

## THE EVOLUTION OF EXPORT AND IMPORT PRICES IN REPUBLIC OF MOLDOVA AND THEIR EFFECT ON THE ECONOMIC GROWTH

**Daniela POPA**

State Agrarian University of Moldova, 44, Mircesti St., MD – 2049, Chisinau, Republic of Moldova, Phone: +373 795 74 780, Fax: (+373 22) 31-22-76, Email: d.popa@uasm.md

**Corresponding author:** d.popa@uasm.md

### **Abstract**

*The paper has been intended to analyze evolution of export and import prices in Republic of Moldova. The study was focused on dynamics of imports and exports in Moldova and their influence on economic growth. The data has been provided by the National Statistics Institute (INS), and the Ministry of Agriculture from Moldova Republic. According to preliminary data presented by the National Statistics Office, GDP in 2013 amounted to 82,174.1 million lei and increased by 6.4 percent compared to the previous year. Note that in 2013 the economic growth model of Moldova underwent significant changes. The primary factors that favored GDP growth in 2013 are the existence of increased external demand for domestic products, and increase household disposable income for the period. However, economic growth has been supported by positive developments in all sectors of the economy. The exports to the EU have produced some structural changes: on one hand the share of machinery and transport equipment and raw materials inedible, and on the other hand decreased share of manufactured articles, beverages and tobacco. These changes have led to a diversification of products exported to the EU. The results have shown a various research methodology as: deductive approach, inductive approach, comparative method, qualitative research to analyze the various concepts, notions and theories, quantitative analysis, document analysis and content analysis. The basic methods of research are analysis and synthesis, economic comparisons and statistical method. The conclusions and elaboration of recommendations regarding the implementation of international practices in the health trade's financing mechanism in the Republic of Moldova.*

**Key words:** export, economic growth, import, prices, Republic of Moldova

### **INTRODUCTION**

Exports and imports decreased in ten months by about one percent and three percent compared to the same period last year. According to the National Bureau of Statistics, from January to October, the country exported goods worth one billion 950 million dollars. Although the amount is 0.9 percent less than in the same period last year, sales on the Community market increased by 12.7 percent, the European Union still remains the main trading partner of Moldova, for which They've turned more than half of exports. The main European partner is Romania where they were sold goods worth over 350 million dollars. [2]

This is followed by Italy and Germany, where exports increased by 40 and 30 percent. Imports during this period were over four billion dollars. In ten months of imports of goods were 4.347 million dollars - 2.3 percent less than the same period last year. [2]

### **MATERIALS AND METHODS**

At the basis of this scientific paper served the information from the Statistics National Bureau of Republic of Moldova, Ministry of Economy of Moldavian Republic, different groups of national and international experts and also our own researches in this domain, were applied the following methods: selective, comparison and tabular methods.

### **RESULTS AND DISCUSSIONS**

The exports to the EU have produced some structural changes: on the one hand the share of machinery and transport equipment and inedible raw materials, and on the other hand decreased share of manufactured articles, beverages and tobacco. In roughly, these changes have led to a diversification of products exported to the EU. [1]

Exports of Moldova in the European Union were reflected in Table 1.

Table 1. Structure of the Moldovan exports to the European Union%

	2006	2007	2008	2009	2010	2011	2012
Food and live animals	17.4	15.6	11.1	16.9	16.8	15.9	17.2
Beverages and tobacco	7.5	3.3	3.5	3.8	3.2	2.7	2.8
Raw materials inedible, except fuels	6.7	9.9	8.9	7.9	9.2	14.4	8.1
Mineral fuels, lubricants and derivative	0.4	0.6	0.3	0.7	1.0	1.5	1.5
Oils, fats and waxes of animal or vegetable origin	4.1	4.7	4.2	3.5	4.7	6.7	8.5
Chemicals and derivatives nes	1.2	1.1	1.1	1.5	1.4	1.0	0.8
Manufactured goods classified mainly by raw material	13.5	13.4	12.8	7.3	6.1	5.2	4.2
Machinery and transport equipment	4.1	5.9	15.1	18.0	17.5	16.9	20.6
Miscellaneous manufactured articles	45.1	45.5	43.0	40.4	40.1	35.7	36.3

Source: prepared by the author based on National Bureau of Statistics

The share of exports to EU agro-food products is much smaller than the total export of the Republic of Moldova (in 2012 had a share of over 26% in total exports, compared to 17.2% in exports to the EU). This is due to incompatibility given category of products to existing technical standards in the EU. Moldova has begun the process of adjusting to EU standards of technical regulation; however, this process is very costly in terms of scarce national resources and flows slowly. As a general effect, granting autonomous trade preferences significantly improved access to the Community market of agricultural products, i.e. products from Moldova are admitted to import into the Community without quantitative restrictions or measures having equivalent effect and with exemption from customs duties and charges having equivalent effect except some, for which concessions are given in the form of

duty free tariff quotas within tariff reductions. If imports have not found essential structural changes. Imports from the EU are dominated by industrial products: chemicals, manufactured goods, machinery and transport equipment. However, imports of products are relatively diversified and structure of imports from EU countries in Moldova was reflected in Table 2.

Table 2. Structure of imports of Moldova in the European Union%

	2006	2007	2008	2009	2010	2011	2012
Food and live animals	5.5	5.2	5.5	8.0	8.8	6.7	8.0
Beverages and tobacco	1.7	1.6	1.7	1.8	2.1	1.5	1.9
Raw materials inedible, except fuels	1.9	1.8	1.6	1.7	1.8	2.0	1.9
Mineral fuels, lubricants and derivative	15.8	14.1	16.4	15.0	15.8	16.1	17.0
Oils, fats and waxes of animal or vegetable origin	0.4	0.3	0.3	0.1	0.2	0.2	0.2
Chemicals and derivatives nes	15.6	14.7	14.0	19.4	17.4	16.8	17.4
Manufactured goods classified mainly by raw material	24.7	24.0	20.5	19.7	20.4	20.2	18.9
Machinery and transport equipment	23.1	27.8	29.3	23.6	24.2	27.8	26.2
Miscellaneous manufactured articles	11.3	10.5	10.7	10.7	9.3	8.7	8.5

Source: prepared by the author based on National Bureau of Statistics

Tabular and handwriting analysis above allows us to deduce and to confirm that the economic relations with the European Union are very good and will continue to remain the main economic partner of the Republic of Moldova. However, there are factors that could diminish the intensity of economic relations and which, on the one hand, aim at modest economic developments in member countries of the European Union, and on the other hand, I particularly slow promotion of reforms in Moldova. The national economy is heavily dependent on the dynamics of the EU economy. Adverse economic developments in

the European Union, especially in Romania, Italy, Germany and Portugal may have adverse effects on flow-oriented Moldova: remittances, payments for the import of Moldovan and foreign investment. On the other hand, the intensification of structural reforms in Moldova would add quality economic relations with the European Union:- achieving the relevant enforcement measures necessary to align with European standards of quality, aimed: infrastructure, institutions aid, which in essence will stimulate export to the EU; -improving the business environment that will cause increasing interest in new investment projects in Moldova national and the EU economic agents of recipients.

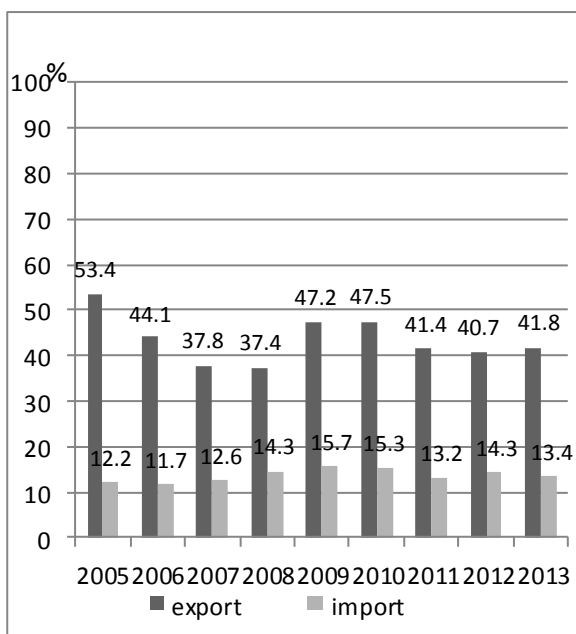


Fig. 1. Exports and imports of Moldova during 2005-2013 years

Source: Processed by author based on Statistical Yearbook NBS data for the respective years

To this end, we specify that such customs duties, excise and customs procedures is calculated from the customs value of imported goods in the same way as right and proper to calculate and VAT. Mechanism of the customs tax should be simplified to the maximum so the correct calculation of taxes and reducing tax rates, as well as the exclusion of all fiscal barriers that could reduce the final price of the goods.

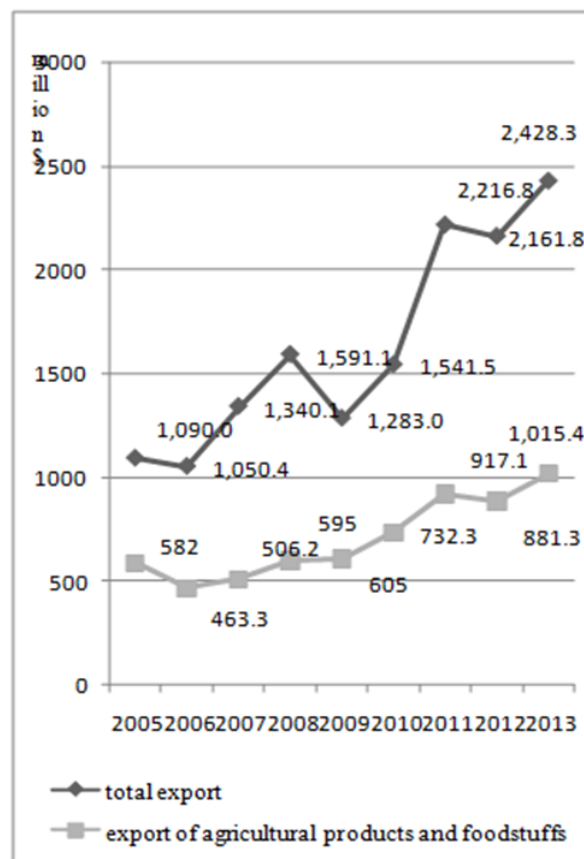


Fig. 2. Share of agricultural and food products in total exports and imports of the Republic, during 2005-2013 years

Source: Processed by author based on Statistical Yearbook NBS data for the respective years

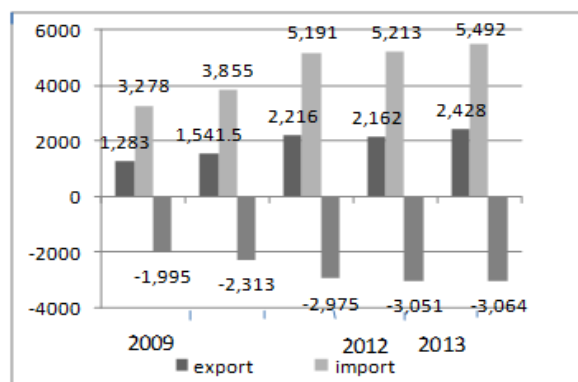


Fig. 3. Evolution of foreign trade of the Republic, 2009-2013 years

Source: Processed by author based on data Statistical Yearbook, NBS, and the corresponding years.

In the context of the above information, it becomes essential to reduce taxes paid in customs, their partial transposition direct taxes due. Reducing tax rate of indirect taxes would stimulate economic activity of domestic enterprises, creating opportunity to accumulate financial resources necessary

investment process, which, in turn, will lead to increasing wealth and increasing revenue. [3]

## CONCLUSIONS

Generalizing ideas, we conclude that the EU border near Moldova, acquiring membership of the World Trade Organization and the World Customs Organization and the tendency to implement the latest European standards imposed and still requires the current government to take important actions on improving the taxation of foreign economic activity, facilitating international trade, fiscal institutions and efficient tax administration, liquidation corruption and illegal introduction of goods and means of transport in the country.

A leading role in stabilizing economic processes lies optimize tax burden. Developing an efficient tax system remains one of the key issues to achieve change the result in the national economy. Connection and its efficiency are dictated by interests of the taxpayer, as well as those of the state. Often plays a decisive role not as part of each tax burden, as the full tax burden. Often, a tax may modify the calculation basis of another tax, which, in order of tax law, is charged under it and everything else will manifest this in the case of application / calculation of all taxes in the tax system.

It is necessary for businesses to be taxed after obtaining profit, but not before (customs). In order to continue improving the tax system and economic development of the country and to improve the functioning of the tax system in Moldova is very important to have the tax rate on income earned in particular for legal entities. [4]

We found a deep economic crisis in the state, through its fiscal policy and through government institutions, must opt for a very well thought out in order to protect domestic producers to boost exports. Cancellation of formal and informal barriers to international trade internal (control of export prices, the imposition modes of transport, payment of state taxes that have no effect on quality etc.). If it is impossible to reduce the customs tax should, at least, to abstain from introducing

protectionist tariffs and focus on eliminating competition between companies on the market dishonest controlling imports of goods and oriented to domestic producers. In this context, falls and facilitating access operators, in particular farmers to foreign markets by ensuring universal access to information on economic opportunities and market conditions. Along with the introduction and use of European customs standards, and local clearance, customs broker and improving the risk management system, the collection of duties for import / export, taxes and other payments through "single window", requires companies involved in international trade, a new way of life, equivalent to that of companies in the European countries. This phenomenon will generate new foreign economic relations with countries of the world, in particular the countries of the European Community. Accordingly, the transition from the autonomous trade preferences to a Deep Free Trade Agreement becomes a reality.

-Taxation of international trade can have both a positive impact, as well as negative. In this respect, the taxes at a balanced and optimal may have favorable repercussions on international trade and the economy as a whole, namely the accumulation of income in the state budget; protecting national economy aggressive foreign competition; restricting or encouraging trade in certain products to achieve a balance in the balance of trade and balance of payments (control the import and export of goods); geographical orientation of international trade flows.

It is necessary for businesses to be taxed after obtaining profit, but not before (customs). In order to continue improving the tax system and economic development of the country and to improve the functioning of the tax system in Moldova is very important to have the tax rate on income earned in particular for legal entities.

## REFERENCES

- [1]Diaconu, I, Moldoveanu, L., Ivan, M., 2007, Costuri, prețuri și tarife în economia modernă, Editura Tradiție, București, 101-107
- [2]National Strategy for Agricultural and Rural

Development of Republic of Moldova for the years  
2014-2020, 25-27

[3]Popa, D., Timofti, E., 2009, The efficiency of the  
economic mechanism in agriculture. Monograph.  
Chisinau Complex IEFS Publishing, 128-130

[4]Platiș Magdalena, 2002, Prețul și formarea lui.  
București, 15-17

