

REFLECTIONS ON THE NATIONAL ECONOMY DEVELOPMENT

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After twenty-four years of reforming the national economy by dismantling the centrally administered economic system and the establishment of market economy system, suppression of public and amplification of private property our country has reached an advanced level of poverty. In this process, national economy development passed through important changes not only in form, but also in fund. This situation requires intensification of concerns related to the national economy, which determines the actuality of this study. In the research, there were applied specific methods and techniques of economic investigations, based on the statistical yearbooks of the Republic of Moldova and Eurostat and other afferent publications. In the article, the authors reflect on the evolution of our country's economy and come up with some suggestions that would contribute to the sustainable development of the national economy.

Key words: *economy, policies, development, efficiency, mechanisms, market.*

În economia națională, bazată pe relațiile de piață și deschisă față de lume, s-au produs, fără îndoială, mutații importante nu numai de formă, ci mai ales de fond. Chiar dacă despre ceea ce se întâmplă în economia națională s-a discutat la diferite întruniri, s-a abordat la sesiuni științifice, în multiple publicații naționale și internaționale, studiul rămâne a fi actual. Investigația s-a realizat în baza datelor Anuarelor Statistice ale Republicii Moldova și Băncii Mondiale care au fost selectate și prelucrate de autori. În cercetare s-au aplicat metode și tehnici recunoscute și folosite în investigațiile economice. În materialul prezentat autorii meditează asupra factorilor ce au influențat evoluția economiei țării noastre și vin cu unele propuneri care ar contribui la dezvoltarea durabilă a economiei naționale.

Cuvinte-cheie: *economie, politici, dezvoltare, eficiență, mecanisme, piață.*

В национальной экономике, основанной на рыночных отношениях и открытой для мира, вне сомнений, произошли важные изменения не только по форме, но и по существу. Даже если то что происходит в национальной экономике обсуждалось на разных совещаниях и научных конференциях, освещается в многочисленных национальных и международных публикациях, исследование развития национальной экономики остаётся актуальной. В исследовании использованы данные Департамента Статистики Республики Молдова и Мирового Банка, которые были отобраны и обработаны авторами. При изучении развития национальной экономики обращались к методам и техническим приёмам известным и широко практикуемым в экономических исследованиях. В статье авторы изучают ситуацию в национальной экономике и на этой основе выдвигают ряд предложений которые будут способствовать эффективному и устойчивому развитию национальной экономики.

Ключевые слова: *экономика, политика, развитие, эффективность, механизмы, рынок.*

JEL Classification: *F15; F42; G38.*

Introduction. *After twenty-four years of reforming the national economy by dismantling the centrally administered economic system and the establishment of market economy system, suppression of public and amplification of private property our country has reached an advanced level of poverty. Both public authorities and those engaged in research bring and “argue” many reasons, many of them being not accompanied by measures that would lead the national economy to a better level. Obviously, the study of economy development continues to be imperative.*

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Knowledge level issue. The study of various aspects of the national economy has been conducted both in the country and abroad. However, even if this topic has been investigated before and discussed at various official meetings, approached at scientific sessions, exposed in various national and international publications, national economic development still needs to be investigated.

This situation urged us to think about the development process of the national economy, on the evolution of the national economy structure, the products that our country could submit to the Western market, the possible consequences of integration processes.

Material and method. National and international normative acts, textbooks, monographs and other publications specific to the theme can be found among the materials used in research. The study is performed on selected data and processed by the authors based on the statistical yearbooks of the Republic of Moldova and Eurostat, other publications that provided us pertinent meanings and explanations in relation to the phenomena and processes that happen or occur now. In the research specific methods and techniques of economic investigations were applied.

Results and meditations

National economy: general characteristics

Our country's economy has undergone a difficult phase of changes initiated by the decision of Moldovan Parliament on July 25, 1990 which qualified "...the transition to a market economy as a model of management...". The transition to the economy based on market relations was frequently marked by dynamism, often by uncertainty and risk, sometimes even hostility. Gross domestic product (GDP), this macroeconomic aggregate representing the final result of production activity which is being calculated in prices of the year 2005, fell to \$ 5.96 billion in 1990 (Table 1), a year to launch the economic reforms to \$ 2.12 billion in 2000 or by 2.81 times, then slowly increased to \$ 4.21 billion in 2014 or by 1.98 times.

Table 1

Evolution of gross domestic product

	1990	1995	2000	2005	2010	2011	2012	2013	2014
GDP, in prices 2005, \$ billion	5.96	2.39	2.12	2.99	3.50	3.73	3.70	4.05	4.21
GDP per capita, \$	1613	650	583	831	983	1047	1040	1138	1191
GDP, calculated by PPP, \$ billion	23.8	9.54	8.47	11.93	13.98	14.88	14.77	16.16	16.91
GDP, calculated by PPP, per capita, \$	6440	2596	2329	3518	3925	4179	4150	4542	4753
GNI, calculated by PPP, \$ billion	15.38	6.84	6.83	11.90	14.84	16.08	16.78	18.51	19.50
GNI, calculated by PPP, per capita, \$	4160	1860	1880	3310	4170	4580	4710	5200	5480

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

GDP calculated by purchasing power (PPP) of 2011, as well, decreased from \$ 23.8 billion in 1990 to \$ 8.47 billion in 2000 or by 2.81 times, then increased to \$ 16.91 billion in 2014 or by 2 times. Basically, the same dynamic has GDP being calculated either in prices of 2005, or being expressed by purchasing power related to a resident of our country.

Thus, we find that after 24 years of dismantling the centralized managed economy and establishment of market economy system GDP in our country has not yet reached the level that it had at the beginning of economic reforms.

Gross national income (GNI) expressed by the purchasing power of 2011 declined from \$ 15.38 billion in 1990 to \$ 6.83 billion or by 2.25 times in 2000, then increased to \$ 19.50 billion in 2014 or by 2.85 times. GNI is characterized by similar dynamic expressed by purchasing power, being reported to an inhabitant of our country.

Even if in the years 1990-2000 GNI decreased faster in relation to GDP, then in 2011 it already exceeded the level of 1990, increasing in the last three years with 21.26 percent. The fact that the GDP evolution differs than the GNI is mainly due to the divergence of their calculation method.

Table 2

Contribution of the main economic activities in the gross domestic product, %

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Gross domestic product, <i>including:</i>	100	100	100	100	100	100	100	100	100
- agriculture	36.14	33.02	29.03	19.53	14.45	14.26	13.43	14.29	15.23
- industry	36.65	32.15	21.72	16.34	15.91	16.84	16.71	17.11	16.69
- services	27.21	34.83	49.25	64.13	69.64	68.90	69.86	68.60	68.08

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

Both the dynamics of gross domestic product and gross national income were considerably influenced by the ratio of the main economic activities contribution for their formation. The share of goods production decreases from 72.79% in 1990 (Table 2) to 31.92 percent in 2014 and by 2.3 times. The services share in the gross domestic product significantly increased by 2.5 times.

Both the contribution and dynamic of agricultural and industrial goods is practically identical. Agriculture's contribution is reduced from 36.14% in 1990 to 15.23 percent in 2014.

After the declaration of independence, the contribution of branches to the total agricultural production has undergone major changes. During 1995-2013 in the structure of agricultural production from our country dominates the crop production, which share fluctuates between 61.5% in 2012 (Table 3) and 72.3% in 2013. Cereals are highlighted among the vegetable products, which in the reference years account from 17.9% in 2012 to 28.8% in 2013.

Table 3

Agricultural production structure in all categories of households, %

	1995	2000	2005	2010	2011	2012	2013
Total crop production, <i>including:</i>	100	100	100	100	100	100	100
vegetable production, of which:	70.0	69.0	68.9	66.2	71.7	61.5	72.3
- cereal crops	19.0	25.0	22.9	18.8	28.0	17.9	28.8
- vegetables	7.0	5.0	7.3	7.4	8.1	6.0	5.5
- fruits, nuts, berries	7.0	3.0	4.4	3.9	6.8	6.7	5.4
- grapes	9.0	12.0	12.8	12.1	6.1	10.4	9.0
- animal production, of which:	30.0	31.0	31.1	33.8	27.9	38.5	27.7
- cattle and poultry production	16.0	14.0	14.8	18.9	14.5	21.5	15.4
- milk	10.0	13.0	10.9	10.2	10.0	11.1	8.0
- eggs	3.0	4.0	4.4	4.0	3.3	4.2	3.0

Source: Elaborated by authors based on the statistical yearbooks of the Republic of Moldova.

If in the '90s of last century, it was up to 17% to fruit, in the years 2000-2013 their share ranges from 3.0% in 2000 to 6.8 percent, being in full compliance with the specific sequence to fruits a fruitful year followed by a less fruitful year. In the less productive years, the summary weight of vegetables, fruits, nuts, berries and grapes is lower than of cereals.

In the animal production structure, which is ranging from 27.7% in 2013 to 38.5% in 2012, the production of livestock and poultry dominates by 14% in 2000 and 21.5 in 2012.

This situation proves, on the one hand, that agriculture as activity is sufficiently preserved, and on the other hand, that the structure of agricultural production is not formed only under the influence of decision makers.

Mutations that occurred in the structure of agricultural production indicate a trend to decrease the share of intensive crops such as grapes, fruits, vegetables, tobacco etc. and the increase of the share of products requiring small amount of capital such as wheat, corn, sunflower and others.

In the industrial production structure, the manufacturing industry dominates categorically, whose share varies from 81.0% in 2010 (Table 4) to 87.5 in 2005.

Table 4

The structure of industrial production by types of activities, %

	1995	2000	2005	2010	2011	2012	2013
Industry, total, including:	100	100	100	100	100	100	100
- extractive	0.8	0.8	1.4	1.6	1.7	1.6	1.9
- manufacturing, of which:	83.6	82.1	87.5	81.0	82.6	82.9	84.0
- wine production,	10.8	16.9	20.0	7.2	6.1	6.4	6.9
- fruit and vegetables processing	6.7	5.1	3.4	3.7	5.3	4.4	4.5
- chemical	0.8	1.4	1.1	2.7	2.6	2.6	2.8
- furniture production	2.1	0.9	1.8	2.2	2.1	2.0	2.2

Source: Elaborated by authors based on the statistical yearbooks of the Republic of Moldova.

The economic activity of any country, including Moldova, requires the exchange of goods produced with both goods and other necessary resources. The exchange takes place through the market and primarily the internal market.

Internal market of Moldova is limited by consumers who on January 1, 2013 amounted to 3.5578 million and is subjected to their purchasing power. Even if the average monthly disposable income relative to the average value of the minimum subsistence per person increased from 46.1% in 1995 to 104.3% in 2013, it still remains insufficient. Moreover, the national economy does not have sufficient resources, especially energy, to ensure continuous production of goods. It is obvious that the national economy is doomed to trade relations with other countries.

Exports of goods and services as a share of GDP increased steadily from 48.2% in 1990 (Table 5) to 59.2% in 2010, then it reduced sharply reaching 45.0% in 2011 or at the level below than that of 1990 and steadily decreased to 42.5% in 2014. We also mention that the share of high technology exports is very low ranging from 2.36% in 2013 to 8.26% of production exported in 2010.

Table 5

Export and import of goods and services

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Exports of goods and services in relation to GDP, %	48.2	49.3	49.8	51.1	59.2	45.0	43.5	43.3	42.5
Exports of technologies, in % of exports of goods and services	-	3.79	3.01	3.96	8.26	6.31	4.78	2.36	-
Imports of goods and services in relation to GDP, %	50.6	58.0	75.4	91.7	78.5	85.8	83.9	80.6	78.9
The balance of imports and exports in relation to GDP, %	-2.4	-8.7	-25.6	-40.6	-19.3	-40.8	-40.4	-37.3	36.4

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

Imports of goods and services in relation to GDP increased from 50.6% in 1990 to 91.7% in 2005, than slightly reduces oscillating between 78.5% in 2010 to 85.8 in 2011. The import of goods and services exceeds their exports, reaching a difference 40.6% of GDP.

The value of exported industrial production decreased from \$ 210.3 million in 1996 (Table 6) to \$ 182.2 million in 2000 or with 13.4 percent, then increases to \$ 508.2 million in 2005 or approximately by 2.8 times. During 2005-2013 the value of exported industrial products increased by 2.78 times.

The value of imported industrial production of our country was reduced from \$ 929.4 million in 1996 to \$ 666.7 million in 2000 or with 28.3 percent, then increased to \$ 2042.7 million in 2005 or by 3.06 times. In 2005-2013 the value of industrial goods increased by 2.3 times. Virtually, all trade deficit was generated by import and export of industrial products.

The export of food products decreased from \$ 584.7 million in 1996 to \$ 291.0 million in 2000 then increased to \$ 582.9 million in 2005. In the years 2005-2013 the value of food products increased by 2.8 times. If in 1996 food products dominated (by 77.6%), being followed by vegetable products (11.6%), animals and animal products (10.3%), then in 2013 the largest share (49.9%) has the plant products, followed by food products (42.1%), alcoholic and soft drinks (24.8%).

Table 6

The national external trade, million \$

	1996	2000	2005	2010	2011	2012	2013
Total: - Export	795.0	471.5	1090.9	1541.5	2216.8	2161.9	2428.3
- Import	1072.3	776.4	2292.3	3855.3	5191.3	5212.9	5492.4
- Trade balance	-277.3	-304.9	-1201.4	-2313.8	-2974.5	-3051.0	-3064.1
<i>a. industrial products</i>							
- Export	210.3	182.2	508.2	788.1	1299.7	1283.0	1412.8
- Import	929.4	666.7	2042.7	3263.7	4503.4	4469.6	4708.6
- Trade balance	-719.1	-484.5	-1534.5	-2475.6	-3203.7	-3186.6	-3295.8
<i>b. agro-food products</i>							
- Export	584.7	291.0	582.9	732.2	917.1	878.9	1015.5
- Import	142.9	109.6	279.6	591.4	687.8	743.3	783.8
- Trade balance	+441.8	+181.4	+303.3	+140.8	+229.3	+135.6	+231.7

Source: Elaborated by authors based on selected information from <http://www.statistica.md>.

The share of agro-food production exported in total national export is reduced from 73.55% in 1996 to 61.4% in 2000, 53.42% in 2005 and 41.82% in 2013, but the trade balance of agro-food products over the years remains positive.

National economy development is influenced by available resources, primarily by the *natural potential* which, as stated by P. Bran [1, 20] participates with “the force of its laws and with its “goodies”, substance (s), energy (e) and information (i), goodies which are in their natural state, “manufactured” by the physical movement, chemical and biological material”. We believe that climatic conditions, land fund, variable configuration of the landscape, water, flora, and fauna are sufficiently favourable for the development of national economy.

A. Smith’s formula [5] that human activity creates the weight of goods requires the study of human potential that undoubtedly contributes to the national economic development.

The total population decreased from 3.604 million in 1995 (Table 7) to 3.535 million in 2013 or about 2%. Only in 1995 and 2012 the number of births exceeded the deaths.

Table 7

Population distribution by participation in economic activity in Moldova, thousand persons

	1995	2000	2005	2010	2011	2012	2013
Population, total	3604	3639	3595	3582	3560	3560	3559
<i>natural movement of population:</i>							
- births	56.4	38.9	37.7	40.5	39.2	39.4	37.9
- deaths	53.0	41.2	44.7	43.6	39.2	38.6	38.1
<i>including:</i> economically active population	1696	1655	1422	1235	1258	1215	1236
activity rate, %	47.1	45.4	39.5	34.7	36.3	34.1	34.7
<i>of which</i> employed population in economy	1673	1515	1319	1143	1173	1147	1173
employment rate, %	46.5	41.2	36.6	32.1	33.0	32.2	32.9
<i>including</i> employment in agriculture	710	765	537	315	323	303	338
employment in agriculture, %	42.8	50.5	40.7	27.5	27.5	26.4	28.8
The number of persons who left the country	5432	9128	6827	4714	3920	3062	2585

Source: Elaborated by authors based on the statistical yearbooks of the Republic of Moldova.

The number of active persons decreased from 1696 ths in 1995 to 1236 ths in 2013 or with 27.13 percent. The activity rate decreases respectively from 47.1% in 1995 to 34.7% in 2013, or with 12.4 percentage points. The number of persons employed in the economy dropped from 1673 ths in 1995 to 1173 in 2013 or with 29.9 percent, which is very dangerous for the national economy. The number of people employed in agriculture fell categorically from 711 ths in 1995 to 338 ths in 2013 or by 2.1 times. The employment rate in agriculture decreased from 42.8% in 1995 to 28.8% in 2013.

The number of persons who left the country has increased from 5432 in 1995 to 9128 persons in 2000, than steadily decreased reaching 2585 people in 2013.

For any public authority, for any entrepreneurial administration identifying the resources necessary for financing of working capital and ensuring investment for regeneration and growth assets is a mandatory dimension.

Financial possibilities of companies are modest and do not provide funding. Tax revenues, even if they have reached 18.64% of GDP in 2012 (Table 8), remain insufficient to provide the necessary support to the national economy.

Table 8

General characteristics of the national economy financing

	1995	2000	2005	2010	2011	2012	2013	2014
Tax revenues,% of GDP	-	14.72	18.48	18.19	18.28	18.64	-	-
Personal remittances, \$ mil.	1.02	178.6	915.1	1351.4	1600.4	1793.3	1984.9	2074.6
Domestic credit,% of GDP	23.72	25.21	31.52	36.34	39.05	43.46	45.83	39.00
Official development assistance and official aid received, \$ mil.	68.5	122.5	169.1	470.4	469.1	473.1	374.4	-
Foreign direct investment, \$ mil.	25.9	127.5	190.7	212.0	301.4	204.9	249.0	353.1

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

Remittances have increased from \$ 1.02 million in 1995 to \$ 2074.6 million in 2014, but primarily are used for consumption. The share of domestic credit to GDP rose from 23.72% in 1995 to 45.83 in 2013, then decreased to 39 percent in 2014 and will continue to shrink as the recent Board of the National Bank of Moldova decided to increase the base rate from 15.5 to 17.5 percent annually. Thus, not inadvertently, the official assistance for development and official received aid increases from \$ 68.5 million in 1995 to \$ 473.1 million in 2012 or by 6.9 times than it reduced to \$ 374.4 million in 2013 or with 20.9 percent. Practically, in the programs of all governments is specified the need to attract foreign investments, even if they increased from \$ 25.9 million in 1995 to \$ 353.1 million in 2014 or by 13.6 times, they do not cover the demand.

Generalizing the above, we find that to amplify and deepen the knowledge of the national economy it is required to conduct a comparative study.

Valences of the national economy: comparative study

Gross domestic product, corresponding to the goods and services for final consumption is calculated in prices of 2005 and reported to a resident of the Republic of Moldova made up \$ 650 (Table 9) in 1995 and formed 50.9% of that of Ukraine, 18.5% of the Romania and 13.0% of that of Estonia. Even if GDP compared to an inhabitant of our country has increased from \$ 650 in 1995 to \$ 831 in 2005, compared to Ukraine's amounted only 45.2%, or less than 5.7 percentage points, to that of Romania – 17.8% or 0.7 percentage point less, to Estonia – 8.0%, or with 5 percentage points less. Subsequently, it increases almost constantly up to \$ 1,191 in 2014 when it made 57.2% of Ukraine, 19.2% of Romania's and 9.8% of that of Estonia.

Table 9

The evolution of gross domestic product per capita in 2005 prices, \$

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Estonia		4995	7102	10336	10364	11255	11821	12056	12348
Latvia		3601	4822	7634	8058	8617	9146	9636	9974
Lithuania				7864	8941	9705	10213	10653	11074
Romania	3820	3509	3327	4652	5635	5793	5840	6067	6196
Moldova	1613	650	583	831	983	1047	1040	1138	1191
Ukraine	2641	1277	1211	1839	1975	2085	2094	2099	2081
Russian Federation	5685	3529	3870	5323	6365	6631	6846	6923	6844

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

Thus, we conclude that the results of efforts to develop the national economy are very modest compared with neighbouring countries and the Baltic countries.

If the contribution of assets to the gross domestic product of our country was reduced from 72.79% in 1990 to 50.75% in 2000 and with 31.92% in 2014, then in Romania it is respectively from 73.68% to 45.50% and 32.63%, in Estonia – from 38.19% in 1995 to 32.64% in 2000 and 31.84% in 2014, in other words more slowly. In 2014, the contribution of assets to the GDP was nearly equalized.

Contribution of agriculture to the gross domestic product of our country declined from 36.14% in 1990 (Table 10) to 14.45% in 2010, remaining at that level thereafter. In Romania, for example it reduces continuously from 23.74% in 1990 to 5.36% in 2014, when it gets close to the European Union member countries.

Table 10

The contribution of agriculture to gross domestic product, %

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Estonia	-	5.84	4.84	3.50	3.19	3.95	4.07	3.59	3.67
Latvia	-	8.93	5.19	4.32	4.49	3.92	3.71	3.64	3.45
Lithuania	-	-	-	4.78	3.29	3.81	4.38	3.78	3.46
Romania	23.74	21.42	12.06	9.52	6.41	7.48	6.01	6.35	5.36
Moldova	36.14	33.02	29.03	19.53	14.45	14.26	13.43	14.29	15.23
Ukraine	25.57	15.40	17.08	10.40	8.27	9.49	9.05	10.16	11.79
Russian Federation	16.61	7.16	6.43	4.97	3.87	4.37	3.93	3.95	-

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

Thus, in 2014 the contribution of agriculture to GDP (the 6th part), by 2.9 times higher than in Romania and about 4.4 higher than in the Baltic countries, given that the agriculture has relatively the lowest added value.

Industry contribution to the national gross domestic product decreased from 36.65 percent in 1990 (Table 11) to 16.34% in 2005, remaining at that level until 2014, Romania has decreased from 49.94% in 1990 to 33.44% in 2000, then after 2010 is maintained at 42-43% and decreased to 27.27 in 2014.

Table 11

Industry contribution to gross domestic product, %

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Estonia	-	32.35	27.80	29.78	27.98	29.19	28.96	28.95	28.17
Latvia	-	25.87	20.10	16.47	19.01	18.13	17.69	16.95	16.37
Lithuania	-	-	-	24.92	23.25	24.59	24.82	24.17	23.59
Romania	49.94	42.74	33.44	35.89	42.09	42.78	42.34	43.25	27.27
Moldova	36.65	32.15	21.72	16.34	15.91	16.84	16.71	17.11	16.69
Ukraine	44.57	42.68	36.32	32.45	31.34	29.08	28.42	26.22	25.39
Russian Federation	48.35	36.96	37.95	38.08	34.70	37.43	36.85	36.27	-

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

Less oscillates industry's contribution to the GDP in the Baltic countries. For example, in Estonia, except 1995 (32.35%) it is maintained at level of 28-29 percent.

Of course, the structure of goods and services contributing to the GDP affects their exports. Exports of goods and services in our country, as a share of GDP, increase slowly from 48.2% in 1990 (Table 12) to 59.2% in 2010, then decreases to 42.5% in 2014. In Romania, although exports of goods and services to GDP is lower than in Moldova increases practically steadily from 16.73% to 41.13% in 1990 to 2014.

Table 12

Exports of goods and services to GDP, %

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Estonia	-	49.60	61.64	65.92	75.12	87.93	88.39	86.09	84.73
Latvia	-	34.68	37.27	43.15	52.98	57.83	60.87	59.40	58.02
Lithuania	-	-	-	53.92	65.40	75.06	81.71	84.07	81.76
Romania	16.73	27.63	32.83	33.08	35.42	40.03	40.00	41.98	41.13
Moldova	48.2	49.3	49.8	51.1	59.2	45.0	43.5	43.3	42.5
Ukraine	27.64	47.07	62.44	51.48	50.75	49.82	47.72	42.96	49.15
Russian Federation	18.16	29.29	44.06	35.20	29.22	30.27	29.61	28.61	-

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

In Estonia exports of goods and services increased from 49.60% in 1995 to 88.39% in 2012, and then slightly decreased to 84.73% in 2014.

For the economy of any country it is extremely important that export of goods and services to exceed their import. Imports of goods and services in our country has increased from 50.6% in 1990 (Table 13) to 91.7% in 2005 and decreases from 85.8% in 2011 to 78.9% in 2014. During those years, import exceeded export.

Table 13

Imports of goods and services to GDP, %

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Estonia	-	55.64	64.88	71.02	68.76	82.11	87.40	84.64	82.11
Latvia	-	39.44	45.35	57.63	54.44	62.81	65.29	62.31	60.88
Lithuania	-	-	-	61.10	67.28	77.61	80.85	82.82	81.64
Romania	26.18	33.21	38.13	43.25	41.15	45.37	45.15	42.54	41.01
Moldova	50.6	58.0	75.4	91.7	78.5	85.8	83.9	80.6	78.9
Ukraine	28.72	50.16	57.41	50.64	53.56	56.43	56.37	52.11	53.24
Russian Federation	17.94	25.89	24.63	21.51	21.14	21.73	22.27	22.68	-

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

In Romania, imports exceed exports in the years 1990-2010, than imports remain lower than exports. The situation is the same for Estonia. In 2014 trade deficit made MDL 41 billion, and namely 36.4% of GDP. For comparison, Romania's trade deficit in 2014 was 0.12% of GDP, i.e. 303 times less. In Estonia and Lithuania exports of goods and services exceeded their imports, and the deficit in Latvia formed 2.86% of GDP or with 12.7 less than in Moldova. Comments are superfluous.

In order to develop the economy there are needed financial resources. Economic agents in our country do not have their own financial resources and are forced to turn to domestic credit, the share of which in national GDP rose from 23.72% in 1995 to 45.83% in 2013, then slightly decreased to 39% in 2014.

Table 14

Domestic credit, % of GDP

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Estonia	-	11.19	34.50	68.00	96.53	83.80	76.59	71.82	72.00
Latvia	-	11.74	18.47	67.46	128.88	79.63	62.94	59.02	52.92
Lithuania	-	-	-	42.81	63.83	57.02	52.00	50.92	45.63
Romania	79.73	23.56	13.88	20.71	53.84	54.12	54.27	51.97	48.24
Moldova	-	23.72	25.21	31.52	36.34	39.05	43.46	45.83	39.00
Ukraine	-	15.51	23.82	33.24	93.89	87.27	87.86	95.02	96.55
Russian Federation	-	25.46	24.93	20.81	37.72	39.59	42.75	48.70	52.37

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

In 2014, the share of domestic credit to Moldova's GDP was lower by 9.24 percentage points than in Romania and by 33 percentage points than in Estonia.

Acquisition, creation and reproduction of fixed assets need investments. The possibilities of any state, including our country are insufficient to provide the necessary investment, which requires attracting foreign investments. Foreign direct investments in our country have increased from \$ 267 million in 1995 (Table 15) to \$ 353.1 million in 2014 or by 13.6 times. But in 2013 direct investments in our country were by 3.5 times lower than in Estonia and by 16.5 times lower than in Romania.

The forecasts are also gloomy for 2015. So, according to Ruslan Piontkivsky, senior economist of the World Bank for Moldova, the year will be characterized with recession of 2 percent. Moldovan economy will be contracted with 1 percent in 2015 compared to the previous year, estimated the International Monetary Fund in the World Economic Outlook report. EBRD estimates an economic decline of up to half a percent. The Ministry of Economy forecasts a fall of the economy in 2015 by 1 percent.

Table 15

Foreign direct investments, \$ mil.

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Estonia	-	201	387	3127	2053	511	1592	884	1597
Latvia	-	180	412	812	433	1502	1076	990	782
Lithuania	-	73	379	1189	865	1538	576	708	375
Romania	10	419	1037	6866	3204	2557	2629	4108	-
Moldova	-	25.9	127.5	190.7	212.0	301.4	204.9	249.0	353.1
Ukraine	-	267	595	7808	6451	7207	8175	4509	847
Russian Federation	-	20650	27142	15508	43168	55084	50588	69219	20958

Source: Elaborated by authors based on selected information from <http://data.worldbank.org/indicator>.

What is to be done?

The answer to this question is found in the Association Agreement between the Republic of Moldova, on the one hand, and the European Union and the European Atomic Energy Community and its Member States, on the other hand. According to paragraph 1, Article 24, this Agreement provides that "Cooperation between the Parties aims to promote economic policies relevant to functioning market economies, as well as the development and implementation of these economic policies".

Paragraph 2 of the same article specifies "Moldova is working towards establishing a functioning market economy and making gradually closer ties of its policies to those of the EU, in accordance with the guiding principles of some fiscal and solid macroeconomic policies, including the central bank independence and stability prices, strong public finances and a sustainable balance of payments".

Liberalization of our citizens' movement in the European Union area, the formation of a free trade area, causes new conditions for our country's economy. For the establishment and development of national economy we consider appropriate:

1. To change the structure of gross domestic product by:

- Increasing the share of industry, intensifying the development of chemical industry, including natural based pharmaceuticals, cosmetics and perfumery products, goods and services;
- Increasing the share of agriculture, judiciously choosing agro-food products with which our country would be successful, especially in markets that demonstrate a more constant stability, as for example the EU Common Agricultural Market. It is recommended to considerably expand the plantation area of vineyards and orchards and to adjust the structure of sorts to the Western market requirements.

2. To intensify the implementation of mechanisms and economic instruments that can ensure sustainable development of the national economy such as:

- Practicing the *indicative pricing, in other words orientation prices, intervention prices* that trigger mechanism to support farmers and *the threshold price* which is the minimum level at which the imported products can accede on the domestic market.
- Taking over by the public authorities from agricultural producers the excess products at prices, which cover expenses for their storage and sale in the situation when the market acts in favour of the request.
- Stimulating exports of goods and services by increasing the exchange rate with 5-10 percent compared with the current value of goods and exported services.
- Renouncing in agriculture to *ex ante* support/before obtaining the production/which is usually inefficient and *ex post* state intervention/after which the production was performed, stimulating farmers to produce what is needed on the market and particularly on the external one. *Ex post* support may be offered through *two mechanisms*:
 - a. The state subsidizes a part of the market price covering the production costs;
 - b. The state buys production at the negotiated price but higher than the cost. The production is then sold, including to the processing industry at a price that may be lower than that paid to farmers not to affect the purchasing power of the population.
- Stimulating lending to farmers by financial institutions, particularly for planting orchards and vineyards, to extend the irrigated areas, to procure the means of production and to everything that would help to streamline this sector of the national economy.

3. To form the mentality of people employed in the economy endowing them with innovative qualities, performance and power to take decisions, to act adequately to the market economy.

Many of those involved in the establishment and development of national economy are from the generation that found itself in an independent country, coming from the USSR where during the '50s they had a patriarchal childhood, they were caught in the school, where in the '60s even the laws of physics were acting as indicated by the party, in the '70s being at the university studying how happy they will live under communism, being employed at work in the 80s during the "bright" stagnation where nepotism flourished and corruption rooted, and in '90s they were entrusted with reforming the national economy.

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