

Viorel Chivriga

CASE STUDY ON THE IMPROVEMENT OF THE COMMERCIAL RELATIONS WITHIN GUAM (VALID FOR CEFTA ALSO)

Policy Brief

Institute for
Development and
Social Initiatives
(IDIS) “Viitorul”

2010





www.viitorul.org

Institute for Development and Social Initiatives (IDIS) “Viitorul”

POLICY BRIEF

CASE STUDY ON THE IMPROVEMENT OF THE COMMERCIAL RELATIONS WITHIN GUAM (VALID FOR CEFTA ALSO)

Viorel Chivriga, IDIS „Viitorul”



This publication does not necessarily reflect the collective view of IDIS „Viitorul” or the opinion of its sponsors, but only the views of the author. IDIS „Viitorul” holds the copyright to this publication. No part of it can be copied, reproduced, or published in any form, without prior written permission from the Institute for Development and Social Initiatives (IDIS) „Viitorul”. Thereference to IDIS “Viitorul” is mandatory when quoting from this study.

Adress:

Chişinău, Iacob Hîncu 10/1, 2004, Republica Moldova

Telefon: (373-22) 21 09 32

Fax: (373-22) 24 57 14

www.viitorul.org



SUMMARY

THE ANALYSIS OF THE CURRENT SITUATION:.....6
THE EXTERNAL TRADE OF THE REPUBLIC OF MOLDOVA WITH THE GUAM STATES: .7
EXISTING PROBLEMS IN THE FIELD OF EXTERNAL TRADE WITHIN GUAM:9
SOLUTIONS FOR BOOSTING ECONOMIC COOPERATION, INCLUDING THE
FOREIGN TRADE WITHIN GUAM (CEFTA):.....11

THE ANALYSIS OF THE CURRENT SITUATION:

Moldova's legal framework concerning the development of economic cooperation within GUAM is based on the Agreement on the establishment of the free trade zone between the GUAM Member States, ratified by the Law No. 25-XVI of 14.04.05.

In 2002-2005, in Moldova have been approved a considerable number of normative acts to expand economic cooperation between Member States of GUAM. The Government Act no. 180/02.12.2004 regarding the establishment of the Working Group for developing and implementing the National Plan regarding the Project on the facilitation of trade and transport within GUUAM¹, the Government Decision no. 85 of 05.09.2002 on the expansion and deepening of the cooperation in various fields in the GUUAM², the Government Decision no. 1217 of 28.11.2005 for approval of the Agreement on mutual assistance and cooperation in customs matters between the member governments participating in GUUAM, signed in Yalta on July 4, 2003³ and the Government Decision no. 178 of 15/02/2005 to approve National Action Plan concerning the implementation of the project on and transport trade facilitation within GUUAM⁴.

From these acts, particularly can be mentioned the Government's Decision no. 178, which specifies 99 activities of the public institutions related to the harmonization of the national legislation

with the international standards, the expansion and development of institutional capacities of the Customs Department and Department of Border Guards, selection, training and raising staff qualifications of Customs Department and Department of Border Guards, improve the forms of incentives, implementing anti-corruption policy, combating terrorism, cross-border crime, smuggling, violations of customs rules and illegal migration, border protection of intellectual property, harmonization of procedures related to border guards and customs control and customs clearance procedures, with international standards, implementation of information systems, technologies and communications, ensuring mutual compatibility of transit systems, development of infrastructure and equipment with technical means of control, public relations. Evaluation of the Project on the facilitate trade and transport within GUUAM was to be made later, with the participation of donors financing the implementation of the project. Enforcement measures that require external financing would start from the time of the respective financing.

1 Official Monitor 226-232/1537, 10.12.2004.

2 Official Monitor 126-127/1319, 12.09.2002.

3 Official Monitor 164-167/1323, 09.12.2005.

4 Official Monitor 30-33/229, 25.02.2005.

THE EXTERNAL TRADE OF THE REPUBLIC OF MOLDOVA WITH THE GUAM STATES:

On the other hand, the trade between GUAM member states is below expectations. Against the backdrop of reducing the share of foreign trade with CIS countries in total foreign trade volume of Moldovan trade, the trade relation with GUAM states registered quite an uneven evolution (export share of CIS exports decreased from 60.9% in 2001 to 39,2% in 2008, and the import share of CIS imports ranged from 38.1% in 2001 to 35.2 in 2008). For example, exports of Moldova in Azerbaijan increased from 328.3 thousand USD in 2001 (0.1%) to 7128.0 thousand USD (0.5%) in 2008, while imports during this period have registered an increase of only 306 thousand USD. Exports in Georgia increased from 663.6 thousand USD in 2001 (0.1%) to 6.3498 million USD in 2008 (0.4%), while imports from that country have registered an increase of about 300 thousand USD. Exports to Ukraine increased from 57.1682 million USD in 2001

(10.1%) to 142.8148 million USD (9.0%) and imports from 152.5707 million USD (17.1%) to 838.9842 million USD (17.1%).

Recent data of the Ministry of Economy and Trade attest that trade of the Republic of Moldova with the Member States of GUAM in 2009 decreased approximately two times compared with 2008, totaling 553 million USD. Moldovan export to GUAM countries totaled 93.67 million USD. Thus, the share of exports in Ukraine in this period has been about 86.8%, Georgia - 9.1% and Azerbaijan - 4.1%. Also in 2009 the Republic of Moldova imported goods from the GUAM Member States amounting to 489.38 million USD, with 42% less compared with 2008. Ukraine holds first place with 99.86% share from total imports of Moldova from GUAM countries. According to the above data, basic partner of Moldova in trade-econom-

External trade of R. Moldova with GUAM countries, value (thousand USD).

	2001	2002	2003	2004	2005	2006	2007	2008
Total, CIS	684575,8	759293,4	1016917	1267187,4	1456574,8	1444923,3	1883942,6	2360308,3
Export	344377,1	350421,7	423564,7	502422,3	551367,0	424142,6	550244,5	623047,0
Import	340198,7	408871,7	593352,3	764765,1	905207,8	1020780,7	13336981	1737261,3
Trade balance	4178,4	-58450,0	-169787,6	-262342,8	-353840,8	-596638,1	-783453,6	-1114214,3
Azerbaijan	360,8	1203,2	1043,6	1295,0	8244,7	6606,3	8936,1	7466,5
Export	328,3	1098,7	993,4	1232,1	3718,2	4765,8	8739,9	7128,0
Import	32,5	104,5	50,2	62,9	4526,5	1840,5	196,2	338,5
Trade balance	295,8	994,2	943,2	1169,2	-808,3	2925,3	8543,7	6789,5
Georgia	772,4	505,5	1204,1	2173,0	5423,6	4407,2	4294,6	6877,4
Export	663,6	406,8	1078,3	2066,9	5248,5	4060,7	3406,8	6349,8
Import	108,8	98,7	126,8	107,1	275,1	346,5	887,8	427,6
Trade balance	554,8	308,1	951,5	1959,8	4973,4	3714,2	2519,0	5922,2
Ukraine	209738,9	265012,8	365387,8	501081,6	579625,5	645237,5	854860,3	981799,0
Export	57168,2	61370,0	56135,1	64752,2	99908,6	128783,7	167862,7	142814,8
Import	152570,7	203642,8	309252,7	436329,4	479726,9	516454,8	686997,6	838984,2
Trade balance	-95402,5	-142272,8	-253117,6	-371577,2	-379818,3	-387671,1	-519134,9	-696169,4

External trade of R. Moldova with GUAM countries, share to the total (%)

	2001	2002	2003	2004	2005	2006	2007	2008
Total, CIS								
Export	60,9	54,4	53,6	51,0	50,5	40,3	41,0	39,2
Import	38,1	39,4	42,3	43,2	39,5	37,9	36,1	35,5
Trade balance	x	14,8	27,7	33,5	29,5	36,3	33,4	33,7
Azerbaijan								
Export	0,1	0,2	0,1	0,1	0,3	0,5	0,6	0,5
Import	0,0	0,0	0,0	0,0	0,2	0,1	0,0	0,0
Trade balance	x	x	x	x	0,1	x	x	x
Georgia								
Export	0,1	0,1	0,1	0,2	0,5	0,4	0,3	0,4
Import	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Trade balance	x	x	x	x	x	x	x	x
Ukraine								
Export	10,1	9,5	7,1	6,6	9,2	12,2	12,5	9,0
Import	17,1	19,6	22,0	24,7	20,9	19,2	18,6	17,1
Trade balance	29,2	36,1	41,3	47,4	31,6	23,6	22,1	21,0

ic relations is Ukraine, the export in this country amounts to 81.32 million USD and the import - USD 458.76 million. This is due to geographic position of the states and to the relationships established over the centuries. Economic cooperation within GUAM is quite modest, due to lim-

ited legal framework, Moldova mainly working bilaterally with the Member States of this organization. In the ODDE-GUAM, representatives of the Ministry of Economy participate in the work of the Working Group in Economy and Trade and Energy Working Group.

EXISTING PROBLEMS IN THE FIELD OF EXTERNAL TRADE WITHIN GUAM:

1. Creating the institutional and legal framework of GUAM laid the foundations for a sound cooperation of Member States in the economic field, and especially in trade, to be further addressed and developed multilaterally, commonly by the involved state institutions, with the institutions representing the associative and the business sectors of member countries.
 2. In the GUAM is not known about the existence of a database on foreign markets, how to obtain visas and other permits, information on the incentives for the import of new technologies, machinery and industrial equipment by offering tax and customs incentives at their import, the preparation and conduct of sociological investigations on the compliance by the state institutions of the procedures for registration, issuing of certificates, licenses and permits, effectiveness of the policies pursued by countries in the field of investment climate, etc.⁵
 3. It is now noted the total inefficiency of the ‘free corridors’ in foreign trade with agricultural products, under the provisions of the agreements signed in the CIS.
 4. Not Tariff barriers are tools frequently used by the state authorities in implementing trade policies and directly or indirectly targeting participants in foreign trade activity. At present such instruments are present and
- in the regulation of commercial transactions by Member States of GUAM. Some examples:
- a. Some reviews noted the presence in the use of a significant number of elements of this kind in the context of trade policies, such as licensing business (in Moldova are laid down 22 activities related to foreign trade)⁶, the discriminatory public procurement policies, voluntary export restrictions, etc.
 - b. Most free trade agreements signed by Moldova provide that the parties refrain from applying discriminatory measures in bilateral trade, the introduction of quantitative limits or equivalent measures on export and / or import goods under the agreements. But parties can unilaterally determine the quantitative restrictions, but which does not exceed a reasonable limit for a specified period. However, import quotas are introduced voluntarily. An example of this kind are quotas on imports of meat in Moldova, which is derived from the mechanism regulating meat imports imposed by Government Decision no. 1363 of 29. 11. 2006⁷.

⁵ Chivriga V., Furdui V. Current evolutions in the foreign trade with agricultural products. The National Federation of the Farmers from Moldova (FNFM), Chişinău, 2008.

⁶ Law No. 451-XV din 30.07.2001 on the licensing of the entrepreneurship activities. Official Monitor no. 108-109/836 FROM 06.09.2001.

⁷ It was abrogated at the end of 2009.

c. Non-tariff barriers, such as expensive transit and lengthy customs procedures, reduced significantly the positive effects of bilateral and regional trade protocols signed to facilitate foreign trade. Some research carried out by NGOs in Moldova shows that operators face serious problems in transit through the territory of Member States of GUAM. For example,

the diagnosis made by IDIS “Viitorul” in 2008 in the project “Advocacy Campaign in support of exporters of agricultural products” on the route Chisinau - Moscow, has found that such a transaction takes about 4 days, of which more than 32 hours were consumed in transit in Ukraine. Unofficial payments paid during the transit through their territory constituted UAH 260.

SOLUTIONS FOR BOOSTING ECONOMIC COOPERATION, INCLUDING THE FOREIGN TRADE WITHIN GUAM (CEFTA):

Taking into consideration the proposed common objectives of the states acceding to GUAM and CEFTA agreements, but also the common existing problems, which diminishes the efforts of the Parties to fully and effectively implement the provisions of these agreements, we believe it is appropriate to create common platforms to include representatives of state institutions, associative sectors and business communities. Common platforms can be viewed as an excellent tool for interconnection and integration of Member States authorities, used to boost cooperation in external trade. A first step towards creating common platforms, would be the inclusion of the associating representatives of civil society and the private economic sector in the joint committees (intergovernmental working groups) within GUAM. Thus, representatives of civil society and private sector should contribute in the short term to:

1. development and joint implementation by the Republic of Moldova and the countries from region of strategic investments in road, rail, energy and telecommunications infrastructure for fast access of the transport of goods to the corridors of European and Euro-Asian transport;
2. creating databases on foreign markets, simplify the procedures for getting visa and other permits, boosting imports of new technologies, equipment and industrial equipment by offering tax and customs incentives at their import, preparation and conducting sociological investigations on compliance by the state authorities to the procedures for registration, issuing of certificates, licenses and approvals, effectiveness of state policies pursued in the improvement of the investment climate, etc.⁸
3. creation and implementation of instruments similar to those used by the EU ("Trade Barriers Regulation"-TBR) for identifying and removing barriers and unfair trade practices faced by Moldovan exporters on foreign markets.
4. creation and implementation of interactive tools to help exporters from Moldova (databases supporting the access of the Moldovan companies on third markets: statistical data, legislation, customs tariffs, providing free education, consultation).
5. development and approval of regulations on simplified customs procedures, regulations like the EU regulations (incomplete declaration procedure, the simplified declaration procedure and the local clearance procedure).
6. encouraging the establishment of joint ventures in industrial parks and Free Economic Zones.
7. creating the conditions for participation of firms from Member States in implementing programs to rehabilitate rural infrastructure: housing construction, road infrastructure construction, gas supply, etc.

⁸ Chivriga V., Furdui V. Current evolutions in the foreign trade with agricultural products. The National Federation of the Farmers from Moldova (FNFM), Chişinău, 2008.



NOTE

IDIS „Viitorul” is a research, education and outreach organization which activates in the field of economic analysis, governance, law, political sciences, strategic and organizational science. IDIS is also a common platform that brings together young intellectuals who are concerned with the success of transition towards the free market and the open society. Consistent with this mission, IDIS has forged several linkages between the academic and policy-making environments, generating policy analysis and recommendations for various areas of public interest, creating and disseminating of the best practices, good governance, and economic analysis.

Since its foundation, our Institute has invested a lot of efforts in contributing to the development of new policy options, generating policy dialogue and cross-sectorial communication. We undertake research and monitoring of targeted issues of public interest, plan and undertake publishing, organize wide-national, cross-regional and topical conferences on various issues related to economic transition, liberalization policies, free trade agreements, conflicts and rule-of-law institutions.

