POLICY BRIEF

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How to Diversify Exports: The Case of Moldovan Wine and Brandy

Moldova is one of the most renowned winemaking countries in Eastern Europe. After gaining independence in 1991 and until the mid-2000s, the export structure of Moldovan wine and brandy was characterized by a pronounced geographical concentration: 73–90% of wine and brandy exports were directed to Russia, which had effectively become an almost monopolistic consumer market for Moldovan producers.

This dependence proved costly in 2006 and 2013, when Russia banned the import of Moldovan wine. While the bans were officially justified on quality grounds, they were widely viewed as a form of political pressure in response to Moldova's efforts to deepen its integration with the European Union.

Armenia faces structurally similar vulnerability. A number of key export product groups particularly brandy, wine, and certain agricultural products continue to exhibit a high degree of dependence on the Russian market.

This policy brief examines Moldova's experience, analyzes the measures and policy instruments that facilitated the diversification of its exports, and identifies key lessons and approaches that may be applicable in the Armenian context.

Source: European Commission website

Wine and Brandy Exports from Moldova Before the Embargo

In 2005, the Russian market accounted for 75% of Moldova's wine exports and 73% of its brandy exports.

Until the first Russian embargo in 2006, Moldova's wine and brandy exports were growing steadily. Between 1996 and 2005, Moldovan wine exports increased by approximately 1.6 times, from around USD 177 million to USD 278 million, and brandy exports by 2.3 times, from about USD 15 million to USD 34 million. The main factor in this growth was the Russian market, which in 2005 accounted for almost 75% of total wine exports and 73% of brandy exports.

Such a high concentration of trade was due to a number of circumstances: historically, Russian consumers were well acquainted with Moldovan wine and brandy products, producers had established stable distribution and supply channels over many years, and the costs of accessing the Russian market were relatively low.

Figure 1. Wine Export from Moldova

Source: UN Comtrade

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On March 27, 2006, Russia [banned] **the import of Moldovan and Georgian wines and brandy,** officially justifying it with alleged violations of sanitary and quality standards, specifically, the presence of components that did not meet safety norms. However, due to the timing of the ban and its political context, the move was widely [perceived] as a tool of foreign policy pressure linked to Moldova's deepening European integration.

The import ban had an immediate negative impact on Moldova's wine and brandy exports. **In 2006, wine exports fell by 42% (and by a further 33% the following year), while brandy exports declined by 34%.** Wine exports to Russia in 2006 amounted to USD 49 million USD and in 2007 to USD 2 million, compared to USD 208 million USD in 2005. As a result, Russia's share in Moldova's wine exports fell from 75% in 2005 to less than 2% in 2007, and in the case of brandy from 73% to 7%. **Although supplies from Moldova to Russia resumed at the end of 2007,**

Figure 2. Brandy Export from Moldova

Source: UN Comtrade

Moldovan producers managed to recover only around 20% of their pre-embargo wine market share.

In 2013, Russia restricted import of Moldovan wines and brandy for the second time, as a result of which the partial resumption after the first ban gradually decreased in the following years. If in the early 1990s and early 2000s, Moldova sent about 80% of its wine and brandy exports to Russia, then **in 2025 99% of Moldovan wine exports, and virtually all brandy exports were destined for other markets.**

Following the 2006 restrictions, the export destinations of both wine and brandy began to gradually diversify, albeit in different directions. In the case of **brandy**, a portion of the exports that had previously been destined for Russia was redirected to **Ukraine** and **Belarus**.

The outbreak of the **Russo-Ukrainian war** in 2022 played a significant role in the export dynamics of Moldovan brandy (Figure 3). As trade routes were disrupted, Ukraine increasingly turned to imports of Moldovan spirits to meet domestic demand for strong alcoholic beverages. As a result, Moldovan brandy exports to Ukraine grew sharply, bringing total brandy exports close to the levels recorded before the second Russian embargo. Today, Ukraine is the principal export market for Moldovan brandy. In 2025, approximately 60% of Moldova's brandy exports were destined for Ukraine, while a further 29% were exported to Belarus.

As for wine exports, the decline in exports to Russia following the 2006 embargo was accompanied by an increase in exports to EU countries, particularly to neighboring Romania (Figure 4). Specifically, while Moldovan wine exports to EU countries amounted at USD 8.7 million in 2005, they reached USD 29.6 million in 2015 and USD 75.6 million in 2025.

Source: eppgroup.eu

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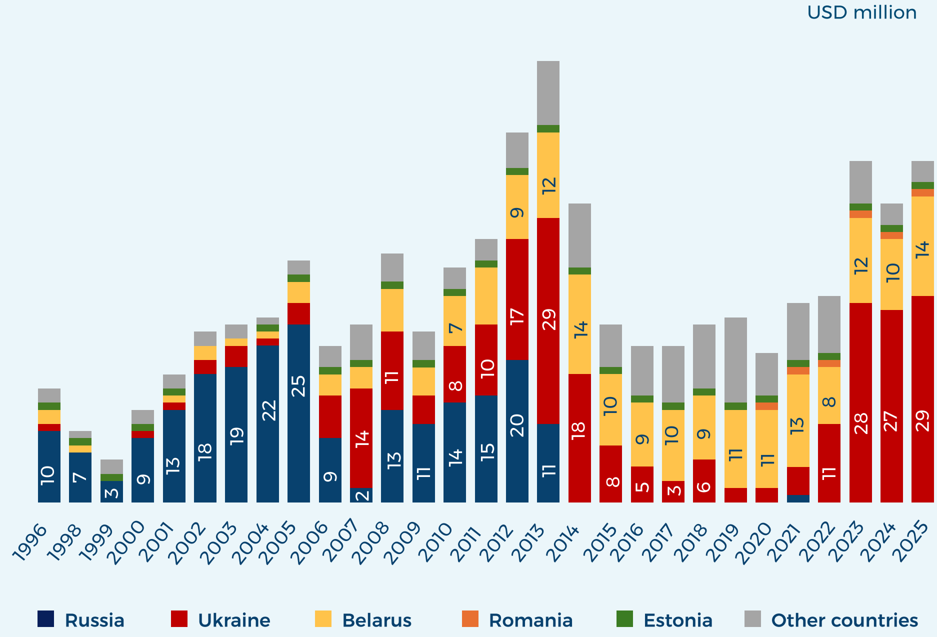
Figure 3. Structure of Moldova's Brandy Exports by Importing Country



Source: UN Comtrade

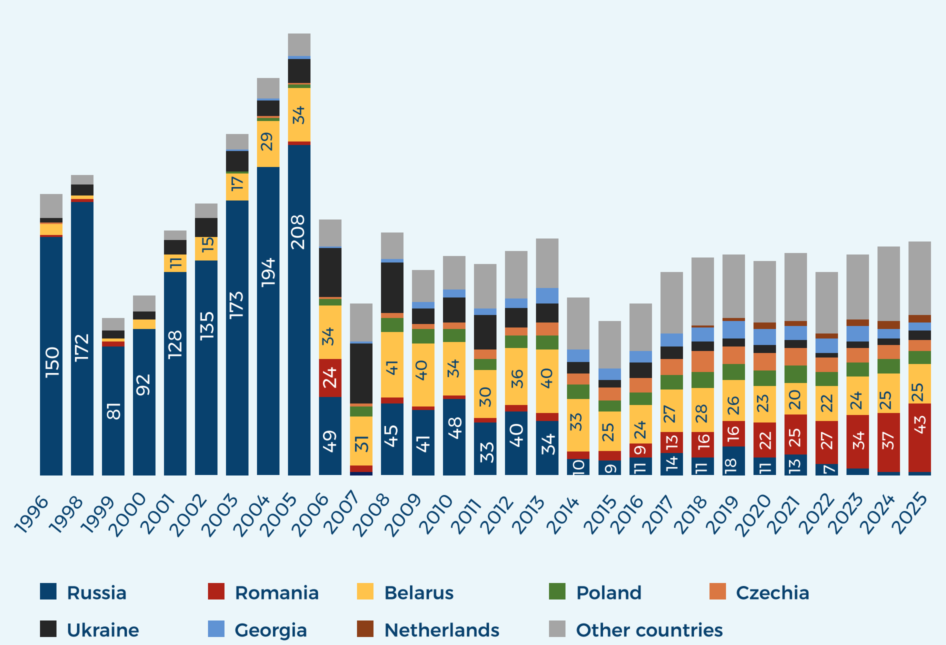
Among EU countries, **Romania is the leading importer** of Moldovan wines, followed at considerably smaller volumes by Poland and the Czech Republic.

Geographical proximity, cultural similarities, Romanian consumers familiarity with Moldovan wines, and existing export experience have enabled Moldovan producers to rapidly increase exports to the neighboring country. Wine exports from Moldova to Romania have particularly gained momentum in 2016-2017, following **the liberalization of imports of Moldovan wines by the EU and the entry into force of the Deep and Comprehensive Free Trade Agreement between the EU and Moldova.** Although today Moldovan wine exports are mainly concentrated in a few countries, they are nonetheless more diversified than they were in the early 2000s.

It is important to note that, despite the import ban, Moldovan wines have continued to enter the Russian market to some extent. Moreover, it is possible that a portion of the Moldovan wine exported to Belarus is subsequently re-

Source: radiomoldova.md

Figure 4. Structure of Moldova's Wine Exports by Importing Country



Source: UN Comtrade

exported to Russia. This assumption is supported by changes in the structure of Moldova's wine exports. While bottled wine accounted for more than 90% of wine exports before 2006, the share of exports shipped in large containers (bulk) gradually increased after the embargo. By 2025, bulk wine accounted for approximately 23% of total wine exports, and in some years its share reached nearly 40%.

This trend may indicate that wine is exported in bulk to Belarus, where it is bottled and subsequently re-exported to Russia. However, given the lack of direct trade data on such transactions, this should be regarded as a plausible hypothesis rather than definitive evidence.

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Brandy and Wine Exports from Armenia

Armenia's current export geography and Moldova's preembargo export structure are largely similar, as in both cases exports were significantly concentrated in the Russian market. Historically established trade ties have channeled a substantial portion of Armenia's wine and brandy exports toward the Russian market. **Today, around 70% of Armenian wines and 83% of brandy are directed to Russia.**

The Russian market is more familiar and predictable for Armenian producers owing to consumer preferences and comparatively low linguistic and business environment barriers which reduces market entry costs and risks. However, on the other hand, it creates different and far more serious risks, as Moldova's experience demonstrates

Source: Armenian Wine Company

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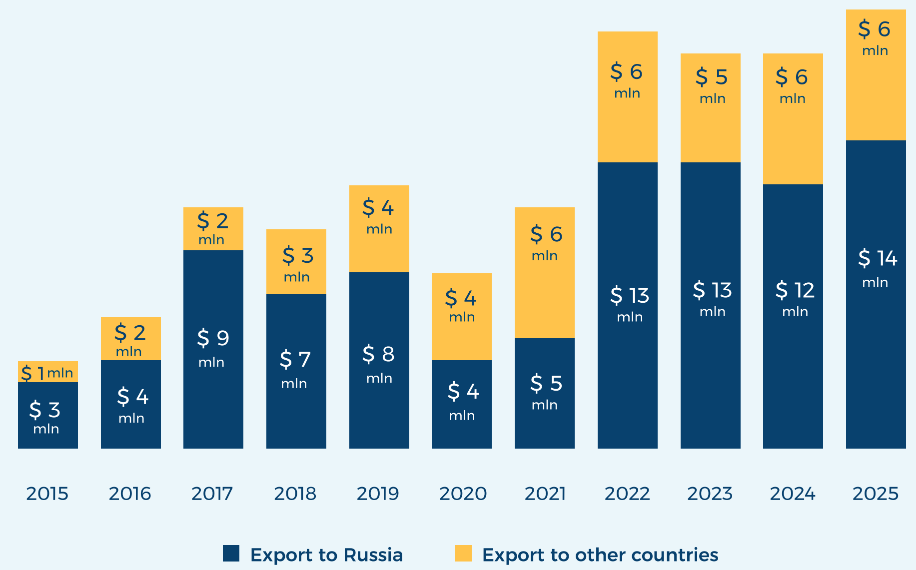
Figure 5. Wine Export from Armenia



Source: UN Comtrade

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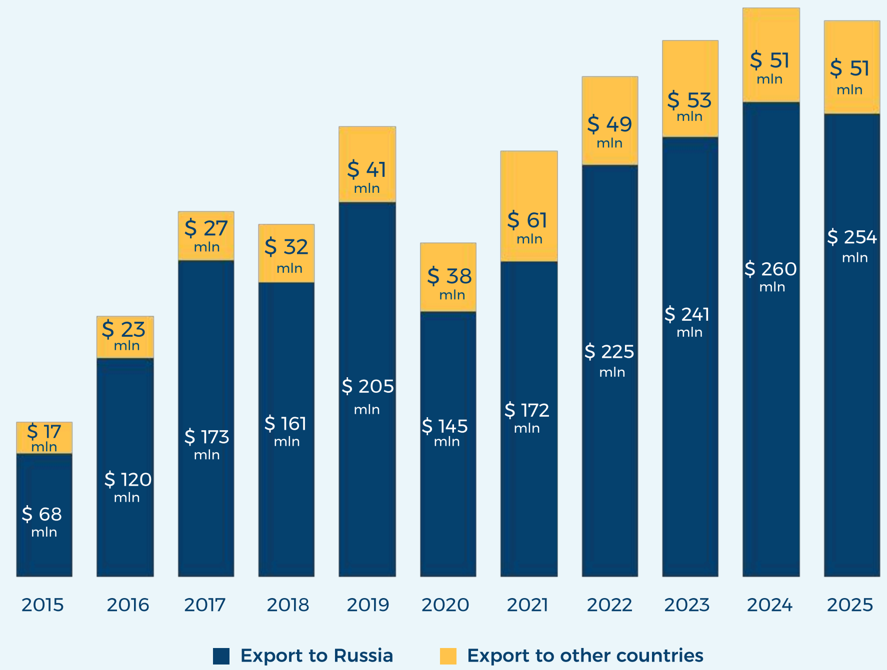
According to 2025 data, the next **main markets for Armenia** in the case of wines are the US (8%), France (3%), and and Belgium (2%), and in the case of brandy, Belarus (5%) and Ukraine (3%).

Figure 6. Brandy Export from Armenia



Source: UN Comtrade

How Moldova Withstood the Russian Embargoes

As a result of the 2006 embargo, about 100 wineries were closed, thousands of jobs were lost. During that time, direct losses to the sector were estimated at EUR 250-300 million. The resulting crisis posed serious threats not only to the country's wine industry, but also to the entire economy.

In 2005, the wine industry accounted for around 9% of Moldova's GDP, whereas by 2007 this figure was estimated at just 2.3%.

This situation demonstrated how vulnerable an economy dependent on a single market could be. At the end of 2007, Russia lifted the import ban. In the years that followed, winemakers made considerable efforts using their own resources to enter new markets and diversify export destinations. Nevertheless, the second Russian embargo of 2013 forced the adoption of more drastic measures.

EU liberalizes imports of Moldovan wines

Source: cotidianum.md

Following the second Russian embargo in September 2013, the European Union acted with unusual speed. Moldova **had already been benefiting from autonomous trade preferences since 2008,** and on November 29, 2013, at the Eastern Partnership Summit in Vilnius, **the EU-Moldova Association Agreement** was initialed, with the Deep and Comprehensive Free Trade Area (DCFTA) as its central component — aimed at liberalizing trade across the board, including wine exports. Due to the procedures required for the agreement's finalization it was only supposed to enter into full implementation at the beginning of 2015, however, the new Russian restrictions prompted a more decisive political response.

In December 2013, **the European Commission initiated the full liberalization of Moldovan wine import** in an effort to mitigate the difficulties caused by the Russia's import restrictions. The European Parliament adopted the corresponding legal amendment by a vote of 503 in favor to 14 against

The decision entered into force on **January 1, 2014,** as a result of which Moldovan wines were able to access the EU market without customs duties and quantitative restrictions. This development was of pivotal significance, it opened the EU market to Moldovan winemakers, contributing to an acceleration of the export diversification process. Following trade liberalization, Moldovan wine exports to the EU have grown year after year. By 2025, Moldova exported approximately **3 times more wine** to EU countries than in 2013, with the EU's share in Moldovan wine exports rising from **18% to 51%.**

Along with the expansion of import volumes, the European market established qualitatively new rules of the game raising standards for production and compliance. Whereas the Russian market had for many years operated with relatively low entry barriers, EU access required adherence to sanitary standards, certification, and new qualification rules.

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In other words, the opening of the market not only created an opportunity but also served as a catalyst for the qualitative transformation of production.

Focus on Quality

Moldova’s response to the Russian embargo was not limited to finding new export markets. Policymakers and industry representatives recognized that achieving sustainable export growth required not only diversifying the geographical destinations of exports but also **improving product quality and competitiveness**. The modernization of the wine value chain played a central role in this process. The focus shifted toward wine varieties with stronger export potential, including Cabernet Sauvignon, Merlot, Chardonnay, Sauvignon Blanc, Pinot Gris, and Pinot Noir. **Significant investments were made in the modernization of the sector.** For example, the European Investment Bank (EIB) has provided Moldova with a EUR 75 million loan to support the modernization and quality improvement of the Moldovan wine sector. Funding for quality improvement was also provided by the European Bank for Reconstruction and Development (EBRD), the United States Agency for International Development (USAID), and other organizations.

In addition to measures aimed at modernizing production processes and improving quality, the legislative and institutional reforms implemented in the sector were also of great importance.

Legislative and Institutional Reforms

In 2011-2013, comprehensive reforms were implemented in Moldova, which went beyond purely technical modernization and were aimed at addressing the sector's legislative and institutional challenges.

Having inherited the institutional and legal structures of the Soviet centrally planned economy, the country's wine industry, considered one of the most efficient in the USSR, entered independence in 1991 with a regulatory and management system still operating on the principles of the former Soviet economy. The embargo imposed by Russia in 2006 exposed the sector's structural vulnerabilities. This provided the impetus for the **comprehensive reforms of 2011–2013,** which went beyond purely technical modernization and were aimed at addressing the sector's legislative and institutional challenges.

The new legislation established a modern quality management system introduced clear regulatory approaches, and significantly increased the effectiveness of control in the sector. Among them was the **introduction of the Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) mechanisms.** Wines bearing a Protected Designation of Origin are subject to the strictest requirements, under which the entire production cycle (from grape cultivation to bottling) must take place within a defined geographical area, in compliance with strictly established technological rules. Requirements for wines with a Protected Geographical Indication are more flexible: at least one main stage of production must be linked to the given area.

The implementation of these systems required the creation of a national vineyard registry and the introduction of a mandatory traceability system to ensure full oversight of the production chain, from grape cultivation to bottling which significantly increased the sector's transparency and alignment with European requirements.

At the same time, **quality control and certification mechanisms were**

standardized, reducing the risk of fraud, strengthening the effectiveness of oversight mechanisms, and increasing consumer confidence.

Of particular importance was the establishment of **Moldova's National Office of Vine and Wine (ONVV)**, which replaced state controlled regulation with a more effective public-private partnership model, and also secured a stable financing mechanism for export promotion and national branding notably under the "Wine of Moldova: A Legend Alive" strategy.

"Wine of Moldova": Branding as an Instrument of Economic Policy

Source: wineofmoldova.com

The "Wine of Moldova: A Legend Alive" initiative acted as a unified national branding platform for Moldovan wines, which helped translate the results of the implemented reforms into higher visibility and recognition in international markets.

It united fragmented producers around a single, unified national identity and contributed to repositioning Moldovan wine, shifting it from a mass production model toward an export system grounded in quality and origin. Implemented by Moldova's National Office for Vine and Wine (ONVV), this campaign complemented legislative and institutional reforms, strengthening the international recognition of Moldovan wines, changing perceptions of their quality, and facilitating entry into premium markets.

Negotiations with Scandinavian State Alcohol Monopolies

With the aim of bringing Moldovan wine to the tables of European consumers, in addition to other measures, active negotiations also began with the state alcohol monopolies of Scandinavian countries (Norway, Sweden, Finland). The first tangible success came in 2019, when an agreement was reached with Sweden's Systembolaget to announce a tender for the procurement of Moldovan wines; by 2024, the volume of Moldovan wine purchased by this entity reached 230,000 liters. It should be noted that in certain cases, Moldovan companies cannot sell wine directly to Scandinavian alcohol monopolies they must instead work through local wholesale companies.

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Conclusions and Recommendations

- Armenia and Moldova share **several similarities** in the structure of their wine and brandy exports. Just as Moldova was previously heavily dependent on the Russian market (with nearly 75% of wine exports and 73% of brandy exports directed to Russia), today Armenia is similarly dependent (with around 70% of Armenian wines and 83% of brandy directed to Russia).
- Moldova's experience demonstrates that with the support of international partners, **tangible results can be achieved in terms of diversification** of these products, which should be accompanied by the efforts of both state institutions and the private sector.
- It is recommended that Armenia negotiate with the EU to include **wine (HS 2204)** and **brandy (HS 220820)** in the **autonomous trade preferences** expected to be introduced in the near future. This would enable Armenian producers to export these products to the EU market free of customs duties and quantitative restrictions.
- Restructure and **develop local institutional capacities**, as was done in Moldova, by reviewing the functions, management structure, and financing mechanisms of the Vine and Wine Foundation of Armenia (VWFA), attracting additional funding from the private sector.
- **Negotiate at the state level with Scandinavian countries** to introduce Armenian wine and brandy into the monopoly alcohol sales networks of those countries.
- Launch large **marketing campaigns**, co-financed by the government and the private sector, to promote the entry of Armenian wine and brandy into the EU market, otherwise the customs privileges provided will not be effective.

ACSES
Address: 48/1 Nalbandyan Street, Yerevan
0010, Armenia
Tel.: (+374 33) 200 882
www.acses.am
info@acses.am

Friedrich Naumann Foundation for Freedom
www.freiheit.org