Republic of Moldova, period 2005-2013.

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

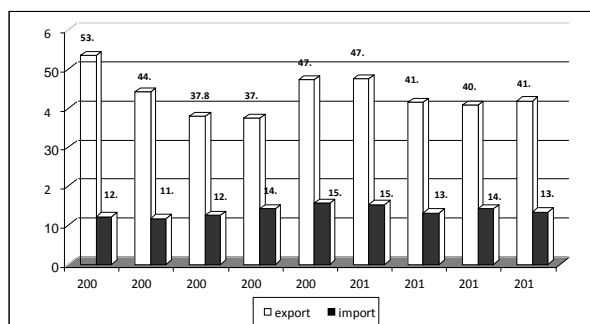


Fig. 6. The share of agrarian and agro-food products in total exports and imports of the Republic of Moldova, period 2005-2013.

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

Once the share of agro-food products is decreasing in exports also was decreased their share in imports compared to 2009 from 15.3% to 13.4% - in 2013.

A retrospective view on the evolution of external trade of the Republic of Moldova (Tab. 2) highlights a 2.2 increase of exports in 2013 compared to 2005, including increase of agro-food exports - by 74%.

The growth rates of imports are higher than export growth. It shall be mentioned about a significant increase of import of agrarian and agro-food products, more that 2.1-2.6 times in the last four years of the analyzed period. Such a situation can be considered as a negative factor for an agrarian country like the Republic of Moldova.

Table 2. The growth rates (decrease) of imports and exports of the Republic of Moldova in the period 2005-2013

Indicator	Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total exports	100	96	122	145	117	141	200	192	220
inclusive: exports agro-food products	100	79.4	87	102.2	104	125	157	151	174
Total imports	100	117	160	210	140	168	220	230	240
inclusive: imports agro-food products	100	112.8	166	250	184	210	250	260	264

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

Further was determined the linear trend of the evolution of import and export (Tab.2) using first degree linear function.

Table 3. Trend of the evolution of import and export of the Republic of Moldova in the period 2005-2013

Indicator	Linear trend equation $\bar{N}_t = a_0 + a_1t$	The average level for the period 2005-2013	The forecasted level of 2018	The data 2018 year in% from the average for the period 2005-2013
Total exports	$\bar{N}_t = 1634 + 175.4t$	1,634	3,211	196
Including: exports agro-food products	$\bar{N}_t = 700 + 65.7t$	700	1,288	183
Total imports	$\bar{N}_t = 4066 + 372t$	4,066	7,414	182
Including imports agro-food products	$\bar{N}_t = 560 + 57.6t$	560	1,078	192

Source: authors' calculations

The analysis of the results of Table 3 demonstrates that both export and import has an increasing trend during 2005-2013 as follows:

-Total export annually increases in average with 175.4 million dollars, including 75.7 million dollars due to the contribution of agrarian and agro-food products. If this trend shall be kept, by 2018 the forecast level of exports shall be 321.1 million dollars, an increase of 96% and 83% respectively;

-Total import annually increases in average with 372 million dollars, including that of agro-food products – with 57.6 million dollars. By keeping these growth rates, by 2018 the forecast level shall be around 741.4 million dollars, exceeding about 3 time the forecast level of export.

CONCLUSIONS

The analysis of evolution of external trade of the Republic of Moldova during 2005-2013 demonstrates an increasing trend with higher rates of import of agro-food products to their export and with a negative balance of trade balance.

The results of annual average evolution for 2005-2013 regarding the external trade followed the trends of previous years towards deterioration of trade balance of balance. Thus, in 2013, the external imbalance derived from the report between exports and imports of goods and services exceed the threshold of 3.064 billion, exceeding with 54% the level of 2009, but an insignificant increase (0.4%) compared to previous year.

In paper was performed the analysis of external trade of the Republic of Moldova with main groups of countries (EU, CIS and other countries). From this perspective, the evolution of the share of these groups of countries in structure of total volume of external trade of the Republic of Moldova registered during the last decade important structural “mutations”. In this regard, the main trend is that of continuous diminishing of the share of CIS countries in favor of other groups, especially those from European Union and other countries. Moreover, starting with 2008, it can be seen from EU side (from CIS countries) taking the position of leader in “ranking” of main trading partners of the Republic of Moldova.

According to these conditions, the reorientation/diversification in geographical profile of exports of the Republic of Moldova, especially providing a certain effective jump (quantitative and qualitative) thereof to EU and other countries from the world, is a priority concern both for producers and for the Government of the Republic of Moldova.

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