

ANALYSIS OF TRADING PARTNERS' PRACTICES FOR IMPROVING THE COMMERCIAL POLICY OF THE REPUBLIC OF MOLDOVA

Scientific Researcher, Tatiana GUTIUM

National Institute for Economic Research, Republic of Moldova

E-mail: gutium.tatiana1@gmail.com

Abstract: *The main trading partners of the Republic of Moldova are Romania (member state of the European Union), the Russian Federation (member state of the Eurasian Economic Union) and Ukraine. The trade policies promoted by these states have particular characteristics, some of them have positive effects on national economy, but another negative effects. The object of research is the trade commercial policy. The main purpose of the study is the elaboration of recommendations for streamlining commercial policy of the Republic of Moldova based on experiences of the main trading partners. In order to achieve this aim, the following research methods were used: the method of ascending from the abstract to the concrete, comparative analysis, systemic approach. Economic growth, competitiveness and foreign trade are interdependent. Therefore, the relationship between trade policy and theories related to competitiveness was analysed for explain the theoretical aspect of the research object. According to the results of the analysis of trading partners' practices was developed recommendations for improving the commercial policy of the Republic of Moldova.*

Key words: *commercial policy, foreign trade, free trade, protectionist policy, competitiveness.*

JEL Classification: *F13, F15, F40.*

1. Introduction

Economic growth is on the agenda of any state, regardless of its geographic location and development model. On the one hand, the trade policy of the state is an important tool influencing the economic development of the country. On the other hand, achieving and maintaining a high level of competitiveness creates favourable conditions for solving the strategic task of sustainable development of the national economy.

At the same time, economic and political instability, corruption in the echelons of state power, monopolization of trade in certain goods reduce the competitiveness. To solution these problems is impossible without improving economic policy. One of these policies is trade policy. Therefore, the study of the commercial policy of the main trading partners of the Republic of Moldova is relevant. Justly set priorities in the trade policy of the state will expand sales markets, increase the volume of exports and reduce the trade deficit.

2. Aims of the research and methods applied

The main purpose of the study is to develop proposals for the development of trade policy of the Republic of Moldova.

Reaching this goal is ensured by realising the following research objectives:

- Studying the relationship between commercial policy and theories of competitiveness to identify the type of trade policy, the promotion of which would theoretically provide benefits for the economy of the Republic of Moldova;
- Realizing comparative analysis of commercial policy of the main trading partners of the Republic of Moldova to identify strengths and weaknesses;
- Elaboration of measures and recommendations in order to streamlining trade policy of the Republic of Moldova.

In this study were used scientific methods for realise these objectives, such as: the method of ascending from the abstract to the concrete, quantitative and qualitative analysis, comparative analysis, systemic approach etc. The analysis of the evolution of foreign trade

of the main trading partners of the Republic of Moldova was performed based on statistical data available on the websites of the National Institute of Statistics (Romania), the Federal State Statistics Service (Russian Federation), the State Statistics Service of Ukraine.

3. Relationship between trade policy and theories related to competitiveness

The theoretical approach to competitiveness can be found in the theories of foreign trade, intra-industrial trade, especially in theories focused on studying the specialization of countries. According to these theories, the main criteria underlying countries' participation in international trade are: absolute advantage, comparative advantage, competitive advantage. In the literature, these theories (except Michael Porter's theory) are not called competitiveness theories, but called international trade theories. These theories can be divided into two groups: classical & neoclassical and modern. The most theories from the first group consider that their implementation can be effective only in terms of promoting free trade policy. The theories from the second group promote both types of trade policy (free trade, protectionist) depending on the level of development of the national economy, or according to other criteria.

According to the Swedish economist Steffan Linder, the country should export the goods it produces in excess, and the target external market should be the market in which the preferences of potential consumers coincide with the preferences of domestic consumers, therefore the theory is called the country similarity theory. The application of this theory in the case of the Republic of Moldova is not rational, because the given theory does not take into account the difference between the disposable incomes of citizens from different countries.

The analysis of the foreign trade of the Republic of Moldova casts doubt on the validity of the above theory. According to this theory, goods are produced for the domestic market, and after domestic demand is saturated, the surplus is exported. However, when the price on one of the foreign markets is much more favourable compared to the price on the domestic market, first the surplus is exported, and then a significant share of production. At the same time, deficit is created on the domestic market and this good is already imported. By the time, volume of import of this good would be more than volume of domestic good.

Unlike neo-classical scholars, authors of non-technological theories argue that a perpetuum mobile for development of foreign trade is the technical-scientific revolution but not the procuring with production factors. Namely, the monopoly on high-tech products, new advanced technologies ensures a competitive advantage of new products, their realization in the world market at monopolistic prices, until the moment when these technologies are distributed in the world, and until these products go into the stage of maturity and saturation.

The most notorious non-technological theories are Product Cycle Model which is elaborated by R. Vernon and the theory of Technological Gap or Imitation Gap Model, the author of which is M. Posner. The last theory explains that when countries are assured with the same amount of production factors, namely technical progress in one of the branches of an economy will initiate the development of international trade (Posner, 1961, pp. 340).

John Dunning has presented his theory as a combination of three categories of advantages (table no. 1), the availability of which ensures infiltration through foreign direct investment (FDI) on the foreign market. According to the OLI paradigm, if the enterprise possesses more advantageous resources compared to those of the host country, and if the host country accords more favourable conditions for doing business compared to the conditions offered by its own country, then it is convenient to open up own business on the

target market, as well as the acquisition of an existing enterprise on the foreign market for the purposes of management and control.

Table no. 1. Conceptual delimitations of modern theories related to competitiveness

Author	Conceptual delimitations	Factors / indicators used to estimate competitiveness	Economic effects	Relationship between theory and trade policy
Hans Martin Staffan Burenstam Linder (1931-2000)	According to the country similarity theory: “necessary conditions for obtaining the comparative advantage in the production of a good are: this good has to be demanded on the home market and trade has to be most intensive among countries with similar demand structures” (Linder, 1961, pp. 17).	Consumer preference, the domestic demand for goods. “A particular good will not be produced at a comparative advantage unless there is an internal market for it” (Linder, 1961, pp. 90).	A specialization in producing high quality goods. An increase of production and export of goods.	As stated by this theory, a protectionist trade policy is relevant to a developing country, and free trade - to a developed country (Linder, 1961, pp. 81).
Michael Vivian Posner (1931-2006)	In line with the Technological Gap Model of International Trade: “the comparative advantage is caused by the distinction between technological processes, between new and old goods, the distribution of investments” (Posner, 1961, pp. 341).	“A quota of innovation embodied in a product”, „expenditure on innovation-generating research, i.e. the rate of investment” (Posner, 1961, pp. 339).	Economic growth.	Applying the theory will be more effective under the following conditions: “zero tariffs, zero barriers” (Posner, 1961, pp. 326).
John Harry Dunning (1927-2009)	The OLI paradigm explains competitive positions in foreign direct investment flows and the economic rationale of international production.	Ownership (O), Location (L), Internalization (I) (Dunning, 1988, pp. 60).	Enterprises enter on the external markets through foreign direct investment.	As claimed by this theory, protectionism promotes the substitution of imports using foreign investment (Dunning, 2008, pp. 177).
Michael Eugene Porter (born in 1947)	The theory of competitive advantage reflects the determinants of the competitive advantage of the nation in terms of the advantages of the domestic enterprises (Porter, 1990).	“Determinants of National Competitive Advantage: factor conditions; demand conditions; related and supporting industries; firm strategy, structure and rivalry” (Porter, 1990, pp. 82-83).	Increasing production volume in export-oriented branches, economic growth and welfare growth.	According to this theory, the purpose of trade policy is to create open markets in all branches where the country has a competitive advantage (Porter, 1990, pp. 89).

Source: systematized by the author

The theory of the Competitive Advantage of Nations (M. Porter) elucidates the role and importance of internal competition in forcing enterprises to innovate, to modernize, to improve quality and to create new products. It is the state's role to be a catalyst for the economic activity growth and the state's obligation to ensure a high degree of competition.

All of the described theories, except Linder and Porter's one, have explained international trade, country specialization, comparative and competitive advantages, basing on the specifics of the supply. The country similarity theory and Porter's Diamond are some of the few demand-based theories. Therefore, economic science feels lack of theories of international trade related to competitiveness, which are based on demand.

In the modelling process, competitiveness is the endogenous variable; exogenous variables are the determinants of competitiveness, which can be divided into two groups: factors influencing the competitiveness of the research object (goods, enterprises, national economy, etc.) and factors influencing the economic policies. Trade policy, fiscal policy and other economic policies have to aim to increase competitiveness. Not only economic policies have a direct impact on competitiveness, but competitiveness also influences policies by dictating the promotion directions. The author's position is that economic policies, such as trade and fiscal policy can be considered as determinants or causal factors as they influence the change in competitiveness. Increasing taxes, excise duties and other taxes will increase the cost of production and the price, which in turn will reduce the competitive advantage. Summarizing the results of the study, we consider that the Republic of Moldova should promote a free trade policy with major trading partners.

4. Analysis of the experience of the main trade partners of the Republic of Moldova on the promoted trade policy

In the struggle to sales markets, countries use various instruments of economic policy, the ultimate goal of which is veiled. Protectionist policies, trade wars do not imply specialization of countries according to comparative advantages. Consequently, the promotion of trade policy in accordance with the classical theories of foreign trade is irrational, it is logical to use modern theories. Before proceeding with a comparative analysis of trade policy, it is necessary to identify the main trade partners of the Republic of Moldova. For this it is necessary to analyse the geographical and commodity structure of the foreign trade of the Republic of Moldova.

An analysis of the dynamics of exports by country in 1997-2019 shows that in 1997-2007 and 2009-2013 the main trading partner of the Republic of Moldova was the Russian Federation. In 2008 and 2014-2019, Romania has already become the main partner. In 2019, Romania is ranked first, followed by Italy, both member states of the European Union, followed by the Russian Federation. Exports of goods to Romania decreased by 3.34% in 2019 compared to the previous year, and their share in total exports increased by 8.9 percentage points over ten years. Since 2016, the volume of exports to Romania exceeds the volume of exports to the CIS countries. The Republic of Moldova has reoriented its exports to the countries of the European Union (EU). But in 2019, the share of exports to these countries decreased by 2.93 percentage points over the previous year. Exports of goods to the CIS countries increased by 11.8%, while their share increased slightly - by 0.3 percentage points. Summarizing the above, the author will focus on the study of the experience of the main trading partners of the Republic of Moldova on trade policy, namely Romania and the Russian Federation, because during last 23 years these two countries took the first places in the structure of exports, in different periods of time.

A study of imports by groups of countries showed that the largest share in 2019 belongs to the EU countries - 49.46%, which corresponds to a value of US \$ 2.9 billion. The CIS countries account for 24.26% of total imports. In the reporting year, Romania occupied the first place in the structure of imports, followed by the Russian Federation, China and Ukraine. In the period 1997-2019, Russian Federation (1997-1999, 2010-2013), Ukraine (2001-2009) and Romania (2000, 2014-2019) topped the list of major import partner countries. Therefore, it is logical to expand the list of main trading partners, whose

experience in trade policy should be studied. In addition to Romania and the Russian Federation's trade policy, Ukraine's one will be researched. Furthermore, Romania is a member of the EU, the Russian Federation is a member of the Eurasian Economic Union, and Ukraine, like Moldova, has signed an Association Agreement with the European Union. Romania is a member of the EU since 2007, and it is subject to the general trade policy, according to which member states do not have the right to conclude trade agreements with third countries, this right belongs to the European Union. Trade policy is regulated by various legislative acts. The basic rules are described in table no. 2.

Table no. 2. Regulation of the European Union trade policy with third countries

Regulations	Distinctive features	Recent changes	Date
„Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff” (EUR-Lex, 1987).	1. A unified product coding system has been introduced; 2. Contains customs duties; 3. Does not contain national taxes (VAT, etc.).	„Commission Implementing Regulation (EU) 2018/396 of 13 March 2018 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff” (EUR-Lex, 2018a). „Commission Implementing Regulation (EU) 2018/507 of 26 March 2018 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff” (EUR-Lex, 2018b).	September 10, 1987
„Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008” (EUR-Lex, 2012).	In the case of the GSP, approximately $\frac{2}{3}$ of import duties were reduced for low-income developing countries. In the case of GSP +, more than $\frac{2}{3}$ of import customs duties have been eliminated for low-income countries that meet two criteria (vulnerability and sustainable development). In the case of the EBA, import duties and quotas on all goods except weapons are abolished for underdeveloped countries.	„Commission Delegated Regulation (EU) 2020/128 of 25 November 2019 amending Annex II to Regulation (EU) No 978/2012 of the European Parliament and of the Council applying a scheme of generalised tariff preferences” (EUR-Lex, 2019a).	January 1, 2014
„Regulation (EU) 2019/287 of the European Parliament and of the Council of 13 February 2019 implementing bilateral safeguard clauses and other mechanisms allowing for the temporary withdrawal of preferences in certain trade agreements concluded between the European Union and third countries” (EUR-Lex, 2019b).	It is used to protect domestic producers of certain sensitive goods. It applies to goods that are imported in such large quantities that they harm domestic producers.	–	March 14, 2019

Source: systematized by the author

The promotion of a common trade policy brings benefits to the EU member states, including Romania:

- Romanian producers are protected from unfair competition from producers and importers from third countries thanks to the entry into force of Regulation (EU) 2019/287;
- The trade power of the Union, which includes 28 countries, is much higher than in the case of a single state. Thus, each participant wins;
- Investors in each Member State have the same rights, obligations and conditions for the allocation of investments;
- The increasing of the export of Romanian goods, the expansion of sales markets to third countries.

The author analysed the series of statistical data available on the website of the National Institute of Statistics (Romania) on the evolution of foreign trade (1991-2019); the dynamic for 2006-2019 is showed in figures no. 1 and 2, it includes one year before accession and the years after accession the EU.

The assay of the evolution of the extra-community and intra-community export and import in the period 1991-2019 showed that since 1993 Romania has reoriented its foreign trade towards the countries of the European Community. As a result, since 1995, exports and imports with EU countries prevail over foreign trade with other countries. After Romania's accession to the EU, both intra-EU and extra-EU exports have increased, with the exception of 2009, 2012, 2015, 2019 (fig. no. 1), in general, the share of intra-EU exports in total exports varies between 69-77%.

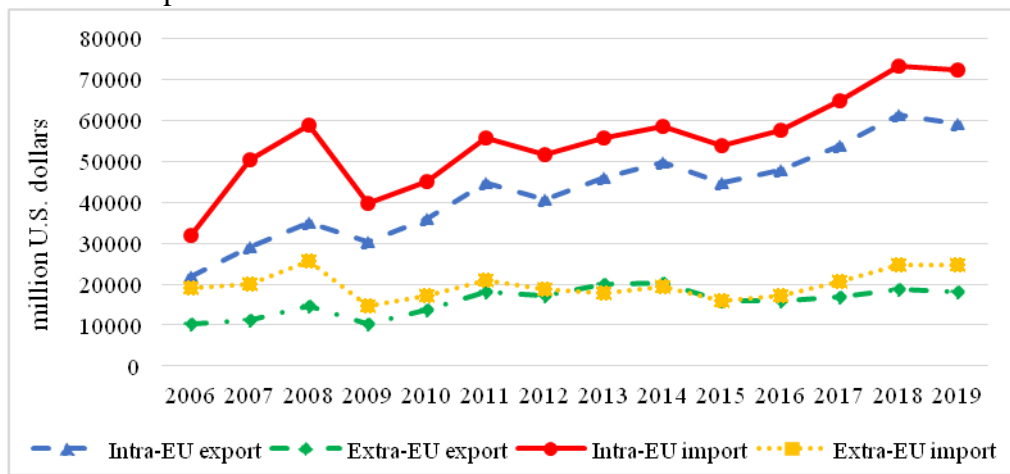


Figure no. 1. Evolution of Romanian foreign trade, 2006-2019

Source: processed according to the data of the National Institute of Statistics (Romania)

As known, the effects of economic policies, of decisions at state level, of promotion strategies can be both positive and negative, differ only in which of these two categories of effects prevails. In order to draw correct conclusions regarding the advantages that Romania received as a result of accession, let us analyse the dynamics of the index of the physical volume of exports.

During 2002-2006, the physical volume of exports increased, but in the period after the accession there was a decrease in evolution of this indicator in 2009, 2010, 2012, 2015 and 2019, which was caused by the economic crisis at the end of 2008 and natural disasters in 2012 (drought) and 2015 (heavy rainfall). In 2016, the decline was not significant. The accession brought advantages to Romania, but did not give it stability in the event of natural disasters. As in the case of the Republic of Moldova, which is not a member of the EU, the economy of the Romanian state is vulnerable to natural disasters. Over the past

five years, the share of exports in GDP has been declining, while the share of the trade deficit has been growing (fig. no. 2).

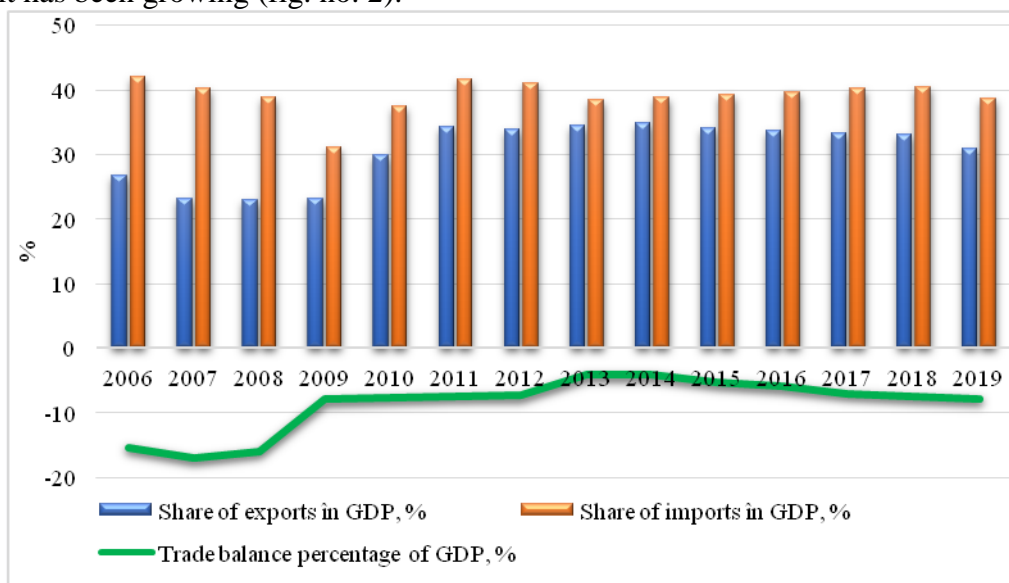


Figure no. 2. Share of foreign trade in Gross Domestic Product, Romania

Source: processed according to the data of the National Institute of Statistics (Romania)

In figure no. 3, there is performed the comparative analysis of Romania's export structure by sections for the years 2006 and 2019. The choice of 2006 is dictated by the fact that this year is the year before EU accession. In 2019 the share of exports (FOB) of vehicles, machinery and equipment was 47.3%, i.e. 17.4 percentage points more than in 2006. On the second place are the processed products, followed by miscellaneous manufactured articles.

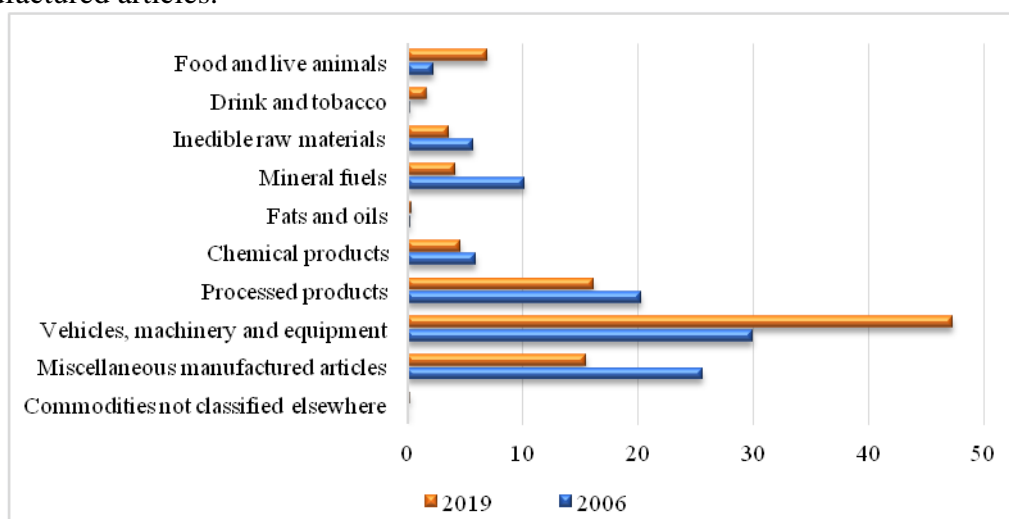


Figure no. 3. Export structure by sections according to SITC Rev. 4, Romania, %

Source: processed according to the data of the National Institute of Statistics (Romania)

The comparative analysis of the changes in the structure of exports by sections according to Standard International Trade Classification (SITC) in 2019 in relation to 2006 (the year prior to accession) found another advantage that the Romanian state obtained; the share of processed goods with a high degree of added value has increased.

In addition to strengths and opportunities, weaknesses and threats were identified:

- the trade deficit is growing;

- Romania's foreign trade is aimed at the European space, but the risk of some states leaving the European Union remains.

On 29 May 2014, in Astana, during the meeting of the Supreme Economic Council, “The Treaty on the Eurasian Economic Union” was signed, ratified by the federal law of 03.10.2014 N 279-Φ3, which entered into force on 01.01.2015. In accordance with Article 102 of the Charter of the United Nations, the Treaty was registered with the United Nations Secretariat on 24.07.2015. The Treaty unifies the legal framework of the Customs Union (CU) and the Single Economic Space (SES) of the Member States, the Eurasian Economic Union (EAEU) regulatory framework, provisions and regulations aimed at deepening integration into the CU and SES. The basic principles of the functioning of the EAEU members' market and the regulation of international trade relations between the EAEU and third countries are described in Article 25 (1) of the Treaty:

- “Internal markets operate autonomously;
- Following are applied:
 - the Common Customs Tariff of the Eurasian Economic Union (CCT EAEU) and other measures governing foreign trade with third countries,
 - common measures regulating foreign trade with a third party,
 - unified customs regulation,
 - free movement of goods between Member States without customs declaration and State control (veterinary, phytosanitary, transport, etc.), except as provided in this Treaty” (Eurasian Economic Commission, 2014).

This treaty has been perfected during this period, on 01.10.2019, during the meeting of the Supreme Economic Council of the Eurasian Economic Union, three protocols were approved:

- Protocol on the amendment to the Treaty, aimed at closing the normative gap, and which includes the technical adjustment of some provisions;
- Protocol on anti-dumping, countervailing duties and the possibility of using financial means, received as an advance payment, to pay customs duties on imports;
- Protocol specifying the rates of distribution of customs duties on imports between the budgets of the Member States of the Eurasian Economic Union: Armenia - 1,220%; Belarus - 4.860%; Kazakhstan - 6.955%; Kyrgyzstan - 1,900%; Russian Federation - 85.065% (Eurasian Economic Commission, 2019). This protocol entered into force on 01.01.2020.

The period of activity of the EAEU is not long enough for an in-depth analysis, so initially we will analyse the dynamics of the basic indicators of foreign trade, then we will move on to the analysis of the trade policy objectives of the Russian Federation and of the National Project “International Cooperation and Export”.

Statistical data on the dynamics of Russia's foreign trade for 1995-2019 are available on the website of the Federal State Statistics Service (Russian Federation). The author analysed the available data series, but the charts show trends for the same period like in the case of Romania. During the years 2006-2019, the volume of exports and imports of the Russian Federation (RF) did not evolve uniformly, decreased sharply in 2009, due to the financial crisis at the end of 2008, and during 2014-2016 after the application of sanctions by the United States of America (USA), Canada, the EU member states, etc. (fig. no. 4). The periods of increase and decrease in imports are the same as analogical periods in exports (except 2019), therefore the balance of trade was active throughout the analysed period.

The economic crisis from 2008 caused the diminution of the physical volume of exports in 2008-2009; the sharp decline of this indicator in 2011 is explained by the reduction in demand for Russian gas in Europe, demand for metals in Kazakhstan, etc.

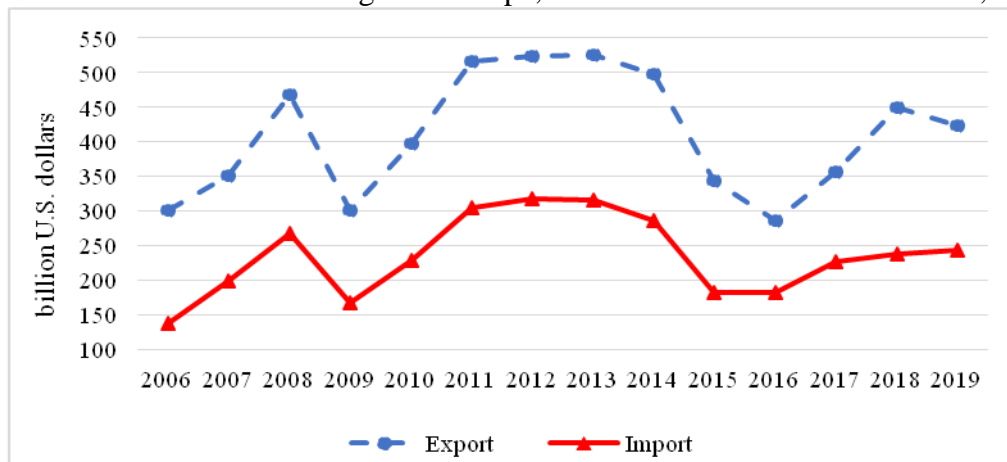


Figure no. 4. Evolution of Russian foreign trade, 2006-2019

Source: processed according to the data of the Federal State Statistics Service (Russian Federation)

In 2013, the Federal State Statistics Service of the Russian Federation proceeded to estimate the Gross Domestic Product (GDP) according to the calculation methodology of the United Nations System of National Accounts, version 2008 / European System of Accounts, version 2010 (UN SNA-2008/ESA-2010). GDP for 2011-2012 was recalculated according to the new methodology. In figure no. 5 the share of exports, imports and trade balance (net exports) of the Russian Federation in GDP (SNA-1993) are shown for the years 2006-2011, and the share of foreign trade in GDP (SNA-2008) - for the years 2011-2019.

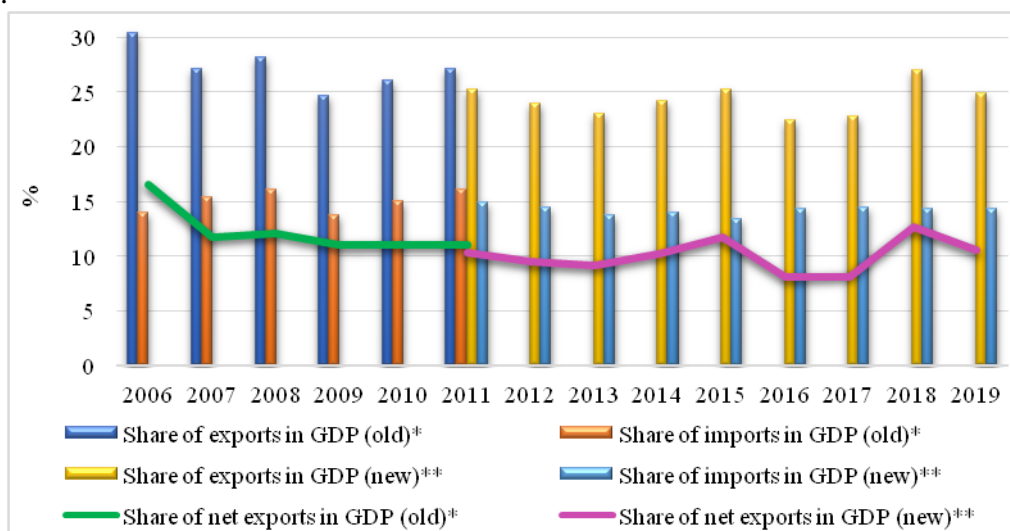


Figure no. 5. Share of foreign trade in GDP, the Russian Federation

Source: processed according to the data of the Federal State Statistics Service (Russian Federation)

Note: *) GDP is estimated in accordance with the old methodology of the System of National Accounts - SNA 1993;

***) GDP is estimated in accordance with the new methodology of the System of National Accounts - SNA 2008.

The lowest share of exports in GDP (22.37%) and the least trade balance percentage of GDP (8.08%) were reached in 2016, but the smallest ratio of imports in GDP (13.42%) – in 2015. The comparative analysis of the Russian Federation and Romania showed that Romania surpasses the RF only in terms of the share of exports in GDP. The opposite situation was created with regard to the trade balance; in this case the Russian Federation already surpassed Romania, Russia trade balance is active, and Romania's one is passive. The degree of independence in promoting the trade policy of the Russian Federation is comparatively higher than of Romania, because Romania must comply with the decisions of the European Union.

The comparative analysis of the structure of exports by groups of goods in 2019 compared to 2006, showed that the share of mineral fuels exports gradually decreased by 2.57 percentage points, the share of agri-food products and the share of chemicals increased by 4.05 and 0.79 percentage points (fig. no. 6).

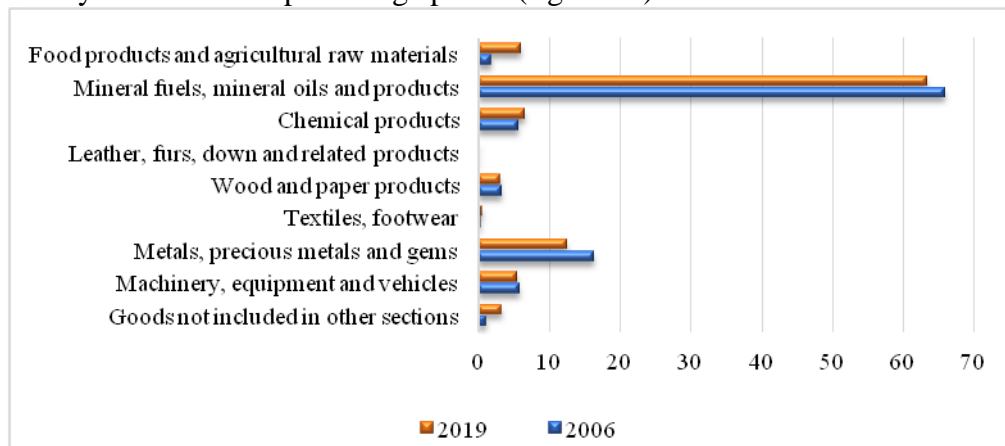


Figure no. 6. Export structure by sections, the Russian Federation, %

Source: processed according to the data of the Federal State Statistics Service (Russian Federation)

The trend to reduce the share of natural gas and other mineral fuels is linked to the implementation of the National Project “International Cooperation and Export”. The main strategic objectives of the Russian Federation in order to streamline trade policy are:

- „To increase, within five years, the share of finished goods exports to 45% in total exports and, accordingly, reduce the share of mineral fuel exports;
- The share of exports of manufactured goods (excluding fuel), agro-industrial products and services should be 20% of GDP in 2024;
- In 2024, the export of products of the machine industry should reach \$50 billion, and the export of agro-industrial products and services are expected to reach respectively \$45 billion and \$100 billion;
- To increase the number of exporters of goods by 1.5 times, by 2024” (Russian export centre, 2019).

The analysis of Ukraine's foreign trade is carried out for 2010-2019, because for the previous years 1996-2009 the statistical data are not comparable with those for the years 2014-2019, and include Crimea, the city of Sevastopol, Donetsk and Luhansk regions. The indicators have not been recalculated for the whole of Ukraine for 2014-2019. Only for 2010-2013 there are both statistical data that include and those that exclude Crimea, the city of Sevastopol.

After the political crisis in 2013-2014, Ukraine has reoriented its foreign trade to the west. The Association Agreement between the EU and Ukraine entered into force on 01.01.2016. It provides for reduce customs duties, approximation of legislation. On

11.07.2016, Ukraine and Canada signed the Free Trade Agreement (CUFTA), which analogously provides for the reduction customs duties on some goods. The analysis of the dynamics of Ukraine's foreign trade showed that after the implementation of the agreements, both exports and imports have increased, but this growth is very slow and the level of 2012 has not been reached (fig. no. 7).

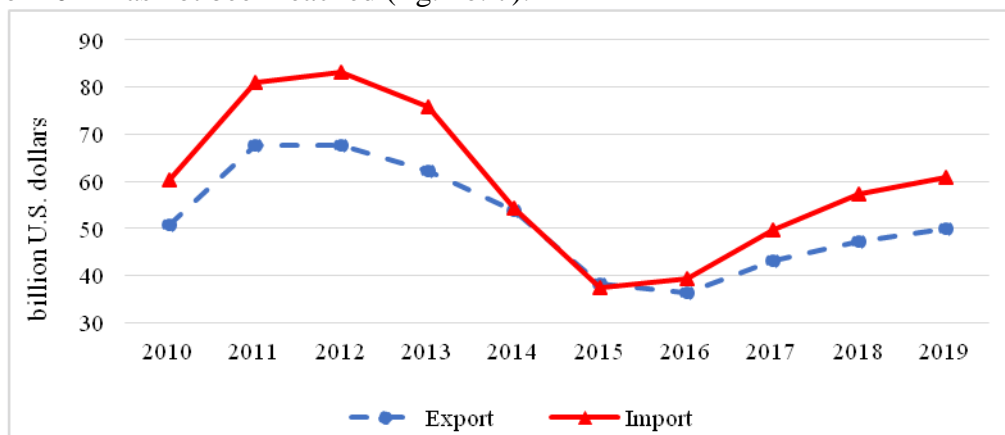


Figure no. 7. Evolution of Ukraine's foreign trade, 2010-2019

Source: processed according to the data of the State Statistics Service of Ukraine

During the analysed period, the physical volume of exports decreased sharply in 2013 and continued to decrease in 2014-2016. In 2017 there was an insignificant increase of this indicator (102.7%), followed by a reduction in 2018 (97.9%), in the last year of analysed period the index of the physical volume of exports reached the level of 104.7 %.

Despite the fact that exports and imports have increased in value, their share in GDP decreases (fig. no. 8). The most significant decline in the share of exports in GDP (in value terms) was recorded in 2019, which shows us that goods that are mainly exported do not create high added value.

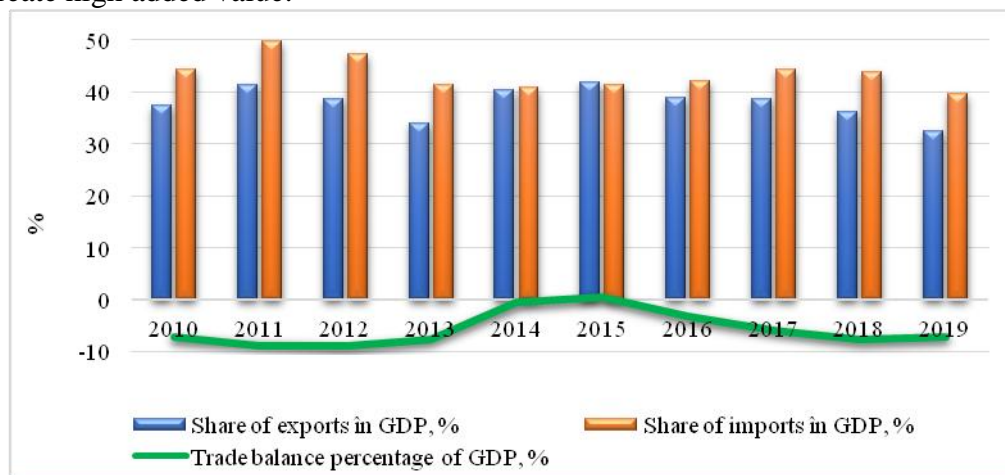


Figure no. 8. Share of foreign trade in Gross Domestic Product, Ukraine

Source: processed according to the data of the State Statistics Service of Ukraine

The analysis of the geographical structure of the export showed that starting with 2014 Ukraine has set itself the goal of replacing the Russian market with the European one. In 2015, exports to the Russian Federation decreased twice compared to the previous year. However, this decrease has not been replaced by an identical increase in exports to the European Union. In this year (2015) Ukraine were delivered goods on the EU market by 23.45% less than in 2014.

For an equivalent reorientation of exports from east to west, it is necessary to produce competitive goods, which are in demand on the European market, and which meet European standards. Achieving this goal requires innovation, technical and scientific progress, time, investment, highly qualified staff.

During the years 2010-2019, the share of exports of food products and agricultural raw materials increased by 24.9 percentage points, while the share of goods with high added value, such as machinery, equipment and vehicles decreased by 6.6 percentage points (fig. no. 9).

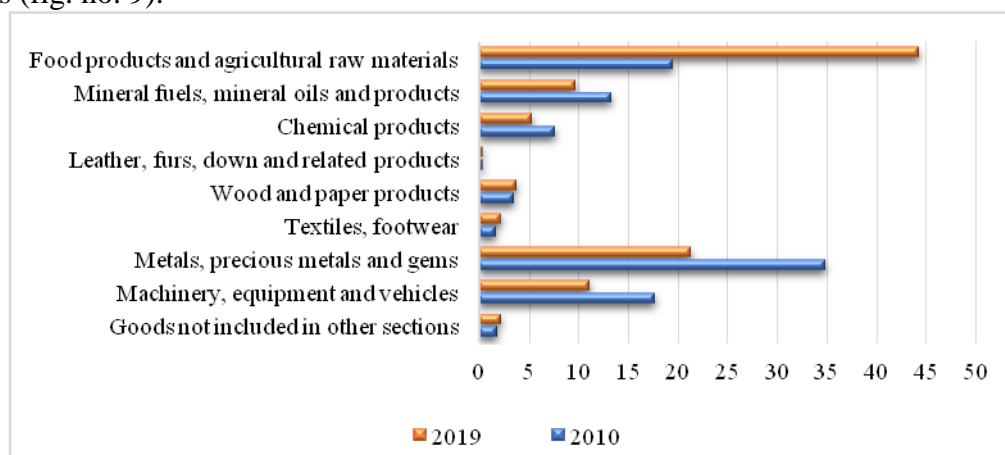


Figure no. 9. Export structure by sections, Ukraine, %

Source: processed according to the data of the State Statistics Service of Ukraine

The analysis of the dynamics of the export structure showed that the share of exports of unprocessed goods increased, i.e. goods with low value added are exported, which cannot ensure the increase of gross value added and GDP. Therefore, the effectiveness of trade policy promoted by Ukraine is comparatively low.

Generalizing the results obtained, we conclude that the trade policy promoted by Ukraine has the most weaknesses compared to Romania and the Russian Federation. The trade policy promoted by Romania has both strengths and weaknesses, and the number of strengths prevails over the number of weaknesses. An accurate analysis of the effectiveness of trade policy pursued by the Russian Federation is impossible due to the short time elapsed since the start of implementation the National Project “International Cooperation and Export”. Theoretically, the full implementation this Project would mainly bring benefits to the economy of the Russian Federation.

5. Analysis the trade policy of the Republic of Moldova

In 2019, the largest volume of export (without re-export) was accounted for food and live animals in the export structure (without re-export) by sections according to Standard International Trade Classification, Revision 4. Crude materials, inedible, except fuels also have a significant share in total exports (excluding re-exports), which attests to the fact that the Republic of Moldova exports a relatively large volume of unprocessed goods compared to those processed. *This trend is an obstacle to the development of a competitive economy.*

The analysis of the foreign trade of the Republic of Moldova shows that the share of exports in GDP decreased during 2016-2019 and reached the level of 23.22% in 2019, which is lower compared to the level reached by Ukraine (32.55%), Romania (30.89%), the Russian Federation (24.87%). By analogy, the Republic of Moldova has not advanced in terms of the share of the trade balance in GDP compared to the main trading partners. In

2019, the share of the trade deficit in GDP was 3.7 times higher than in Ukraine and 3.3 times higher than in Romania. *The sensitivity of the national economy of Moldova to imports is relatively higher, and the degree of independence in promoting trade policy is relatively lower than that of the main trading partners.*

The degree of openness of the economy of the Republic of Moldova is very high, in a.2019 the level of 72% was reached, which attests the importance of trade policy in regulating the national economy. *Increasing the volume of foreign trade, mainly exports, increasing the competitiveness of domestic goods, diversifying exports and the structure of regional trade would ensure the sustainable growth of the national economy.* Given that a large part of the goods produced in Moldova do not meet European standards, and are not competitive on the market of EU countries, but meet the market requirements of the Russian Federation, it is necessary to establish a trade balance with both the Eurasian Economic Union and the European Union.

An analysis of the goods from Annex XV-A of the Association Agreement with the EU on annual tax breaks shows that the exempt volume is less than the export potential, even if the goods are mainly exported to the CIS market. Therefore, *the withdrawal from the eastern market is not reasonable to the Republic of Moldova in pursuing the purpose of promoting the export of these goods.*

The implementation of the “National Strategy for Attracting Investments and Promoting Exports for the years 2016 - 2020” did not result in reaching all the intermediate and final targets of the result and impact indicators (Gutium, 2020). *It is therefore necessary to initiate programs, strategies, which would create conditions for increasing the positive effects on the target groups and would reduce the action-result interval.*

6. Conclusions

Recommendations for improving the trade policy of the Republic of Moldova:

- Promoting the policy of import substitution to reduce the degree of sensitivity of the national economy to imports;
- Promoting trade policies, which would change the structure of exports to increase the share of high value-added products, highly processed products and high-tech products;
- Diversification of exports and of the structure of regional trade;
- Granting of tax incentives for investments in innovations, developing the production of competitive goods, with a high degree of added value, know-how products;
- It is necessary to increase the active financial guarantees for exporters and the share of investments allocated in export-oriented sectors in total investments.

References:

1. Dunning J., 1988. *Multinationals, technology, and competitiveness*. London: Unwin Hyman.
2. Dunning J., Lundan S., 2008. *Multinational Enterprises and the Global Economy*. Cheltenham: Edward Elgar.
3. EUR-Lex, 1987. *Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff*. [online] Available at: <https://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:01987R2658-20160601&from=EN>.
4. EUR-Lex, 2012. *Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences*

- and repealing Council Regulation (EC) No 732/2008. [online] Available at: <<https://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32012R0978&from=RO>>.
5. EUR-Lex, 2018a. *Commission Implementing Regulation (EU) 2018/396 of 13 March 2018 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff*. [online] Available at: <<https://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32018R0396&from=HU>>.
 6. EUR-Lex, 2018b. *Commission Implementing Regulation (EU) 2018/507 of 26 March 2018 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff*. [online] Available at: <<https://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32018R0507&from=EL>>.
 7. EUR-Lex, 2019a. *Commission Delegated Regulation (EU) 2020/128 of 25 November 2019 amending Annex II to Regulation (EU) No 978/2012 of the European Parliament and of the Council applying a scheme of generalised tariff preferences*. [online] Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2020.027.01.0006.01.ENG&toc=OJ%3AL%3A2020%3A027%3ATOC>.
 8. EUR-Lex, 2019b. *Regulation (EU) 2019/287 of the European Parliament and of the Council of 13 February 2019 implementing bilateral safeguard clauses and other mechanisms allowing for the temporary withdrawal of preferences in certain trade agreements concluded between the European Union and third countries*. [online] Available at: <<https://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32019R0287&from=EN>>.
 9. Eurasian Economic Commission, 2014. *Treaty on the Eurasian Economic Union*. [online] Available at: <http://www.eurasiancommission.org/en/act/integr_i_makroec/dep_razv_integr/Pages/default.aspx>.
 10. Eurasian Economic Commission, 2019. *Members of the Supreme Eurasian Economic Council agreed on requirements for distributing the amounts of import customs duties*. [online] Available at: <<http://www.eurasiancommission.org/en/nae/news/Pages/02-10-2019-5.aspx>>.
 11. Gutium, T., 2020. Realizarea politicii comerciale externe a Republicii Moldova. *Dezvoltarea economico-socială durabilă a Euroregiunilor și a zonelor transfrontaliere, conferința internațională, a XVI-a ediție, 30 octombrie 2020*. Iași: Performantica, vol. XXXVII.
 12. Linder S., 1961. *An Essay on Trade and Transformation*. Uppsala: Almqvist & Wiksells Boktryckeri AB.
 13. Porter M., 1990. The Competitive Advantage of Nations. *Harvard Business Review*, March-April.
 14. Posner M., 1961. International Trade and Technical Change. *Oxford Economic Papers*, volume 13, issue 3.
 15. Russian export center, 2019. “*International cooperation and export*” national project. [online] Available at: <<https://2019.exportcenter.ru/en/expocenter/international-cooperation-and-export-national-project/>>.