

THE IMPACT OF THE PANDEMIC ON INTERNATIONAL TRADE IN THE REPUBLIC OF MOLDOVA

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Abstract

The article analyses the impact of isolation measures applied both nationally and internationally on reducing external demand from the main partners of the Republic of Moldova (Moldova), which has caused and resulted in declining exports, economic measures applied during the pandemic period on international trade in the Republic of Moldova and the impact of these measures on the level of import-export tax revenues. The structure by domains and the evolution of international trade and the main importers and exporters in the Republic of Moldova are also analyzed, identifying the problems that were caused by the pandemic situation.

Keywords: international trade, import, export, trade balance, tax revenues

1. Introduction

State policy in the field of foreign trade is achieved through tariff-customs regulation (application of customs tariffs for export and import), the introduction, in the established manner, of exceptional duties (special, anti-dumping and countervailing) and through non-tariff regulation (especially by quotation and licensing) of the foreign trade activity in accordance with the laws, with the normative acts of the Government, as well as with the international treaties to which the Republic of Moldova is a party. The use of other methods of state regulation of foreign trade activity is prohibited (Law 1031-XIV/ 08.06.2000).

The trade policy of the Republic of Moldova is a component of economic policy aimed at the field of foreign economic relations and involves all regulations, instruments and measures of trade policy aimed at promoting foreign trade and stimulating the development of the national economy.

In the process of transition from the centralized to the market economy, the foreign trade of the Republic of Moldova has experienced various obstacles and difficulties. Being a national economy with a small domestic market and limited natural and material resources, the Republic of Moldova is highly dependent on external circumstances, both in terms of import of energy resources and raw materials, and penetration of foreign markets for its traditional products (Duhlicher 2020, 66-69).

2. Methodology

Only those methods that directly involved the financial field were used in the investigation, including: methods of data analysis using statistical techniques, as well as the use of graphical models, figures and tables in rendering the evolution of certain statistical data and interpreting the results. comparisons, observation, due to which it was possible to formulate relevant and consistent conclusions and recommendations. The data analysed were collected from the official page of the National Bureau of Statistics www.statistica.md from the published annual reports. Examination of the literature has made it possible to understand the impact of the COVID 19 pandemic on international trade.

3. Results and discussions

3.1. Management of import-export operations in the Republic of Moldova

Excessive dependence on remittances, export dependence on a small number of products, as well as insufficient financial resources to produce goods that meet the requirements of the European market make the economy of the Republic of Moldova extremely vulnerable to external conditions. Possessing a small and open economy, the development potential of the Republic of Moldova is dependent on the strategy of trade and investment integration. (Duhlicher, 2020, 66-69)

From a geographical point of view, the Republic of Moldova is located between two large markets: the European Union, to which more than half of Moldova's exports are directed, and the Russian Federation, which has recently restricted the export of agricultural products from our country. In such circumstances, the export-import trade flows of the Republic of Moldova with abroad have been reoriented in the geographical area and the structure of exports and imports of goods and are registering a continuous increase.

The epidemic caused by coronavirus (COVID-19) is a shock to the European and world economy. In most economies of the world, following the health crisis generated by COVID-19 which started in a relatively short time, it became necessary to adopt measures that had the effect of closing, to varying degrees, economic activities and restricting international trade.

The economic trends registered by the Republic of Moldova in the first months of 2020 reflect the first signs of the COVID-19 pandemic. In particular, the impact of external factors stands out, such as the contraction of external demand from the main partners of the Republic of Moldova, which resulted in lower exports and decreased production of some industries, air transport services being sharply declining. These effects of the pandemic on the economy are felt more deeply with the cessation or temporary restriction of business activities, as a result of epidemiological measures with major systemic impact. (Iațișin, 2020, 171-173). Below, we analyzed the statistical data from the last six years to determine the specifics and trends of the evolution of the foreign trade of the Republic of Moldova.

The indicators presented in table 1 confirm the fact that the European Union is the main partner, in foreign trade relations, of the Republic of Moldova. Our country's exports do not cover imports during the analyzed period. For these reasons, the trade balance of the Republic of Moldova is negative, the trend accentuating in 2021.

Table 1. Foreign trade of the Republic of Moldova structured by groups of countries, thousands of US dollars

Indicators	years					
	2016	2017	2018	2019	2020	2021
EXPORT, TOTAL	2.044.538,65	2.424.972,03	2.706.173,30	2.779.164,47	2.467.106,08	3.144.446,16
from CIS countries	414.185,25	462.820,45	415.922,25	434.949,51	376.962,60	466.207,47
from European Union countries	1.331.898,45	1.596.839,60	1.861.863,96	1.830.548,39	1.640.367,53	1.919.447,76
from other countries	298.454,94	365.311,98	428.387,08	513.666,57	449.775,96	758.790,92
IMPORT, TOTAL	4.020.356,96	4.831.335,29	5.760.057,05	5.842.484,34	5.415.988,30	7.176.590,69
from which						
from CIS countries	1.027.442,11	1.206.051,90	1.449.078,77	1.417.224,57	1.317.722,25	1.905.266,53
from European Union countries	1.973.711,55	2.389.159,54	2.850.800,33	2.889.980,71	2.470.745,10	3.149.116,67
from other countries	1.019.203,30	1.236.123,85	1.460.177,95	1.535.279,06	1.627.520,94	2.122.207,50
TRADE BALANCE – TOTAL	-1.975.818,3	-2.406.363,3	-3.053.883,8	-3.063.319,9	-2.948.882,2	-4.032.144,5
from CIS countries	-613.256,86	-743.231,46	-1.033.156,5	-982.275,07	-940.759,66	-1.439.059,1
from European Union countries	-641.813,09	-792.319,94	-988.936,37	-1.059.432,3	-830.377,58	-1.229.668,9
from other countries	-720.748,36	-870.811,86	-1.031.790,9	-1.021.612,5	-1.177.744,9	-1.363.416,6

Source: (The reports cover the imports / exports of goods / services from the National Bureau of Statistics for the years 2016-2021. Available: www.statistica.gov.md)

The degree of coverage of imports with exports is low, and in the last four years 2018 - 2021 it is at a level lower than 50% (figure 1).

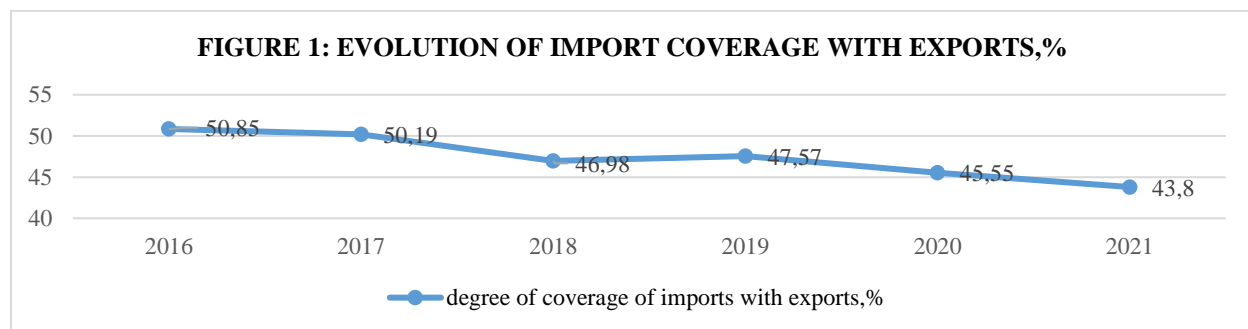


Figure 1. Evolution of the degree of coverage of imports with exports in the Republic of Moldova during the years 2016 - 2021, %

Source: (Reports on imports / exports of goods / services from the National Bureau of Statistics for the years 2016-2021. Available: www.statistica.gov.md)

From the analysis of the information presented in figure 1 and figure 2 we can say that 2016 is the one with a maximum degree of coverage of total imports of the Republic of Moldova with exports, but even so the situation is not satisfying, because this indicator reaches only 50.85%. It is also attested that the maximum degree of coverage of imports is registered in trade relations with the EU, also in 2016 - 67.48%.

With an economy in transition, the development prospects of the Republic of Moldova are closely linked to its performance in international and regional markets. With a strong dependence on remittances, with a negative value of the trade balance, with an economic crisis deepened by the pandemic consequences, Moldova remains one of the poorest and most vulnerable countries in the region.

3.2. Improving the mechanism of administration of fiscal obligations for import - export in the Republic of Moldova

In recent years, Moldova's economic performance has been significantly affected by the deterioration of trade relations with the Russian Federation and the geopolitical tensions between the latter and the European Union.

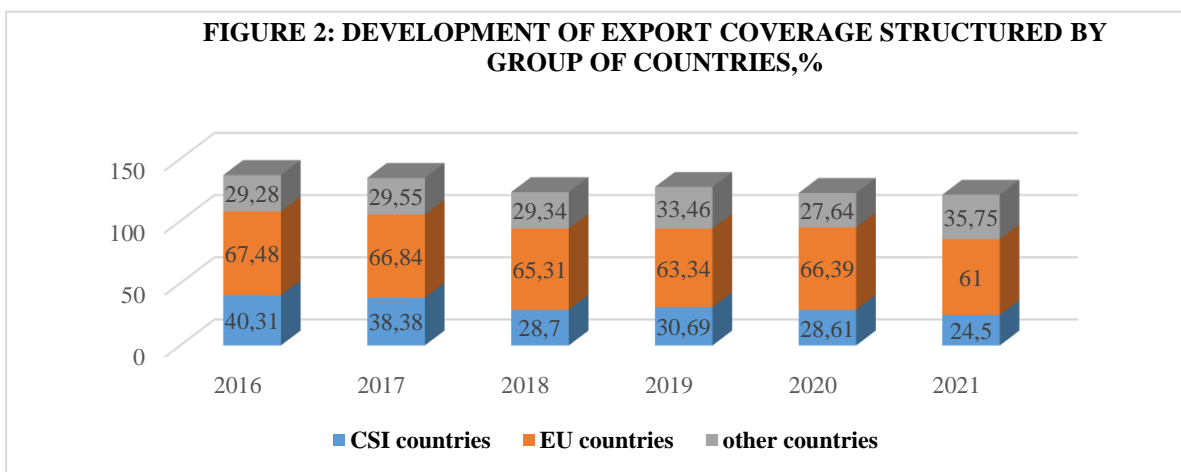


Figure 2. Evolution of the degree of coverage of imports with exports to the Republic of Moldova by groups of countries during the years 2016 - 2021,%

Source: (Reports on imports / exports of goods / services from the National Bureau of Statistics for the years 2016-2021. Available: www.statistica.gov.md)

Foreign trade in goods is influenced by the external shock caused by the COVID-19 pandemic on the size of exports, by reducing demand from major trading partners such as Romania, Italy, Turkey and the Russian Federation and reducing production in some industries. In the automotive industry there has been a slowdown, and in some EU countries even a halt, in business activity. (Iațișin, 2020, 171-173).

Regarding the structure of trade by groups of goods, the top 10 products exported and imported by the Republic of Moldova are highlighted. During this difficult period, exports of industrial products are higher than agri-food, with a ratio of 79% to 21%, focusing mainly on the sectors of cable production, car upholstery and textiles.

Starting with 2020, Moldovan farmers can export larger quantities of grapes, plums and cherries to the EU without paying customs duties. The Republic of Moldova negotiated an increase in duty-free tariff quotas for the export of table grapes (a double increase) and a 50% increase on the current volume for plums, as well as a new duty-free quota for cherries of 1500 tonnes. The thresholds for triggering the anti-circumvention mechanism for wheat, barley, maize and processed cereals have also been increased. In the context of capitalizing the tariff quotas on fruit exports to the EU on 17.06.2020, there were exports of table grapes about 20%, fresh apples 2.2%, cherries 11% (Iațișin, 2020, 171-173).

In 2021, exports of goods amounted to 3144.4 million US dollars, a value 27.5% higher than that recorded in 2020.

Exports of domestic goods in 2021 amounted to 2433.2 million US dollars (77.4% of total exports), increasing by 28.9% compared to 2020, which contributed to increasing the total value of exports by 22, 1%.

Re-exports of foreign goods (after processing and classic) in 2021 amounted to 711.2 million US dollars (22.6% of total exports) or 22.7% more compared to 2020. This increase has influenced increase in total exports by 5.4%.

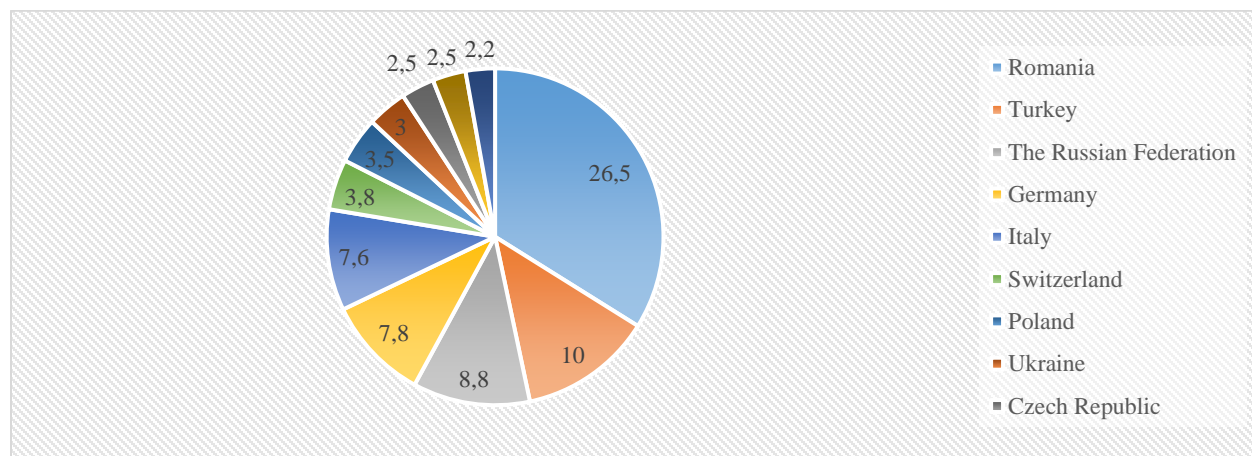


Figure 3: Share of main countries of destination of goods exports in 2021,%

Source: (Reports on imports / exports of goods / services from the National Bureau of Statistics for the years 2016-2021. Available:www.statistica.gov.md)

In 2021, the main destination countries for exports of goods, which accounted for 89.7% of total exports were: Romania (26.5% of total exports), Turkey (10.0%), the Russian Federation (8.8 %), Germany (7.8%), Italy (7.6%), Switzerland (3.8%), Poland (3.5%), Ukraine (3.0%), the Czech Republic and Bulgaria (2, 5%), Belarus (2.2%), United Kingdom of Great Britain and Northern Ireland (2.1%), Spain (2.0%), Greece (1.4%), Hungary (1.3%), The Netherlands (1.1%), France and the United States (1.0% each), Lebanon and Serbia (0.8% each).

In the structure of exports, since 2021, six sections of goods from the Standard Classification of International Trade (CSCI Rev.4) hold 90.8% of total exports, as follows: food and live animals (25.8%); transport machinery and equipment (20.2%); miscellaneous manufactured articles (18.8%); inedible raw materials (11.6%); manufactured goods (7.7%); beverages and tobacco (6.7%).

In 2021, imports of goods amounted to 7176.6 million US dollars, a level higher than that achieved in 2020 by 32.5%.

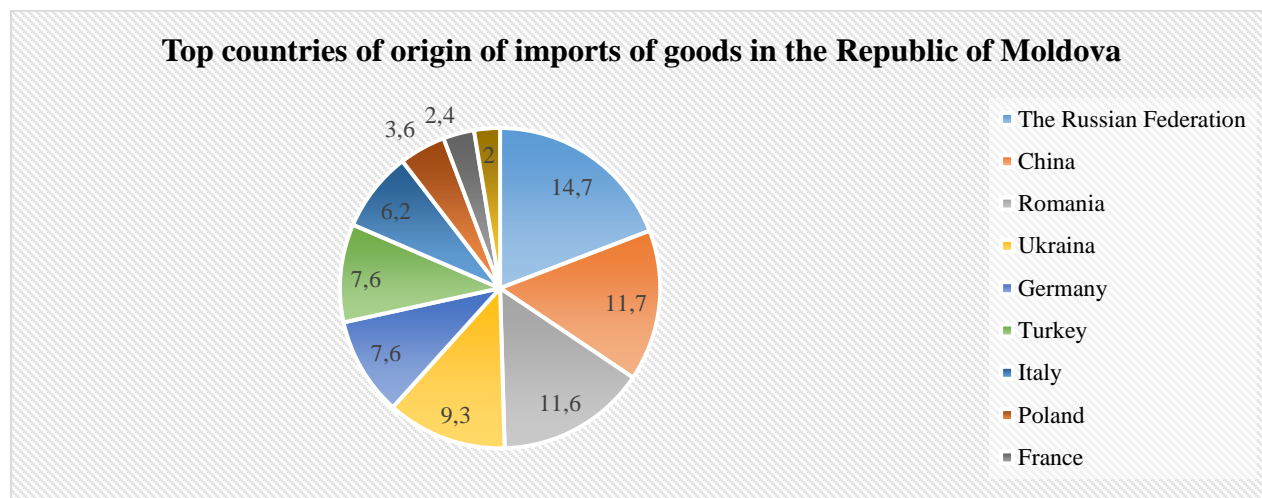


Figure 4: Share of main countries of destination of imports of goods in 2021,%

Source: (Reports on imports / exports of goods / services from the National Bureau of Statistics for the years 2016-2021. Available: www.statistica.gov.md)

In 2021, in the top countries of origin of imports of goods were found: Russian Federation (14.7% of total imports), China (11.7%), Romania (11.6%), Ukraine (9,3%), Germany and Turkey (7.6% each) Italy (6.2%), Poland (3.6%), France (2.4%), Belarus (2.0%), Hungary (1,7%), the Czech Republic (1.6%), the United States of America (1.5%), Spain and Austria (1.4% each), Bulgaria and the Netherlands (1.1% each), Japan, the United Kingdom Great Britain and Northern Ireland (0.9% each), South Korea (0.8%).

In the structure of imports, from 2021, six sections of goods from the Standard Classification of International Trade (CSCI Rev.4) represent 95.4% of total imports, as follows: transport machinery and equipment (25.4%); manufactured goods (18.3%); mineral fuels (15.0%); chemicals (14.4%); miscellaneous manufactured articles (11.6%); food and live animals (10.7%).

4. Conclusions

In conclusion, we can mention that the dynamics of the foreign trade of the Republic of Moldova registers a continuous growth, but which is determined, first of all, by higher imports, which leads to a progressive deterioration of the trade balance.

Export revenues remain concentrated on a few traditional products, making the country significantly vulnerable to external shocks. The Republic of Moldova needs to improve the sphere of foreign economic relations, trade policy instruments and measures that would ensure the promotion of foreign trade and stimulate the development of the national economy. In the field of foreign trade, the Republic of Moldova needs a consistent policy, aimed at diversifying sales markets, facilitating the access of Moldovan goods and services to foreign markets.

This will allow Moldovan companies to expand their market access for possible export products, which means financial advantages, experience, increased competitiveness, and the use of the development potential of domestic enterprises. Despite the pandemic situation, the

tendencies of the foreign trade of the Republic of Moldova with the EU continue to unfold, being directed towards the consolidation of a strategic collaboration. At the same time, in this complicated situation in which the world's economies find themselves, it is important to maintain trade flows, as cooperation and trust between countries are necessary, so that they do not impose export restrictions and imports do not pose health risks.

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