



# **Economies of Moldova and Transnistria: Unity of opposites**

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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

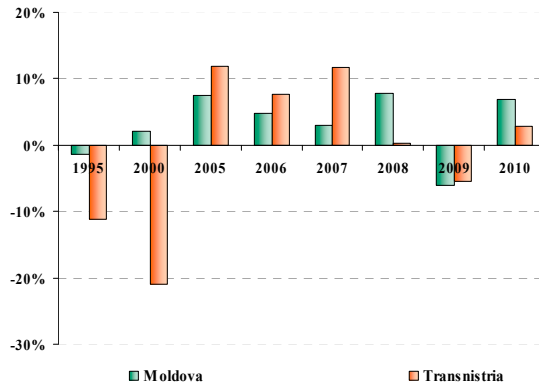
## **The most essential factors influencing "quality" of economic development of Moldova and Transnistria:**

- 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   |

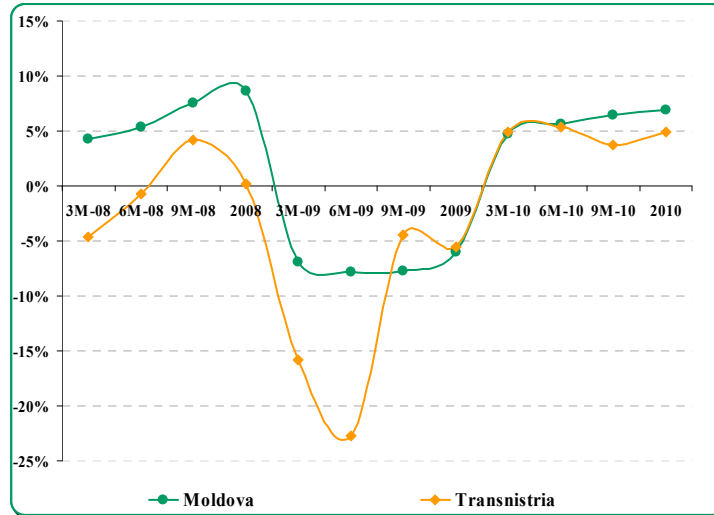


## Results of economic growth (2003-2008):

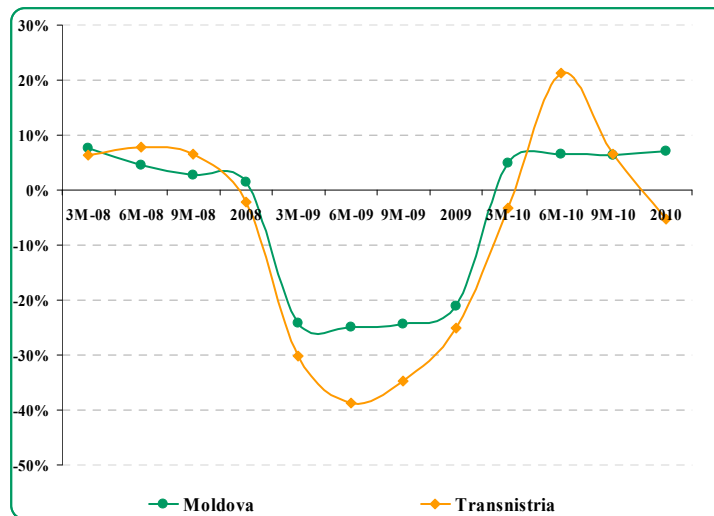
|   | Moldova | Transnistria |
|---|---------|--------------|
| <b>Gross domestic product</b>                 | 6,1     | 9,6          |
| <b>Industry</b>                               | 2,0     | 1,7          |
| <b>Agriculture</b>                            | 4,1     | -5,2         |
| <b>Investment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

*Notes: Annual average growth rates for 2003-2008<sub>22</sub>.*

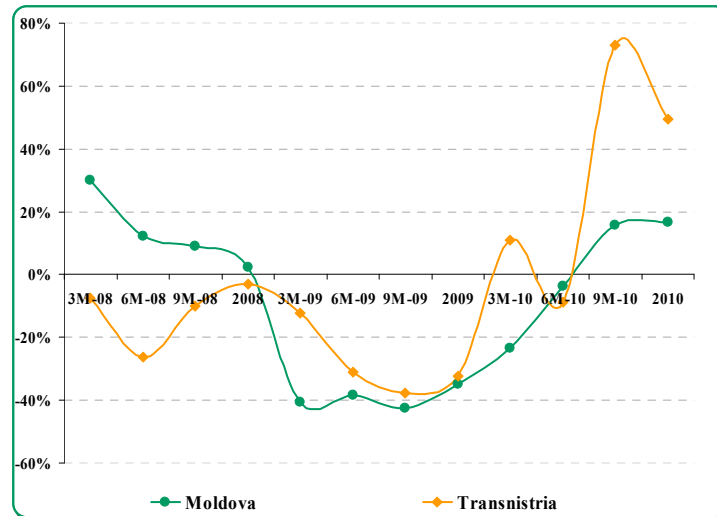
## GDP...is crisis over?



## Industry ... is crisis over?



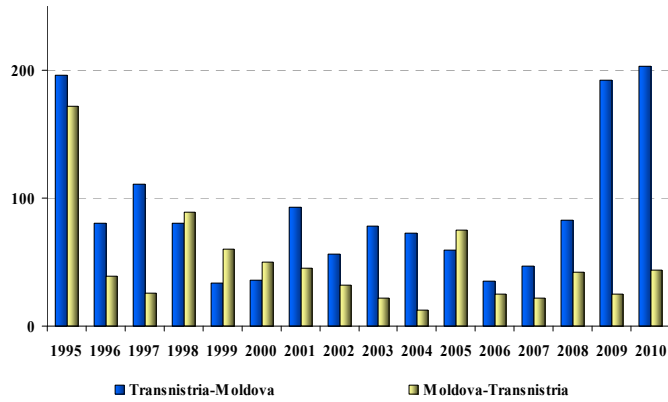
## Investments... is crisis over?



## Moldova and Transnistria: Trade Turnover

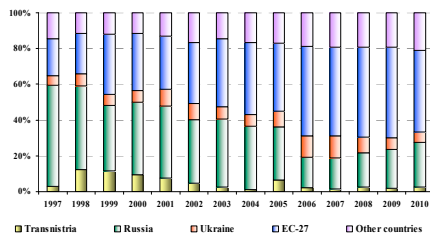
Trade and economic relations between Moldova and Transnistria are supported mainly based on the interests of economic agents

## Trade Flows

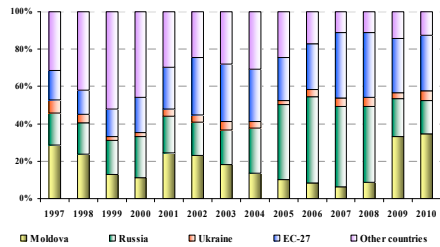


## Markets, which we are...

### 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.**