

Russia's embargo on Moldovan goods is extended

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The Russian Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoznadzor) announced on 18 July that a ban would be imposed on imports of most fruits from Moldova (including in hand luggage) starting from 21 July. The official reason for the ban, according to Rosselkhoznadzor, are "recurring cases of violations of international and Russian requirements for the supply of agricultural produce to the Russian market." On 21 July, the Russian sanitary inspection (Rospotrebnadzor) announced (retrospectively) that a ban on imports of fruit and vegetable preserves from Moldova had been in force since 18 July. At the same time, Russia has been maintaining a partial embargo on alcoholic beverages (these restrictions do not concern the Gagauzia Autonomy) since September 2013 and on Moldovan processed meat since July 2014. In addition to this the Russian Ministry for Economic Development suggested that the zero rate customs duty on around twenty categories of products imported from Moldova, including such key products as wine, meat, apples and vegetables, should be cancelled.

Commentary

- The Russian restrictions come as a consequence of Chisinau signing and ratifying of the Association Agreement with the EU. It is almost certain that the restrictions imposed on Moldova will remain in force at least until the end of the year, which is linked to the parliamentary election scheduled for 30 November in Moldova. It should be expected that Russia will continue to add new trade restrictions (for example, on grapes and tomatoes) and will put pressure on Belarus and Kazakhstan to impose the same sanctions on Chisinau. To foment anti-governmental sentiments in Moldova, Russia may extend its political game to include the issue of Moldovan expatriate workers employed in Russia and make attempts to destabilise the Moldovan banking sector, which it controls to a great extent.
- Russia is the main destination for Moldovan fruit supplies. In 2013, 70–90% of fruit exports (depending on the kind of fruit), including almost the entire apple production, were sold to Russia. This country is also a key consumer of Moldovan fruit and vegetable preserves. In aggregate, exports of these goods to Russia in 2013 were worth around US\$85 million, which accounted for approximately 4% of Moldova's total exports. Blocking apple exports during the harvest season is especially painful to Moldovan farmers due to the lack of adequate infrastructure to store the apples. The existing cold stores enable storage of only 15% of the picked fruit.

- As a consequence of both the embargo and previous Russian restrictions on imports of Moldovan alcoholic beverages and processed meat, it should be estimated that Moldovan exports to Russia will fall by US\$150 million annually, which accounts for 25% of exports to Russia and around 6–7% of total Moldovan exports. The embargo will adversely affect the firms from the agricultural and food sector. However, it seems that its consequences will not cause any radical fall in exports as a whole owing to a significant increase in sales to EU member states, especially Romania, Italy and Germany—a trend visible since the beginning of this year. A further reorientation of Moldovan exports to EU markets (now at 53%) should be expected, as well as a decreasing dependence on supplies to Russia.