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INTEGRATION AND COMPETITIVENESS: MOLDOVAN GOODS IN THE EUROPEAN UNION MARKET

The economic integration of the Republic of Moldova with the European Union (EU) has become a strategic priority, especially since the signing of the Association Agreement between Moldova and the European Union. The importance of these relations has increased since Moldova was granted the status of a candidate country for EU membership in June 2022 [10].

Despite the success in increasing exports to the European market (Table 1) after the entry into force of the DCFTA (Deep and Comprehensive Free Trade Area), Moldova faces serious challenges in increasing the competitiveness of its products [7]. The key problems remain: low labor productivity, structural imbalances in the economy [4], low availability of credit and other financial resources, dependence on remittances from labor migrants, unfavorable demographic trends, and an aging population. In addition, Moldovan exporters experience significant difficulties in meeting the strict technical, sanitary, and phytosanitary requirements of the EU [9], overcoming tariff and non-tariff barriers that operate under the agreement (Annexes XV-A, XV-B, and XV-C) [1], ensuring stable quality, and certifying products [13].

Table 1.
Bilateral trade between Moldova and the European Union: export, import, and trade balance, 2010-2023

Years	Exports from Moldova to the EU, million USD	Import to Moldova from the EU, million USD	Trade balance, million USD
2010	728.94	1704.24	-975.30
2011	1083.01	2256.29	-1173.28
2012	1013.42	2318.61	-1305.19
2013	1137.29	2472.11	-1334.82
2014	1245.98	2567.70	-1321.72
2015	1217.59	1954.25	-736.66
2016	1331.90	1973.71	-641.81
2017	1596.84	2389.16	-792.32
2018	1861.86	2850.80	-988.94
2019	1830.55	2889.98	-1059.43
2020	1640.37	2470.75	-830.38
2021	1919.53	3148.99	-1229.46
2022	2537.51	4364.83	-1827.32
2023	2646.66	4188.00	-1541.34

Source: Data from the National Bureau of Statistics of Moldova (NBSM) [2].

The EU has become Moldova's leading trading partner. Since 2014, the year the agreement was signed, exports in the EU have accounted for more than half of Moldova's exports. By 2023, the share of exports to the EU was 65.37% of Moldova's total exports. The share of imports from the EU also increased, but still did not reach 50% of total imports (Table 2). The coverage of imports from the EU by exports to the EU significantly increased in 2015 by 13.8 percentage points compared to the previous year. In subsequent years, this figure has not changed much.

Table 2.

Structure and efficiency of Moldova's Trade with the EU: export and import shares, trade coverage ratio, 2010-2023

Years	Share of exports to the EU in Moldova's total exports, %	Share of imports from the EU in Moldova's total imports, %	Coverage of imports by exports, %
2010	47.29	44.21	42.80
2011	48.85	43.46	48.00
2012	46.88	44.48	43.70
2013	46.83	45.01	46.00
2014	53.26	48.29	48.50
2015	61.91	49.02	62.30
2016	65.14	49.09	67.48
2017	65.85	49.45	66.84
2018	68.80	49.49	65.31
2019	65.87	49.46	63.34
2020	66.49	45.62	66.39
2021	61.04	43.88	60.96
2022	58.57	47.35	58.14
2023	65.37	48.27	63.20

Source: Data from NBSM [11].

The competitiveness of Moldovan goods in the EU market is determined not only by the access conditions created by the DCFTA but also by the characteristics of the Moldovan products [8]. The fundamental factor is price [14]. The energy crisis has led to an increase in production costs, which has increased the price of Moldovan goods [12]. It is tough for small and medium-sized enterprises (SMEs) to remain competitive [6]. In the fourth industrial revolution era, innovations and advanced technologies [3] [5] are needed to produce competitive products that meet European standards.

An analysis of the commodity structure of Moldova's exports to the EU, according to the Combined Nomenclature (CN), shows a concentration of exports on several key sectors. In 2023, six sectors accounted for 85.75% of all exports to the EU (Table 3). Leading export sectors include:

- Vegetable products (27.04% of total exports to the EU in 2023): A traditional export sector that provides for the export of cereals (12.04%), oil seeds and oleaginous fruits (9.47%), edible fruit and nuts (5.00%), etc.
- Animal or vegetable fats and oils (8.87%): mainly sunflower oil.
- Prepared foodstuffs (9.02%): This group of goods includes beverages and alcoholic liquids (3.21%), preparations of vegetables and fruit (2.28%), prepared animal fodder (1.90%), preparations of cereals and flour (0.72%), etc.
- Textiles and textile articles (10.17%): The main goods exported from this group

are articles of apparel and clothing accessories (8.06%). However, it should be noted that this sector functions within an inward processing (lohn) framework, where foreign partners supply raw materials and the value-added activities (mainly labor) are carried out domestically for re-export.

- Electrical equipment; parts thereof (24.25%): These are mainly wires and cables produced in foreign-owned companies for the EU automotive industry (Draexlmaier).

- Miscellaneous manufactured articles (6.40%): The main export product is furniture, the largest share of which is chairs.

Table 3.

Structure of Moldova's exports by leading export sectors, 2010-2023

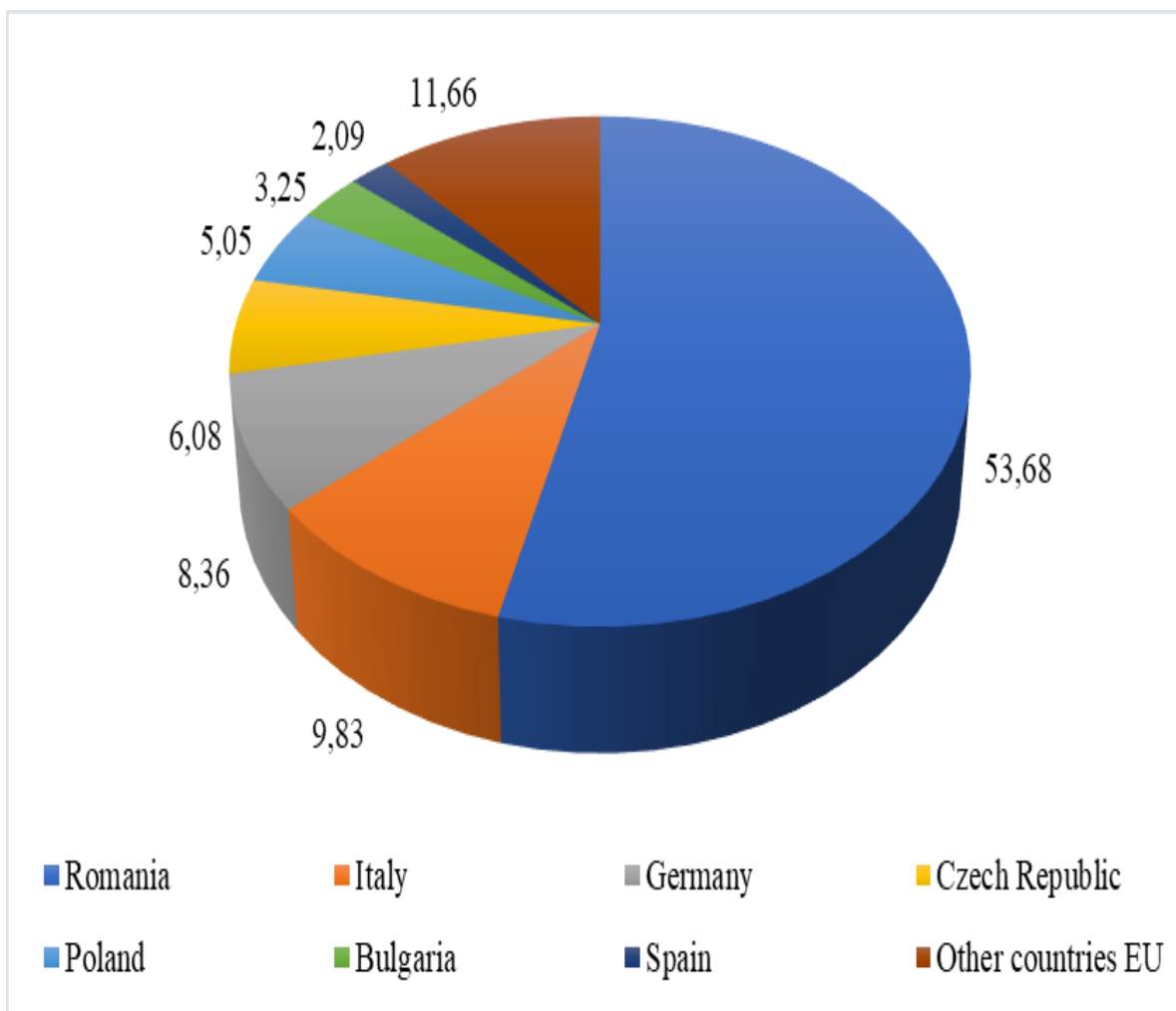
Years	Vegetable products	Animal or vegetable fats and oils	Prepared foodstuffs	Textiles and textile articles	Electrical equipment; parts thereof	Miscellaneous manufactured articles
2010	17.55	4.69	7.62	28.73	16.56	4.63
2011	20.30	6.69	8.25	22.44	15.83	6.13
2012	13.92	8.52	10.89	21.68	19.25	7.29
2013	17.42	3.83	11.87	19.48	21.61	7.39
2014	19.88	5.82	8.98	19.78	20.40	7.75
2015	25.41	5.59	8.38	18.04	20.27	7.79
2016	25.76	2.77	11.22	17.23	19.44	9.21
2017	26.41	2.97	10.45	16.50	21.56	8.82
2018	22.67	3.12	7.72	16.00	28.26	8.87
2019	19.66	3.64	8.44	14.65	31.49	8.65
2020	17.87	5.15	10.83	12.26	29.42	9.34
2021	18.66	5.56	9.05	11.32	27.63	9.13
2022	25.75	11.27	8.19	9.66	21.42	6.65
2023	27.04	8.87	9.02	10.17	24.25	6.40

Source: Data from NBSM [11].

We can identify a general trend by comparing Moldovan products with competitors on the EU market. Moldova competes in price segments with low margins and high-quality standards. On the European market, Moldovan wines compete with inexpensive wines from Italy and Spain, which have huge production volumes and developed distribution, and high-quality, collectible wines from France and Italy. The weak point of Moldovan wines is the lack of brand recognition.

Moldova exports such fruits as apples, plums, and grapes. The leading competitor in apple exports is Poland, which dominates the EU market due to huge volumes, developed infrastructure, and low prices. Moldovan apples are inferior to Polish apples in price. Moldova competes mainly with Ukraine in the sunflower oil market. The disadvantage of the competitiveness of this product is its dependence on the harvest and world prices.

In recent years, the structure of exports to the EU and the structure of the main sales markets have not undergone significant qualitative changes. Romania is the leading trading partner among the EU countries (53.68% of all exports to the EU in 2023). It is followed by Italy (9.83%), Germany (8.36%), the Czech Republic (6.08%), and Poland (5.05%) (Figure 1).



Source: Data from NBSM [11].

Figure 1. Structure of Moldova's exports to the EU countries, 2023

Conclusion

Moldova exports raw materials, low-processed products, and goods manufactured in an inward processing (Lohn) arrangement to the EU countries. The share of high-value-added goods exported to the EU is insignificant. Overcoming domestic problems such as low labor productivity, limited access to credit, lack of investment in advanced technologies and innovation, and difficulties adapting to EU quality standards remain key factors constraining export growth and the transition to producing high-tech goods with higher added value.

Competition in the EU market is exceptionally high, and a strategy based primarily on price advantage cannot ensure the stable growth of the competitiveness of Moldovan goods. For the successful integration of Moldova into the European space, it is necessary to move to export promotion strategies based on differentiation, improving the quality of goods, innovation, and branding.

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