EVOLUTION OF FOREIGN TRADE OF THE REPUBLIC OF MOLDOVA WITH THE TWO ECONOMIC UNIONS - RISQUES AND OPPORTUNITIES

Veaceslav BÂRDAN*, Rafael CILOCI**, Cornelia CRUCERESCU***

Abstract

This paper presented a brief analysis of the evolution of the foreign trade of the Republic of Moldova with the states of the European Union (EU) and with the states of the Eurasian Economic Union (EUEA) for the period 2015-2020. The period selected for analysis was determined by several reasons. Firstly, the ratification of the Association and Free Trade Agreement of the Republic of Moldova with the EU in 2014, which marked the beginning of a new era of economic relations between both parties and manifested itself in an unprecedented boom in trade, on the other hand, the emergence of a new economic and political entity, the EAEU. With the latter, consisting of 5 former Soviet states, the Republic of Moldova has established economic relations since the USSR and then the CIS. Within this organization, the Republic of Moldova has the status of an observer state, which, to a certain extent, would facilitate trade. Last but not least, the paper is an attempt to give a prompt answer on the place of the Republic of Moldova in the family of European nations and in the regional and international economic architecture. The paper presents a brief history of the beginning and evolution of political and economic cooperation with both unions. The article presents and examines statistical data on the main partner states and the main categories of goods exported and imported by both parties, as well as the states with the highest export and import rank in both unions.

Keywords: foreign trade, European Union, Eurasian Economic Union.

Introduction

All the states of the former USSR immediately after the proclamation of independence and the breaking of economic ties faced a series of problems regarding the choice of new economic development models, funding new commercial partners

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and new markets. These were characterized by economic recessions accompanied by social grievances, high unemployment, high level of crime, etc.

The Republic of Moldova emerged as an independent state on August 27, 1991 by proclaiming independence, and from the very beginning faced the problem of developing new international economic relations. Unlike the Baltic states, which have made it clear that they want to join the European Community, the Republic of Moldova has faced the dilemma of choosing the EU or the newly formed Commonwealth of Independent States. For a long time on the agenda of the central authorities, relations with the EU were not a distinct priority and only the signing of the Partnership and Cooperation Agreement and subsequently of the Association Agreement allowed the development of foreign trade to be boosted. However, the political authorities has always oscillated between East and West, which has also determined the socio-economic development of the country. The emergence of a new integrationist entity - the EAEU, in 2015, brought the opportunity to join this union. Given the fact that the EU accession process is quite sophisticated, the geopolitical interests of the Russia and their proxy political forces in Republic of Moldova are trying their best to join the EUEA, although the interest in reality is not economical as declared.

The best answer to this uncertainty would be both the economic benefits for the country and the system of principles and values shared by both unions.

The analysis of statistical data, at the moment, is a bit difficult because it requires a careful selection and systematization, given the fact that so far it is not presented statistics data between the EAEU and the Republic of Moldova but only with the CIS states. Moreover, official statistics do not include statistical data on export-import operations for enterprises on the left bank of the Dniester and the city of Bender.

Next, we set out to make an analysis of one of the most important aspects of economic relations between the Republic of Moldova and both unions - in terms of foreign trade.

1. The general characteristic of the trade of the Republic of Moldova in recent years

The analysis of the foreign trade of the Republic of Moldova in the last year highlights the following moments:

Exports of domestic goods in 2021 amounted to $ 2,433.2 million (77.4% of total exports), increasing by 28.9% compared to 2020, which contributed to the increase in the total value of exports by 22.1%.

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

Re-exports of goods after processing (including clothing, footwear and footwear parts, spark plug sets and other sets used in means of transport, coaxial cables, electric conductors and transformers, bags, leather and textile goods, shelled
walnuts, chairs, seat parts, toys, steering wheels, columns and steering boxes for motor vehicles) accounted for 15.2% of total exports, and the classic re-exports of goods, which did not undergo essential transformations (diesel, medicines, articles for transport or packaging of plastics and wood, cigarettes containing tobacco, tobacco for water pipe, whiskey, vodka, liqueurs, wine or grape distillates, sparkling wines, rum, gin, beer, perfumes, water toiletries, beauty products) - 7.4% (BNSRM, 2022).

In the structure of exports, since 2021, six sections of goods from the International 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%); different manufactured articles (18.8%); inedible raw materials (11.6%); manufactured goods (7.7%); beverages and tobacco (6.7%) (BNSRM, 2022).

The pandemic crisis, as well as the economic sanctions applied to the Russian Federation as a result of the military invasion of Ukraine, have significantly altered the international economic relations with the corresponding implications, which will bring changes to the structure of foreign trade.

**Figure 1. Structure of exports by sections of goods in 2021, in %**

Source: Authors’ representation based on BNSRM data, 2022

In 2021 compared to 2020, exports of cereals and cereal products increased (2.9 times), metal ores and metal wastes (3.2 times), machinery and electrical
appliances and parts of them (+10.0%), clothing and accessories (+14.6%), oil seeds and oleaginous fruits (+15.2%), road vehicles, mainly re-exports (2.1 times), medicinal and pharmaceutical products, mainly re-exports (1.5 times), yarns, fabrics, textiles and related products (+29.6%), alcoholic and non-alcoholic beverages (+10.3%), furniture and parts thereof (+12.8%), fixed, crude, refined or fractionated vegetable fats and oils (+17.1%), articles of non-metallic minerals (+33.4%), articles of metal (1.6 times), sugar, sugar products; honey (1.8 times), vegetables and fruits (+3.8%), iron and steel (8.7 times), wooden articles, excluding furniture (+32.0%), industrial machinery and apparatus with general applications; parts and spare parts of these machines (+25.1%), raw and processed tobacco (+48.0%), footwear, mainly re-exports (+11.2%), prefabricated constructions; other installations and accessories for sanitary, heating and lighting installations, mainly re-exports (+29.8%), pulp and waste paper (2.6 times), paper, paperboard and articles of pulp, of paper or paperboard (+28.8%), coffee, tea, cocoa, spices and their substitutes (+29.9%), travel goods; bags and similar, mainly re-exports (+20.6%), meat and meat products (+33.2%), tanning and coloring products (3.1 times), essential oils, resinoids and perfumed substances, toilet preparations, beauty products (+14.4%), oil, petroleum products and related products, mainly re-exports (+10.2%), influencing the increase in total exports by 27.5% (BNSRM, 2022).

At the same time, there was a decrease in exports of organic chemicals (-25.9%), live animals (-27.8%), tools and equipment, professional, scientific and control (-5.9%), food for animals (-4.0%), specialized machinery and apparatus for specific industries (-8.5%), mitigating the increase in total exports by 0.8% (Consiliul UE, 2022).

The analysis of the evolution of imports by countries in 2021 compared to 2020, reveals the increase of imports from the Russian Federation (1.7 times), Romania (+31.3%), China (+29.5%), Turkey (+40.1%), Ukraine (+26.5%), Italy (+28.2%), Germany (+20.9%), France (+40.6%), Poland (+20.5%), United States (1.6 times), Austria (1.6 times), Belarus (+27.7%), Spain (+28.6%), Hungary (+21.0%), Czech Republic (+19.6%), Netherlands (+28.7%), Greece (1.7 times), South Korea (+34.7%), United Kingdom of Great Britain and Northern Ireland (+29.2%), Bulgaria (+23.1%), Argentina (4.1 times), Japan (+19.5%), Belgium (+25.7%), Slovakia (+28.4%), Vietnam (+16.8%), India (+17.6%), Portugal (+31.1%), Taiwan (+32.7%), Turkmenistan (4.2 times), Uzbekistan (1.7 times), Norway (+45.4%), Slovenia (+14.9%), Sweden (+17.5%), Thailand (+37.0%), Latvia (+27.0%), Finland (+26.3%), Denmark (+21.0%), Switzerland (+8.5%), Egypt (+40.4%), which influenced the increase in total imports by 32.8%.

At the same time, imports from Kazakhstan (-72.8%), Serbia (-13.3%) and Azerbaijan (-65.2%) decreased, thus mitigating the increase in total imports by 0.9%.

The total value of imports of the Republic of Moldova in 2021 amounted to $7,176,590.69 thousand.

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%).

In 2021 compared to 2020, there was an increase in imports of oil, petroleum products and related products (1.7 times), gas and industrial products obtained from gas (2.2 times), road vehicles (by 1.5 times), electrical machinery and apparatus and parts thereof (+ 26.1%), specialized machinery and apparatus for specific industries (+ 49.7%), medicinal and pharmaceutical products (+ 30.4%), clothing and accessories (+ 44.6%), yarns, fabrics, textiles and related products (+ 23.1%), industrial machines and appliances with general applications; parts and spare parts of such machines (+ 23.6%), iron and steel (+ 33.0%), processed articles of metal (+ 25.1%), processed plastics materials (+ 28.2%), tools and appliances, professional, scientific and control (+ 44.9%), essential oils, resinoids and perfumed substances, toilet preparations, beauty products (+ 23.3%), plastics in primary forms (1.5 times), articles of non-metallic minerals (+ 18.2%), articles of wood, exclusively furniture (+ 27.4%), alcoholic and non-alcoholic beverages (+ 43.7%), meat and products (of 1.6 times), furniture and its parts (+ 37.8%), prefabricated constructions; other installations and accessories for sanitary, heating and lighting installations (+ 36.8%), paper, paperboard and articles of pulp, paper or paperboard (+ 21.7%), telecommunications apparatus and equipment, and for sound and image recording and reproduction (+ 11.4%), wood and cork (+ 44.5%), fish, crustaceans, molluscs (+ 27.5%), dairy products and poultry eggs (+ 20.7 %), office or automatic data-processing machines and apparatus (+ 25.0%), processed rubber (+ 25.7%), mineral or chemical fertilizers (+ 21.3%), oil seeds and oleaginous fruits (+ 38.3%), footwear (+ 30.2%), coffee, tea, cocoa, spices and their substitutes (+ 17.4%), animal feed (+ 25.9%), tanning and coloring products (+ 18.8%), non-ferrous metals (+ 12.3%), processed leather and fur (+ 14.5%), power generating machines and their equipment (+ 32.6%), cameras, equipment and supplies optics; watches and clocks (1.5 times), cereals and cereal-based preparations (+ 5.7%), vegetables and fruits (+ 2.4%), travel goods; bags and similar (+ 36.3%), machines and apparatus for metalworking (+ 20.1%), thus contributing to the increase in total imports by 30.7%.

At the same time, the imports of other transport equipment decreased (- 89.8%), attenuating the increase on total imports, by 0.9% (BNSRM, 2022).

The total value of Moldovan exports in 2021 amounted to $ 3,144,446.16 thousand.

The considerable gap between exports and imports of goods led to the accumulation, in 2021, of a trade deficit of $ 4,032.2 million or $ 1,083.3 million (+ 36.7%) more compared to 2020 (BNSRM, 2022).
Figure 2. Structure of imports by sections of goods in 2021, in %

Source: Authors’ representation based on BNSRM data

Figure 3. Trends of international trade in goods of the Republic of Moldova, in the years 2016-2021 (million US dollars)

Source: Authors’ representation based on BNSRM data
The coverage of imports y exports, in 2021, was 43.8%, decreasing by 1.8 percentage points compared to 2020.

The Republic of Moldova registered the largest exports with Romania - $706.67 million (in 2020), the record being set in 2018 - $792.14 million. Likewise, the largest imports in 2020 were also made from Romania - $631.93 million, the record being set in 2018 - $841.19 million.

**Figure 4. Exports of the Republic of Moldova to the EU and the EAEU in the period 2015-2020** (in thousands of dollars)

*Source:* Authors’ representation based on BNSRM data, 2021

**Figure 5. Imports of the Republic of Moldova from EU and EAEU states in the period 2015-2020** (in thousands of dollars)

*Source:* Authors’ representation based on BNSRM data, 2021
2. Political cooperation between the Republic of Moldova and the European Union

The Republic of Moldova and the European Union have fruitful cooperative relations which began in 1994 with the signing of the Partnership and Cooperation Agreement (PCA) between the European Communities and their Member States, of the one part, and the Republic of Moldova, of the other part. Entry into force on 1 July 1998, the PCA provided the appropriate legal framework for deepening relations, strengthening political association and cooperation between the Parties. The CPA entered into force in 1998 as a basic framework agreement aimed at establishing a political dialogue and developing relations between the Republic of Moldova and the EU in various fields, especially in the economic field (trade, investment, services, competition, different area of cooperation, etc.). Initially, the Agreement was for a period of 10 years, with the subsequent possibility of annual renewal.

On June 27, 2014, the Association Agreement (AA) of the Republic of Moldova with the European Union was signed in Brussels. The event was attended by heads of state and government from the 28 EU member states, who also signed the agreement.


The European Parliament ratified the Association Agreement on 13 November 2014. On 26 November 2015, the Italian Senate voted to ratify the Association Agreement, with Italy being the last EU Member State to ratify the AA.

Pursuant to Article 456 of the Association Agreement, with effect from 1 July 2016, it repeals and replaces in its entirety the PCA between the European Communities and their Member States, of the one part, and the Republic of Moldova, of the other part, signed in Brussels on 28 November 1994, entered into force on 1 July 1998. References to the PCA, which appear in all other agreements between the parties to the Association Agreement, shall be considered as references to the Association Agreement.

Likewise, as of July 1, 2016, the Association Agreement replaces the Agreement between the European Union and the Republic of Moldova on the protection of geographical indications for agricultural products and foodstuffs, signed on 26 June 2012 in Brussels, which entered into force on 1 April 2013.

The Moldova-EU Association Agreement establishes a new legal framework for advancing the relations between the Republic of Moldova and the EU towards a qualitatively higher level, that of political association and economic integration with the EU. Thus, the Association Agreement (AA) is based on an innovative and ambitious approach, including the creation of a Deep and Comprehensive Free Trade Area - DCFTA. This reduces the tariffs for European companies when exporting to Moldova and streamlines customs procedures.
AA contains compulsory provisions, regulatory rules and broader cooperation arrangements in all areas of interest. Increased attention is paid to the application of AA provisions, including by setting clear deadlines and establishing an appropriate institutional and administrative framework, thus creating the necessary conditions for effective implementation (MAEIE).

With reference to the territorial application of the Association Agreement, following Decision no. 1/2015 of 18 December 2015 of the Association Council of the Republic of Moldova-European Union, Title V (Trade and trade-related matters) of the Association Agreement, applies to the entire territory of the Republic of Moldova. According to the same Decision, Title VII (Institutional, general and final provisions) applies to the entire territory of the Republic of Moldova insofar as it is applied in connection with Title V (Trade and Trade-related Matters) of the Agreement (MAEIE).

In addition, the agreement further facilitates trade by gradually bringing Moldovan legislation, rules and procedures, including standards, closer to those of the EU. AA covers all important areas and provides for the transformation of the economy and trade, public administration, respect for the rights and freedoms of citizens, the fight against corruption, etc. in order to bring it closer to EU standards and norms.

AA contains compulsory provisions, regulatory rules and broader cooperation arrangements in all areas of interest. Increased attention is paid to the implementation and enforcement of AA provisions, including by setting clear deadlines and establishing an appropriate institutional and administrative framework, thus creating the necessary conditions for effective implementation.

On 30 September 2019, the EU and the Republic of Moldova organized the fifth meeting of the Association Council. The Council reviewed the progress made on the implementation of the EU-Moldova Association Agreement at the previous meeting, which took place on 3 May 2018.

The meeting discussed political association, including cooperation and convergence in the field of the common foreign and security policy (CFSP).

At the same time, the Association Council examined cooperation in the fields of justice, freedom and security. Topics covered included reform of the judiciary, visa, and the fight against corruption and money laundering.

In addition, the Association Council reviewed the progress made in the Deep and Comprehensive Free Trade Area. It has also focused on economic and sectoral cooperation, including in the field of energy (Consiliul UE, 2022).

On March 3, 2022, the Republic of Moldova submitted the application for EU membership that was adopted on 22 June 2022.
3. Economic cooperation between the Republic of Moldova and the European Union

EU states are Moldova's largest trading partners. The main trade goods between the EU and the Republic of Moldova include machinery and apparatus, vegetable products, textiles and textile articles, as well as base metals.

**Industrial products.** On the date of entry into force of the agreement, the EU abolished all tariffs on industrial products for the Republic of Moldova, while the Republic of Moldova began to eliminate tariffs on certain products during a transitional period of 3-5 years, such as: certain types of plastics and similar products, furniture, various textiles (e.g., carpets and clothing). The Republic of Moldova has completely abolished its tariffs for these products on September 1, 2019.

**Agricultural products.** The agreement also reduces tariffs on agricultural products. Republic of Moldova has agreed to eliminate tariffs on most of its agricultural products after a transition period of up to ten years. This is relevant, for example, for: wines, some foods.

In addition, Republic of Moldova has committed itself to eliminating tariffs under specific tariff quotas for a number of sensitive products, such as: pork, poultry, dairy products, meat products, sugars.

Tariff quotas for EU exports of such products to Moldova are set out below:

<table>
<thead>
<tr>
<th>Product</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pork*</td>
<td>4 500</td>
<td>5 000</td>
<td>5 500</td>
</tr>
<tr>
<td>2. Poultry</td>
<td>5 000</td>
<td>5 500</td>
<td>6 000</td>
</tr>
<tr>
<td>3. Dairy products</td>
<td>1 500</td>
<td>2 000</td>
<td>-</td>
</tr>
<tr>
<td>4. Processed meat</td>
<td>1 700</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5. Sugars*</td>
<td>7 000</td>
<td>8 000</td>
<td>9 000</td>
</tr>
<tr>
<td>6. Sweeteners</td>
<td>640</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*Quotas for pork, poultry, dairy products and sugars have been revised in 2020

Source: European Commission - DG Trade, 2022

For its part, the EU has abolished tariffs on agricultural products from beginning, with the exception of specific sensitive products, for which it has also set tariff quotas. This means that, every year, only a limited quantity of sensitive products can be marketed without customs duties. The exact amounts are defined in the Annexes to the Association Agreement.

The tariff quotas granted to the exports of the Republic of Moldova of such products to the EU are presented as follows:
Table 2. EU tariff quota (tonnes)*

<table>
<thead>
<tr>
<th>Product</th>
<th>Quota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tomato</td>
<td>2 000</td>
</tr>
<tr>
<td>Garlic</td>
<td>220</td>
</tr>
<tr>
<td>Table grapes</td>
<td>20 000</td>
</tr>
<tr>
<td>Apples</td>
<td>40 000</td>
</tr>
<tr>
<td>Fresh cherries</td>
<td>1 500 000</td>
</tr>
<tr>
<td>Plums</td>
<td>15 000</td>
</tr>
<tr>
<td>Grape juice</td>
<td>500</td>
</tr>
</tbody>
</table>

* These quotas are managed on a first-come, first-served basis. The application period is from 1 January to 31 December.

Source: European Commission - DG Trade, 2022

If imports arriving in the EU exceed these tariff quotas, a customs duty will be applied in accordance with the most-favored-nation clause. Certain fruits and vegetables require payment of EU entry fees (e.g. tomatoes). This means that extracharges may be added to the import duties on the goods if the import price is lower than the stipulated entry price.

In addition, there is a list of agricultural products for which the EU can apply a „circumvention prevention mechanism“. This means that if Moldovan imports exceed a certain level, the EU can suspend lower tariffs on these products for a period of six months.

The agreement does not allow customs duties on exports. It also includes a so-called standstill clause. This clause means that neither the EU nor Moldova can increase customs duties or introduce new taxes on goods of the other party. The agreement also prohibits quantitative restrictions on imports and exports, with the exception of restrictions allowed under WTO rules (European Commission - DG Trade, 2022).

The main trading partners of the Republic of Moldova in the European Union are presented in the diagrams below.

The Republic of Moldova had the most important exports to the following EU states:
Exports of goods to European Union countries (EU-27) in 2021 totaled $1,919.4 million (17.0% more than in 2020), accounting for 61.1% of the total exports, down 5.4 percentage points from 2020 (BNSRM, 2022).

Source: Authors’ representation based on BNSRM data 2022
In 2021, the trade balance with the countries of the European Union (EU-27) ended with a deficit of $ 1,229.7 million, and with the CIS countries - $ 1,439.1 million, respectively with $ 399.3 million (+ 48.1%) and $ 498.3 million (1.5 times) more than the values recorded in 2020 (BNSRM, 2022).

With the countries of the European Union (EU-27) the degree of coverage of imports with exports in 2021 was 61.0%, decreasing by 5.4 percentage points compared to 2020.

Given the fact that the trade relations between the Republic of Moldova and Romania are the biggest and have a special character, below we briefly present the structure of foreign trade between these two states.

**Figure 8. The main types of goods exported by the Republic of Moldova to Romania**

![Graph showing the main types of goods exported by Moldova to Romania.]

**Source:** Authors’ representation based on BNSRM data, 2021
Figure 9. The main types of goods imported by the Republic of Moldova from Romania

Source: Authors’ representation based on BNSRM data 2021

3. Political cooperation between the Republic of Moldova and the Eurasian Economic Union (EAEU).

During the first official visit to Russia on March 29, 1994, at the Moscow State University M. V. Lomonosov, the President of Kazakhstan N. A. Nazarbayev came for the first time with the idea of forming the EAEU on the basis of a single economic space and a common defense policy.

Following agreements on the establishment of the Customs Union within the EAEU, which entered into force in July 2010 at the EAEU Summit in December
2010, an agreement was reached on the creation of the Eurasian Economic Union on the basis of the Single Economic Area between Belarus, Kazakhstan and Russia.

The idea of creating the EAEU was set out in the Declaration on Eurasian Economic Integration adopted by the Presidents of Russia, Belarus and Kazakhstan on 18 November 2011. It sets out the goals of Eurasian economic integration for the future, including the task of creating the EAEU by 1 January 2015.

An agreement on the establishment of the Eurasian Economic Union was signed on 29 May 2014 in Astana, Kazakhstan. The document entered into force on 1 January 2015. On 2 January 2015, Armenia officially joined the EAEU, and in August 2015 the procedure for Kyrgyzstan's accession to the EAEU was completed.

The EAEU is an international regional economic integration organization with international legal personality and established by the EAEU Treaty and ensures the free movement of goods, services, capital and labor, as well as the conduct of a coordinated or unified policy in all sectors of the economy.

The EAEU was created with the aim of modernizing, cooperation and increasing the competitiveness of national economies and creating the conditions for sustainable development in order to improve the living standards of the population of the Member States.

On April 3, 2017, a Memorandum of Cooperation between the Republic of Moldova and the EAEU was signed in Chisinau, and on April 14, 2017, in Bishkek, during the meeting of the Supreme Eurasian Economic Council, the decision was adopted to grant the Republic of Moldova observer status at the EAEU. Since May 14, 2018, the Republic of Moldova has the status of an observer country, being the first country with this status within this union.

4. Economic cooperation between the Republic of Moldova and the Eurasian Economic Union.

The volume of foreign trade of the Republic of Moldova to the EAEU states in 2021 amounted to $ 357 856.57 thousand, increasing compared to 2020 ($ 296557.12 thousand).

The volume of foreign trade in goods of the Member States of the Eurasian Economic Union with non-EU countries in 2021 amounted to $ 844.2 billion, including exports of goods - $ 525.7 billion and imports - $ 318.5 billion. Compared to 2020, the volume of foreign trade increased by 35.1%, or $ 219.6 billion, to export - by 44.1% ($ 160.9 billion) and to import - by 22.6% ($ 58.7 billion). Foreign trade positive balance amounted to $ 207.2 billion, compared to $ 105 billion in 2020 (2, p. 1).
Table 3. Volume of foreign trade in goods of EAEU Member States with non-UEEA countries for 2021 (million US dollars)

<table>
<thead>
<tr>
<th></th>
<th>Volume</th>
<th>Export</th>
<th>Import</th>
<th>Balance</th>
<th>in % to 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>volume</td>
</tr>
<tr>
<td>EAUE</td>
<td>844 175.7</td>
<td>525 648.9</td>
<td>318 526.8</td>
<td>207 122.1</td>
<td>135.1</td>
</tr>
<tr>
<td>inclusive:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>5 417.5</td>
<td>2 133.6</td>
<td>3 283.9</td>
<td>-1 150.3</td>
<td>115.5</td>
</tr>
<tr>
<td>Belarus</td>
<td>40 364.2</td>
<td>22 430.8</td>
<td>17 933.4</td>
<td>4 497.4</td>
<td>128.9</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>75 421.7</td>
<td>52 690.7</td>
<td>22 731.0</td>
<td>29 959.7</td>
<td>114.1</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>3 801.0</td>
<td>855.7</td>
<td>2 945.3</td>
<td>-2 089.6</td>
<td>116.9</td>
</tr>
<tr>
<td>Russia</td>
<td>719 171.3</td>
<td>447 538.1</td>
<td>271 633.2</td>
<td>175 904.9</td>
<td>138.5</td>
</tr>
</tbody>
</table>

Source: Eurasian commission, 2022a

The increase in the value of exports from EAEU Member States to non-EAEU countries in 2021 compared to 2020 (by 44.1%) was due to the increase in average prices for exported goods (by 46.3%) while the real quantity of supplies of goods decreased by 1.5% compared to 2020.

The value of import purchases increased by 22.6%, and their real quantity -by 13.9%, while average prices increased by 7.6%. The increase of the amount of goods determined 66% of the increase in the cost indicator, the average increase in prices being 34%.

Price conditions in trade with non-EAEU countries were characterized by a favourable price ratio for exported goods and goods purchased by import (price conditions index - 136%). External demand for goods from non-EAEU countries exceeded the total demand of Member States for goods produced in the EAEU (gross terms index - 86.4%).

The increase in the volume of exports from EAEU Member States to non-EAEU countries in 2021 compared to 2020 was conditioned by the increase in deliveries from Belarus (by 47.8%), Russia (by 47%), Kazakhstan (by 25.8%) and Armenia (with 16.8%). The increase in imports was due to an increase in imports of goods into Kyrgyzstan - by 60.6%, Russia - by 26.5%, Armenia - by 14.8% and Belarus - by 11.2%.

The increase in export in reciprocal trade was registered in all EU countries: in Kyrgyzstan - by 44.9%, Kazakhstan - by 34.9%, Russia - by 34.3%, Armenia - by 25.2%, Belarus - by 24.7% (EECa, 2022).

Compared to 2020, the positive balance of foreign trade of Russia to non-EAEU countries increased from $ 89.7 to $ 175.9 billion, Kazakhstan from $ 17.6 to $ 30 billion and into Belarus, the foreign trade deficit of $ 952.5 million in 2020 has been replaced by a surplus of $4,497.4 million in 2021. The negative balance of Armenia's foreign trade with non-EU countries has increased by at 1,034.3 to 1,150.3 million dollars and Kyrgyzstan - from 414.8 to 2,089.6 million dollars (2, pp. 1-2).

The main customer of goods exported by EAEU member states is the European Union - 42.2% (in 2020 - 37.6%). Towards the countries of the European Union, the most important deliveries of goods were oriented to the Netherlands -
9.3% (in 2020 - 7.9%), Germany - 6% (5.4%), Italy - 5.4% (4.6%), Poland - 3.7% (3.1%). Following the economic sanctions applied to the Russian Federation after the military invasion of Ukraine, the next period will be characterized by a sharp decline in trade with the EU. 28.3% of all exported goods were delivered to APEC countries (in 2020 - 29.7%), of which: to China - 15.1% (16.4%), USA - 3.6% (3.2%), South Korea - 3.6% (3.7%). CIS countries represent 5.8% of EAEU exports (in 2020 - 3.1%). Following the economic sanctions applied to the Russian Federation after the military invasion of Ukraine, the next period will be characterized by a sharp decline in trade with the EU.

The largest imports were from APEC countries - 47.5% (in 2020 - 45.8%) and the European Union - 33.8% (35.5%). Among the APEC countries, the largest volumes went to China - 27.4% (in 2020 - 25.5%), the USA - 6% (5.7%), South Korea - 4.4% (4.7%) and Japan - 3.1% (3%). The largest imports to the EAEU are from the EU were from: Germany - 9.8% (in 2020 - 10.5%), Italy - 4.3% (4.6%) and France - 4.2% (3.6%).

CIS countries account for 3.8% of EAEU imports (3.8% in 2020). In 2021, compared to 2020, imports to the EAEU increased significantly from Tajikistan (3.1 times), Uzbekistan (39.1%) and Azerbaijan (35.6%). The main share of exports from EAEU Member States belongs to intermediate goods (83.8%), the share of consumer goods and investment goods is 3.8% and 2.4% respectively (2).

Table 4. Foreign and reciprocal trade of goods in the Eurasian Economic Union (million US dollars), data at 15.03.2022

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Export to countries outside the Union (foreign trade)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>1 227,7</td>
<td>1 397,8</td>
<td>1 666,7</td>
<td>1 724,0</td>
<td>1 879,4</td>
<td>1 827,1</td>
<td>2 133,6</td>
<td>178,3</td>
</tr>
<tr>
<td>Belarusi</td>
<td>15 653,9</td>
<td>12 154,9</td>
<td>15 592,3</td>
<td>19 979,3</td>
<td>18 391,1</td>
<td>15 175,9</td>
<td>22 430,8</td>
<td>1 980,7</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>40 835,5</td>
<td>32 806,8</td>
<td>43 240,7</td>
<td>55 064,4</td>
<td>51 659,4</td>
<td>41 868,9</td>
<td>52 690,7</td>
<td>5 492,3</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>1 072,7</td>
<td>1 126,0</td>
<td>1 222,8</td>
<td>1 196,2</td>
<td>1 344,4</td>
<td>1 418,7</td>
<td>855,7</td>
<td>46,4</td>
</tr>
<tr>
<td>Russia</td>
<td>315 055,3</td>
<td>260 779,3</td>
<td>325 199,9</td>
<td>412 758,1</td>
<td>387 474,9</td>
<td>304 519,8</td>
<td>447 538,1</td>
<td>43 072,5</td>
</tr>
<tr>
<td>between EAEU countries (reciprocal trade)</td>
<td>45 615,7</td>
<td>42 960,3</td>
<td>54 711,6</td>
<td>60 261,5</td>
<td>61 634,0</td>
<td>55 053,9</td>
<td>72 611,3</td>
<td>5 002,6</td>
</tr>
<tr>
<td>Armenia</td>
<td>256,2</td>
<td>393,9</td>
<td>571,0</td>
<td>688,5</td>
<td>769,2</td>
<td>709,9</td>
<td>888,8</td>
<td>70,7</td>
</tr>
<tr>
<td>Belarusi</td>
<td>11 007,8</td>
<td>11 384,8</td>
<td>13 651,0</td>
<td>13 932,2</td>
<td>14 569,7</td>
<td>14 009,0</td>
<td>17 464,0</td>
<td>1 298,5</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>5 120,3</td>
<td>3 930,2</td>
<td>5 262,5</td>
<td>6 046,8</td>
<td>6 406,2</td>
<td>5 671,9</td>
<td>7 648,9</td>
<td>592,4</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>410,2</td>
<td>447,1</td>
<td>541,5</td>
<td>640,6</td>
<td>641,7</td>
<td>554,5</td>
<td>803,2</td>
<td>71,0</td>
</tr>
<tr>
<td>Russia</td>
<td>28 821,2</td>
<td>26 804,3</td>
<td>34 685,6</td>
<td>38 953,4</td>
<td>39 247,2</td>
<td>34 108,6</td>
<td>45 806,4</td>
<td>2 970,0</td>
</tr>
</tbody>
</table>
At the state level, the EAEU's main trading partner is China with 19.7% of total foreign trade (exports of $79.2 billion and imports of $87.3 billion).

Although the Customs Union included countries that not long ago constituted a single state with a common economy, today the economic situation for each of them is different.

During the USSR, each country was specialized in the production of a particular product / service. After the collapse of the Soviet Union, the economies of all countries underwent huge changes: each state began to seek its own niche on the world market.

Countries that are geographically far from each other have entered the current Union. The structure of their economy is different, common interests are almost absent. But there are also problems affecting all countries. These states need Russia's market, and Russia needs goods provided by other participating countries (Visasam, 2022).

According to experts, the trade policy of the EAEU states reproduces, almost entirely, the trade policy of the Russian Federation, which is also the main beneficiary. This can be seen in the rates of customs duties being distributed as follows: Russia - 85.3%; Kazakhstan - 7.1%; Belarus - 4.59%; Kyrgyzstan - 1.9% and Armenia - 1.11%.

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In addition to that, Russia, Kazakhstan and Belarus have the most advantages in terms of customs duties. This is due to existing agreements, which made it possible to sell cars produced in the Union without paying taxes (Visasam, 2022).

Over the last six years, the EAEU has significantly strengthened its position in the international arena. Many states, regional integration associations and international organizations are particularly interested in the Union.

The EAEU Commission is actively working to form an institutional basis for the development of large-scale cooperation with foreign partners.

The international activity of the EAEU allows solving an important strategic task for the development of Eurasian integration by forming the Union as one of the development centres of the modern world, which is reflected in the Declaration on the further development of EAEU integration processes and the 2025 Strategy. The strategy consists of conceptual positions, and about 330 regulations and mechanisms grouped into 11 system blocks. Their implementation will contribute to the additional achievement of direct and indirect economic benefits as well as multiple benefits for participants in the integration process (EECb, 2020).

The weaknesses of the EAEU states, which are reflected in the low positions of countries in international ratings are: the development of the financial market, the quality and efficiency of public administration, personal freedoms and public health (Prosperity Index) (EECb, 2020 p. 5).

Republic of Moldova's trade with the EAEU is notable for the fact that the main exports to the EAEU states in 2020 the Republic of Moldova had with the Russian Federation - $216.83 million, the record being recorded in 2012 - $655.13 million. Figure 10 shows the export of Moldova to the EAEU states for the period 2015-2020. Figure 10 shows the evolution of R. of Moldova's exports to the EAEU states.

At the EAEU countries, the Republic of Moldova registered the largest imports with the Russian Federation - $603.5 million (in 2020), the highest being recorded in 2011 - $822.96 million, for comparison, in the same year, the Republic of Moldova imported goods from Romania worth $631.93 million, being surpassed only by imports from China - $645.83 million, this being the record in the history of trade relations with this country. Figure 11 shows the import of Moldova to the EAEU states for the period 2015-2020.
Figure 10. Exports of the Republic of Moldova to the EAEU states in the period 2015-2021 (thousand dollars)

Source: Authors’ representation based on BNSRM data, 2022

Figure 11. Imports of the Republic of Moldova from EAEU countries in the period 2015-2021 (thousand dollars)

Source: Authors’ representation based on BNSRM data, 2022
The economic relations of the Republic of Moldova with Ukraine are characterized by a large fluctuation in terms of value. In recent years (2018-2020) exports have decreased from $ 80.28 million to $ 69.48 million, the record being obtained in 2007 and amounted to $ 167.86 million. Imports of the Republic of Moldova of goods from Ukraine in the same period (2018-2020) were characterized by a continuous decrease from $ 577.09 million to $ 527.42 million, the maximum values being obtained in 2008 - 838.98 million dollars (BNSRM, 2021).

The EU as an economic space has proven over time that it is a serious and predictable partner in contrast to the Eurasian space characterized by multiple economic crises and political instability. These contributed to the strengthening of commercial relations between the Republic of Moldova and the European Union, that contributes to the upward development of the national economy.

Conclusions

The war started by the Russian Federation in Ukraine will make it difficult, and in some places practically impossible, to transit Moldovan goods in order to trade them on the market of the EAEU states for a long period of time, according to experts. However, despite the positive evolution of economic and political relations between the Republic of Moldova and the EU, we believe that the traditional economic relations with the eastern states established and existing for many decades should not be neglected. We consider that in the foreign trade of the Republic of Moldova both with the EU and with the EAEU should increase the share of products with higher added value, and this would be possible by creating a favorable investment climate, attracting investments and more actively promoting Moldovan products on both markets.

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References


