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MOLDO-ROMANIAN TRADE WITH AGRI-FOOD PRODUCTS: RETROSPECTIVE AND PERSPECTIVES

ALEXANDRU STRATAN¹, EUGENIA LUCASENCO², SERGIU TIRIGAN³

Abstract: *The paper aims to present the trade relations with agri-food products between the Republic of Moldova and Romania during the period 2000 – 2018. Being neighbouring countries, connected not only through the existing border, but also through common historical aspect, the trade with agri-food products is of particular importance for both of countries. Analysis of the trade is carried out by product types, presented in 3 periods: 2000 – 2006, 2007 – 2014 when Romania became an EU member state and 2015 – 2018, after entering into force of DCFTA. Research methods are based on statistical analysis, using the data provided by the National Bureau of Statistics of the Republic of Moldova and UN Comtrade database and Ministry of Economy and Infrastructure of the Republic of Moldova. Overall, there is a growing trend in export and import increase between the countries, while Romania continues to be the top-partner for Moldovan export of agri-food products. The paper suggests further proposals for cooperation between the countries, with a focus on increasing export values by the both sides.*

Keywords: *trade, agri-food products, Republic of Moldova, Romania, European Union*

Jel Classification: Q17

INTRODUCTION

Taking into account the sharp increase of Moldovan agri-food exports mainly to EU countries in the last years as a result of entering into force of DCFTA, research of the Moldova-Romania agri-food trade became of particular interest, as Romania represents the main trading partner from EU.

Research regarding the foreign trade of the Republic of Moldova with agri-food products in the framework of DCFTA was carried out by a number of national organizations, taking the shape of studies, scientific articles and informative notes (MIEPO, 2015; Savva, 2015). External trade from the perspective of competitiveness has been studied by Stratan A. (Stratan, 2017), in terms of comparative advantages with EU countries - by Cimpoies L. (Cimpoies, 2016), economic integration – Bulgari G. (Bulgari, 2015). A special attention to trade relations between Romania and Moldova has been given by Gavrilesco C. (Gavrilesco, 2016), with a specific focus on trade with agricultural goods.

The aim of the paper is to analyze the dynamics of agri-food trade flows between the Republic of Moldova and Romania during the period 2000 – 2018, with an emphasis on 3 periods: 2000 – 2006, 2007 – 2014 when Romania became an EU member state and 2015 – 2018, after entering into force of DCFTA (in September 2014).

MATERIALS AND METHODS

In order to carry out a comprehensive analysis of the trade with agri-food products, the authors have taken into account tariff items 1-24 from the commodity list, at a 2 and 4-digit levels. Foreign trade data provided by UN Comtrade and World Integrated Trade Solution database served as the primary source for the carried out study. Other related sources refer to the Statistical Yearbook of the Republic of Moldova, data provided by the Ministry of Economy and Infrastructure of the Republic of Moldova, etc.

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The analysis of foreign trade indicators of the Republic of Moldova has been carried out using a series of research methods, such as: analysis and synthesis of statistical data, comparative method, induction and deduction method, as well as analysis of economic phenomenon.

The official statistics does not cover the small traffic and trade near the common borders, which also plays an important role for the small farmers from the frontier zone.

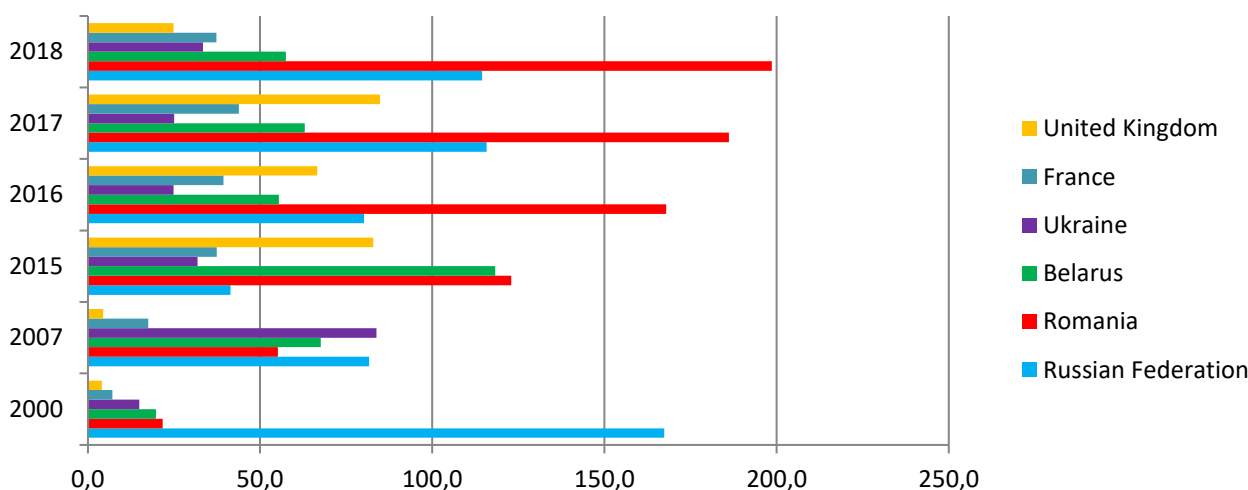
RESULTS AND DISCUSSIONS

External trade with agri-food products of the Republic of Moldova plays an important role in the national economy, thus representing a basic pillar for the total trade. The share of exports of Moldovan agricultural products in the total volume of foreign trade amounted to 43.1% in 2018, while the share of imports – 13.4%. If the share of imports of agri-food products remains basically around the same values during 2000 – 2018 (13 – 14%), then the share of agri-food exports is declining over the analyzed period (from 61.6% in 2000 – to 43.1% in 2018), mainly due to increase of some industry branches producing insulated wires and cables, textile industry, packing industry, etc. (UN Comtrade database, 2019).

During 2000 – 2018, some changes in trade patterns can be notices, mainly related to the export of Moldovan agri-food products. Thus, if in 2000 Russian Federation was the main external partner of the Republic of Moldova (with a share of 60.9% of the total agri-food exports), then in 2018 the situation has changed dramatically, when about 17.0% of the agri-food exports are directed towards Romania and only 9.8% to Russian Federation (see Figure 1). Embargos imposed by Russian Federation on a series of Moldovan products (wine in 2006 and 2013; fruits like apples, peaches, cherries, etc. and canned fruits and vegetables in 2014), DCFTA agreement with EU, as well as diversification of external markets have represented the main causes in trade patterns changes.

In the last years, exports to EU have overtaken those to CIS countries, making Romania the first partner from EU in terms of export with agri-food products, being followed by France and United Kingdom.

Figure 1. Moldovan top export partners, 2005 – 2018, mil. USD



Source: World Integrated Trade Solution database, 2019

At the moment, Romania represents an important trade partner for the Republic of Moldova, both in terms of exports and imports. The agri-food trade between the Republic of Moldova and Romania has undergone some significant changes, increasing both, in natural and value terms. Since 2000, exports with agri-food products increased by over 9 times in monetary values (from 21.7 mil. USD in 2005 to 198.6 mil. USD in 2018), while imports – by almost 8 times (from 8.2 mil. USD in 2000 to 71.2 mil. USD in 2018) (see Figure 2).

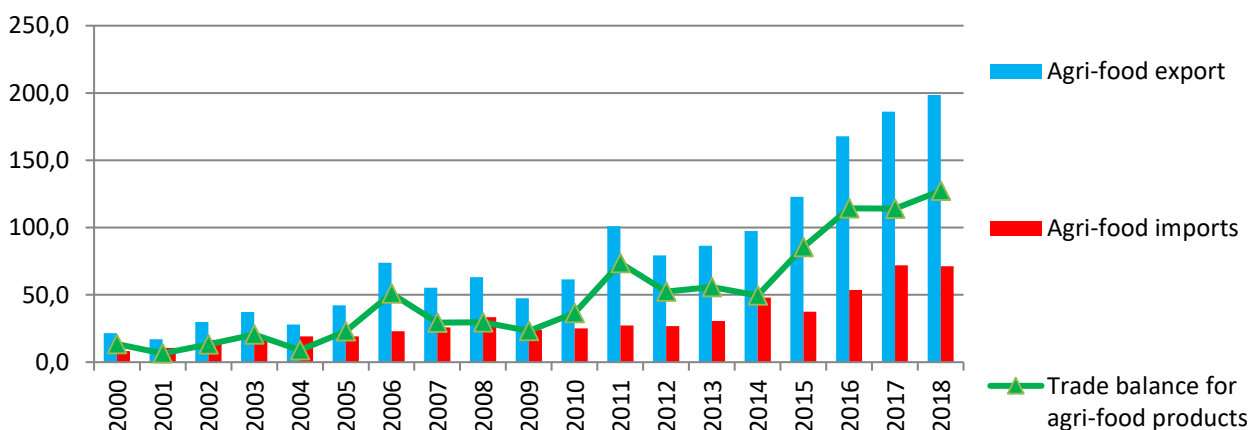
After becoming an EU member state, Romania became a more reliable partner for the Republic of Moldova. But, the most increased values of exports can be noticed since 2015, when

DCFTA entered into force and Romanian market became more close and attractive for Moldovan exporters, due to the liberalization of trade with EU. DCFTA boosted Moldovan exports of agri-food products to Romania, which increased by 2 times in 2018 compared to 2014. At the same time, agri-food imports have had a slower dynamic of increase of about 1.5 times during the same period.

Extension of the international retailers such as Metro and Kaufland in the Republic of Moldova by using their subsidiaries established in Romania is further contributing to the increase of the bilateral trade between the two countries, considering that elements of integrated supply and distribution management are applied. Increasing of the investments and extension of the businesses in both directions also represents a determinant for the enhancement of bilateral trade.

The trade balance for agri-food products has been always positive for the Republic of Moldova. Thus, in 2018, exports prevailed over imports by about 2.8 times.

Figure 2. Moldova - Romanian trade with agri-food products, mil. USD



Source: World Integrated Trade Solution database, 2019

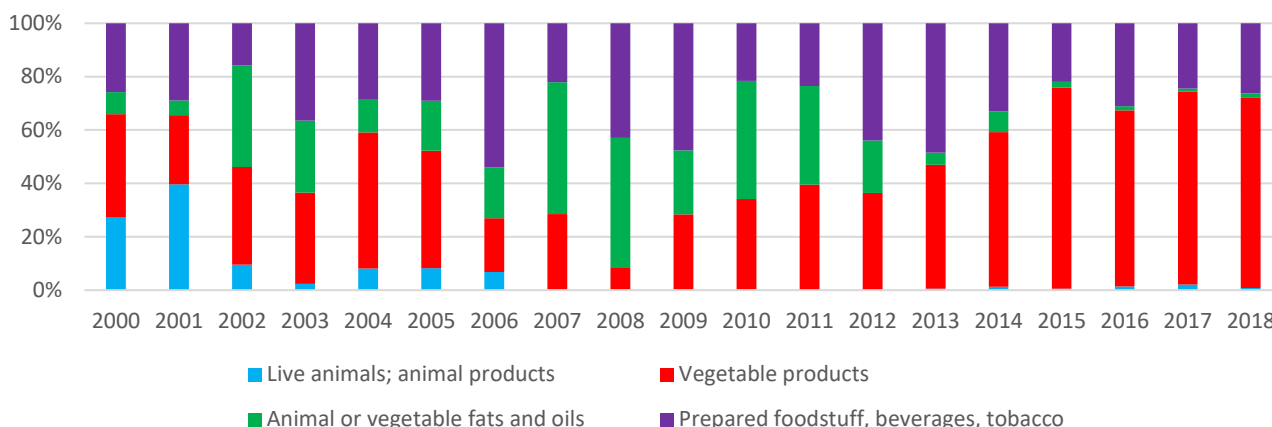
When analysing Moldovan exports by commodity groups, we can note that significant changes and shifts occurred during the selected period. Between 2000 – 2006, Republic of Moldova exported to Romania live animals and animal products, their share in the total agri-food exports to Romania varying between 2.3% in 2003 and 39.7% in 2001.

Starting with Romania's accession to EU in 2007, this percentage declined to 0.1, mainly due to the safety regulations for meat and meat products imposed by the EU, necessity for veterinary certifications, requirement for high standards of products with respect to hygiene and safety of consumers, etc. At the same time, Moldovan livestock sector is also declining in terms of production, as well as is lacking in modern processing equipment and infrastructure (see Figure 3).

At the same time, declining trend in its share in exports can be observed for the commodity group animal or vegetable fats and oils, where export of sunflower oil has the major share. The highest values of exported sunflower oil can be noticed after the Romania's accession to EU, when their share in the total export of agri-food products amounted to almost 50%.

Starting with 2013, the share of animal or vegetable fats and oils commodity group has started to diminish, reaching about 1.7% of the total exports of agri-food products to Romania in 2018. It is worth mentioning that overall, the export of sunflower oil did not diminish, but undergone some changes in terms of markets, which became more diversified in 2018. Thus, in 2018, Romania was overtaken by such trade partners like Italy, Spain, Portugal (all EU member states), as well as Sudan.

Figure 3. Agri-food exports to Romania by the main types of commodity groups, 2000 – 2018, %

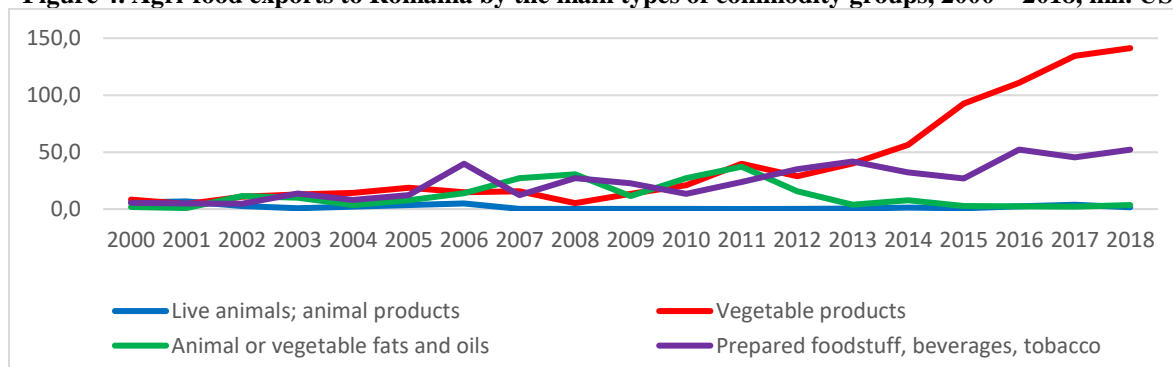


Source: World Integrated Trade Solution database, 2019

Prepared foodstuff, beverages, tobacco commodity group has had some oscillations during the analyzed period, in terms of share in the agri-food exports to Romania (ranging from 15.7% in 2002 to 53.9% in 2006). Nevertheless, it increased by 9.3 times in monetary values in 2018, compared to 2000. In 2018, the highest export values from this commodity group belonged to wine made of fresh grapes (15.9 mil. USD), bread and pastry products (9.3 mil. USD), chocolate (2.7 mil. USD), fruit juice (1.4 mil. USD), etc. Chocolate industry can represent an important determinant in the future development of external trade with Romania. Moldovan company “Bucuria” already access successfully the Romanian market, thus creating a corridor for other companies, mainly small-scale ones specialized in producing candies made of nuts or fruits in chocolate.

On the other hand, considerable increases can be found in the vegetable products commodity group, which increased by 16.9 times in 2018 compared to 2000 (see Figure 4).

Figure 4. Agri-food exports to Romania by the main types of commodity groups, 2000 – 2018, mil. USD

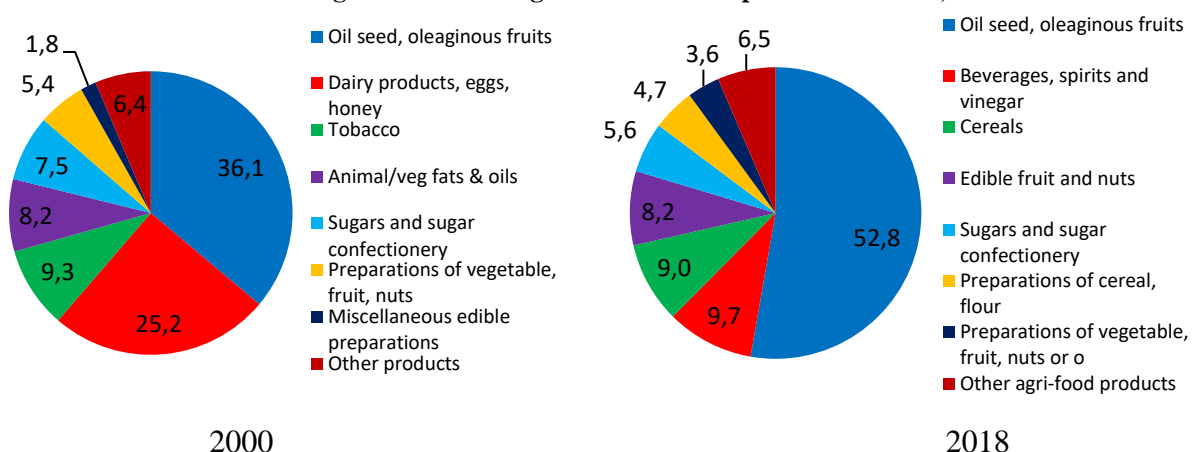


Source: World Integrated Trade Solution database, 2019

The highest rates of increase have occurred since DCFTA entered into force, when Romania became the main export destination for Moldovan vegetable products. DCFTA enhanced exports to Romania of such agri-food products as: sunflower seeds (73.7 mil. USD in 2018 compared to 15.7 mil. USD in 2014), rape seeds (24.3 mil. USD in 2018 compared to 9.8 mil. USD in 2014), wheat and meslin (9.7 mil. USD versus 6.1 mil. USD), grapes (10.3 mil. USD in 2018 versus 3.0 mil. USD in 2014), etc.

As a whole, when analyzing the 2-digit commodity data for the 01-24 product groups for 2000 and 2018, the following structures and changes of agri-food exports can be observed (see Figure 5):

Figure 5. Main 2-digit commodities exports to Romania, %



Source: World Integrated Trade Solution database, 2019

Since entering into force of DCFTA, the Republic of Moldova has had certain export limits in the EU for some product categories, these being the products subject to tax exemption for certain tariff quotas (Stratan A., 2017). Romania still remains one of the main partners for the Republic of Moldova in terms of tariff quotas valorization, as it receives high shares of Moldovan grapes and plums exported to EU.

At the same time, a number of agri-food products are subject to the anti-circumvention mechanism, which assumes that if the volume of imports of one or more categories of such products reaches 70% of the volume, the EU will notify the Republic of Moldova about the further volume of imports for these products. Thereafter, the Republic of Moldova is obliged to send the EU a reasoned justification, as it has the capacity to manufacture products for export to the EU in excess of the quantity mentioned in the Association Agreement. If the imports reach 100% of the indicated volume and the reasonable justification from Moldova is missing, the European Union may temporarily suspend the preferential conditions for the products in question (MIEPO, 2015). As previously mentioned, Romania absorbs a good share of cereals exports of the Republic of Moldova to EU.

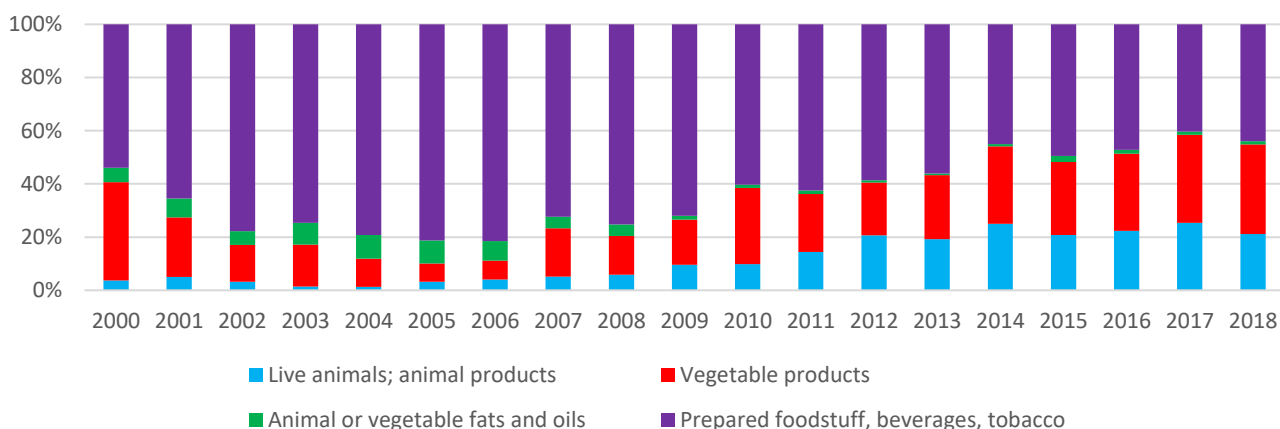
Table 1. Valorization of tariff quotas for export to the EU

| Valorization of tariff quotas for export to the EU | | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------|--------------|-----------------|------|---------------|--------|---------------|------|---------------|-----|---------------|-----|
| Products | Quota (tons) | Sept.-Dec. 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
| | | Quant. (tons) | % | Quant. (tons) | % | Quant. (tons) | % | Quant. (tons) | % | Quant. (tons) | % |
| grapes | 10 000 | 7708 | 77 | 9366 | 93 | 10 000 | 100 | 1000 | 100 | 10000 | 100 |
| apples | 40 000 | 1585 | 3,96 | 746 | 1,8 | 74 | 0,19 | 2191 | 5,5 | 1859 | 5 |
| plums | 10 000 | 3948 | 39,4 | 6196 | 62 | 7534 | 75 | 10000 | 100 | 9862 | 99 |
| tomatoes | 2000 | - | - | - | - | - | - | 84 | 4 | 40 | 2 |
| Valorization of tariff quotas for export to the EU with the application of the anti-circumvention mechanism | | | | | | | | | | | |
| Products | Quota (tons) | Sept.-Dec. 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
| | | tons | % | tons | % | tons | % | tons | % | tons | % |
| wheat | 75 000 | 34 246 | 45 | 178 486 | 237,98 | 559 863 | 746 | 348077 | 464 | 375777 | 501 |
| barley | 70 000 | 15 607 | 22 | 78 360 | 111 | 77 555 | 110 | 72945 | 104 | 59394 | 85 |
| maize | 130 000 | 35 012 | 27 | 162 746 | 125 | 200 088 | 153 | 94228 | 72 | 456809 | 351 |
| sugars | 37 400 | 11 344 | 30 | 7985 | 21 | 66 133 | 176 | 31700 | 85 | 27907 | 75 |
| processed cereals | 2 500 | 522 | 20 | 5505 | 220 | 16 797 | 676 | 11021 | 441 | 9697 | 388 |
| processed sugar | 4 200 | 429 | 10 | 1011 | 24 | 1251 | 29 | 1014 | 24 | 1521 | 36 |
| sweet corn | 1 500 | 462 | 30 | 751 | 50 | 944 | 62 | 403 | 27 | 4570 | 305 |

Source: Ministry of Economy and Infrastructure data, <https://mei.gov.md/ro/dcfta>

As a result of the analysis of Moldovan agri-food imports from Romania, the commodity group of prepared foodstuff, beverages and tobacco still holds the largest share in the import structure in 2018. Nevertheless, since 2010, there is noted an ascend of the vegetable products group, as well as live animals and animal products (see Figure 6).

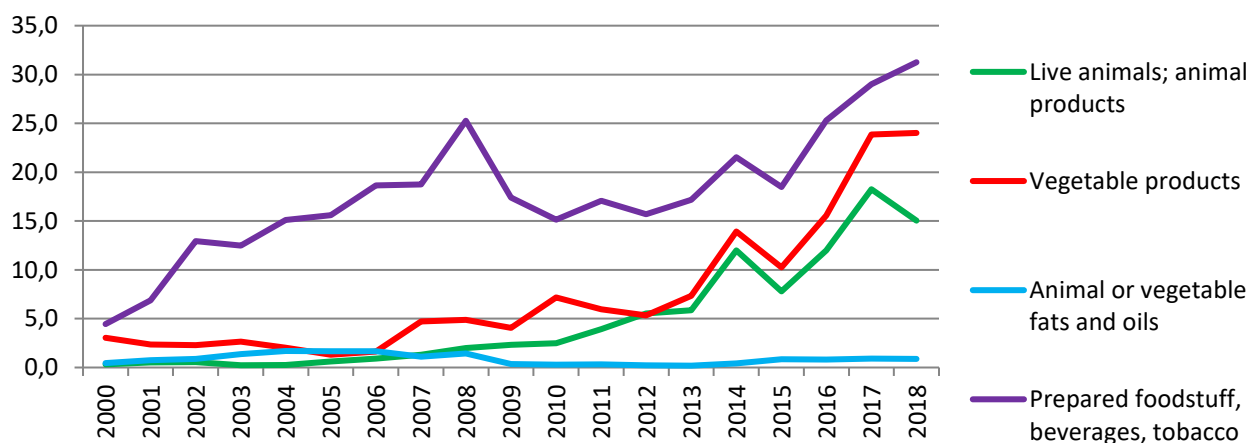
Figure 6. Agri-food imports from Romania by the main types of commodity groups, 2000 – 2018, %



Source: World Integrated Trade Solution database, 2019

In monetary values, during the researched period, import of live animals and animal products increased in 2018 compared to 2000 by almost 50 times (see Figure 7), but it is worth mentioning that the initial figures were very low (0.3 mil. USD in 2000 and 15.0 mil. USD in 2018). At the moment, the most imported products from this commodity group are dairy products, with a share of 66.8%. As a result of recent negotiations regarding some commodity groups, there is expected the increase of import quota for animal products in the Republic of Moldova. Therefore, Romania could represent an important future partner in terms of supply with livestock production.

Figure 7. Agri-food imports from Romania by the main types of commodity groups, 2000 – 2018, mil. USD



Source: World Integrated Trade Solution database, 2019

At the same time, regarding the structure of the vegetable products group, some changes occurred during the analyzed period, when there is noted an important increase in cereals (particularly maize), oil seed (sunflower seeds intended for consumption) and vegetable imports (potatoes, cucumbers and tomatoes).

Import of animal or vegetable fats and oils increased almost 2 times during 2000 – 2018, accounting for less than 1 mil. USD in monetary terms. In 2018, prepared foodstuff, beverages and tobacco commodity group is subject to imports mainly of residues and wastes of the food industry

(oil-cake and other solid residues), beverages (natural and mineral waters) and miscellaneous food preparations.

Overall, DCFTA has also had a positive influence on Romanian exports of agri-food products to Moldova (especially dairy products), which present some increasing trends in the last years.

CONCLUSIONS

The external trade of the Republic of Moldova with agri-food products is increasing constantly, both in terms of exports and imports, maintaining a positive trade balance during the period 2000 – 2018. At the same time, there are observed increasing trends in exports and imports of agri-food products in the external trade with Romania. DCFTA has contributed directly to enhancing the trade between the two countries, with a particular high impact over the exports of vegetable products from the Republic of Moldova. At the same time, access to the Romanian market supported some Moldova industries to decrease the impacts of the embargos and restrictive measures adopted by the Russian Federation.

Cultural proximities and single language facilitate the access to the market, branding and promotion of the products and integration of the economies. Romania, even if it will not be able to absorb all the volumes of fruits, still represents an important platform for Moldovan producers to train and start the access to the EU market (e.g. plums and table grapes). Therefore, the expected increase of export quotas on the EU market for these products could be redirected to other EU markets.

At the same time, extension of the international retailers (Metro and Kaufland) using their subsidiaries established in Romania is further contributing for the increasing of the bilateral trade, considering that elements of integrated supplying and distribution management is applied. Increasing of the investments and extension of the businesses in both directions, of Moldovan companies to Romania and of Romanian companies to Moldova, also facilitates the access of goods on to the markets (e.g. investment of “JLC” JSC in dairy processing factory “Prodlacta” from Brasov, Romania).

Considering difficulties registered by the Republic of Moldova in developing the animal husbandry sector, this fact could represent a platform for a further extension of the exports from Romania. Nevertheless, these exports will have to face an important competition with other exporters like Poland and Ukraine.

Both markets provide opportunities for selling of processed products and breweries in order to cover the consumer demand for a diversification of the products. Despite the fact that Romania has its own wine industry, it is absorbing an important volume of exports of Moldova wine.

Future focus in bilateral trade with Romania should be made on export of high value added products, which will also contribute to the development of small and large value chains in the agricultural sector of the Republic of Moldova, modernization of post-harvest infrastructure and food processing industry. Development and further integration of the production and supplying clusters will contribute to both, to the increase of the bilateral trade and in accessing new external markets.

At the same time, there is a need for diversification of traded commodity groups with Romania, which can be also achieved due to the existing opportunities in the framework of DCFTA.

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