CURRENT STATE OF COOPERATION BETWEEN REPUBLIC OF MOLDOVA AND REPUBLIC OF BULGARIA AND OPPORTUNITIES FOR ITS EXPANSION

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Summary

The Republic of Bulgaria recognizes the independence of the Republic of Moldova on December 28, 1991. On February 5, 1992, diplomatic relations are established between both countries. Soon after, the economic and cultural cooperation between them begins. With the signing of the Association Agreement between the European Union and the Republic of Moldova in 2014, cooperation between the two countries is expanding.

This report's main object is to present the current state of cooperation between both countries and give guidelines for its expansion. Quantitative methods are used to collect secondary information (statistical data, normative and strategic documents from national and international institutions and organizations, scientific and media publications, reports and presentations, etc.). Qualitative, analytical, comparative, synthetic, inductive, deductive, etc. methods are used for data processing and analysis. The results of the study are presented in text and tables. After analyzing the results, conclusions are made about the current state of cooperation between Moldova and Bulgaria. Recommendations are given on the possibilities for expanding and improving cooperation between the two countries.

Key-words: *economy, trade, international commerce, international economic relations, bilateral cooperation, Moldova, Bulgaria.*

JEL: *F15, F20, F50*

UDC: *339.9(478:497.2)*

Introduction. The Republic of Bulgaria recognizes the independence of the Republic of Moldova on December 28, 1991. On February 5, 1992, diplomatic relations are established between the two countries. Soon after, the economic and cultural cooperation between them begins. The Bulgarian state has its Embassy in Chisinau and Consulate in Taraclia. An embassy of the Republic of Moldova operates in Sofia and there is a separate honorary consulate with headquarters in the city of Plovdiv, with a consular district covering the territory of the regions of Plovdiv, Stara Zagora and Haskovo.

The following bilateral visits and meetings have taken place in recent years:

- November 15-16, 2016 – official visit to the Republic of Moldova by the President of the Republic of Bulgaria Rosen Plevneliev. Within the framework of the visit, the president also visited the Taraclia region;

- October 4 - 6, 2017 - working visit to the Republic of Moldova by the Vice President of the Republic of Bulgaria Iliana Yotova;

- October 30 – 31, 2017 – working visit to the Republic of Moldova of the Deputy Prime Minister for Justice Reform and Minister of Foreign Affairs of the Republic of Bulgaria Ekaterina Zaharieva to participate in the official opening ceremony of the Bulgarian consulate in the city of Taraclia;

- April 4 - 5, 2018 - working visit to the Republic of Bulgaria of the Deputy Prime Minister for European Integration of the Republic of Moldova Iurie Leancă.

The contractual legal framework between republics of Bulgaria and Moldova covers sixteen bilateral documents, as well as the Association Agreement between the EU and the Republic of Moldova.

Literature review. On June 27, 2014, an **Association Agreement** is signed between the European Union and the Republic of Moldova, within which a commercial part, the so-called deep and comprehensive free trade area, is included. The Republic of Bulgaria ratifies this Agreement on July 24, 2014. The agreement establishes a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Moldova, including elimination of import duties on most goods traded between the EU and Moldova and broad mutual access to trade in services for both partners. The parties commit to cooperate and converge economic policy, legislation and regulation in a wide range of areas, including equal rights for workers, exchange of information and personnel in the field of justice, modernization of Moldova's energy infrastructure and access to the European Investment Bank. The parties committ to regular summits, and meetings between ministers, other officials and experts. The agreement commits Moldova to economic, judicial and financial reforms to bring its policies and legislation closer to those of the European Union.

The Agreement for Economic Cooperation between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova in force since April 23, 2007 guarantees that the contracting parties shall assist in the development of extensive bilateral economic cooperation, guided by the principles of equality and mutual benefit and in accordance with their legislation in the following areas: industry (mechanical engineering, metallurgy, processing industry, electronics and electrical engineering, chemical and oil refining industry, pharmaceutical and cosmetic production, light industry, other industries and sectors of industry representing mutual interest), agriculture (plant breeding and animal breeding, food industry), forestry, energy, research and development activity, construction and construction industry, telecommunications, computing, informatics, transport and logistics, environmental protection, standardization, metrology and conformity assessment, tourism, investment assistance, science and technology.

The Agreement between the Republic of Bulgaria and the Republic of Moldova for the avoidance of double taxation on income and property in force since March 24, 1999 guarantees avoidance of double taxation on: income from real estate, income from real estate transfer, profit from business activity, international transportation, dividends, interests, copyrights and royalties, income from

independent professional and other personal services, income from an employment relationship, incomes of directors, athletes and artists, incomes of pensioners, civil servants, students, teachers, professors and others.

The Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova on cooperation in the field of tourism in force since July 3, 2001 contributes to the development and strengthening of cooperation in the field of tourism and to the increase of tourist exchange between both countries. The contracting parties encourage and facilitate the development of tourism in various forms adopted by international practice - organized group and individual tourism, youth tourism, balneo-climatic and medical tourism, tourism with scientific purposes, educational tourism, business tourism, tourist trips to participate in exhibitions, fairs, cultural and sports events, etc. Both countries cooperate in creating the necessary conditions favourable to the conclusion and implementation of cooperation contracts between tourist companies and organizations, paying particular attention to the issues related to the design and construction of new tourist sites, as well as the modernization of existing ones, the creation of a modern hotel infrastructure, diversification of tourist and transport services. Cooperation within the framework of this contract is carried out through: creation of mixed companies with a subject of activity in the field of tourism, development of cooperation between business organizations in the field of tourism, exchange of specialists, groups and delegations of experts in the field of tourism, organization of bilateral exhibitions, congresses, conferences, symposia, press conferences, round tables, seminars, implementation of joint music and art programs, provision of consulting services in the field of hospitality and catering, training of tourist personnel, etc. Bulgaria and Moldova cooperate in the preparation and improvement of personnel in the field of tourism, and for this purpose mutually provide opportunities for specialization and improvement of management personnel and specialists from the state authorities in the field of tourism, from tourist companies and organizations, as well as those working in hotels, restaurants and other categories of specialists providing tourist services. The contracting parties, with a view to increasing the tourist flow, cooperate in opening informational and touristic representative offices in Bulgaria and Moldova, respectively. Each of both parties, in accordance with the legislation in force on the territory of its country, assists in simplifying the formalities of border control for tourists from the other country. The contracting parties cooperate in stimulating the exchange of experience and information on issues related to construction activities of tourist sites, scientific research work in the field of tourism, privatization of tourist sites and participation in it, participation in international tourist governmental and non-governmental organizations and in other areas, related to the development of tourism. The contracting parties form a interdepartmental working group which: examines the issues of implementation of this contract, proposes solutions designed to contribute to the expansion of tourist exchange, indicates additional opportunities for the expansion of cooperation in the field of tourism, studies the problems that would arise in the process of implementing this contract, and develops corresponding recommendations to eliminate the difficulties that have arisen in the tourist activity. The joint interdepartmental working group holds its meetings once a year - alternatively in each of the countries of the contracting parties.

The contractual legal framework between republics of Bulgaria and Moldova covers also the following important documents:

- Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova on promotion and mutual protection of investments - in force since June 11, 1997;
- Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova on mutual travel of citizens - in force since December, 2000
- Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova for international carriage of passengers and goods by road;
- Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova on cooperation in the field of air communications;
- Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova on the principles of cooperation in the field of railway transport – in force since October 29, 1999;
- Veterinary-sanitary convention between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova;
- Agreement between the relevant ministries of the Republic of Bulgaria and the Republic of Moldova on cooperation in the field of agriculture and food industry;
- Agreement on cooperation between the Commission for the Protection of Competition of the Republic of Bulgaria and the Ministry of Economy and Reforms of the Republic of Moldova;
- Protocol on cooperation between the Chambers of Commerce and Industry of Republics of Bulgaria and Moldova;
- Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova on mutual administrative assistance in the customs area – in force since June 24, 2003;
- Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova on the regulation of labour migration in force since September 11, 2018;
- Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova on cooperation in the field of standardization, metrology and certification – in force since September 18, 2001;
- Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Moldova on disaster cooperation - in force since September 24, 2012.

Bulgaria and Moldova participate together in the **Organization of the Black Sea Economic Cooperation**. Its main goal is to promote economic prosperity and friendly and good-neighbourly relations between the member countries - Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, the Republic of North Macedonia, Romania, Russia, Serbia, Turkey and Ukraine. The organization also has

a number of specialized bodies, such as the Parliamentary Assembly, the Black Sea Bank for Trade and Development, the International Centre for Black Sea Studies and the Business Council. Among the main areas of cooperation within the organization are banking and finance, combating organized crime, culture, customs affairs, education, energy, environmental protection, exchange of statistics and economic information, health and pharmaceuticals, information and communication technologies, institutional renewal and good governance, science and technology, small and medium enterprises, tourism, trade and economic development, etc.

Bulgaria and eight other countries along the Danube will develop joint projects with Ukraine and Moldova. For the first time, the countries will have access to more than 6 million Euro from the European Neighbourhood Instrument of the Transnational Cooperation Programme **Danube 2014-2020**. In Bulgaria, it is coordinated by the Ministry of Regional Development and Public Works. A budget of 1.4 million Euro is planned for the EU member states that are within the scope of the Danube Programme. Funds in the amount of 2.48 million Euro have been earmarked for Ukraine from the European Neighbourhood Instrument, and 2.33 million Euro for Moldova. Each project can be financed with up to 230,000 Euro, with the condition that the projects are completed by June 30, 2023. The leading partner in the joint projects must be a country from the territorial scope of the Danube Programme: Austria, Bulgaria, Croatia, Czech Republic, Hungary, Germany (federal states of Bavaria and Baden-Württemberg), Romania, Slovakia and Slovenia. The purpose of the European Instrument is to strengthen the cooperation of the countries along the Danube and to encourage Ukrainian and Moldovan institutions to develop transnational projects that are supported by the Danube Programme 2021-2027.

Research methodology. Quantitative methods are used to collect secondary information (statistical data, normative and strategic documents from national and international institutions and organizations, scientific and media publications, reports and presentations, etc.). Qualitative, analytical, comparative, synthetic, inductive, deductive, etc. methods are used for data processing and analysis. The results of the study are presented in text and tables. After analyzing the results, conclusions are made about the current state of cooperation between Moldova and Bulgaria. Recommendations are given on the possibilities for expanding and improving cooperation between the two countries.

Main results. In 2021, bilateral trade between Bulgaria and Moldova reaches USD 152.4 million, which is 28.6% more than the previous year. Bulgarian exports to Moldova for the period amounts to USD 80.7 million, having increased by 15.4%, and imports from Moldova to Bulgaria reached USD 71.7 million, maintaining the volume, having increased by 47.8% compared to the previous year. In 2020, in the conditions of the COVID-19 pandemic, trade with Moldova decreased by 9.4%, compared to the previous year. Despite the negative trend, Bulgarian exports increased by 11.3%. Imports from Moldova decreased by 28.2%, compared to the previous year.

Table 1. **Trade (in millions of USD)**

Period	Trade	Bulgaria to Moldova	Moldova to Bulgaria
2011	96.1	75.3	20.8
2012	117.6	89.6	28.0
2013	126.3	93.0	33.3
2014	143.7	102.9	40.8
2015	85.2	55.9	29.3
2016	132.2	59.3	72.9
2017	161.4	80.4	81.1
2018	128.3	67.9	60.4
2019	132.5	63.3	69.2
2020	120.2	70.5	49.7
2021	152.4	80.7	71.7

Source: Ministry of Economy and Industry of the Republic of Bulgaria

Leading goods in Bulgarian exports to Moldova in 2021, as well as in the previous year, are petroleum oils, medicines and plastic monofilaments. The export of petroleum oils increases by 56% compared to the previous year, and the export of medicines is 27.9% less than in 2020. When importing to Bulgaria from Moldova in 2021, the leading goods are sunflower seeds, wires, cables and other insulated wires and wire rod. The import of sunflower seeds increases by 77%, compared to the previous year, and of cables and wire rod - by 42.5% and 11.5%, respectively.

Table 2. **Leading goods in Bulgarian exports to Moldova in 2021**

Goods	Relative share in %
Petroleum oils and oils from bituminous minerals, other than crude	31.1
Medications	5.5
Plastic monofilaments, rings, rods and profiles	3.5
Float glass and ground or polished glass	3.3
Tiles, slabs or mosaics for paving or facing, of ceramic, not varnished or enamelled	2.8

Source: Ministry of Economy and Industry of the Republic of Bulgaria

Table 3. **Leading goods in Bulgarian imports from Moldova in 2021**

Goods	Relative share in %
Sunflower seeds	37.1
Wires, cables and other insulated electrical conductors, fiber optic cables	14.2
Wire rod (rolled wire) of iron or non-alloy steels	9.3
Rapeseed or canola seeds	9.1
Cane or beet sugar and chemically pure sucrose, in solid form	5.2

Source: Ministry of Economy and Industry of the Republic of Bulgaria

According to data from Bulgarian National Bank, at the end of 2021, the flow of Moldovan investments in Bulgaria amounted to 0.2 million Euro, and the total value of direct Moldovan investments at the end of 2020 is 13.4 million Euro. For the period 1996-2015, the Republic of Moldova invested 8.7 million Euro in our Bulgaria. Of the total amount of investments from Moldova, the largest amount is those in the field of finance.

Table 4. **Direct investments from Moldova in Bulgaria (million Euro)**

Period	Stream (net transactions)	Amount (balance at the end of the reporting period)
2014	0.3	5.6
2015	1.2	8.5
2016	0.4	9.1
2017	1.1	11.2
2018	1.0	13.1
2019	0.7	14.2
2020	-0.9	13.4
2021	0.2	n/a

Source: Ministry of Economy and Industry of the Republic of Bulgaria

In recent years, the number of Moldovan tourists visiting Bulgaria is gradually increasing. In 2021, Moldova ranks 12th in terms of the number of tourists who visited Bulgaria. There are 84,291 tourist visits by Moldovan citizens to Bulgaria, which is 137.6% more than those made in the transition year, the most affected by travel restrictions related to COVID-19.

Table 5. **Citizens of Moldova visited Bulgaria for the purpose of tourism**

Period	Citizens of Moldova visiting Bulgaria for the purpose of tourism
2011	55669
2012	74110
2013	71784
2014	126999
2015	149357
2016	179034
2017	208594
2018	232103
2019	256754
2020	35482
2021	84291

Source: Ministry of Economy and Industry of the Republic of Bulgaria

With its affiliation to the European Union, Bulgaria makes important commitments to participate in the Common Foreign Policy of the Union, including the development policy, which importance for security is growing more and more. Consolidating the EU leading role as the world's largest donor in international development cooperation remains one of the most important priorities in the EU

Foreign Policy Strategy. Bulgarian development assistance successfully complements our participation in the EU common external action instruments for assisting neighboring countries and regions, developing countries and providing humanitarian aid. In the period 2020-2024, Bulgarian development aid will be directed to countries from the following geographical priority regions: Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Republic of North Macedonia, Serbia and Montenegro), Eastern Partnership (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine), Middle East and North Africa (Iraq, Yemen, Jordan, Lebanon, Morocco, Palestine, Syria and Tunisia), Sub-Saharan Africa (Angola, Ethiopia, Namibia and Nigeria), Asia (Afghanistan, Vietnam and Mongolia). Sector priorities for the Eastern Partnership (including Moldova) are good governance and civil society, quality education, healthcare, economic sector and services, production sector. Some of the most important projects realized by Bulgaria within the last 5 years are as follows:

- Youth Leadership for the Development and Implementation of the Sustainable Development Goals – geographic coverage: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Serbia, Armenia, Georgia, Moldova and Ukraine, Iraq and Afghanistan; main objectives: to facilitate the exchange of experience in promoting democracy, protecting human rights and supporting civil society in the development of evidence-based youth policies and programs, by building capacity and empowering young people from partner countries in the Western Balkans, the Black Sea region and countries characterized by internal instability and sources of migration flows; to contribute to building the administrative capacity for improving the health and education of young people and for achieving the Sustainable Development Goals and the 2030 Development Agenda in the Western Balkans, the Black Sea region and countries characterized by internal instability and are sources of migration flows; to promote the Bulgarian Development Aid during the Presidency of Bulgaria of the European Union. Total budget: 96,500 Euro, paid by Bulgaria: 81,142 Euro.
- Bulgarian development aid: support for a better future – Taraclia – project *Clean water* project, providing for the construction of eight facilities for water purification in eight settlements and repair of the roof of the dormitory of the university Grigoriy Tsamblak in the town of Taraclia. The financing of the projects is 275,000 Euro. Village of Corten – new kitchen unit for the kinder garden. Village of Stoyanovka - new heating system is built in the high school (50,100 Euro).
- Building institutional capacity of a structure dealing with training and public activity at the Ministry of Foreign Affairs and European Integration of the Republic of Moldova - building administrative, managerial, expert, technical and informational capacity of a structure dealing with educational and public activity at the Ministry of Foreign Affairs and European Integration of the Republic of Moldova through exchange of expertise, training of trainers, co-organization of public events, provision of a material and technical base and information-analytical resources, which will support the Republic of Moldova on its way to the realization of such a structure, the potential for

improvement and development of which will help it take its established place in the partner network of diplomatic schools and institutes in the region, following modern European good practices.

- Project *Introduction to the theory and organization of statistical research* - according to EU standards for collection, processing, analysis and publication of statistical information on participants from Ukraine, Armenia, Azerbaijan, Belarus, Georgia and Moldova, organized by the National Statistical Institute of the Republic of Bulgaria. In support of the initiative, funds in the amount of 54,058 Euro are spent in order to increase the qualification of junior specialists in the field of statistics in the respective countries.

Discussion and conclusions. Bulgaria and Moldova maintain very friendly relations. The cooperation between both countries is in the fields of economy, trade, culture, education, security, etc. There is a potential for its deepening in the sectors of tourism, transportation, light industry, agriculture, etc.

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