



Economies of Moldova and Transnistria: Unity of Opposites

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For ages Moldova served as a sort of «contact zone» for various states, religions and cultures, as a result producing need for dialogue, tolerance and cooperation.

The only way to affirm and subsist as a state is consciousness of own interests and priorities in diversity of regional integration processes

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

Moldavia:

Economic retrospective...

In terms of most of the indicators used in international statistics, by the beginning of 1990's, ***Moldavia (Moldova - Transnistria)*** was defined as an industrial-agricultural country: :

the share of industry in the structure of the social product (1989) - 60%,

About 90% of industrial production was sipped outside of the republic, of which:

electricity - 40%,

engineering industry - above 90%,

food processing and light industries – about 70%

(about 75 % of wines and brandies that were exported from the former Soviet Union were manufactured in Moldavia).

The Republic maintained foreign-economic relations with almost 60 countries.

Moldavia:

Economic retrospective...

Transnistria - the most industrially developed region of Moldavia:

40% of growth social product of Moldavian Republic

15% of Moldavian Republic' population

Moldavskaya GRES - the largest Power Plant in the Balkans

Dubasari HPP

Metallurgical Plant

About 100 industrial enterprises (engineering, light industry, furniture industries, production of construction materials etc.)

Moldova and Transnistria: Outcomes of "Parallel" Development

	Moldova (MD+TN)	Moldova	Transnistria
	1990	2013	
	<i>per capita, USD</i>		
Gross Domestic Product	8857	2244	2076
Industry	4507	850	1569
Agriculture	2389	546	378
Investment in Fixed Capital	980	412	290
Average Monthly Wage	518	292	344
Average Monthly Pension	174	81	120
<i>GDP per capita compared to:</i>			
<i>CIS average</i>	72%	21%	20%
<i>EU average</i>	56%	6%	6%

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

- Structural deformation of real 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 in agriculture and increasing food imports;
- Unbalances in regional development;
- Deterioration of the demographic situation (labour migration and natural population decline).

Investments is «weak link»

Compared to 1990, investments in fixed capital decreased to a greater extent than other macroeconomic indicators.

Slump in investments was even more sizeable than:

GDP reduction

(in 3,0 times – in Moldova and in 7 times in Transnistria)

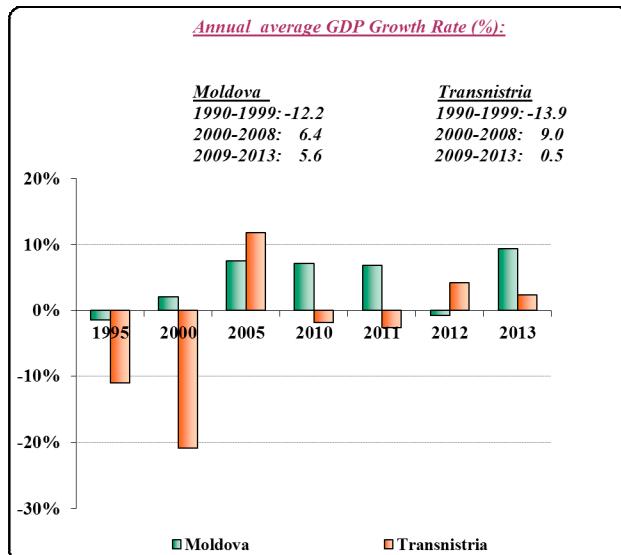
drop in industry

(in 2,5 times – in Moldova and in 5,7 times in Transnistria)

drop in agriculture

(in 3 times – in Moldova and in 2,5 times in Transnistria)

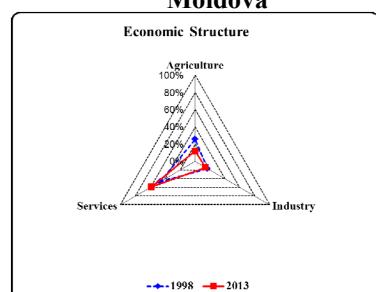
Ups-and-downs of the Economy



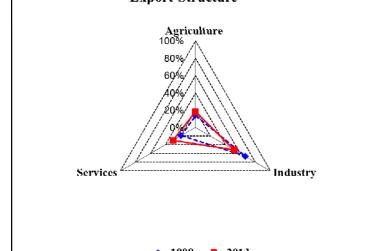
Main Grounds of Vulnerability:

1. The growth model relying on domestic demand mainly

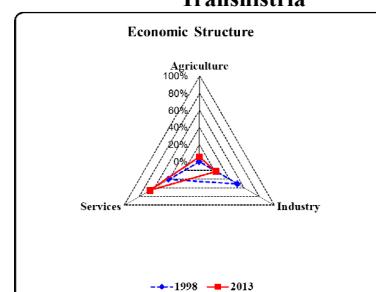
Moldova



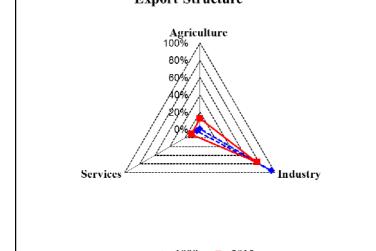
Export Structure



Transnistria

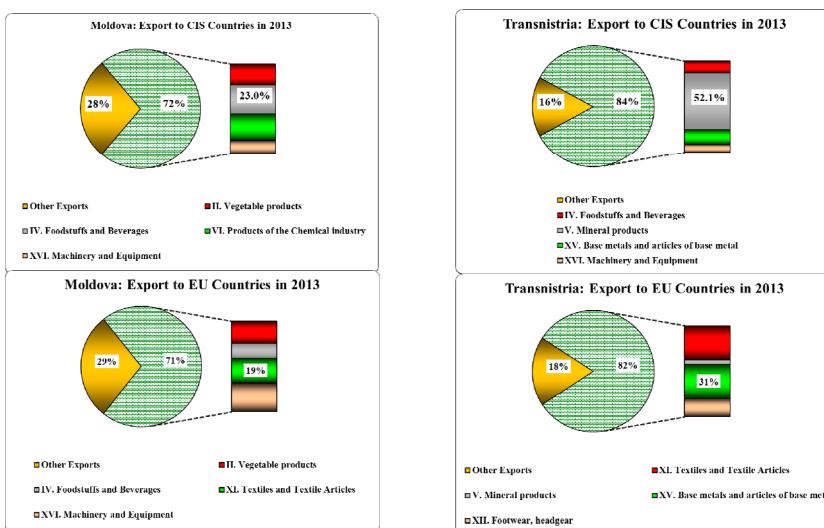


Export Structure



Main Grounds of Vulnerability:

2. Undiversified exports structure (goods)



Main Grounds of Vulnerability:

2. Undiversified exports structure (markets)

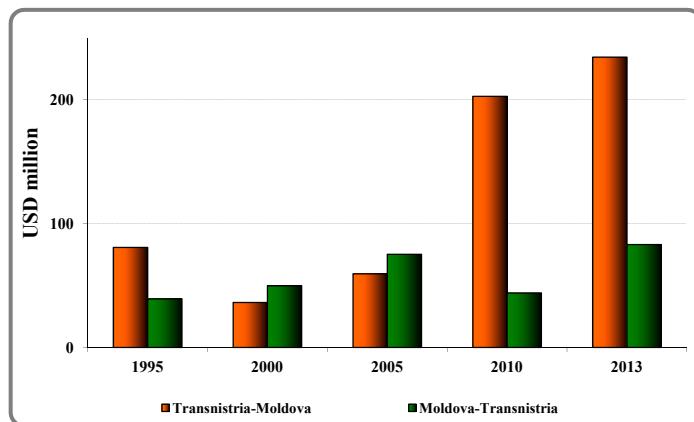
	Moldova		Transnistria	
	1995	2013	1995	2013
Export - total, USD million	874.1	2428.3	305.6	370.1
CIS-10 countries, %	69.1%	38.0%	67.6%	34.6%
Belarus	4.1%	3.7%	4.3%	0.8%
Russia	58.2%	26.0%	47.0%	28.0%
Ukraine	5.7%	5.8%	16.0%	5.2%
EU-28 countries, %	21.2%	46.8%	16.8%	52.1%
Germany	3.7%	4.7%	6.4%	8.0%
Italy	2.7%	7.6%	0.7%	13.4%
Romania	6.7%	16.9%	2.6%	12.2%
Import - total, USD million	1171.3	5492.4	182.9	1563.5
CIS-10 countries, %	69.1%	38.0%	79.3%	72.5%
Belarus	4.1%	3.7%	1.2%	6.9%
Russia	58.2%	26.0%	36.4%	44.5%
Ukraine	5.7%	5.8%	41.4%	18.4%
EU-28 countries, %	21.2%	46.8%	20.3%	19.6%
Germany	3.7%	4.7%	16.7%	6.1%
Italy	2.7%	7.6%	1.4%	2.9%
Romania	6.7%	16.9%	0.9%	0.8%
Share of Exports in GDP	45.3%	30.4%	92.1%	35.1%
Share of Imports in GDP	60.7%	68.8%	55.1%	148.5%
Coverage of imports by exports	74.6%	44.2%	167.1%	23.7%

Moldova (MD+TN) share in external trade turnover (2013)

with EU countries - 0,1%

with CIS countries - 0,8%

Internal Trade-flows



Trade relations between Moldova and Transnistria are maintained by economic agents only (in the absence of alternative)

Main Costs:

- The term of «economic blockade» is appeared.
- Traditional business contacts between enterprises of Moldova and Transnistria are replaced with legal (through free economic zones or foreign dealer firms) or illegal (withdrawal to the «shadow» economy) schemes of presence in the markets of Transnistria/Moldova. Average annual volume of the informal economy of Moldova-Transnistria comprises at least USD 1 billion
- Appearance of new areas of conflict.
- Asymmetric contraction of bilateral trade between Moldova and Transnistria
- Geography and structure of Moldovan/Transnistrian export are evidently related to degree of political and economic «proneness» to conflict.
- «Gas» debt: belonging (*to...*) and repaying (*by...*).
- Autonomism of infrastructure and its lagging development.
- Separation of common railways space thought the risks that transit of freight flows are re-routed to by-pass Moldova on the north or south are still exist.
- Separation of information and communication space <http://www.rpcenter.ru>

Possible Benefits:

- **Return of Moldovan/Transnistrian business and products on Transnistrian/Moldovan market;**
- **Shrinkage of use of shadow and criminal business schemes, and as a result the shadow economy scale as a whole;**
- **Make use of benefits from Moldovan – Transnistrian production cooperation of enterprises of engineering, light industry, furniture and food processing industries, and, consequently, their joint entry into foreign markets.**
- **More complete use of preferences in transition period/autonomous trade with the EU countries in order to improve business climate and prepare to work in free trade with EU**