THE ECONOMIC SECURITY OF THE REPUBLIC OF MOLDOVA IN THE CONTEXT OF GEOPOLITICAL DISTURBANCES

CAZACU Vitalie

Armed Forces Military Academy “Alexandru cel Bun”, Republic of Moldova

***Abstract*:**
The current geopolitical situation directly threatens the economic security of the Republic of Moldova due to the fact that the country does not have natural resources that allow it to fully or in a significant proportion ensure its consumption needs, as well as the development process. Economic security refers to the ability of the economy to cope with internal and external shocks. The main external threats can be: global economic crisis, economic embargoes, uneven economic development. Economic security as a recent economic category began to be used in domestic economic literature. This is due, first of all, to the lack of similar use of this concept in economic theory abroad, where the term received spread under the more common term national security.

Keywords: economic security; demographic situation; import; export; investment; re-export; agriculture.

1.Introduction

The concept of 'economic security' has no clear definition. It can be seen at both individual and state level. Firstly, economic security implies the absence of poverty, the possession of sufficient resources to lead a normal way of life, and a degree of protection against risks. Economic security can include aspects such as job security, employment security, income security. At the state level, economic security means reducing the state's vulnerability to external economic shocks, as well as to economic sanctions and social conflict. Historically, states have always sought economic security by trying to sustain their own need for raw materials. Thus, some commentators believe that ensuring economic security is a primary component of national security policy.

2.Economic situation

The demographic situation and migration are a threat to economic security. The 1989 census showed the population of the country to be 3.658 million people, excluding the eastern districts and the Bender municipality, according to the results of the 2004 census the population was 3.383 million and that of 2014 - 2.998 million. Population is decreasing in all regions, districts and localities. The population is concentrated in Chisinau municipality and central districts. In particular, the decrease in the last decade of the population in the districts of Basarabeasca, Cimislia, Dondușeni, Soroca and Nisporeni, as well as in the municipality of Balti, with population decrease rates of about 20%, is particularly noticeable. The Active Ageing Index shows that active and healthy ageing is out of reach for more than 70% of the population aged 55 and over in Moldova, twice as low as the EU countries' target of 57.5 points. One of the causes is the low life expectancy of the population compared to EU countries (practically ten years lower)[1].

Another threat to the economic security of the Republic of Moldova's external is public debt, which reached $3.43 billion or 63 billion lei by the end of the year will increase to $82 billion and will amount to $4.14 billion. This will lead to a sharp drop in household incomes and increase the flow of citizens out of the country.

Since 2022, no large or medium-sized enterprises have been opened in Moldova. Moreover, with multiple increases in gas and electricity tariffs, many enterprises are forced to close due to low profitability or unprofitability. As a result goods worth $1 billion 725.5 million were exported, $3 billion 706.6 million were imported. Exports of domestically produced goods amounted to $1 billion 162.2 million (67.4% of the total), a decrease of 19.6% compared to the same period last year. A drop of almost 20% is a near disaster. [2] At the same time, the re-export of foreign goods in January-May 2023 increased by 30.9% and amounted to $563.3 million (32.6% of the total volume). At the same time, re-export of goods after processing on the territory of our country, which provides at least minimum added value and work for the inhabitants of the Republic of Moldova (clothing, footwear, electrical wiring and cabling, other products for the automotive industry, furniture, suitcases, toys, etc.) accounted for 12.9% of total exports, re-export of foreign goods - for 19.7%. These are gasoline, diesel, vehicles, nuts, medicines, sunflower oil, sunflower seeds, cigarettes, wine distillates, whisky, gin, vodka, liqueurs, beer, fabrics, knitwear, essential oils, perfumes and cosmetics, travel and sports bags, backpacks, wristwatches and other watches, corn, thus Moldova is turning into a transit territory, where own production is decreasing at an alarming rate.

Geographically, Moldovan exports to EU countries in January-May 2023, compared to the same period in 2022, decreased by 12.5% - to $1 billion 056.9 million, and to CIS countries increased by 52.7% to $435.2 million. To other countries, it decreased by 38.8% - to $233.4 million. It is worth noting that the increase in Moldovan exports to CIS countries was ensured only due to the increase in deliveries of goods to Ukraine (by $140.4 million, or 1.9 times). According to the National Bureau of Statistics, the main destination countries for Moldovan exports in the reporting period were Romania (32% of total Moldovan exports) and Ukraine (17.3%, or 8.9 percentage points more than in January-May 2022).

The share of EU countries in the total volume of Moldovan exports during this period decreased from 64.46% to 61.25%, the share of CIS countries increased from 15.2% to 25.22%, and the share of other countries decreased from 20.34% to 13.53%. These data indicate that the geography of Moldovan exports is shrinking, which is dangerous for the country's economic security. You cannot work only on two markets. Moreover, one of them (Ukrainian or a significant part of the CIS market) is transiting the re-export of fuel supplies and the transit of grain in the opposite direction. In addition, with the possible resumption of deliveries of these goods to/from Ukraine by sea, Moldovan export-import statistics will simply collapse. Ukrainian transit (fuel and grain) has had a positive impact on some sectors of the Moldovan economy. In particular, the Moldovan Railways has gained over $150 million from this and has managed to emerge from its deepest crisis in years. This transit has provided significant investment in Moldova's rail and road infrastructure, and more cash injections into these sectors and an estimated need of €475 million are expected in the future [3].

In the structure of Moldovan exports in the first five months of this year, the largest shares were in the following commodity groups: machinery and electrical appliances and parts thereof (15.3%); petroleum, petroleum products and related products (13.1%); cereals and preparations thereof (9.7%); vegetable fats and oils (8%); vegetables and fruits (7.6%); clothing and accessories (6.9%); alcoholic and non-alcoholic beverages (4.8%); oil seeds and oleaginous fruits (4.4%); furniture and parts thereof (3.5%); non-metallic mineral products (2.9%), motor vehicles (2.1%); yarn, fabrics, textiles and related products (2.1%). The decrease was due to lower export deliveries of key items such as oilseeds and oleaginous fruits (-65.3%), cereals (-45.3%), vegetable fats and oils (-24.8%), vegetables and fruits (-14.9%), organic chemicals (-42.5%), medicines (-18.9%), metal products (-25%), etc.

The volume of imports to Moldova of products from EU countries in January-May 2023, compared to the same period in 2022, increased by 11.3% - to $ 1 billion 791.4 million, from CIS countries decreased by 22.4% to $ 779.6 million of goods from other countries increased by 17.2% to $ 1 billion 135.6 million. At the same time, the share of EU countries in the total volume of Moldovan imports increased from

44.92% to 48.33%, CIS countries decreased from 28.03% to 21.03%, and the share of other countries increased from 27.05% to 30.64%.

The main countries from which Moldova imports goods are Romania (15.6% of the total), Ukraine (13.3%), China (10.3%), Turkey (8.5%), Germany (6.9%), Italy (5.1%), Russia (4.8%), Poland (3.3%).

In the structure of imports in the first five months of 2023, significant shares were occupied by the following commodity groups: petroleum, petroleum products and related products (16.1%); gas and industrial gas products (9.3%); machinery and electrical equipment and parts thereof (7.1%); motor vehicles (6.2%); yarn, fabrics, textiles and related products (3.4%), medicinal and pharmaceutical products (3.4%); vegetables and fruit (3%) [4].

According to the NBS, in the first five months of this year, the trade balance deficit amounted to more than $1.9 billion, an increase of 16% over the same period last year.

Moldova's exports are 2.2 times lower than imports, and this trend is set to worsen," he said. - At the same time, imports are rising and exports are falling. To understand why, we need to look at the structure of what we send abroad. A significant part is raw material products supplied by customers, some of which are re-exported. The remaining two-thirds are raw, unprocessed raw materials: sunflower seeds instead of oil, feed corn instead of conglomerate or flour, etc. The remaining third is wine, apple juice concentrate, sugar, sunflower oil. Moreover, their exports are declining. Basically, there are no really high value-added, knowledge-intensive products." According to data published by the NBM, at the end of 2022, the volume of direct investment in the national economy amounted to more than $4.33 billion, which is a symbolic increase of only $13 million compared to the result at the end of 2021.

About $3.07 billion of the total FDI is equity and $1.26 billion is debt instruments. Even though these are down by more than $60 million compared to 2021, the majority of investment comes from Cyprus, which contributes more than $783 million. Russia remains in second place with a contribution of about $715 million, consisting mainly of debt instruments, while the contribution of equity investments is negative, according to the NBM. Thus, Russia leads in the volume of investment in the Moldovan economy (especially in Moldovagaz) in the form of debt instruments, but lags behind in equity investment. It should be noted that in the last four years, the volume of Russian investment has decreased by about 18% (more than $150 million). Romania has climbed to third place in the ranking of investment source countries, with a contribution of almost $426 million, overtaking the Netherlands, which dropped to fourth place with a margin of $412.7 million. NBM data show that from 2016 to 2022 the volume of Romanian investments in the Moldovan economy almost tripled. The top 10 countries in terms of direct investment in Moldova's economy also include Germany ($246.51 million), the UK ($238.81 million), Bulgaria ($216.33 million), Austria ($175.81 million), France ($155.12 million) and Italy ($138.54 million) [4].

In the US, farming less than 2,000 hectares is considered a family business. Fields are farmed mainly by members of the same family. Their job is to plough, sow, harvest. The rest is outsourced. As a result, productivity and efficiency are several times higher than in Moldova, where 190 thousand users have on average 10 hectares of farmland. If this land is consolidated, 1.5-5% of the population will be able to farm it, as in the US. It should be noted that investors do not want to come to Moldova because of the situation in Ukraine and the lack of conditions (labour, infrastructure, cheap energy resources, etc**.).**

3. Conclusion

Based on the analysis we can confidently state that the current geopolitical turmoil has further aggravated Moldova's economic security through mass migration and a declining birth rate.

The large public debt requires additional resources to pay it off, which means that large amounts of national income have to be invested in development.

The shrinking number of enterprises leads to lower receipts to the National Public Budget and worsens the social situation.

Since 1993, when the Republic of Moldova underwent monetary reform and introduced the national currency, the country has been working for other countries.

The minimisation of threats to the economy of the Republic of Moldova can be achieved by modernising economic policy and developing a new model of economic policy and economic strategy that would allow more effective use of resources for the purpose of economic development of the state.

References:

1. https://bani.md/moldova-nu-se-naste-moldova-moare-cifrele-arata-realitatea-sumbra-din-tara
2. logos.press.md
3. https://bani.md/investitii-majore-la-cfm-tofilat-anunta-ca-are-nevoie-de-475-de-milioane-de-euro-ca-sa-inlocuiasca-vagoanele-ruginite
4. https://statistica .md