

Reindustrialization of the National Economy within Republic of Moldova

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Abstract

This paper presents the key-coordinates of the reindustrialization process within Republic of Moldova in the context of the transition to the market economy.

As the economic studies show, the underdevelopment could be exceeded only by means of the national economy industrialization, but the pursuit of this aim faced many difficulties and limitations.

In the recent years, Moldova have been undertaken a series of administrative and economic measures with the aim of stopping the economic decline, and an economic strategy is being put into practice.

Key words: *economy industrialization, industrial development, reindustrialization strategy*

During the transition to the market economy within Republic of Moldova, a sudden diminution of economic activity within all national economy branches registered. This made Moldova become one of the countries with an undeveloped market economy.

Today, Moldova is one of the poorest countries within Europe. According to the gross domestic product per habitant, Moldova detains the penultimate place within Europe.

During 2000, the gross domestic product in Moldova constituted only 34.8% towards its volume during 1990. This sudden reduction of the gross domestic product took place on the basis of the national economy non-industrialization.

The reduction of the gross domestic product was also accompanied by the consecutive reduction of the industrial production, a fact which is confirmed by the data presented in table 1:

Table 1. Gross domestic product and industrial involution in Republic of Moldova between 1990-2000

Years	Gross domestic product		Industrial production	
	% towards 1990	% towards the previous year	% towards 1990	% towards the previous year
1990	100	-	100	-
1991	82,5	82,5	88,9	88,9
1992	58,5	70,9	64,8	72,9
1993	57,8	98,8	65,0	100,3

Table 1. (cont.)

1994	39,9	69,1	47,0	72,3
1995	39,3	98,6	45,2	96,2
1996	36,2	92,2	42,3	93,6
1997	36,8	101,6	42,3	100
1998	35,3	93,5	36,0	85,1
1999	34,1	96,6	31,8	88,3
2000	34,8	102,1	32,5	102,3

Source: Statistic and Sociology Department of Republic of Moldova, Chişinău, 1995-2000

Industry represents a strategic branch of the national economies within all developed countries.

The practice has proved that a country cannot exceed its undeveloped economic level and assure a developed level but by means of the national economy industrialization. Republic of Moldova cannot make exception in this respect.

According to this, even since the second half of the 20th century it was acknowledged that the Republic of Moldova economic underdevelopment could be exceeded only by means of the national economy industrialization.

During this period, it was initiated the national economy industrialization strategic flow within the republic.

Until the end of the 70's in the Republic of Moldova a powerful industrial complex was created. Industry became the main branch of the national economy having a superior degree (percentage) towards other branches for the global social product and for the state budget formation.

On the basis of this quick development, the Republic of Moldova managed to pass through the economic underdevelopment and to transform into an agricultural region having an industrial-agricultural profit.

The national economy industrialization took place on the basis of the increased rhythm of the industrial production development. During 1960-1980, the increased rhythm of the industrial production was almost 3 times higher than the rhythm of agricultural production.

But we must take into account the fact that the Republic of Moldova industry during the above mentioned period developed as a component part of the entire industrial complex of the old Soviet Union.

Placing certain large industrial enterprises within the Republic of Moldova was dictated by the interests of the industrial complex movement of the old Soviet Union. Their production was distributed in order to satisfy the other regions demands.

Consequently, the most part of the industrial production manufactured by the enterprises in the Republic of Moldova oriented towards the export in different regions of the Soviet Union.

This specific had a negative influence on the industrial enterprises movement after the Soviet Union was destroyed and the economic relations with different regions were ruined.

The data in table 1 confirm the presence of the direct correlation between the industrial production diminishing and the gross domestic product reduction. The sudden diminishing of the industrial production led to the essential change of the industry purpose within the national economy.

The degree of the population working in industry diminished during the last decade of the 20 th century from 22% to 10.7%, while the degree of the population working in agriculture increased during these years from 32.7% to 43.8%.

All these conditioned the industry purpose modification in the gross domestic product formation (table 2):

Table 2. Gross domestic product of the Republic of Moldova during 1994-2000, in %

Indicators	Years		
	1994	1995	2000
Gross domestic product	100	100	100
Gross VTA for the gross domestic product	90,8	89	88
From which: industry	31,4	25	16
Agriculture	27,3	29	25
Services and other activities	32,1	35	47

Source: Statistic and Sociology Department of Republic of Moldova, Chişinău, 1995-2000

The analysis of data from tables 1 and 2 confirm that, once with the sudden industrial production reduction, there took place the reduction of the industry degree in the gross domestic product formation.

The industry degree diminished to 16% during 2000 in the gross VTA formation.

On the basis of this data we may conclude that during the 90's, the economic reforms within the Republic of Moldova were accompanied by quite a drastic phenomenon that is the national economy non-industrialization.

The sudden reduction of the industrial production and consequently of the gross domestic product reduction started even since the first years of the economic reforms implementation. During these years, most of the industrial enterprises diminished their activity.

In 1994 the industrial production diminished by 60% towards its level during 1990. As a consequence, the industry was placed between the second place of the national economy and the passing of the national economy from a high industrial-agricultural profile to a decreased one.

During 2000, the monthly average income of a person working in the national economy was 407.9 lei (33 USD). The number of the unemployed increased. All these led to the poor population spreading within the entire Republic of Moldova.

During the past years, within Moldova a series of administrative and economic measures have been taken with the aim of stopping the economic decline.

Firstly, it was acknowledged that only the industry re-launching may ensure the complete use of the human and natural resources of the country and the economic activity efficiency.

Certain concrete measures regarding the industrial decline stopping and the industrial production re-launching were elaborated.

As a direct consequence of the undertaken measures, during 2000 the Republic of Moldova the diminishing of the gross domestic product and the industrial production was stopped and during the following years an economic increase was recorded (table 3).

Table 3. Gross domestic product and industrial production during 2000-2004 in the Republic of Moldova

Years	The Gross domestic product in % towards the previous year	The industrial production in % towards the previous year
2000	102,1	102,3
2001	106,1	114,2
2002	107,8	110,8
2003	106,6	115,6
2004	107,3	106,9

As it can be noticed, during 2004, the increase rhythm of the gross domestic product in the republic constituted 130,8% towards its value during 2000 and the increase rhythm of the industrial production constituted 135,3%.

This confirms that during 2001-2004 the economic increase within the republic was ensured by the industrial production increase which determines the strategic role of the industry in the development of the national economy of the Republic of Moldova.

The industrial activity development during the last years conditioned the oversea trade increase and the exports number (table 4):

Table 4. Oversea trade evolution during 2000-2004

Indicators	Years				
	2000	2001	2002	2003	2004
Export, billion USD, In % towards the previous years	471,5 101,7	570,1 120,9	592,5 103,9	790 133,3	883 111,7
Import, billion USD, in % towards the previous year	776,4 132,4	897,2 115,6	928,5 103,5	1402,7 151,1	1567,5 129,5
Commercial balance, billion USD	-304,9	-327,1	-336,0	-612,7	-684,5
The import covering rate by means of the export, in %	60,7	63,5	63,8	56,3	56,3

Source: Statistic and Sociology Department of Republic of Moldova, Chişinău, 1995-2000

During the 90's, the oversea trade of the Republic of Moldova was continuously decreasing until 2000. Once the diminishing of the industrial production stopped, the volume of exports was also reduced.

According to the information supplied by table 4, the oversea trade development during the next few years can be noticed. During 2004, exports constituted 187% towards their volume during 2000.

Alongside with the economic increase, one can also notice a considerable increase of the monthly average income of a person working in the national economy. During 2004, it constituted 1073.9 lei and it was an increase of 2.6 times towards 2000. Such an increase of

wages increase was determined by the reestablishment of many of the industrial companies and by their manufactured production.

All the above mentioned prove that the economic increase and the poverty eradication within the republic may be ensured by means a quick increase of the industrial production.

The calculations confirm that ensuring an annual industrial production rhythm increase of 110%, the production volume during the year 1990, may be attained in 10 years.

This period of time may be diminished only by ensuring an accelerated increase of the industrial production volumes with an annual average rhythm of 115%-120%.

Such an increase would ensure the gross domestic product increase up to the level of 1990 in 5-6 years, which would considerably contribute to the poverty reduction and to the increase of the population life level.

The main objective of the Republic of Moldova reindustrialization strategy must be constituted by the formation of a competitive multi-branched industrial complex according to the European standards which may ensure a stable, continuous development and the country economic development.

The Republic of Moldova reindustrialization strategy is meant to ensure the modernization of the industrial enterprises and the foundation of new modern enterprises.

This strategy must be based on the own natural resources valorization so that the use and development of the existent productive potential is possible.

At the same time, the strategy must include measures and ways of their accomplishment regarding the products competitiveness increase and the technologic deviation reduction towards the advanced technologies.

The elaboration of the strategy and putting it into practice must be based on the entire system of relations demodulation which adjusts the reports between the enterprises and the state ensuring:

- simplification and stability of economic-financial legislation simplification and stability;
- reduction of approvals and endorsements which sometimes paralyze the entrepreneurial initiative and stimulate the corruption;
- creation of a preferential environment in order to attract foreign investments in the reindustrialization process;
- application of certain concrete protective measures for the domestic manufacturers and stimulation of the export production.

The strategy may be elaborated by means of scientists and businessmen's efforts.

The reindustrialization represents the objective necessity without which the continuous economic development or the poverty eradication cannot be ensured.

Therefore, at the actual stage, reindustrialization becomes the strategic point of the economic development of the Republic of Moldova.

Nowadays it is clear that the reindustrialization of the Republic of Moldova economy becomes an objective necessity without which the normal development of other economy branches or the poverty eradication cannot be ensured.

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Reindustrializarea economiei naționale în Republica Moldova

Rezumat

Acest articol prezintă coordonatele-cheie ale procesului de reindustrializare în cadrul Republicii Moldova, în contextul tranziției la economia de piață. Așa cum arată studiile economice, subdezvoltarea poate fi depășită numai prin industrializare economică, însă urmărirea acestui scop întâmpină numeroase dificultăți și limite. În ultimii ani, în Republica Moldova au fost adoptate o serie de măsuri administrative și economice, în vederea stopării declinului economic, aplicându-se o strategie în acest sens.