

## ECONOMIC RELATIONS BETWEEN TURKEY AND THE REPUBLIC OF MOLDOVA\*

### TÜRKİYE VE MOLDOVA CUMHURİYETLERİ ARASINDAKİ EKONOMİK İLİŞKİLER

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#### ABSTRACT

*Republic of Moldova is located in Eastern Europe and the Balkans as geographic location and it has a great importance for Turkey. Moldova, that is a member of organizations such as Commonwealth of Independent States<sup>2</sup> (CIS) and the Black Sea Economic Cooperation<sup>3</sup> (BSEC), has an important quality in terms of economy as a transition place. It declared its independence on 27 August, 1991 after the break up of Union of Soviet Socialist Republics and it was recognized by all countries of the world in a short time. Although there have been a number of political and economic instabilities during last twenty-three (23) years, it is an important country in the Balkans geography. Some agreements were signed between the Republic of Moldova and the Republic of Turkey, that is one of the first countries to recognize the independence of it. These agreements were based on cooperations in trade and economic and so on. Relation ships about mutual encouragement and protection of investments.*

*This study includes general information about Moldova, economic potential, investment opportunities, and labor migration. Because of the fact that Moldova is an agricultural country, we focused on these properties and exported agricultural products. The macroeconomic structure of the country was examined and it was found out that it is similar to Romania which is a EU member. Moreover, recently developing economic relations between Turkey and Moldova were investigated in detail. General situation of Moldova's economic relations with Turkey and development process were investigated considering this information.*

**Key Words:** Republic of Moldova, economic relations, investment opportunities, macroeconomic structure, labor migration, the Gagauz Autonomous Republic.

**Jel Codes:** E24, F13, F5.

#### ÖZET

*Moldova Cumhuriyeti coğrafi konumu itibarıyla Doğu Avrupa ve Balkanlar'da yer alır ve Türkiye için büyük öneme sahiptir. Bağımsız Devletler Topluluğu (BDT) ve Karadeniz Ekonomik İşbirliği (KEİ) gibi kuruluşlara üye olan Moldova ekonomi açısından geçiş yeri olarak önemli bir niteliğe sahiptir. Sovyet Sosyalist Cumhuriyetler Birliği'nin dağılmasıyla 27 Ağustos 1991 tarihinde bağımsızlığını ilan etmiş ve bütün dünya ülkeleri tarafından kısa sürede tanınmıştır. Geçen yirmi üç (23) yıllık sürede bir takım siyasi ve ekonomik istikrarsızlıklar yaşanmasına rağmen Balkanlar coğrafyasında önemli bir ülke konumundadır. Bağımsızlığını ilk tanıyan ülkelerden olan Türkiye*

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<sup>2</sup> The Commonwealth of Independent States (CIS), Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan, Azerbaijan, Armenia, Moldova, Russian Federation, Ukraine, Belarus,

<sup>3</sup> Black Sea Economic Cooperation countries, Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Russian Federation, Turkey, Ukraine

*Cumhuriyeti ile Moldova Cumhuriyeti arasında yatırımların karşılıklı teşvik ve korunmasına ilişkin, ticari ve ekonomik vb. ilişkilerde işbirliğine dayanan anlaşmalar imzalanmıştır.*

*Bu çalışmada Moldova hakkında genel bilgilere, ekonomik potansiyele, yatırım imkânlarına, işçi göçlerine yer verilmiş ve Moldova'nın tarım ülkesi olması dolayısıyla bu özelliklerine ve ihracat edilen tarım ürünlerine değinilmiştir. Ülkenin makroekonomik yapısı incelenerek, AB üyesi olan Romanya ile bir benzerlik olduğu saptanmıştır. Bir de son zamanlarda gelişen Türkiye ve Moldova arasındaki ekonomik ilişkiler ayrıntılı bir şekilde araştırılmıştır. Bu bilgilerden hareketle Türkiye ile Moldova'nın ekonomik ilişkilerinin genel durumu ve gelişim süreçleri araştırılmıştır.*

**Anahtar Kelimeler:** *Moldova Cumhuriyeti, ekonomik ilişkiler, yatırım imkânları, makroekonomik yapı, işçi göçleri, Gagavuz Özerk Cumhuriyeti.*

**Jel Kodları:** *E24, F13, F50.*

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## 1. INTRODUCTION

In 1991, 15 new independent republics appeared after the USSR officially broke up. One of them is the Republic of Moldova which is located in Eastern Europe. The Republic of Moldova has started its trade and cooperation relations with neighboring and regional countries in the early years of independence. The country that could not meet the needs of its citizens under the influence of the cold war during the Soviet Union period lagged behind economically. With the influence of independence, it tended to a free market economy or market economy which has the same meaning. The concepts such as private property, freedom of enterprise and choice, freedom of religion and conscience, right to elect and be elected underlie the understanding of the market economy (Religions 2013: 20, 21). The Republic of Moldova citizens have become accustomed to such concepts in a short time and accepted.

The Republic of Moldova has been a member of many international organizations and institutions such as the World Trade Organization (WTO), the International Monetary Fund (IMF), European Bank for Investment and Development (EBRD) Commonwealth of Independent States (CIS).

After Romania joined the union within the framework of the EU enlargement policy for the USSR and the eastern bloc countries, Moldova became the EU's neighbor. Moldova has obtained the opportunity to benefit from European Union funds during this period. Recently, bilateral agreements on mutual investment promotion and protection were signed with 35 different countries with the impact of compliance with the free-market economy<sup>4</sup>.

The relations between Moldova and Turkey, began immediately after independence. One of the first countries recognizing the independence of the Republic of Moldova is Turkey. The foreign trade volume between Turkey and Turkey has exceeded US \$ 500 million. The fact that both countries are members of the Black Sea Economic Cooperation (BSEC) provides a great advantage. The presence of the Gagauz Turks in the southern region of Moldova is of a special importance for Turkey.

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<sup>4</sup> [www.chisinau.emb.mfa.gov.tr/](http://www.chisinau.emb.mfa.gov.tr/)

## 2. GENERAL INFORMATION ABOUT REPUBLIC OF MOLDOVA

Republic of Moldova started to take place in the stage of history after 1300s. Principality of Moldova was established in 1359<sup>5</sup> (Balaban 2008: 7). In 1457 Shtefan Chel Mare<sup>6</sup> headed Moldova government and provided stability in economic and political structure in a short time. In foreign policy, it is still known by the people that Shtefan Chel Mare struggled against the Ottomans, Poland and Hungary. Therefore, the picture of Shtefan Chel Mare is seen on the Ley<sup>7</sup> which is Moldova currency. Moldova entered into the sovereignty of the Ottoman Empire in the first years of 16th century and took place on the stage of history for about 300 years as a province<sup>8</sup> of the Ottoman Empire. The nobles in Moldova had their children's education completed in Rome, Vienna, Istanbul and Berlin. Dimitri Kantemir, the person who made an important contribution to the Turkish music, is one of them. Today, the city of Kantemir which is located in the southern region takes the name of Dimitri Kantemir.

The effect of the Ottomans over Moldova declined at the end of the 18th century. Austria and Tsarist Russia wanted to seize Moldova lands and made a series of wars. After the war the territory of Moldova was divided into three. Northern parts were left to Austrians, the part between the rivers Prut and Dinyes (today's Moldova lands) was left to Tsarist Russian rule, and the remaining part (today's territory of Moldova located within the borders of Romania) was left to the Ottomans. Russians implemented various assimilation policies after 1812 in Bessaraby<sup>9</sup> region which is the territory of present-day Moldova (Balaban, 2008: 7, 8). After the First World War Bessaraby lands passed into the hands of the Romanians. Eventhough they passed again to the hands of the Russians in 1940, they remained in Russians just for one year. Romanians succeeded to hold the control again between the years 1941-1944 (Güneykaya, 2012: 63). After the end of World War II, they began to live under the sovereignty of the Soviet Union. On 27 August 1991, Republic of Moldova separated from the Soviet Union and gained its independence. It has been governed by the constitution adopted by referendum on 29 July 1994 (Ianucenco, 2007: 273).

The Republic of Moldova is between Romania and Ukraine in South Eastern Europe as geographical position. The country which has an area of 33,843<sup>10</sup> km<sup>2</sup> consists of planes. It is 350 kilometers between the extreme north (Naslavça village) point and the most southern (Djurdjuleshti village) point. It is 150 kilometers between the widest east (Palanka village) and west (Kriva village). Although it is very close to the Black Sea, it has no borders (Balaban, 2008: 16). It has 1,5 km-Danube river border and it reaches to the Black Sea by means of the Danube river.<sup>11</sup>

It has a temperate climate and continental climate. It is usually rainy in spring. It is hot in summer. And it is cold and harsh in winter.

<sup>5</sup> Republic of Moldova was established as a principality at first.

<sup>6</sup> He is known as Shtefan the Great. He is the commander that Fatih Sultan Mehmet defeated. His sword is in the Topkapi museum in Istanbul.

<sup>7</sup> 100 Bani is 1 Ley.

<sup>8</sup> The current territory of Moldova was the Moldavian state in the Ottoman period.

<sup>9</sup> It is located in the southern region of the Republic of Moldova. It witnessed significant scenes in the past.

<sup>10</sup> It is referred to as 33 700 km<sup>2</sup> in some sources.

<sup>11</sup> Dumitru Mateevici, Geography of Moldova, Chishineu: ASEM, 1990, s 99

The country whose large part locates between the Prut and Dniester rivers has fertile black soil<sup>12</sup>. Therefore, agriculture is quite developed. Moldova is very poor state in terms of mineral resources. Major groundwater resources are phosphorus, lignite, tin, and various minerals.

The capital city of the country is Chisinau and it has a population of about 850 thousand. The country hosts approximately 4 million inhabitants. Moldovans constitutes the majority -65 percent- of the ethnic structure. Ukrainians, Russians, Gagauz Turks and Bulgarians consist of the rest of it.

The Republic of Moldova's relations with the European Union began immediately after independence. After the inclusion of Romania to the European Union on January 01, 2007, the borders of the Union has expanded further and has reached to the Moldovan border. Now the European Union has been the neighboring Moldova's border. This expansion has a great importance for Republic of Moldova that has been living together with Romania for a long time. Future convergence between Moldova and the European Union provides the possibility of increasing economic integration and relations in all areas. A few years after independence, on 28 November 1994, a partnership and cooperation agreement was signed between the European Union and the Republic of Moldova. The signed agreement came into force on July 1, 1998. With this agreement, Moldova makes its legislation appropriate to European standards step by step. As a first step, "The Republic of Moldova, as a member of the European Council with full rights (since 1995), is guaranteed by the European Convention approved on June 24, 1997 relating to Human Rights, and Protection of Fundamental Freedoms. This agreement took place in the field of preservation of human rights." (Ianucenco, 2007: 273-275)

### **3. GENERAL ECONOMICS AND FOREIGN TRADE OF THE REPUBLIC OF MOLDOVA**

#### **3.1. General Economy**

After the Republic of Moldova Separated from the Soviet Union and gained its independence, it ran towards free market economy. The country that particularly put emphasis on privatization has facilitated the foreign investment conditions. It seeks to attract international investors and foreign capital into the country.

It depends on the Russian Federation for oil, gas and energy resources. Moldova is directly affected by the economic crisis and price increases in the Russian Federation. Therefore, it can not give enough attention to heavy industry.

About 35 percent of the working population is engaged in agriculture. The role of agriculture in the national economy is quite large. When it comes to agriculture in Moldova, grapey is the first thing coming to mind. Fruits and vegetables also have great importance. In addition, wheat, corn, sunflower, sugar beet and tobacco are among the main grown products<sup>13</sup>.

The food industry is highly developed. 28 per cent of the working population are employed in the industry. Especially electrical household appliances and construction material industry in Moldova are among fast-growing industries.

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<sup>12</sup> "Cherno Zem" is called for the fertile black soil in Moldova.

<sup>13</sup> [www.rusia.mfa.md/economy-ru/](http://www.rusia.mfa.md/economy-ru/)

A growth rate of 3.00 percent, on average, were recorded in Moldova's economy between the years 2008- 2012. Despite Russia's import ban imposed on Moldova wine in 2013, economy grew by 8.9 percent. With 38.9 percent growth rate, agriculture and livestock breeding has offset the contraction in the rate of 22.3 percent in the previous year due to the drought. Positive developments were recorded in all sectors of the economy in 2013. Increases in agricultural products compared to the previous year are summarized in the table below<sup>14</sup>.

Table 1: Growth rates of certain products of 2013

No:	Agricultural product name	Percentage increase
1	Cereals and legumes production	220
2	Sunflower Production	66.6
3	Sugar beet production	59.5
4	Potato Production 31	31.5
5	Vegetable Production	28.8
6	Grape production	21.0

**Source:** It has been compiled from the 2013 Report of Commercial Counsellor Embassy in Chishinau.

Considering the overall distribution of a total of produced agricultural products in 2013, it is seen that cereals and legumes have a share of 29.0 percent; crops have a share of 17.6 percent; vegetables, potatoes and garden products have a share of, 8.0 percent and grape has a share of 9.1 percent. While the share of animal products was 38 percent in 2012, it dropped to 28 percent in 2013. The reason for the increase in agricultural products is due to the good weather conditions. The fact that there is plenty of rain in summer in the country where irrigation systems are not adequate affects the increase in agricultural products positively.

The industrial production in the country has increased by 6.8 percent compared to the previous year. These increases were respectively 22.2 percent in mining and quarrying, 7.9 percent in manufacturing industry<sup>15</sup> (Republic of Turkey Embassy in Chisinau, 2013: 1,2,3). The general reason for the increase in the industrial sector was due to the decline in oil and gas prices in the world market.

As shown in the table number two, it is seen that GDP<sup>16</sup> and GDP per capita have increased in a positive direction. The fall in unemployment and inflation rates are among positive facts for the country's economy. Also, not much budget deficit could be shown as a positive result. It could be normal that the country's real economic growth occurs wavy due to the fact that it is a new country. Despite low rate of inflation, the continuous increase in average nominal wages can be said to be a good development. Decline in loan and deposit interest rates gives the signal that economic stability can be ensured. Stability in foreign exchange rates also support this. The ratio of exports to imports is increasing continuously. Periodic increases in imports of goods and the increases in internal and external public debt can be shown as negative facts in the table.

<sup>14</sup> [www.rusia.mfa.md/economy-ru/](http://www.rusia.mfa.md/economy-ru/)

<sup>15</sup> It has been compiled from the 2013 Report prepared by the Commercial Counsellor Embassy of T.R. in Chishinau.

<sup>16</sup> GDP: Gross Domestic Product

Table 2: Main Economic Indicators of Republic of Moldova<sup>17</sup>

Indicators	2009	2010	2011	2012	2013
GDP (million \$)	5,438	5,813	7,016	7,284	7,933
GDP Per Capita (\$)	1,525	1,632	1,971	2,046	2,229
Unemployment Rate (%)	6.4	7.4	6.7	5.6	5.2
Real Growth Rate (%)	-6.0	7.1	6.8	-0.7	8.9
Inflation (Consumer Price Ind.) (%)	0.0	7.4	7.6	4.6	4.6
Inflation (Producer Prices (Industry) Index)	-3.0	7.9	6.8	5.7	3.2
Interest Rate (Deposits)	14.7	7.6	7.5	7.6	7.2
Interest Rate (Credit)	20.3	16.3	14.4	13.3	12.3
Official exchange rate (Avg. Ley / USD)	11.11	12.37	11.74	12.11	12.59
Average Nominal Wage (Ley)	2,748	2,972	3,194	3,478	4,279
Budget Revenues (Millions Ley)	23,244	27,551	30,159	33,526	36,909
Budget Expenditures (Million Ley)	27,343	29,329	32,117	35,364	38,673
Budget Balance (Million Ley)	-4,099	-1,778	-1,959	-1,838	-1,765
Exports of goods (fob-Million \$)	1,283	1,541	2,217	2,162	2,399
Imports of goods (fob-Million \$)	3,278	3,855	5,191	5,213	5,493
Export Import Coverage Ratio (%)	39.1	40.0	42.7	41.5	43.7
Revenues of workers abroad (US \$ Million)	1,182	1,244	1,443	1,494	1,609
Total External Debt (US \$ Million)	4,327	4,711	5,359	5,984	6,613

\*January-September 2013 data

Source: Central Bank of the Republic of Moldova, Institute of Statistics and Ministry of Finance

### 3.2. General Foreign Trade

The Republic of Moldova's foreign trade volume of 2013 was realized as 7 billion 892 million dollars. While exports constitute 2 billion 399 million of this total, imports constitute 5 billion 493 million dollars of it. The countries has faced with an external deficit of over 3 billion dollars in 2013. The rise in rate of exports meeting imports to 43.7 percent is a positive result in spite of negative external deficit<sup>18</sup>(Republic of Turkey Embassy in Chishinau, 2013: 7, 8).

Table 3: General Foreign Trade Data of the Republic of Moldova in 2009 - 2013 (million dollars)

	2009	2010	2011	2012	2013	2013/2012	
						Change (\$)	Change (%)
<b>EXPORT</b>	1,283	1,541	2,217	2,162	2,399	237	11.0
<b>IMPORT</b>	3,278	3,855	5,191	5,213	5,493	280	5.4
<b>VOLUME</b>	4,561	5,397	7,408	7,375	7,892	517	7.0
<b>BALANCE</b>	-1,995	-2,314	-2,974	-3,051	-3,094	-43	1.4
<b>EXP/IMP</b>	39.1	40.0	42.7	41.5	43.7	2.2*	

Source: Taken from the 2013 report of Republic of Turkey Commercial Counsellor Embassy in Chisinau

\* Points exchange

Although the increase in Moldova's foreign trade volume for each year is a good result for Moldova, the important thing is that foreign trade balance remained in surplus. Moldova has this potential. It is inevitable that revising especially the import items gives results in favor of the country's economy.

<sup>17</sup> Natsionalnoye Statistica Office of Moldova [Moldova National Bureau of Statistics] data were utilized. [www.statistica.md/pageview.php?l=ru...](http://www.statistica.md/pageview.php?l=ru...)

<sup>18</sup> Taken from the 2013 report of Republic of Turkey Commercial Counsellor Embassy in Chisinau.

Table 4: Distribution of Export of the Republic of Moldova According to the Country and Country Groups (million dollars)

		2012		2013		2013/2012	
		Value	Range (%)	Value	Range (%)	Change (\$)	Change (%)
<b>TOTAL</b>		<b>2,161.9</b>	<b>100.0</b>	<b>2,399.0</b>	<b>100.0</b>	<b>237.1</b>	<b>11.0</b>
	<i>EU countries</i>	<i>1,013.9</i>	<i>46.9</i>	<i>1,140.9</i>	<i>47.6</i>	<i>127.0</i>	<i>12.5</i>
	<i>CIS countries</i>	<i>928.1</i>	<i>42.9</i>	<i>924.0</i>	<i>38.5</i>	<i>-4.1</i>	<i>-0.4</i>
	<i>Other countries</i>	<i>219.8</i>	<i>10.2</i>	<i>334.1</i>	<i>13.9</i>	<i>114.2</i>	<i>52.0</i>
1	Russian Federation	655.1	30.3	632.0	26.3	-23.1	-3.5
2	Romania	356.7	16.5	413.1	17.2	56.4	15.8
3	Italy	202.4	9.4	185.3	7.7	-17.1	-8.4
4	Ukraine	122.4	5.7	141.1	5.9	18.7	15.3
5	<b>Turkey</b>	<b>56.1</b>	<b>2.6</b>	<b>127.1</b>	<b>5.3</b>	<b>71.1</b>	<b>126.8</b>
6	Germany	70.2	3.3	113.1	4.7	42.9	61.2

**Source:** Central Bank of the Republic of Moldova, Institute of Statistics and Ministry of Finance  
\*2013 data is based on the ranking.

It is clearly seen that Republic of Moldova does a large portion of its exportation to the European Union (EU) countries and the Commonwealth of Independent States (CIS). The table shows that the exportation rate of other countries is very small. It shows large increases in exports to the EU countries and other countries. It attracts the attention that there is a decline in exports to the CIS countries. The biggest reason for that could be the decrease in economic growth in the Russian Federation and import bans imposed on goods of Moldova. It is possible to say that there is a kind of a boom in exports to Turkey and Switzerland which are among the other group of countries.

While Moldovan exports to Turkey was 56.1 million dollars in 2012, this number rose to \$ 127.1 million in 2013. It is seen that it rised from ninth to fifth place with a 126.8 percentage increase.

The electrical machinery and equipment constitutes most exports from industrial sector of Moldova with 245.5 million dollars. Soft drinks, spirit drinks and vinegar constitutes the export from the agricultural sector with 231.4 million dollars.

The European Union countries and Community of Independent States countries have again the most important role in Moldova's imports. While the percentage share of EU countries in total imports in 2013 is 45.0, the share of CIS countries is 30.4 percent, the share of the other countries is 24.5 percent. It is seen that the Russian Federation is in the first place in imports as well as exports. That proves its commitment to the Russian Federation in terms of economy. The fact that Romania is in second place is quite normal. Because there is a perception of two states, one nation between the Romanian and Moldovan people. Moldovan citizens may freely obtain Romanian citizenship as well. Even they suggest merging at times. Other sequence changes are inevitable. Turkey has a chance to catch the third place all the time<sup>19</sup>( Republic of Turkey Embassy in Chishinau, 2013: 9).

<sup>19</sup> It was taken from the 2013 report of Republic of Turkey Commercial Counsellor Embassy in Chisinau.

Table 5: Distribution of Imports of the Republic of Moldova According to the Country and Country Groups (million dollars)

		2012		2013		2013/2012	
		Value	Range (%)	Value	Range (%)	Change (\$)	Change (%)
<b>TOTAL</b>		<b>5,212.9</b>	<b>100.0</b>	<b>5,492.7</b>	<b>100.0</b>	<b>279.8</b>	<b>5.4</b>
	<i>EU countries</i>	<i>2,320.4</i>	<i>44.5</i>	<i>2,472.8</i>	<i>45.0</i>	<i>152.3</i>	<i>6.6</i>
	<i>CIS countries</i>	<i>1,623.7</i>	<i>31.2</i>	<i>1,671.9</i>	<i>30.4</i>	<i>48.2</i>	<i>3.0</i>
	<i>Other countries</i>	<i>1,268.8</i>	<i>24.3</i>	<i>1,348.0</i>	<i>24.5</i>	<i>79.2</i>	<i>6.2</i>
1	Russian Federation	816.9	15.7	788.0	14.4	-28.8	-3.5
2	Romania	620.6	11.9	722.2	13.2	101.6	16.4
3	Ukraine	594.3	11.4	659.0	12.0	64.7	10.9
4	China	415.7	8.0	478.9	8.7	63.1	15.2
5	Germany	386.9	7.4	395.9	7.2	9.0	2.3
<b>6</b>	<b>Turkey</b>	<b>388.2</b>	<b>7.5</b>	<b>381.0</b>	<b>6.9</b>	<b>-7.2</b>	<b>-1.9</b>
7	Italy	327.6	6.3	345.1	6.3	17.5	5.3
8	Belarus	172.2	3.3	178.1	3.2	5.9	3.4

\*The data for 2013 is considered in the arrangement.

When we look at the import items of Moldova, as well as in previous years, there are mineral fuels, mineral oils, electrical machinery and equipment, spare parts, motor vehicles, pharmaceutical products, plastic and plastic manufactured goods. Petroleum, products derived from petroleum constitute 11.8 percent, petroleum gases and natural gas constitute 8.4 percent of the total import. It has been known for a long time that oil and its derivatives, mineral fuels and alkali products will keep their first place in the imports of the country which is completely foreign-dependent in terms of energy sources.

#### 4. ECONOMIC RELATIONS BETWEEN TURKEY AND THE REPUBLIC OF MOLDOVA

##### 4.1. Countertrade Agreements and Protocols

Economic and commercial relations between Turkey and the Republic of Moldova began in the early days of independence of Moldova. It continues to gain acceleration day by day. Mutual investment and trade volume of both countries is growing continuously. The beginning of commercial and economic relations between the countries is based on the trade and economic cooperation agreement signed in Ankara on February 14, 1994. This agreement is held once a year in both countries' capital cities. And it is determined by the Joint Economic Commission meetings.

*The Major Commercial and Economic Agreements between Turkey and Moldova are as the following.*

1. Trade and Economic Cooperation Agreement;

Date of signature: 14.02.1994

Official Gazette Date and Number: 06.06.1994 / 21952

2. Agreement on the Reciprocal Promotion and Protection of Investments;

Date of signature: 14.02.1994

Date of entry into force: 16.05.1997

3. International Road Transport Agreement;

Date of signature: 03.06.1994



## 4. Agreement on the Avoidance of Double Taxation;

Date of signature: 12.06.1998

Date of entry into force: 28.07.2000

## 5. Agreement on Cooperation in Industrial Area and Scientific and Technological Cooperation Agreement;

May 1999<sup>20</sup> (Ocak, 2012: 17, 18)**4.2. Mutual export and import**

After the break up of the Soviet Union, Turkey has become one of the most important trade partners of the Republic of Moldova. In the first period of independence, Turkey got into Moldova market with shuttle trade. Later on, mutual attendance fairs and job visits were effective in enhancing economic relations. In the past 20 years, our total annual recorded foreign trade has risen to over \$ 500 million. The image of Turkish goods was bad at first, but this image has improved in a short time with the contribution of large firms and their entrance to the Moldovan markets. Presently, there are general perception of superiority of European goods. (Zor Kaya, 2010: 4)

Table 6: The Republic of Moldova's foreign trade with Turkey (million dollars)

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Export</b>	31.41	52.88	69.53	86.52	110.73	244.48	56.10	127.10
<b>Import</b>	107.38	145.75	198.47	117.77	148.21	208.95	388.20	381.10
<b>Volume</b>	138.79	198.63	268	204.29	258.94	453.40	444.30	508.20
<b>Balance</b>	-75.97	-92.87	-128.94	-31.25	-37.48	+35.60	-332.10	-254

**Source:** It was compiled from TSI, Moldova Country Report and Chisinau Commercial Counsellors.

While the foreign trade volume between Moldova and Turkey was 138.79 million dollars in 2006, it reached 259 million dollars in 2010. It is clearly seen in the table that it reached 508 million dollars by the year 2013. Moldova's imports from Turkey is increasing constantly, except in 2009. Even a 25.7 percent decrease was observed in Moldova's imports from Turkey in 2009 with the effect of global economic crisis, it is obvious that there are massive increases in 2012 and 2013<sup>21</sup>. (T.R. Embassy in Chisinau, 2013: 14)

There are not many differences between the Republic of Moldova Central Bank and the Statistical Institute data with the data in the table. According to data obtained from sources Moldova, January 2010 - Looking at the September period, it is seen that there is not much difference compared to the same period of 2009. The exports of Turkey especially in 2012 and 2013 prove that Turkey has a great importance in Moldova market. It draws attention that Turkey's share in the total imports of Moldova is around 7 percent.

The main products of Moldova's exports to Turkey are sunflower seeds, scrap iron and steel, glass products, knitted apparel, cereals, corn and aluminum debris constitute scrap. The main products of Turkey's exports to Moldova are soap and detergents, equipment and spare parts for motor vehicles, knitted fabrics, and early vegetables, citrus fruits, plastic pipes and types, clothing and aluminum rods and profiles. (Republic of Turkey Embassy in Chisinau, 2013: 15, 16, 17).

<sup>20</sup> It has been compiled from Moldova Country Report, December 2012, prepared by Arda OCAK.

<sup>21</sup> Taken from the 2013 report of Republic of Turkey Commercial Counsellor Embassy in Chisinau.

### 4.3. Investment Opportunities in Moldova

Interest of Turkish entrepreneurs in the Republic of Moldova is based on years of independence. From the 1990s to the present day, the number of Turkish-capital companies registered to Moldova Chamber of Commerce is over a thousand. 54 of these are in the Autonomous Region of Gagauzia. Most of these companies are not active. It is estimated that the number of active ones is around 120-150. Turkish companies operate in the areas such as food, beverage, agricultural production, telecommunication services, textiles, garments, tourism, manufacturing construction materials, pharmaceutical marketing, restaurant management and transportation<sup>22</sup> (Zor Kaya, 2010: 5-7).

### 4.4. Economic Developments in Gagauzia and The Role of Gagauzia in Moldova's Economy

“The area of Gagauzia got an autonomous status with the laws accepted in Moldova Parliament on 23 December, 1994. The Gagauz owning factors of a state such as a parliament, a capital city, a flag and a language have an old history and culture. The Gagauz Turkish is in the South-Western Turkish/Oguz Group that also has Turkmen, Azerbaijani and the Turkish in Turkey and it is a Turkish accent closest to the Turkish in Turkey.

Though the area of Gagauzia is small, it has its own economic system based on agriculture and stockbreeding. It carries out its external links in cooperation with the Republic of Moldova.

The presence of our compatriots who were not sufficiently recognized and known up until 1990s has provided more opportunities of economical, political and cultural intimacy and amalgamation with Turkey with the effect of globalization”<sup>23</sup>.

The economy of the Autonomous Region of Gagauzia is based on agriculture. The industry is very small and underdeveloped. A large part of the industry and factories which are currently used by the Gagauz remains from the period of Soviet Union. The Gagauz who could not entirely keep up with free market after the break up of the Soviet Union, were faced with the economic crisis as in other former USSR countries.

The factories that continue to work in the Autonomous Region of Gagauzia at the present time may be listed as the following: eight great wine factory, Basarabiya- Agroexport Consortium (mainly engaged in the production of canned food and juices), three flour mills, a tobacco fermentation plant. There are also a slaughterhouse, three milk processing factories, three feed mills, a rug factory, seven garment factories, an electrical appliances factory and concrete products plants in the region (Güneykaya, 2012: 39).

The basic crops grown in the region of Gagauzia are grape, coconut, corn, wheat, sunflower, tobacco, soyabean, vegetables and fruits. State cooperatives under the name of Kolkhoz<sup>24</sup> and sovhoz<sup>25</sup> work the soil in the Soviet Union, but today, it is done by the private sector. Thus, it is seen that there is a reduction in agricultural production compared to the USSR period.

<sup>22</sup> mtiad.md/

<sup>23</sup> It was taken from the report of Assist. Prof. Dr. Remzi Bulut called “THE POLITICAL STATUS AND ECONOMY OF GAGAUZ TURKS LIVING IN REPUBLIC OF MOLDOVA” which was presented on September 11th-14th, 2014 in the city of St. Petersburg in Russia.

<sup>24</sup> It is a farm system in the Soviet Union.

<sup>25</sup> It is an agricultural enterprise similar to the state factories in the Soviet Union. It is similar to the kolkhoz, but land may partially belong to peasants in the kolkhoz. In Sovhoz all lands belong to the state. The administrator is appointed by the government.

Moldovan government assigned all agricultural fields and factories in the Autonomous Region of Gagauzia to Gagauzia administration in 1997. (Mutaf, 2010: 11).

## 5. CONCLUSIONS AND RECOMMENDATIONS

The Republic of Moldova has a commercially important strategic and political position in South Eastern Europe. The country bordering the EU and CIS countries has a great importance for Turkey. Goods produced as a result of co-investments have the opportunity to be easily marketed to these countries. The products that the European Union and the CIS countries do not apply quotas to Moldova can be produced here as a result of co-investment.

More systematic farming can be done in Moldova which has very fertile black soil. At the first stage, inadequate irrigation system can be improved, agricultural products for export can be grown more and summer greenhousing can be done. So, factories for canned, tomato paste can be varied and can be increased.

Medium and small-scale facilities based on industry can be established. Employment can be generated and unemployment can be prevented and so, emigration can be reduced. Therefore, cheap labor in the country can be benefited.

Ethnic problems came out in many of the countries separated from the Soviet Union. Some of these problems have become a part of the war. Nagorno-Karabakh, South Ossetia, Abkhazia and, finally, eastern Ukraine can be given as an example. The Gagauz issue is the only problem that has been resolved peacefully with the support of Turkey. The solution of the Gagauz problem may help solving other similar problems.

Turkey, as a great and powerful state, can help the Gagauz in the Republic of Moldova with developing in economy and commercial areas. These benefits will be realized through the establishment of small and large scale industries. In addition, marketing Turkish goods through the Gagauz to the region and the former Soviet countries in a comfortable way will make Gagauz Turks and Turkey gainers.

The Gagauz Turks to whom Mustafa Kemal Atatürk gave importance in 1937, undertake the mission of peace bridges in the areas of economy, culture and friendship between Moldova and Turkey.

In conclusion, small but honorable people such as the Gagauz Turks have the right to protect their identity and they need this. These rights will become reality with developing both commercially and economically.

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