



Economies of Moldova and Transnistria: Unity of opposites

Galina Selari

Center for Strategic Studies and Reforms (CISR)

www.cisr-md.org

selari@cisr-md.org

Odessa, March 2011

Throughout centuries the territory of all Moldova was a sort of «contact zone» «a contact zone» for various states, religions and cultures.

Such zones, as we know from the history of mankind, has a special role because they produce a need for dialogue, tolerance and cooperation.

Geo-economic situation in Moldova-Transnistria (proximity to the Balkans, the Danube and Odessa - Ilyichevsk, the largest trading port on the Black Sea) ***determines the specificity of a region as a traditionally transit area.***

Transnistria is a “bottleneck” to transit opportunities of Moldova

«Phenomenon» of Transnistria:

- ✓ **Approaches and proposals of all participants of the «Transnistrian conflict» settlement are related, primarily with finding «formula» of a political settlement, acceptable for all;**
- ✓ **In a basis of the «Transnistrian conflict» always were and until now are actively shown economic interests;**
- ✓ **The economic sphere is not only the most «sensitive» to joint decisions realization, but also the most «potentially-productive» from the point of view of opportunities for quite notable results achievement - the basis for an acceptable «formula» of a political settlement.**

Moldova and Transnistria: approaching the market economy

- **1990**
«The concept of transition to a market economy». An attempt to implement in the Soviet Socialist Republic Moldova a model of "regional self-financing" through creation a free economic zone in Transnistria.
- **1991**
«The program of transition to market economy in the Soviet Socialist Republic Moldova»: with short term of «transition» - approximately for 1,5 - 2 years.
- **1992**
Liberalization of the prices -the last reformist decision, affecting the ***whole Moldova***.
- **1995**
The agreement on interaction of monetary and credit systems of the Republic Moldova and Transnistria at the first stage.
- **1996**
Protocol decision to resolve the arisen problems in the sphere of activity of customs services of the Republic Moldova and Transnistria.

During 1992-1997 it has been signed more than 30 bilateral documents, including 12 - in the field of economy.

The result: a significant revival of the Moldovan-Moldovan trade

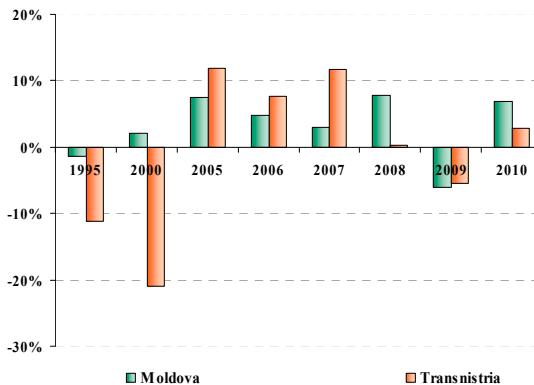
The most essential factors influencing "quality" of economic development of Moldova and Transnistria:

- Structural deformation of real production sector;
- Increased sensitivity to external factors influence;
- Fixed assets obsolescence (physical and moral) against low investment activity. In Transnistria and in the absence of access to external funding;
- The crisis of agriculture and increasing food imports;
- Unbalances in regional development;
- Deterioration of the demographic situation (labour migration and natural population decline).

Moldova and Transnistria: Ups and Downs of the Economy

Average annual GDP growth (%):

Moldova	Transnistria
1995-2000: -3.6	1995-2000: -14.6
2000-2005: 7.1	2000-2005: 10.6
2005-2010: 2.8	2005-2010: 2.1

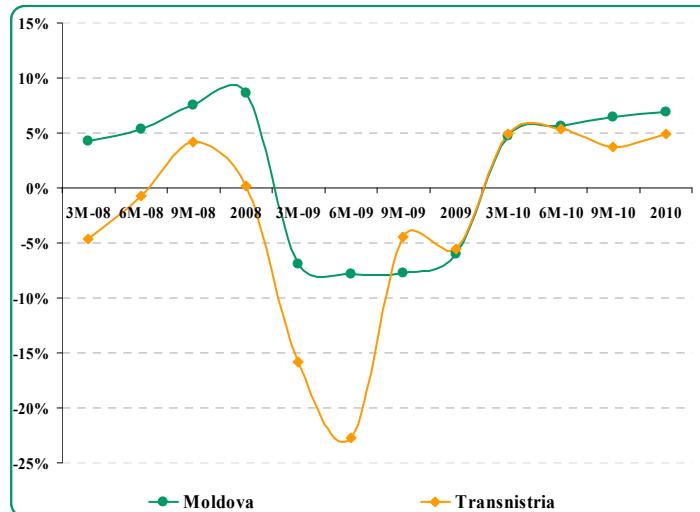


Results of economic growth (2003-2008):

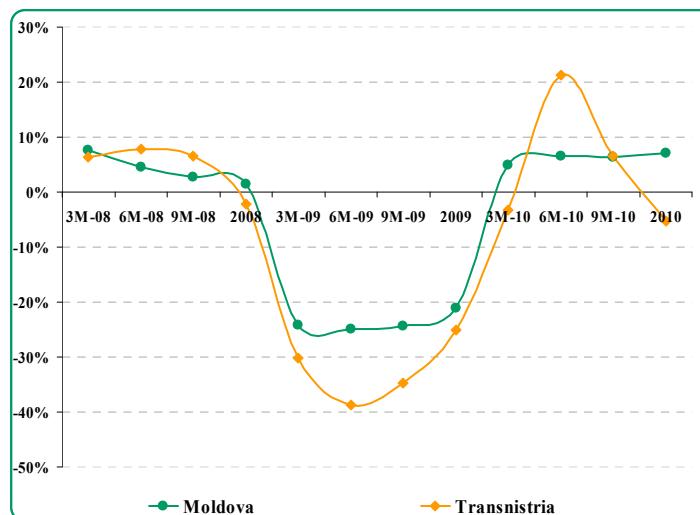
	Moldova	Transnistria
Gross domestic product	6,1	9,6
Industry	2,0	1,7
Agriculture	4,1	-5,2
Investment in fixed capital	15,0	16,8
Export	7,6	16,5
Import	16,2	22,3
Annual average inflation	12,7	24,6
Wages & Salaries (monthly average)	9,6	9,0

Notes: Annual average growth rates for 2003-2008²².

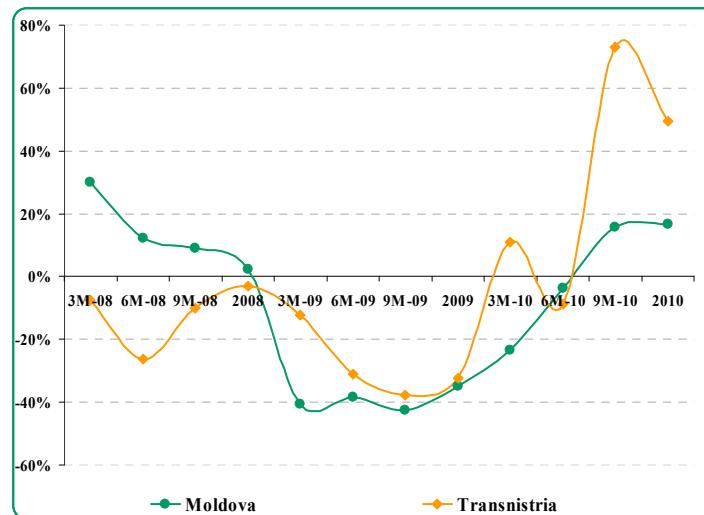
GDP...is crisis over?



Industry ... is crisis over?



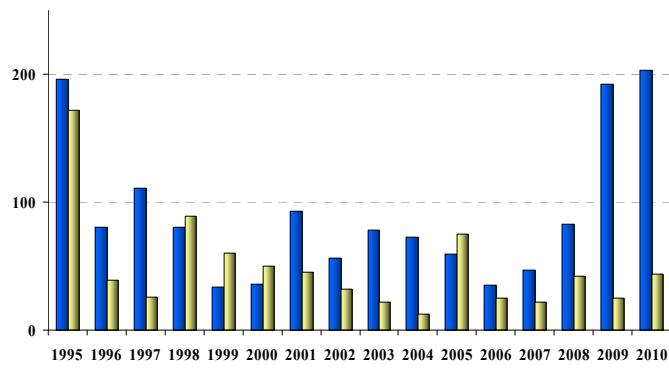
Investments... is crisis over?



Moldova and Transnistria: Trade Turnover

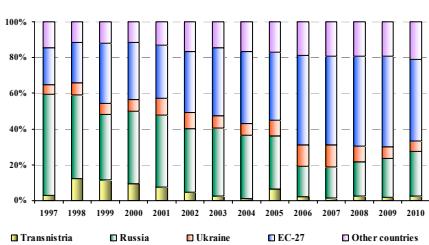
Trade and economic relations between Moldova and Transnistria are supported mainly based on the interests of economic agents

Trade Flows

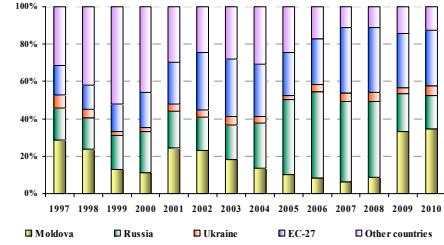


Markets, which we are...

Moldova



Transnistria



Promotion of Bilateral Trade: Possible Areas of Cooperation

- 1. Ensuring of free business development**
- 2. Interaction and harmonization of banking systems**
- 3. Gradual «targeting» harmonisation of the tax systems**
- 4. Implementation of joint infrastructural projects**

Nearest Results:

- ✓ **Return of Moldovan/Transnistrian business and products on Transnistrian/Moldovan market;**
- ✓ **Reducing of sphere of use of shadow and criminal business schemes, so also shadow economy scales as a whole;**
- ✓ **Realisation of advantages of the intra-moldavian production cooperation of the enterprises of mechanical engineering, light and food industries and their combined output to foreign markets.**
- ✓ **Use in full advantages of mode ATP with EU for expansion of business activity and high-quality preparation for work in the conditions of free trade with EU.**