

Country Report Moldova

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In 2001 Moldova again proved the fairness of an observer's remark referring to the country's history in the last century: "At every turn, Moldova has turned out to be something other than what most observers had either hoped or expected."¹ Many unexpected events happened within the country, in the international context, which both directly involved Moldova and affected its internal situation, and in the attitudes of neighboring countries and international or regional organizations, including the European Union. The changes that occurred in Moldova after "Beyond EU Enlargement," the previous study on direct neighborhood, was published are analyzed in the present chapter.

I. Elections of February 2001

Premature parliamentary elections in February 2001 resulted from amendments to the Constitution made by Parliament in July 2000. Although the amendments were seen as additional anti-authoritarian guarantees through a change of the mode of presidential elections (from universal election to the election of the President by the Parliament) and significant reduction of the President's power, they brought the opposite result. Because Parliament could not agree on a new President, it was dissolved according to the law, and new parliamentary elections were announced. The Communist Party won 71 out of 101 seats in the Parliament and thus obtained the right to elect the President and appoint the government. The constitutional amendments reduced the power of the President, but important issues such as the nomination of the Prime Minister, approval of changes in the cabinet, and control in military and foreign affairs had been left under the President's power. However, the role of the Communist Party leader provides President Vladimir Voronin with unlimited power and influence in the country. Thus an authoritarian regime exists not *de jure*, but *de facto*.

The absolute majority obtained by the Communist Party in Parliament generated expectations of political stability, especially compared to the previous Parliament where the absence of a clear majority faction produced a number of crisis situations. However, less than a year after the election a major political crisis was provoked by the poorly considered decision to introduce the Russian language as a compulsory subject in elementary schools and changing the school subject called "History of the Romanians" to "History of Moldova." This crisis was manifested by mass street rallies and meeting of protesters mobilized by the opposition Christian-Democratic Popular Party. Even after the government suspended these

¹ King, Charles 1999: 224.

decisions, the protests did not stop, but forwarded requests for new Parliamentary elections and dismissal of the government.

When, during the pre-election campaign, the Communist Party pledged to introduce Russian as the second official language, it raised many eyebrows and was generally not taken seriously. The initiative was viewed as overly provocative, as it could signify the return to the decade-long events of confrontation and discrimination in language criteria. The past few years had shown relative stabilization in the language issue. However, the situation was not ideal, because parts of the population still encountered difficulties obtaining information in various public places in their preferred language (Moldovan or Russian). The issue of the status of Russian also precludes settlement of the Transdniestrian conflict. Once negotiations between Chisinau and Tiraspol show progress, the time will come to debate the status of Russian and a special language regime for the Transdniestrian population.

Using the proposed changes in the language policy, the country's radicals, first of all the Christian-Democratic People's Party (CDPP) led by Iurie Rosca, obtained a chance to raise its popularity by ardent anti-Communist ideology, welcomed by the international community as a symbol of progress. The CDPP organized an anti-Communist and anti-Russian political campaign and increased its financing from its supporters in Romania. The protests created tensions within society based on ethnic and language issues.² On the other hand, the republic's population, provoked by low living standards and general hardship, gained a chance to express their discontent with the Communist government.

The shaky position of the government during the last year was a sign of political instability. President Vladimir Voronin nominated a non-Communist, former businessman Vasile Tarlev, for Prime Minister. A number of ministers from the previous government were included in the new one formed in April 2001. These decisions could be seen as a demonstration of the Communist Party's commitment to reforms, but some observers maintained that the Communist just did not have enough professionals to fill positions in the government. In less than a year the cabinet was significantly renewed by the replacement of the Ministers of Foreign Affairs, Economy, Finance, Internal Affairs, Education, the Chief of the Security and Information Service and the Director of the Customs Department.

II. Changes in Moldovan Foreign Policy

As described in last year's country report, for the last few years the Moldovan Parliament, president and government have declared European orientation as the main direction of Moldovan foreign policy, actively worked for Moldova to be accepted into different European organizations, and even had hopes for special treatment by the European Union. To date, major Moldovan memberships and agreements include:

1992 - United Nations

² Burlacu, Anton 2002.

- 1992 - Organization for Security and Cooperation in Europe
- 1992 - European Bank for Reconstruction and Development
- 1993 - Partnership and Cooperation Agreement signed by the EU and Moldova
- 1994 - Council of Europe
- 1996 - Temporary Trade Agreement signed between Moldova and the EU
- 1998 - Partnership and Cooperation Agreement between the EU and Moldova came into force
- 2001 - Stability Pact for South-East Europe
- 2001 - World Trade Organization

During the election campaign, participants promoted different views on what Moldova's future foreign policy should be. While leftist parties called for strengthening relations with the Russian Federation and the CIS, the political center and right promoted the idea of European integration, either independently, or through closer ties with Romania.

The Communist Party included in its electoral platform promises of establishing a stronger presence of Moldova in CIS bodies and, which was much more attractive for its electorate, joining the Russia-Belarus Union (without asking the agreement of the Union's members). The Communist Party believed that a pro-Russian stance could, on the one hand, help improve relations between Chisinau and Transnistrian authorities, and, on the other, cajole Russia and obtain a preferential regime in trade relations and energy prices.

The first visit of Moldovan President Vladimir Voronin was made to the Russian Federation, where he emphasized that the "Russian Federation was, is, and will be the strategic partner of Moldova." But at the same time he said that the traditional directions of the Moldovan foreign policy would not be changed, and relations with Ukraine, Romania and the EU would not be downplayed.³ However, the idea of joining the Russia-Belarus Union looked quite odd even for Voronin. After the elections, it was explained that the issue could be decided only by a referendum that would be organized at a more appropriate time. Gradually, the Communist Party downplayed the idea and did not undertake any practical steps towards its implementation, realizing that the Union did not correspond to current Russian interests, and could create problems for Moldova itself, in the context both of the existing opposition in Moldovan society and the country's relations with the West.⁴ In an interview with the Ukrainian newspaper *Facty* President Voronin even confessed that he did not see any advantages in joining the Union because "there are more words than real deals."⁵

³ Neukirch, Claus 2001.

⁴ Tarlev, Vasile 2001; Moldova ne gotova 'stupit' v Soiuz Rossii i Belorussii. *Kommersant Moldova* 30 November 2001.

⁵ Voronin does not see advantages in the Russia-Belarus Union. *Moldvaskie vedomosti* 13 October 2001

Voronin stated that his foreign policy would be pragmatic, and Moldova would develop relations with any countries and organizations that could be beneficial for the republic. However, very often this “pragmatism” results in double standards and controversy in the official speeches delivered during visits and meetings in the East and in the West. This cannot but prick up partner’s ears and create an atmosphere of distrust around Moldova. At the same time, some observers highlighted the fact that Voronin's pro-European rhetoric is much more precise than that of his predecessors: He states that "Moldova wants into the EU," while before a vague formula of "integration into European structures" was used. The new government has proceeded to practical steps. It suggests starting negotiations on the Free Trade Agreement with the EU, on the establishment of EU representation in Chisinau and on giving Moldova the status of an associate member of the EU.⁶

Although the EU realizes that the active contacts Moldova maintains with Russia and other CIS countries result from the fact that they are still its main export markets, the Moldovan intention to join the custom union of Russia, Belarus, Kazakhstan and Kyrgyzstan may be incompatible with Moldova's goal of becoming a potential EU candidate because of the legal obligations that would derive from belonging to different organizations.

However, Minister of Foreign Affairs Nicolae Dudau said in an interview that “The current government considers European integration the main strategic objective and will act consequently in achieving it.”⁷ A draft of the new Concept of the Foreign Policy of Moldova that is supposed to replace the one adopted in 1995 was published in April 2002. It contains a chapter on "European integration as the priority strategy goal." As the necessary steps for integration, the document highlights concluding the Free Trade Agreement and including Moldova into a stabilization and integration process, which would finally lead to country's full integration into the European Union. This is the first ever Moldovan official political document that describes in detail the reasons why Moldova needs to join the EU and what it is necessary to do in order to achieve this goal.

It is important to mention that after the Communist victory, the EU chose not to change its attitude towards Moldova, but to continue assistance to this country. Elisabeth Schroedter, the head of the delegation of the European Parliament, evaluated the situation in Moldova after the fourth meeting of the parliamentary committee on cooperation between the EU and Moldova as follows: "There is a stable majority in the parliament. Foreign policy remained unchanged. There is a strong political will regarding European integration and rapprochement with European structures. In this context, Moldova has a chance to move forward along the way of European integration. It will be a long way, but there exists political will to make it."⁸

(Hereafter - MV).

⁶ Popescu, Nicu 2001.

⁷ Dudau, Nicolae 2001a.

⁸ Delegatsia Evroparlamenta prizyvaet povysit' uroveni zhizni. *Economicheskoe obozrenie - Logos press*, 21 September 2001 (Hereafter EO-LP).

The recommendation of the previous Risk Report to use differentiated treatment to different countries of the new EU neighborhood, transforming the current “No” on accession into a “Yes, in principle,” for Moldova and Ukraine⁹ was taken into consideration by the European policy makers. The Ministers of Foreign Affairs of EU countries took a decision to consider granting Moldova, Ukraine and Belarus a special status of neighbors. It will increase Western assistance to these countries in the reform process and in solving their internal problems that might affect the enlarged European Union, especially border control, contraband and illegal migration.¹⁰

Accession to the WTO and Stability Pact, Contacts with the EU

Disregarding the pessimistic prognosis made by many analysts after the Communists' victory in Moldova regarding the republic's relations with the Western world, the EU decided to finalize the process of Moldova's accession to the Stability Pact, which had started with the previous government. Moldova was also accepted as a member by the WTO and invited to participate in the European Conference. Furthermore, the European Commission has changed the general system of preferences (GSP) scheme for Moldovan-made goods imported to European Union countries, significantly lowering the tariffs for import of these goods.¹¹

The European Commission adopted a Moldova Country Strategy Paper on 27 December 2001 that provides the strategic framework for EU assistance for 2002-2006. It sets out EU cooperation objectives, policy responses and priority fields of cooperation, based on a thorough assessment of Moldova's policy agenda and political and socio-economic situation, as well as lessons learned from past and present cooperation.¹² Special attention of the EU toward Moldova is based on the understanding that Moldova is located directly on the border of an enlarged EU, and instability in its the economy and political processes are a matter of concern for the EU.

Acceptance of Moldova into the Stability Pact, while considered at the official level as a victory of Moldovan diplomacy and a sign of Europe's desire to establish closer relations with the government, has not been followed by real actions. The temporary Coordinator for Moldova under the Stability Pact was appointed in October 2001. It came no as a surprise that in December 2001, at the international conference "Participation of Moldova in the Stability Pact as the Catalyst for Economic Reforms," Bodo Hombach stressed that it was time to proceed from declarations to practical steps, because Moldova was doing well with

⁹ Beyond EU Enlargement. Vol.1, 18.

¹⁰ ES nameren vvesti osobyi status sosedei. *Kishinevskii obozrevatel'*, 18 April 2002 (Hereafter KO).

¹¹ EC alters GSP scheme for Moldova. *KO*, 31 January 2001.

¹² Country Strategy Paper 2002-2006. National Indicative Programme 2002-2003. Moldova.

the declarations, but not with the deals.¹³ Moldova's participation in the Stability Pact so far rather represents support for the projects implemented by Romania. There is a declared understanding of the need to change this situation at the highest state level,¹⁴ but until now Moldova has submitted only two projects to be implemented under Stability Pact—on road rehabilitation and on energy security.¹⁵ In February 2002, the government appointed a new Coordinator for Moldova in the Stability Pact, Andrei Stratan, who had been recently dismissed from the post of Director of the Customs Department.¹⁶

Moldova's Minister of Foreign Affairs, Nicolae Dudau, declared at a meeting with Lord Rassel Johnstone, the President of the Council of Europe Parliamentary Assembly, that Moldovan membership in the WTO and the Stability Pact are clear indicators of the priorities of Moldovan foreign policy.¹⁷ But there still is very little knowledge about the advantages of closer relations with the EU among the general public and in government structures. All government programs and strategy papers speculate about steps towards European integration in the vague terms. There is a special sub-chapter on "Integration of the Republic of Moldova into the European Union" in the action program of the current Tarlev government. It still calls for the elaboration of a National Strategy on European Integration, bringing Moldovan legislation into compliance with that of the EU, "intensification" of the work of the inter-ministries committee for European integration, implementation of the PCA and intensification of the political and diplomatic steps for starting negotiations on Moldova's associate status with the EU. At a meeting with Christopher Pattern, EU Commissioner for external relations, Tarlev stressed again that the ultimate goal of Moldova would be accession to the European Union, and in line with this he requested that Moldova implement the PCA in parallel with initiation of negotiations regarding granting Moldova candidate status.¹⁸ This proved again that the Moldovan government itself is not completely familiar with EU standards and procedures. The EU sees the PCA, concluded with non-candidate countries, as an alternative to the ASA, concluded with the candidate countries, and not a supplement to it. There is an opinion that acceptance of Moldova to the Stability Pact was perceived as an acceptable alternative for Moldova to candidate status, which could not be granted to the country in its current situation. When in December 2000 the EU took a decision to support Moldova's membership in the Stability

¹³ Severin, Irina 2001.

¹⁴ Doras, Victor, and Petkov, Alexandr 2001.

¹⁵ Ibid.

¹⁶ *KO* 21 February 2002.

¹⁷ *MS* 19 February 2002.

¹⁸ *Integrare in Uniunea Europeana este unul din principalele obiective ale Rrepublicii Moldova* Moldova suverana, 16 May 2001.

Pact, it was made with the condition that Moldova would not insist any more on a new agreement with the EU.¹⁹

The political parties lack a detailed and clear vision of what European integration could mean for Moldova and what steps should be undertaken to get the process moving. That is true even for political parties that have an image of being pro-European: the parts of their programs that refer to European integration vary from one to three sentences, in the most of cases vaguely stating that European integration is one of their priorities.²⁰ The Declaration on European Integration signed by 22 political parties, out of the 26 registered, on 10 May 2000, was followed by the Strategy for Accession, signed by 23 parties, on 17 June the same year, but these documents have not been followed by any other practical steps. The Christian-Democratic People's Party that largely used slogans of European integration in its anti-government and anti-Communist rallies in January-April 2002, had never explained its vision of the measures Moldova could and should undertake to be accepted into the EU candidates' club. The idea of European integration still represents a technical process and not a political one that provides for ideology (public rhetoric, opinions of political parties) and actions (amendment of the legislation, of standards, institution building). But the official documents that refer to Moldovan external policy, especially related to the EU, are still of rather a technical character than a political one.²¹

There are a number of NGOs in Moldova that include European integration in their activity programs, but they do not represent a significant segment of public opinion. They organize activities that lack importance for the general public and do not coordinate work among themselves. On the other hand, there is not any radical anti-European rhetoric in Moldova, although any declarations in favor of closer relations with the CIS are viewed as such by explicit "pro-Europeans." While specific opinion polls on this question have not been conducted recently, there is an obvious disconnection between pro- or anti-European stances and the place of a politician in public opinion ratings. This contradiction might be explained, on the one hand, by limited knowledge in the population about the EU, and, on the other, by the existence of nostalgia for the former economic stability during Soviet times. The support some pro-European parties receive in elections is not explained by their affiliation with European values. The existence or absence of pro-European messages in parties' electoral programs still does not affect the number of votes received.

An opinion poll conducted by a group of British researchers in Moldova in 2000 showed that the population is for the integration of the country into the EU (60 percent of respondents). However, only 34 percent of Moldovans always or often think of themselves as of "Europeans." In other words, they realize that there is a long way forward for Moldova until complies with European standards. At the same time, they do not think that a

¹⁹ Ungureanu, Oleg 2001:71.

²⁰ Klipii, Igor 2001: 27.

²¹ Idem: 35.

European orientation would mean breaking Moldovan relations with Russia. A full 93 percent of the respondents consider that maintaining of these relations is important or very important for Moldova.²²

As a result, at the moment it is rather difficult to identify political actors who have power and play a decisive role in taking decisions and are, at the same time, genuine promoters of the European orientation of Moldova.²³ A few of those who could be mentioned are Marian Lupu, Deputy Minister of Economics, Oleg Ungureanu, Director of the Department of European Integration of the Ministry of Foreign Affairs, Dmitrii Kalak, journalist with the most influential newspaper *Economic Review - Logos press*, Dumitru Braghis, former Prime Minister, currently Head of the centrist parliamentary faction, and Mihail Titov, a businessman and leader of the organization "Drumul Sperantei (Road of Hope)."

Relations with Russia

It was obvious that the Moldovan government viewed further development of good relations with Russia as a tool to improve the country's economic situation. Russia traditionally represented the largest market for Moldovan goods and at the same time the biggest, if not only, energy supplier. Moldovan debts to Russia for natural gas are huge, and Tarlev's government hoped to restructure the debts and to conclude a more advantageous agreement on further gas supplies. However, Tarlev's meetings with Russian Prime Minister Kasianov showed that Russia was not going to support "poor brother" to its own disadvantage.²⁴ Russia has kept the high level of taxes (up to 30 percent) on imports of Moldovan sugar, alcohol and tobacco products. As a result, Moldovan sugar exports to Russia decreased by 99 percent in three years.²⁵ Over the last five years, trade volume between Moldova and Russia decreased by half, from \$750.3 million in 1997 to \$329.2 million in 2000.²⁶

At the same time, Moldova is situated in first place among the CIS countries according to the volume of Russian investments, which shows that Russian economic interests in Moldova are significant.²⁷ Moldova is the biggest exporter of wines to Russia. Moldova's share in the total volume of wine imported by Russia in 2000 constituted 71.4 percent,

²² Sobor, Evgenii 2001.

²³ Chirila, Victor 2001: 39.

²⁴ Kiosse, Natalia 2001.

²⁵ Eksport moldavskogo sakhara v Rossii sokratilsia v sto raz! *EO-LP* 8 June 2001.

²⁶ *EO-LP* 1 June 2001.

²⁷ Isaev, Alexandr 2001.

while Georgia placed second Georgia with 9.14 percent.²⁸ The fact that 80 percent of Moldovan needs in gas are covered by the Russian company Gazprom is a concern for the European Union.²⁹

The Agreement on Friendship and Cooperation between the two countries was signed by Presidents Voronin and Putin in November 2001; in December it was ratified by the Moldovan parliament, and in April 2002 by the Russian State Duma. It was a long-pending issue, and the Communist government of Moldova took credit for the official diplomatic settlement of relations with the "strategic partner."³⁰ The Moldovan Parliament had earlier ratified an agreement on military cooperation with Russia.³¹

But in general relations between two countries are far from the expectations raised by the Communist victory in Parliamentary elections. Intensive negotiations, meetings, visits were undertaken during 2001, but Moldova was not satisfied with their results, and Russia did not support the idea of "special relations" declared by the Moldovan government. Moreover, Russia did not meet the high expectations of the Moldovan leadership regarding its role in solution of the Transdniestrian conflict.

Moldova and Ukraine

Moldova has common borders only with two countries: Ukraine and Romania. Relations with both of them are very important for the country. While Romania is an EU candidate, bilateral relations with it could contribute to Moldova's moving forward on the way to further integration with European structures. As for Ukraine, its position is significant in the process of resolving the Transdniestrian conflict and as a transit zone for energy supplies from and trade with Russia.

In 2001, with Ukraine demonstrating its interest in strengthening oversight on the porous border with Moldova and aspiring to receive special treatment from the EU compared to other CIS countries, it announced the introduction of new border regulations for CIS citizens. However, this policy did not continue in 2002. On the one hand, Ukraine extended the term when Moldovan citizens could travel to Ukraine with internal IDs instead of passports from January 1, 2002, to July 1, 2002.³² On the other, it refused to accept the Moldovan government's request to establish common Moldovan-Ukrainian customs check-points, which have been perceived by the Moldovan government as a tool for fighting contraband coming to and from Transdniestria and for creating a common customs space

²⁸ Kufudaki, Natalia 2001.

²⁹ Delegatsia Evroparlamenta prizyvaet povysit' uroven' zhizni. *EO-LP* 21 September 2001.

³⁰ Novyi moldo-rossiskii dogovor. *MV* 21 November 2001.

³¹ Parlament ratifitsiroval voennoe sotrudnichestvo. *KO* 26 April 2001.

³² MAE despre regimul calatoriilor in Ukraina. *MS* 17 January 2002.

on the whole territory of Moldova. While five common customs check-points have been created on the northern part of the border after a few rounds of negotiations, common check-points on the part of the border with Transnistria are pending. The controversy reached the level of a conflict when both parties exchanged sharply worded memoranda. Moldova accused Ukraine of supporting the Transnistrian separatist regime, while Ukraine accused Moldova of infringing the memorandum signed with Tiraspol in 1997. Moreover, Ukraine disapproved of the Moldovan decision on a new customs seal that would create problems for Transnistrian exports. In a memorandum sent to the Council of Europe, the OSCE and the EU, Ukraine explained its position in terms of concern for the well-being of the Transnistrian population. "Ukraine brings attention to the fact that exports constitute 40 percent of the economic potential of Transnistrian region, where 600,000 Moldovan citizens live, among them 300,000 ethnic Ukrainians. Therefore, a drastic limitation of Transnistrian exports will generate a significant deterioration of the economic situation in the region, pauperization of thousands of people, huge flows of refugees, and, therefore, one of the biggest humanitarian catastrophes in Europe."³³ These circumstances stimulated pro-European rhetoric and initiatives from the Moldovan president and the ruling party. They suggested inviting customs officers from a neutral state (namely, Germany, Sweden, Portugal or Austria) to participate in the work of the common posts on the Transnistrian part of the Moldovan-Ukrainian border.³⁴ The EU found it opportune to intervene and advised Ukraine to cooperate with Moldova in monitoring goods traffic over the border.³⁵

Moldova and Ukraine, disregarding numerous declarations of intentions, have so far failed to conclude an agreement on free trade, and this negatively affects regional and cross-border cooperation between the two countries. The financial guarantees that Moldovan exporters have to pay for transit of their goods through Ukraine significantly raise the final price of these goods and make them non-competitive.³⁶

An agreement on the border delimitation that contained a provision of giving Ukraine 7.7 kilometers of the road Odesa-Reni, which cut across Moldovan territory, was discussed for a few years and finally ratified by both parties in 2001. As compensation, Ukraine promised to return to Moldova its property situated in the territory of Ukraine (resorts on the Black Sea and grape-processing factories).³⁷

³³ Kiev otvergaet obvinenia Kishineva. *EO-LP* 8 February 2002.

³⁴ Popescu, Nicu 2001.

³⁵ Delegatsia Evroparlamenta prizyvaet povysit' uroven' zhizni. *EO-LP* 21 September 2001; Evrosouiz prizyvaet Kiev sotrudnichat' s Kishinevom. *EO-LP* 18 January 2002.

³⁶ Kalak, Dmitrii 2001.

³⁷ *Nezavisimaia Moldova* 23 October 2001 (Hereafter NM); *EO-LP* 16 February 2002.

Moldova as a Member of the CIS

Aspirations of a number of previous more or less pro-European Moldovan governments to obtain unconditional support from the West had not been met by the Western counterparts, because the West, in its turn, expected to find a new partner, not a new burden. In these conditions, CIS countries have remained the main economic partners of Moldova. Although during the electoral campaign the Communist Party used the idea of more active Moldovan participation in the CIS to attract the electorate, after the elections, it had to agree that the CIS represents a very weak organism, and cooperation among members was mainly on a bilateral basis. At the Moscow CIS Summit in November 2001, President Voronin stated his interest in Moldova's inclusion in the Eurasia Custom Union.³⁸ The current Moldovan government does not see perspectives for its membership in GUUAM because there are no real plans for Caspian oil to be transported to Europe via Moldova.³⁹

Moldova has not abandoned the idea of getting some benefits from its membership in the CIS. At the summit of the heads of CIS governments in September 2001, it obtained a decision decreasing by 50 percent the tariffs for railway transportation for the export of fruits and vegetables.⁴⁰ But Moldova still did not reach its main goals within the CIS: creation of a custom union, erection of a free trade zone and a solution of the Transdnistriean conflict. This explains the obvious dissatisfaction with the organization. As a result, in the draft Concept of Foreign Policy of the Republic of Moldova, the CIS is not even mentioned.

Moldova and Romania

The most important issue in the context of security risks are Moldovan relations with Romania. Although it was foreseen that the Communists would not continue the "special relations" with Romania, after coming to power they demonstrated a willingness to do so. The Moldovan MFA considered that relations between two countries would further represent "one of the priority objectives of Moldovan foreign policy."⁴¹ The Moldovan president's official visit to Romania was pierced by statements about special relations and closer cooperation. Iliescu and Voronin agreed that relations between two countries should be based on "pragmatism."⁴² A special Commission on Relations with Romania has been created near the government, and Romania was one of the main supporters of Moldovan membership in the Stability Pact.

³⁸ Kovalskii, Dmitrii 2001.

³⁹ Ibid.

⁴⁰ Frunze, Andrei 2001.

⁴¹ *MS* 24 March 2001.

⁴² Neukirch, Claus 2001.

However, in practice Moldovan-Romanian relations have deteriorated. Romania officially supports the idea that Moldova is “the second Romanian State,” a view that is not shared by the current Moldovan leadership, and wants to introduce a reference to the Molotov-Ribbentrop Pact into the Basic Treaty between two countries, which is unacceptable for Chisinau.⁴³ President Ilie Iliescu declared that the Treaty “does not take into account the specific relations between the two countries and their common historical past”.⁴⁴ Romanian Prime Minister Adrian Nastase questioned the very need for a Basic Treaty with Moldova, mentioning that Romania “recognized Moldovan independence due to some considerations.”⁴⁵ He further added that “the Treaty should provide for a possibility for the population of both countries at an opportune moment to make a decision different to the one made initially,” meaning unification.⁴⁶

So, Romania did not change from the old formula that held “Moldova is the Romanian land” that came into conflict with the attempts made by the Communists to consolidate Moldovan identity as different from the Romanian one and to strengthen Moldovan sovereignty. This controversy creates security problems on the future EU border and within the Stability Pact. As surprising it might appear, some officials from the Stability Pact support the idea of unification of Moldova with Romania in the future. Mihai-Razvan Ungureanu, who came to Chisinau as an envoy of the Stability Coordinator, in an interview explained that Moldova was the only State from the CIS accepted to the Stability Pact because “the general perception in Brussels is that the Prut should not represent a border.”⁴⁷ This statement may represent a personal opinion, but since it was expressed by a person with an official status within the EU, it was taken as a signal coming from the EU.

The further worsening of the relations between the neighbors has been provoked by the conflict between the Moldovan and Bessarabian Mitropolitans, which has reached the European Court for Human Rights. Romanian Prime Minister Adrian Nastase canceled a planned visit to Moldova because the Moldovan Minister of Justice Ion Morei accused Romania of interfering in the internal affairs of Moldova by supporting the Metropolitan of Bessarabia in his speech at the European Court. Some observers commented that ceasing a special procedure for granting Romanian citizenship to Moldovans took place not because of EU requirements, but as a response to the Moldovan position on the Metropolitan issue, the decision on the introduction of Russian into Moldovan elementary schools’ curricula and the substitution of History of Romanians in school curricula with the History of Moldova. The Moldovan president accused Romania of supporting protesters against these decisions financially and ideologically, and the Moldovan government accused Romania of

⁴³ Idem.

⁴⁴ *MV* 22 September 2001.

⁴⁵ *FLUX* 20 September 2001.

⁴⁶ Rotaru, Cristina 2001.

⁴⁷ Grosu, Aneta 2001.

"ideological diversion" and deported the Romanian military attachè. Romania responded by deporting a Moldovan diplomat from Bucharest.⁴⁸

Economic relations between Romania and Moldova in 2001 were supposed to receive a new impetus from the opening of a Romanian commercial Center in Chisinau. The Center should contribute to promoting Romanian goods in Moldova and in the CIS and increase Moldovan exports to Romania. So far, trade volume between the two countries has remained unchanged since 1998 when it was negatively affected by the Russian economic crisis. At the same time, it has a negative balance for Moldova, while Romanian imports to Moldova prevail with 60 percent over Moldovan exports to Romania.⁴⁹ By the volume of imports to Moldova, Romania is situated in second place after Russia. There is a bilateral agreement on free trade between Moldova and Romania, but in spite of it Romania continues to erect sanitary, veterinary, technical and other barriers to Moldovan goods. From time to time, Romania prohibits imports of Moldovan meat and creates obstacles for the import of Moldovan steel, concrete, wine and other goods.⁵⁰ Romania excised duties and other taxes on Moldovan alcohol and tobacco products that are many times higher than the ones for similar local products, in violation of the earlier agreements.⁵¹ This is clearly not in line with EU recommendations on intensification of cross-border cooperation.

On the other hand, Romania has not introduced a visa regime for Moldovan citizens as did other EU candidate countries, although the transparent border with Moldova was a serious concern for the Romanian government, especially because of the delay in Romania's acceptance to the Schengen Agreement.⁵² Indeed, only during the first three months of 2001 Romanian border police managed to stop the illegal entry into Romania of 16,715 foreign citizens, of whom 9,340 came from the Republic of Moldova.⁵³

III. Border Regulations, Visa Issues and Outmigration

Strengthening Borders: Ukraine, Romania, Transdnistria

In recent years, the number of attempts to use Moldova as a corridor for illegal immigrants from Arab and Asian countries, as well as for illegal trade, has significantly increased. These negatively affected the image of the country, especially in its relations with the West, and

⁴⁸ Tkachuk, Timur 2001; Ciubasenco, Dmitrii 2002c; Polinin, Andrei 2002.

⁴⁹ *Tara* 5 December 2000; *EO-LP* 23 November 2000.

⁵⁰ Kalak, Dmitrii 2001a.

⁵¹ *Moldova za svobodnuiu torgovliu. EO-LP* 26 October 2001.

⁵² Budescu, Carolina 2001.

⁵³ *Romanian Business Journal* 3-9 May 2001.

created a number of internal problems. In 2001, in Chisinau 2300 foreign citizens who stayed in the country illegally have been registered. Most of them are from Algeria, Iraq, Syria and Sudan. In the first five months of the year, 400 Chinese citizens came to Moldova and only 20 left the country. Some of these people start illegal business in Moldova, but the majority wait for an opportune moment to leave Moldova for Western Europe.⁵⁴ Almost every week, Moldovan border police detain Pakistanis, Burmese, Chinese, Indians, and Iraqis in attempts to cross the border with Romania illegally.⁵⁵ Obviously, Romania is not viewed as the final destination.

At the same time, the problem of illegal exports and imports has expanded in alarming proportions. According to data from the customs administration, the detected volume of smuggled goods grew from 2.7 percent of total foreign trade turnover in 1997 to 10.6 percent in 1998.⁵⁶ Some steps were taken to fight these problems. A number of projects have been launched with Western financial support aimed at strengthening the borders of the country by better equipment at border check points. Recently the World Bank launched a three-year project "Facilitation of trade and delivery of goods in the South-East Europe" in Moldova costing \$9 million. Considering that the financial assistance of the international finance organizations to Moldova practically stopped for two years, launching this project demonstrates that the World Bank considers strengthening Moldovan borders a priority. Nicolae Makarov, the Chief of the Moldovan Customs Department, said that the World Bank was interested in implementing this project because it realized that Moldova had become a corridor for illegal trade, migration and trafficking in human beings.⁵⁷

Yet again, political instability in Moldova negatively affects the process of strengthening borders. On the same day that a Strategy on Moldovan Customs Development was presented to the government, the Director of Customs Department, Andrei Stratan, was dismissed, and the Strategy was not adopted.⁵⁸

Some rules for foreign trade have been changed. For example, the Moldovan government adopted a decision that prohibited import of gasoline by truck and allowed it only by railway. Small importers who used to import gasoline with trucks protested this decision with strikes. But this method of importing had indeed contributed to the increase of illegal trade. According to data from the Ministry of Internal Affairs (September, 2000), only two of every 10 trucks with fuel that came through customs are officially registered by customs officers.⁵⁹ It was officially announced that in Moldova 330,000 tons of oil products are

⁵⁴ NM 21 June 2001; *Journal de Chisinau* 9 November 2001.

⁵⁵ Marian, Evg. 2001: MS 3 January 2001.

⁵⁶ Carasciuc, Lilia 2001:10.

⁵⁷ *Vremea* 12 April 2002.

⁵⁸ *MV* 9 February 2002.

⁵⁹ Carasciuc, Lilia 2001:10.

illegally imported annually.⁶⁰ Since part of this amount comes from Romania, it cannot but concern EU countries.

The absence of Moldovan customs at the Transdnestrian part of the border contributed to the increase of illegal trade operations. While the Transdnestrian GDP in 2000 was equal to \$220 million, \$582 million from Transdnestrian economic agents passed through just the "Petrolbank" of Chisinau, clear evidence of illegal export-import operations in the secessionist region.⁶¹ An analysis of export-import flow between Moldova, Russia and Ukraine through Transdnestria made by Transparency International in Moldova revealed considerable discrepancies ranging from sixty to ninety percent of turnover. In 1997-1998 more goods were imported to Transdnestria than to the rest of the country, with respectively 1.7 and 3.1 times more for spirits, 9.7 and 19.4 times more for alcoholic beverages and 252 and 90 times more for cigarettes. This is particularly remarkable given that population of Transdnestria makes up a mere 12-15 percent of the total population of Moldova. It is clear, therefore, that the main consumption of the imported goods takes place in the mainland, but without any contribution to the state budget from paying the legal import duties.⁶² Transparency International estimates the annual volume of traffic in drugs in Moldova at \$200-250 million. This figure exceeds by 3.5-4 times annual direct foreign investments in Moldova.⁶³

Changes in Visa Regulations of Other Countries Toward Moldovan Citizens

Central and East European countries in the process of accession to the European Union have taken measures to limit unwanted immigrants from other countries, including Moldova. All candidate countries, excluding Romania, have a visa regime for Moldovans. The Czech Republic and Poland were the last in the row, when, following the requirements of the accession process, they introduced a visa regime for Moldovan citizens from January-February 2001.⁶⁴ It could not but negatively affect economic relations between Moldova and candidate countries. For instance, after Bulgaria introduced visas for Moldovans in 1999, the trade volume between two countries decreased threefold.⁶⁵ Moldovan citizens can currently travel without visas only to the CIS countries (with the internal ID) and Romania (with the foreign passport after 1 July 2001).

⁶⁰ *Delovaia gazeta* 24 August 2001; *FLUX* 29 September, 7 November 2001; *EO-LP* 9 November 2001.

⁶¹ *MV* 9 February 2002.

⁶² Carasciuc, Lilia 2001:10.

⁶³ Carasciuc, Lilia 2001:13.

⁶⁴ *NM* 26 December 2000.

⁶⁵ *MV* 27 April 2002.

After Romania introduced new border regulations, the number of Moldovans travelling to this country decreased by half. Romania even allocated \$1 million to partially cover costs of passports for some categories of Moldovan citizens.⁶⁶ Half a year later, accepted to Schengen zone, Romania stopped granting Romanian citizenship to Moldovans who or whose parents were born in Romania. However, Moldovans who acquired Romanian citizenship earlier (around 300,000 according to estimates made in 2000), but still live in Moldova, have a right to travel to Schengen countries on a par with Romanian citizens residing in Romania.⁶⁷

Outmigration of the Moldovan Population

International migrations and their consequences rank among the most serious problems of contemporary and future Europe. The main reason for outmigration from Moldova is the economic situation in the country, although some representatives of ethnic minorities still continue to leave for their historical home countries for ethnic, cultural or language reasons. In 1997 4748 persons officially left the country, in 1998 4960, in 1999 6326, including 1318 for Israel, 1210 for the United States, 1188 for Ukraine, 1165 for Germany, 1039 for Russia, 62 for Canada, 26 for Italy and 21 for Romania.⁶⁸ In the first six months of 2000, 4500 Moldovans legally emigrated to the United States (1500), Russia (1227), Ukraine (918), Israel (776) and Germany (762).⁶⁹ Moldovans can also conclude legal working contracts in Russia, Ukraine, Belarus and Israel, but only a few thousand people have obtained such contracts.⁷⁰

The majority of Moldovans living and working abroad came to the countries of their current residence illegally, with tourist visas or as guests, and remained to work without work permits, or with invalid or false visas. Not clear are the facts when Moldovans come to European countries illegally, without any visas at all. For example, in 2002 four Moldovans worked officially in Germany,⁷¹ but in the same year German police arrested 2415 Moldovans attempting to get into the country or staying there illegally. This number placed Moldova on the fourth place after Romania (3456), although among arrested Romanians there could be a few hundred Moldovans with Romanian passports, Afganistan (3231), Yugoslavia (2822), and before Iraq, India and Turkey.⁷² In 2000, 6630 Moldovan citizens

⁶⁶ *Kishinevskie novosti* 3 August 2001 (Hereafter - KN).

⁶⁷ Basarabeni cu cetatenia romana pot pleca si ei in Europa. *Jurnal de Chisinau* 14 December 2001.

⁶⁸ *Delovaia gazeta* 3 November 2000.

⁶⁹ Avram, Aliona 2001.

⁷⁰ *FLUX* 12 November 2000.

⁷¹ Ofitsialno v Germanii rabotaiut lish chetvero grazhdan Moldovy *MV* 7 October 2000.

⁷² Politia germana a retinut 2415 de moldoveni. *Jurnal de Chisinau* 23 March 2001.

were expelled from Turkey.⁷³ In March 2001, 12 Moldovans were arrested near the Polish-German border for illegal stays on Polish territory;⁷⁴ in October 2001, at the Romanian-Bulgarian border in a Romanian trailer going to Greece 47 Moldovan citizens were found without the necessary papers and visas. They were returned to Moldova, but many more manage to cross borders each day.

There is no official data on the number of Moldovans working illegally abroad. According to some estimates only 2 out of 3.6 officially registered citizens might actually live in Moldova. While a survey of the labor market showed that 120,000 Moldovan citizens live and work abroad, the Ministry of Internal Affairs gives another figure: 600,000.⁷⁵ The EU's Moldova Country Strategy Paper gives even the bigger number of 800,000, indicating that most of them came from the countryside.

In 2000, \$101.77 million was sent to private persons in Moldova through the official international money transfer systems, an amount equal to a third of the state budget for that year.

The breakdown of transfers through the Western Union system made to Banca de Economii (75 percent of all transfers) by countries looked as following: 32 percent from Italy, 16 percent from Portugal, 8 percent from the USA, by 7 percent from Israel and Greece, 5 percent from Turkey, 4 percent from Germany, 21 percent from other countries.⁷⁶

In the first five months of 2001, 2907 Moldovan citizens were expelled from European countries for illegal stay or for committing crimes: 654 from Germany, 317 from Greece, 277 from Poland.⁷⁷ However, some European states, as Spain, Portugal, Italy and Greece made it possible for illegal immigrants to legalize their presence in these countries and to obtain work permits. In the first seven months of 2001, 6,500 Moldovan citizens were legalized in Portugal.⁷⁸ It is a wise solution for the recipient countries that allows them to keep immigrants under control and for the immigrants themselves, because it gives them more security, but it negatively affects Moldova. It is obvious that the most active people of a working age leave Moldova to work in other countries. Among them are teachers, medical doctors and nurses who cannot make a leaving for them and their families at home. From Karpineni village, for example, 60 teachers, almost the entire staff of the local school,

⁷³ *NM* 4 April 2001.

⁷⁴ *MV* 21 March 2001.

⁷⁵ Kropantseva, Tatiana 2001.

⁷⁶ Burdeinyi, Alexandr 2001; Takii, Alexandr 2000.

⁷⁷ Moldoveni expulzati din diferite state europene. *MS* 6 June 2001.

⁷⁸ Moldovenii si ucrainenii ridica PIB-ul Portugaliei. *FLUX* 22 August 2001.

left to work abroad.⁷⁹ Many labor migrants leave behind spouses, children and elderly parents. In this way families are being destroyed; children left without parents abandon school; men whose wives work abroad often abuse alcohol; and social instability grows.

Problem of Trafficking in Human Beings

In recent years Moldova became one of the biggest supplier countries in the European business of trafficking in human beings. Local traffickers and their partners abroad use the economic situation in the country, the high level of unemployment, low wages, and promise their victims, primarily young women, good jobs and salaries, and a better life abroad. Some of the victims are told that they will make money in the night clubs of Western Europe countries, but usually end up in illegal brothels in Turkey or Kosovo. A report published by the International Organization for Migration (IOM) showed that 60 percent of 200 prostitutes rescued in Kosovo by the IOM from February 2000 to August 2001 came from Moldova.⁸⁰ Moldovan traffickers often use Romania as the transit country from where they transport women to Serbia, Bosnia, Albania, Greece, Italy, and even as far as Spain with the assistance of their Romanian partners.⁸¹

IV. Economic Situation

Foreign Economic Policy

The policy on foreign economic relations declared by the new government was called a pragmatic one. The government announced its willingness to develop economic cooperation with any country, from East or West. However, the investment climate in the country has not changed, and foreign companies present in Moldova feel a high level of uncertainty about their situation. At the same time, the government still expects to attain some kind of special economic relations with Russia (lower prices for energy resources and restructuring of the debts), although without any visible success. Financial obligations imposed on Moldova by the agreement on gas supply concluded with the Russian Prime Minister Mikhail Kasianov have been negatively evaluated by the international financial organizations, and it in fact stopped negotiations with the IMF and World Bank on the allocation of financial aid to Moldova in 2001.⁸²

⁷⁹ Avram, Aliona 2001.

⁸⁰ IOM Kosovo Counter Trafficking Unit. Return and Reintegration project. Situation Report - Feb.2000 to Aug. 2001.

⁸¹ *FLUX* 12 November 2000; 3 and 25 October 2001; Loncle, Francois 2002.

⁸² Nesterova, Oksana 2001.

The IMF highlighted the position that Moldova should make substantial changes in four spheres in order to insure stable economic growth: reform in the energy sector, where the debts increase in a geometric progression in conditions of huge corruption and little transparency; reform in the system of local public administration and provision of state servants with decent salaries; self-initiation and implementation of reforms; and a strong National Bank and Ministry of Finance. The World Bank had stressed that there is no government team a dialogue could be conducted with, and moreover, that the government-initiated measures contradict the reforms requested by the international financial institutions.⁸³

Political instability in the country in early 2002, manifested in the dismissal of the Minister of Economy Andrei Cucu and Minister of Finance Mihai Manoli, again hindered negotiation process with these organizations. IMF Resident Representative to Moldova Hassan Al-Atrash said that dismissal of the Minister of Finance was "a huge loss" and World Bank Resident Representative in Moldova Karlos Elbirt said: "It was inadmissible to leave these key positions vacant when there is a need for intensive dialogue with the donors."⁸⁴ Prime Minister Tarlev, however, assessed this statement as interference in the internal affairs of the country.⁸⁵

Local businessmen are also not satisfied with the economic policy of the current government. They point out the obvious mistakes that have harmed the Moldovan economy: price increases for electricity, interference in the gasoline market, prohibition of some Internet technologies, and granting a monopoly on pre-export inspection to the Swiss company SGS.⁸⁶ Moldovan businessmen do not view the accession of Moldova to the WTO as positive for the country's economy. They point out many restrictions the WTO rules and regulations impose. They say that Moldova was not prepared to become a member of the WTO and entered it on conditions that did not safeguard the republic's interests. For example, Moldova has opened its market to imports, whereas other countries, already members of the organization, were not so impetuous. Markets in the majority of European countries were and still are obstructive to Moldovan goods. WTO membership, in the business leaders' opinion, is similar to a pyramid in which the most rights are allotted to prosperous countries, whereas poor ones have to meet the obligations that the former stipulate.⁸⁷

The agreement on free trade to be concluded by the end of 2002 by the members of the Stability Pact is not considered an important one for Moldova, because the economic

⁸³ Ciubashenko, Dmitrii 2002a.

⁸⁴ Ciubashenko, Dmitrii 2002a; Predstavitel' MVF o moldavskih faktorah. *EO-LP* 16 February 2002.

⁸⁵ Tarlev prosit Vsemirnyi bank ne vmeshivat'sia. *MV* 23 February 2002.

⁸⁶ Popov, Alexei 2002.

⁸⁷ Tudoreanu, Ghennady 2002.

relations of Moldova with these countries, except Romania, are almost non-existent. Moreover, local observers indicate that the other countries of the Stability Pact are suspicious about the agreement because they do not want to substitute an agreement on free trade with the EU that would contribute to European integration with a regional agreement that would become an alternative to eventual acceptance to the EU free trade zone.⁸⁸

Foreign Debts

Shortly after the elections, President Voronin accused international organizations, primarily the World Bank, of providing bad advice to Moldova that eventually led to economic crisis and increasing foreign debts. The idea was even expressed that because the international organizations bear the fault for the failures of Moldovan economic policy, Moldova might consider refusing to repay the debts it has to these organizations.

The issue of foreign debts is a critical one for the economic situation of Moldova. Toward the end of 2001, the total amount of Moldova's international debts amounted \$1.910 billion, including \$1 billion to the IMF, \$370 million to the World Bank, EBRD and EU, and \$500 million to Russia.⁸⁹ Against the promises made by the IMF, World Bank and EU to continue financial support for Moldova, in 2001 the country did not receive any new loans or grants from these organizations, but only a \$10 million grant from the Dutch government at the very end of the year. At the same time, 2002 is a peak period in debt servicing, when \$200 million has to be repaid to international creditors.⁹⁰ Debt servicing constitutes half of the 2002 state budget. Without resumption of the IMF and World Bank financing, the country will not be able to implement the budget for 2002 or restructure debts to the Paris Club, and will have to spend three out of every four Lei in the budget on servicing the foreign debt.

In light of this situation, the credit rating of Moldova was being lowered, and both mass media and politicians continued to speculate about a possible default that would be announced if the government were not able to meet its external financial obligations. In this case, Moldova's relations with the international financial system would be destroyed. Default would entail a more rapid increase of foreign debts because the international financial organizations would stop transfers, and the government's resources would be exhausted. The country would lose its credit of trust; foreign investments, already poor, would be blocked, and as a result production would drop. The government would lose the possibility of implementing its social programs. Education and health care would be the first areas to suffer. As the result, the state would simply cease functioning. It would face a massive population exodus, already started, and not towards the East, but towards the

⁸⁸ Prohnikii, Valeriu 2001.

⁸⁹ Adevarul despre datoria externa. *MS* 5 February 2002.

⁹⁰ Moldova entered difficult fiscal year. *KO* 17 January 2002.

West. Such a scenario cannot but worry European Union that is not at all interested in having a non-functioning state with a poverty-stricken population and the threat of social clashes right at its future border.

Foreign Trade

Moldova has trade relations with 130 countries. Foreign trade's contribution to the state budget is significant: In 2001, customs transfers to the budget made up 64 percent of total revenues.⁹¹ The main destination of Moldovan goods is Russia; after it come Ukraine and Belarus (Table 1).

Table 1. Moldovan Foreign Trade, 1997-2001 (in millions of US\$)⁹²

| Years | Exports | | | | | Imports | | | | |
|------------------------------|-------------------------|------|-------|-------|-------|-------------------------|-------|-------|-------|--------|
| | CIS | CEE | EU | Other | Total | CIS | CEE | EU | Other | Total |
| 1997 | 608.3 | 95.7 | 89.9 | 80.2 | 874.1 | 604.6 | 217.7 | 233.8 | 115.1 | 1171.2 |
| 1998 | 429.1 | 80.5 | 82.9 | 39.6 | 632.1 | 440.2 | 214.8 | 281.2 | 87.5 | 1023.7 |
| 1999 | 256.3 | 82.8 | 98.4 | 24.8 | 462.3 | 221.9 | 143.1 | 156.6 | 51.5 | 573.1 |
| 2000 | 279.7 | 65.1 | 103.3 | 29.3 | 477.4 | 252.7 | 205.2 | 209.4 | 125.4 | 792.8 |
| 2001 ⁹³ | 243.1 | 43.8 | 85.4 | 24.5 | 396.7 | 230.8 | 140.5 | 171.6 | 79.1 | 621.9 |
| | Structure of exports, % | | | | | Structure of imports, % | | | | |
| 1997 | 69.6 | 10.9 | 10.3 | 9.2 | 100.0 | 51.6 | 18.6 | 20.0 | 9.8 | 100.0 |
| 1998 | 67.9 | 12.7 | 13.1 | 6.3 | 100.0 | 43.0 | 21.0 | 27.5 | 8.5 | 100.0 |
| 1999 | 55.4 | 17.9 | 21.3 | 5.4 | 100.0 | 38.7 | 25.0 | 27.3 | 9.0 | 100.0 |
| 2000 | 58.6 | 13.6 | 21.6 | 6.1 | 100.0 | 31.9 | 25.9 | 26.4 | 15.8 | 100.0 |
| 2001 | 61.3 | 11.0 | 21.5 | 6.2 | 100.0 | 37.1 | 22.6 | 27.6 | 12.7 | 100.0 |

The CIS countries are the destination of 60 percent of Moldova's exports, including more than 40 percent of exports to Russia. Exports to the EU have increased each year, and in 2000 made up 21.6 percent of the total volume of exports. At the same time, the volume of exports to the countries of Central and Eastern Europe (i.e., EU candidate countries) has significantly decreased since 1999 (Table 2). The other problem is that the balance between

⁹¹ MV 19 January 2001.

⁹² Economic Trends. Quarterly Issue. Moldova. July-September 2001, 86.

⁹³ For 2001 data available for January -September.

exports and imports is negative for Moldova. The country buys abroad 30 percent more than it sells. One should keep in mind that in order to lower custom taxes and to hide profits Moldovan businessmen show on paper a volume of export much lower than the true value, and the volume of non-repatriated currency is growing continuously. During the period 1996-1998, the practice of under-selling exports resulted in a loss of 500 million Lei revenue, according to the estimates of the Accounting Chamber.⁹⁴

The issue of the Lower Danube and Upper Pruth economic regions, with participation of Moldova, Ukraine and Romania has drawn the attention of the Moldovan government, which has taken some decisions in order to facilitate the economic activity there. So far, however, there is no real progress in developing the regions. The Euroregions Councils and Commissions have regular meetings where they discuss the projects to be submitted to European bodies and donor countries for financing. There is still a long way to go in terms of adjusting the legislation of the three countries, definition of the legal status of the regions, creation of regional bodies for auditing of projects, stabilization of personnel on the Commissions, and creation of free trade zones in the framework of Euroregions.⁹⁵ Higher expectations related to realizing benefits from the Euroregions have been generated by the acceptance of Moldova into the Stability Pact, which could financially support multiple projects currently pending due to short resources.⁹⁶

Domestic Economic Policy

There were no significant changes in domestic economic policy after the Communists came to power. They declared their intention to continue the privatization process according to the World Bank requirements, while taxes, investment climate, the situation of industry and agriculture, employment rate and the population's economic situation remained basically the same. Observers see inconsistencies in the Communist government's economic policy reflected in the idea of transferring enterprises privatized earlier, which have debts or do not fulfill investment commitments, into state property as concealed nationalization.⁹⁷

Official data show macroeconomic improvements in 2001 in GDP growth, export volume and decreasing of inflation. The average monthly salary increased as well, but it still makes up only half of the minimum consumption basket (Table 3).

⁹⁴ Carasciuc, Lilia 2001:10.

⁹⁵ Manoil, Alexandru 2001; Balynski, Andrei 2001; *NM* 7 March 2001.

⁹⁶ *NM* 29 January 2002; *EO-LP* 1 February 2002; *FLUX* 1 February 2002.

⁹⁷ Muravschi, Alexander 2002.

Table 2. Moldovan Exports and Import by Country (in Millions of US\$)⁹⁸

| | 1995 | | 1996 | | 1997 | | 1998 | | 1999 | | 2000 | | 2001 ⁹⁹ | |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------------|--------|
| | Export | Import | Export | Import | Export | Import | Export | Import | Export | Import | Export | Import | Export | Import |
| CIS | 466.9 | 568.9 | 543.1 | 652.7 | 608.3 | 604.6 | 428.9 | 440.1 | 253.7 | 242.2 | 279.7 | 252.7 | 243.1 | 230.7 |
| Russia | 360.1 | 278.0 | 428.9 | 321.4 | 508.8 | 333.2 | 336.8 | 233.0 | 191.2 | 118.8 | 212.5 | 104.6 | 173.6 | 94.0 |
| Ukraine | 58.9 | 228.5 | 46.5 | 261.9 | 49.4 | 211.2 | 48.7 | 151.6 | 32.9 | 79.2 | 36.5 | 112.4 | 40.4 | 106.0 |
| Belarus | 26.5 | 50.7 | 33.6 | 57.7 | 35.4 | 48.6 | 31.9 | 50.6 | 21.7 | 22.7 | 21.8 | 32.7 | 22.0 | 27.3 |
| Others (CIS) | 21.4 | 11.7 | 34.1 | 11.6 | 14.7 | 11.6 | 11.5 | 4.9 | 5.0 | 24.1 | 8.9 | 3.0 | 8.4 | 3.8 |
| CEE | 158.7 | 120.4 | 129.2 | 139.0 | 95.7 | 217.7 | 80.5 | 214.8 | 82.8 | 143.1 | 65.1 | 205.2 | 43.9 | 140.5 |
| Romania | 103.2 | 56.0 | 72.2 | 65.9 | 58.8 | 101.3 | 60.8 | 112.9 | 42.1 | 90.1 | 39.1 | 129.3 | 28.7 | 72.0 |
| Bulgaria | 21.4 | 31.9 | 12.4 | 32.0 | 10.0 | 61.6 | 2.8 | 29.3 | 5.4 | 9.7 | 3.2 | 14.4 | 2.6 | 13.2 |
| Hungary | 5.7 | 8.5 | 2.7 | 10.3 | 1.7 | 15.8 | 3.5 | 29.0 | 16.4 | 10.2 | 4.8 | 15.3 | 3.2 | 13.5 |
| Others (CEE) | 27.9 | 24.0 | 41.9 | 30.8 | 25.2 | 39.1 | 13.4 | 43.6 | 18.9 | 33.1 | 18.1 | 46.3 | 10.6 | 41.8 |
| EU | 86.2 | 115.2 | 78.1 | 177.2 | 89.9 | 233.8 | 82.9 | 281.2 | 98.4 | 156.6 | 103.3 | 209.4 | 85.4 | 171.5 |
| Germany | 45.4 | 45.6 | 29.8 | 76.3 | 32.4 | 94.6 | 23.9 | 91.9 | 36.9 | 66.2 | 36.3 | 85.4 | 29.6 | 58.8 |
| Italy | 15.6 | 19.3 | 21.0 | 36.7 | 23.9 | 48.6 | 22.3 | 65.1 | 25.9 | 34.2 | 36.6 | 45.1 | 35.7 | 44.7 |
| Others (EU) | 25.2 | 50.3 | 27.3 | 64.2 | 33.6 | 90.6 | 36.7 | 124.2 | 35.6 | 56.2 | 30.4 | 78.8 | 20.1 | 68.0 |
| Others | 33.7 | 36.2 | 44.6 | 103.4 | 80.2 | 115.1 | 39.6 | 87.5 | 29.3 | 44.8 | 25.9 | 107.8 | 24.4 | 87.4 |
| Total | 745.5 | 840.7 | 795.0 | 1072.3 | 874.1 | 1171.2 | 631.9 | 1023.6 | 454.2 | 586.7 | 474.0 | 775.2 | 396.6 | 621.9 |

⁹⁸ *Economic Trends* 140-141.

⁹⁹ On 2001 data available for January-September

Table 3. Macroeconomic Indicators for 2001¹⁰⁰

| Indicators | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---------|---------|---------|---------|----------|----------|----------|
| GDP, millions of lei | 6,479.7 | 7,797.6 | 8,917.0 | 9,122.0 | 12,321.6 | 16,019.6 | 19,019.3 |
| Change from previous year, % | -1.4 | -5.9 | 1.6 | -6.5 | -3.4 | 2.1 | 6.1 |
| GDP per capita, USD | 400.0 | 470.7 | 527.8 | 464.9 | 321.3 | 354.1 | 407.8 |
| Average monthly salary, lei | 143.2 | 187.1 | 219.8 | 250.4 | 304.6 | 407.9 | 519.2 |
| Minimum Consumption Basket, lei | 310.6 | 287.8 | 439.5 | 473.0 | 661.8 | 944.5 | 1,052.8 |
| Consumer Price Index (annual average), % | 30.0 | 24.0 | 12.0 | 8.0 | 39.0 | 31.0 | 9.8 |
| GDP Deflator, % | 38.7 | 27.9 | 12.6 | 9.4 | 39.8 | 27.3 | 11.9 |
| Exports (FOB), millions USD | 745.5 | 822.9 | 889.6 | 643.6 | 474.8 | 476.5 | 571.9 |
| Imports (FOB), millions USD | 779.2 | 854.0 | 1,122.6 | 1,059.9 | 1,498.6 | 1,945.7 | 2,488.9 |

According to the official data, in 2001 GDP increased by 6.1 percent compared to 2.1 percent in the previous year, inflation decreased to 6.7 percent compared to 18.4 percent in 2000, and growth of industrial production was equal to 14.2 percent. However, local observers and World Bank experts question the figures reflecting the growth of GDP, indicating that the necessary prerequisites, such as foreign and local investments, to achieve this growth did not exist.¹⁰¹ The Private sector's share of GDP in 1999 was 45 percent, according to EBRD data.¹⁰²

¹⁰⁰ Budgetary and Financial Research and Analysis 2.

¹⁰¹ Kovalenko, Irina 2002; KO 7 February 2002.

¹⁰² *Moldova in Transition* 2002, 9:82.

Table 4. GDP Indicators by Sector (1990 = 100)¹⁰³

| Indicators | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|--------------------|------|------|------|------|------|------|------|------|------|------|------|
| Total GDP | 90 | 55 | 55 | 40 | 40 | 38 | 38 | 35 | 34 | 35 | 36 |
| Industry | 90 | 65 | 65 | 45 | 45 | 42 | 42 | 30 | 28 | 29 | 30 |
| Agriculture | 90 | 75 | 80 | 65 | 65 | 60 | 62 | 55 | 50 | 50 | 51 |

The other problem is that the shadow economy comprises up to 65-70 percent of the official one.¹⁰⁴ The huge volume of the shadow economy is evidence of existing contraband, illegal and unregistered business, corruption and criminality, which are caused by inefficient tax policy,¹⁰⁵ lack of transparency in taking decisions, and low population income.¹⁰⁶ Corruption generates criminality. Absence of an efficient public administration creates conditions for the appearance of mechanisms and structures that substitute for public administration structures. According to data from the local branch of Transparency International, there are 300 criminal groups and 35 criminal clans in Moldova, which have control over economic, political and social development in the country. The judicial system is profoundly corrupt, where a scheme of unofficial taxes exists. One year of a prison sentence, or not applying such a sentence, costs one thousand dollars. Prisons detain almost exclusively people who cannot pay for a milder sentence.¹⁰⁷ On the other hand, due to gaps and imperfection in legislation and corruption of the state officials, any business activity conducted in compliance with the law would generate a deficit. The general reaction of the businessman, therefore, is to conceal their profits.

Foreign investors are afraid of a controversy in the economic reform process in Moldova—continuation of the privatization process on the one hand, and nationalization of enterprises on the other.¹⁰⁸ The total amount of foreign investments in Moldova in 2001 amounted to \$17 million, mainly in transport and communications, and the food processing industry.¹⁰⁹

¹⁰³ *Moldova in Transition* 2002, 9:6, 78.

¹⁰⁴ Obreja, Efim, and Carasciuc, *Lilia* 2002, 23.

¹⁰⁵ According to minimum estimations in 2000 tax avoidance constituted around 30 percent of the total budget income

¹⁰⁶ Taran, Angelina 2001.

¹⁰⁷ Severin, Irina 2001.

¹⁰⁸ *KO* 7 February 2002.

¹⁰⁹ *MS* 31 January 2002.

According to evaluations by Transparency International, Moldova is one of a group of countries with a high index of corruption. On a descending scale of 10 to 0 (with 0 representing total corruption and 10 total lack of it), Moldova scored 2.6 in 2000, ranking it 26th, after the Ivory Coast, followed by Ukraine and Venezuela.¹¹⁰

In a joint study by the EBRD and the World Bank, an opinion poll of about 3000 managers from 20 countries in transition was carried out. Its results show that Moldova held 15th place from the top in terms of microeconomic governance (with a score of 0.52 out of a maximum of 3.0), last place for the quality of macroeconomic governance (scoring 0.35), last place for infrastructure (scoring 1.42), and the penultimate place on law enforcement (scoring 1.1). About 75 percent of Moldovan firms mentioned that the legal system does not protect their property rights. Moldovan managers of enterprises spend 17 percent of their total working time with public officials. This is the top figure among all countries in transition. Regarding the relative scale of bribes in comparison with the total annual income, Moldova is placed among the top five countries. A more discouraging situation for business appears only in Georgia, Armenia, Azerbaijan and Ukraine.¹¹¹

Employment and the Population's Income

Because Moldova is located directly on the border of an enlarged EU, an economic situation in the country characterized by extreme poverty and a very difficult social situation is a matter of concern for the EU. Different sources indicate that there are from 77 (Department of Statistics) to 167 (Moldovan Economic Trends) labor-capable persons per each 100 employed. According to data from the International Labor Organization, 11 percent of the labor-capable population are unemployed, while the real unemployment rate constitutes 18 percent, not counting hidden and seasonal unemployment.¹¹² More than half of those unemployed are persons under 29 years.¹¹³ In 2000, 99,900 employed people (or 13.9 percent of those employed) were forced by the administration of their enterprises to take unpaid leaves for an average 99 days.¹¹⁴ Of 79,000 students only every eighth finds a job within the country.¹¹⁵

The Communist Party had implemented some of its election promises regarding the economic situation of the population. The government raised average pensions from US\$7 to US\$10 per month and pays them on time. However, Moldova remains the poorest country in Europe. Social differentiation in the population is increasing: While 20 percent receive half of the total income, 20 percent of the most poor receive only 5

¹¹⁰ Carasciuc, Lilia 2001:8.

¹¹¹ Transition Report, 1999. EBRD.

¹¹² Kropantseva, Tatiana 2001.

¹¹³ Tinerii fug din Moldova. *FLUX* 15 November 2000.

¹¹⁴ Republic of Moldova in Figures 48-49.

¹¹⁵ Moldova in Transition. Chisinau: Center for Strategic Studies and Reforms 2001:7, 57.

percent of total incomes.¹¹⁶ While in 1997 35 percent of Moldovans lived under the poverty level, by 1999 their share in the total population had increased to 53.7 percent.¹¹⁷ The daily income of 80 percent of population is below US\$1.¹¹⁸ The average monthly salary in December 2001 was less than \$38, while the average monthly teacher's salary was \$20. At the same time, the minimum consumption basket for January 2002 was calculated as \$89.¹¹⁹ Total wage arrears in the state sector amount to \$10 million.¹²⁰

Table 5. Main Socio-economic Indices of Living Standards¹²¹

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|-------|-------|-------|-------|-------|-------|
| Average monthly nominal wage, lei | 143.2 | 187.1 | 219.8 | 250.4 | 304.6 | 407.9 |
| Average monthly income per capita, lei | 96.4 | 116.8 | 127.6 | 127.7 | 142.1 | 182.5 |
| Average monthly pension, lei | 64.3 | 78.7 | 82.8 | 83.9 | 82.8 | 85.1 |
| Minimum monthly consumer budget (per capita) | 310.6 | 387.8 | 439.5 | 473.0 | 661.8 | 944.5 |
| Portion of the minimum consumer budget, % | | | | | | |
| Average income per head | 31.0 | 30.1 | 29.0 | 27.0 | 21.5 | 19.3 |
| Average monthly salary | 46.1 | 48.2 | 50.0 | 52.9 | 46.0 | 43.2 |
| Average monthly pension | 20.7 | 20.3 | 18.8 | 17.7 | 12.5 | 9.0 |
| Aggregate income balance of 10% the most and the least well-to-do population, multiple | 9.3 | 10.0 | 16.0 | 12.3 | 14.4 | 12.1 |

State support for the poor is insignificant, and decreases each year. This is demonstrated by budget expenditures on education and health that are declared free of charge for population, but in practice require various payments.

¹¹⁶ Ciubasenco, Dmitrii 2002b.

¹¹⁷ Traim cu mai pu?in de 1,5 USD pe zi. *Tara* 30 november 2001.

¹¹⁸ Obreja, Efim, and Carasciuc, Lilia 2002:24.

¹¹⁹ Potrebitel'skaia korzina v ianvare. *NM* 23 February 2002.

¹²⁰ Simionel Anton 2002.

¹²¹ Republic of Moldova in Figures 60-61.

Table 6. Expenditures on Education and Health¹²²

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|------|------|------|------|------|------|
| Share of total budget expenditures, percentage | | | | | | |
| Education | 28.6 | 24.9 | 21.4 | 16.8 | 16.8 | 19.3 |
| Health | 18.6 | 15.0 | 13.1 | 10.4 | 11.0 | 12.1 |
| Share of GDP, percentage | | | | | | |
| Education | 10.3 | 10.0 | 7.0 | 4.7 | 4.5 | 4.8 |
| Health | 6.7 | 6.0 | 4.3 | 2.9 | 3.0 | 3.0 |

As a result of the difficult economic situation, the population of Moldova decreased in 2001 by 0.3 percent, or 9,300 people, both due to out-migration and to the decrease of the rate of natural growth.¹²³ The birth rate in the last decade decreased by half.¹²⁴

Table 7. Vital Population Statistics¹²⁵

| | 1990 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 2000 |
|--|------|------|------|------|------|------|------|------|------|------|------|
| Birth rate (per 1000) | 17.7 | 16.5 | 16.0 | 15.2 | 14.3 | 13.0 | 12.0 | 11.9 | 10.9 | 10.6 | 10.1 |
| Crude death rate (per 1000) | 9.7 | 10.5 | 10.2 | 10.7 | 11.8 | 12.2 | 11.5 | 11.9 | 11.1 | 11.3 | 11.3 |
| Natural increase (per 1000) | 8.0 | 6.0 | 5.8 | 4.5 | 2.5 | 0.8 | 0.5 | 0 | -0.2 | -0.7 | -1.2 |
| Life expectancy (male, years) | 65.0 | 64.3 | 63.9 | 64.3 | 62.3 | 61.8 | 62.9 | 62.9 | 64.0 | 63.7 | na |
| Life expectancy (female, years) | 71.8 | 71.0 | 71.9 | 71.1 | 69.8 | 69.7 | 70.4 | 70.3 | 71.4 | 71.0 | na |

V. National Minority Issues

The new parliament finally passed the law on persons belonging to national minorities that was under consideration for seven years. The law does not contain any outstanding provisions, but complies with the European instruments on minority rights. By adopting the law parliament showed that the national minorities and their situation have the permanent attention of the ruling party.

¹²² *The Republic of Moldova in Figures 30; Economic Trends 118.*

¹²³ *Komsomol'skaia pravda Kishinev 13 February 2002.*

¹²⁴ Stici, Ion 2001.

¹²⁵ *Economic Trends 107; Republic of Moldova in Figures 12.*

Gagauz Autonomy—Relations with the Central Authorities

Relations between the Gagauz Yeri and the central government during the last year have been continuously worsening. The Gagauz Popular Assembly, the legislative body of the autonomous region, concluded a pre-electoral agreement with the Communist party offering its full support, on the understanding that the Communists would finally resolve the long-standing problems of Gagauzia. In Gagauzia, 80 percent of the votes in the parliamentary elections of February 2001 went to the Communist Party.

The Communist government did not meet the major expectations of Gagauzia regarding amendments to legislation, especially on property and tax policy, that would mention the existence of the territorial autonomy in Moldova and its special status. Gagauz authorities started to reply in kind by ignoring or even sabotaging instructions of the central Government.¹²⁶ Gagauzia is unsatisfied with the methods of forming of its budget: The autonomy wants to receive more of the taxes collected in its territory, exceptions to Moldovan legislation, a law on the special status of Gagauzia and changes to the language policy of the state apparatus. Gagauzia requests representation in all state structures, including the parliament and the government.

Many thought that the celebration of the 10th Anniversary of the unrecognized Gagauz Republic that did not obey the central Government for a few years was a demonstration of the decisiveness of the Gagauz to secede if Moldovan authorities did not meet their conditions in mutual relations. In the rhetoric of the leaders of Gagauz Popular Assembly, above all its former Chairman Mikhail Kendigelean, the example of Transdnistria as a possible solution of the conflict between Comrat and Chisinau was used quite often. He suggested creating a common state with equal participation of Moldova, Transdnistria and Gagauzia.¹²⁷ The same idea is reflected in the draft amendments to the Moldovan Constitution elaborated by the Gagauz Popular Assembly.¹²⁸ Contacts between Gagauzia and Transdnistria became much more active in 2001. The heads of the Transdnistrian and Gagauz administrations Igor Smirnov and Dmitrii Croitor signed an agreement on economic, technical and cultural cooperation designed for a long-term perspective.¹²⁹

But the Communists moved to extend their administrative reorganization scheme to Gagauz-Yeri, which they had enacted for the rest of Moldova, and which would restore the Soviet-era "raions" (districts) with "vertical power" throughout the country. If implemented in Gagauzia, this change could nullify its autonomy.¹³⁰ When Dmitrii Croitor, the head of the Gagauz-Yeri executive body, and the presidium of the Gagauz legislature came out against the proposed change, Chisinau's authorities resorted to police measures against them and orchestrated a political campaign to oust Croitor, in

¹²⁶ Ninorov, Vladimir 2002.

¹²⁷ *Kishinevskie novosti* 2 February 2001.

¹²⁸ *EO-LP* 23 november 2001.

¹²⁹ *Kommersant PLUS* 16 jJanuary 2002.

¹³⁰ Socor, Vladimir 2002.

violation of the autonomy's status. A Communist majority in the Gagauz legislature voted first to dismiss Croitor and then to have this dismissal confirmed by a referendum. Both votes fell short of the legally required two-thirds majority. Nevertheless, a referendum was scheduled for February 24. Croitor and his supporters tried to impede the referendum; they destroyed lists of voters, closed the polls and threatened their staff. Entrances to Gagauz territory on the day of the referendum were closed, and representatives of the central mass media were not allowed in. The Gagauz administration intended to organize a Congress of all Gagauz people, to create at the Congress a political movement "For Gagauzia" and to take a decision on the interruption of all contacts with the Communist Party. The situation was very tense, and there was a threat that it could spin out of control at any time. In Gagauzia they recall the "march to the south" organized by Mircea Druc, the, Prime Minister of Moldova, in 1990, and reminded Chisinau that a lot of arms had remained in Gagauzia since then.¹³¹

Almost 80 percent of the Gagauz did not participate in the referendum, many of them in the belief that Chisinau intended to "liquidate the autonomy." The OSCE's Chisinau mission had issued an unusual statement on February 5, criticizing the Moldovan government's attempts to censor and take over the Gagauz television studio. On February 18-20, a visiting delegation of the Council of Europe's Congress of the Local and Regional Autonomies found that the attempts made by Chisinau to remove Croitor were unlawful.¹³²

If Chisinau does not find a solution that is accepted by the Gagauz leadership, the threat of the next split of the republic's territory might materialize, and instead of one territorial conflict Moldova would face two. It will further destabilize the situation not only in Moldova, but also in the whole region, because, as the referendum attempt shows, the Gagauz administration could repeat the exercise implemented in 1990, and declare independence.

VI. Conclusions and Recommendations

1. Taking into account the current economic situation in Moldova, its full dependence on Russian energy and markets—as well as on the Western loans and grants, the fact that Moldova is a member of a number of regional organizations that are composed of EU member (BSEC), candidate (SP, CEC) and non-candidate countries (GUUAM, CIS) it would only contribute to Moldova's benefit and to stability in the direct neighborhood if Western partners do not make their assistance to the country conditional on its loosening ties with the CIS and Russia. If Moldova were to face the request to choose one orientation in its foreign policy, East or West, it would stimulate a split of the society, decrease of foreign financial assistance and break in existing economic relations. Moldova is dependent on everyone, and maintaining all links will help to consolidate the country's internal stability. For the EU it would be more convenient to have an economically

¹³¹ Ivanov, Victor 2002.

¹³² Socor, Vladimir 2002.

prosperous neighbor, which belongs to alliances that are not a part of European structures, than to have a poor neighbor that is oriented towards the EU, but cannot be accepted because of non-compliance with the membership conditions.

2. Moldova should not be treated by the EU in the context of the EU relations with Russia as a result of Moldova's dependence on Russian energy supply and on exports to the Russian market. Instead, "the window of opportunity" for future acceptance to the EU should be opened to Moldova, which would serve as a good stimulus for intensifying reforms in the economy, politics, and the social sphere. In this context, the EU's declared intention to give Moldova a special neighbor status is a plausible decision.
3. There exists an opinion that Moldova should demonstrate unilaterally its commitment to EU agenda. Actually, the Moldovan Government has already demonstrated such a change in its policy by publishing the draft Concept on Foreign Policy that clearly indicates that European integration represents the new strategic priority for the country. In practice, this could be beyond the country's capabilities. Therefore, a settlement of the political and economic problems in the country is strongly conditioned on the external assistance coming from the EU.
4. The Moldovan political crisis that occurred in Winter-Spring of 2002 and its evaluation by the international organizations clearly shows that the Communists do not enjoy any sympathy from these organizations. The tone that the Council of Europe used in its recommendations to Moldova, although in many respects fine, was inadmissibly peremptory in relations with a sovereign state. It should be taken into account that for the time being, there is no political force in Moldova other than the Communists that has the support of the majority of the population and is able to consolidate society. An opinion poll conducted by the Institute of Public Policy and the Romanian sociological company IMAS in May-April 2002 in 70 towns and villages of Moldova showed that if new elections would take place "on the next Sunday" 73 percent of respondents would vote for the Communist Party. The second party in the list, the Christian-Democratic People's Party, led by Iurie Rosca, could count on 6 percent of the votes. The leader of the Communists, Vladimir Voronin, enjoyed the support of 45 percent of the respondents, while Dumitru Braghis, the leader of the parliament centrist factions, was supported by 3 percent of respondents, and Iurie Rosca by 2 percent. Other political leaders could count on even lower numbers of supporters.¹³³ This means that the EU and other international organizations will have to find an appropriate way to collaborate with Moldovan Communists if they want their strategies and goals in the new direct neighborhood to be achieved.
5. It is obvious that in spite of the preferential treatment Moldova enjoys from the EU, the prospect of accession for the country is still very far away. At the same time, it could more easily overcome the multiple economic problems and eventually build political stability by actively participating in regional initiatives, such as the Stability Pact for South-East Europe and the Black Sea European Cooperation. Because these structures are still very fragile and their mechanisms do not function properly

¹³³ NM 18 April 2002.

and fruitfully, the European Union should take a new approach, using the perspective of European integration as a means to stimulate regional integration. The European Union might thus become a magnet for consolidation of the region. This could be done by providing the Stability Pact framework with a real context similar to the customs union, like the one Turkey has with the EU, fiscal reform and budget support. As a result, more promising economic perspectives and the strengthening of institutions in the region's countries would have a positive effect for the overall regional political climate.¹³⁴

6. Overcoming the depression in the Moldovan economy is not possible without mass investments in advanced technologies and wider entry of Moldovan producers into stable markets. This can only be realized through structural reforms, creating an institutional and legislative environment for developing a market economy and making democratic institutions that will attract foreign investments and open new markets. These reforms will not be realizable without Western expertise and financial assistance. The EU could contribute to channeling its own resources, as well as of the resources of the Stability Pact and multilateral donors, into the crucial areas of the Moldovan economy.
7. Strengthening of borders of the EU candidate countries by introducing visa requirements erects a new wall in the center of Europe. It affects thousands of ordinary citizens on both sides of the border and has a crucial impact on strengthening the historic trail of mutual prejudice, stereotypes and resentment. The imposition of restrictive principles for crossing borders contributes to widening of political, economic and social gaps, which will be to the detriment of the European Union as a whole. One solution would be to adopt a flexible approach to the Schengen *acquis* and adjust it to the new realities of enlargement. Practical facilitation could be provided by granting multiple-entry visas for persons involved in business activities, persons active in culture, science, students, athletes, inhabitants of border regions, representatives of local self-government authorities, and activists in non-governmental organizations.¹³⁵
8. Practice shows that restrictions imposed on the freedom of movement of labor do not provide the desired results. Moreover, restrictions that can not be overcome by the common people are easily sidestepped by organized networks of traffickers. Limitation on one issue, therefore, creates much more serious problems in the other. People would not leave subject themselves to the hardships of immigration if they had reliable incomes in their home countries. Again, the key for solving the issue of illegal migration is economic development in supply countries. On the other hand, labor migration is necessary for labor markets in some European countries—it fills vacancies that could not be filled otherwise by the local population and provides for money flows into supply countries that can be used for small and medium businesses. Therefore, a kind of "green card" system, bilateral agreements between

¹³⁴ Soros, George 2000.

¹³⁵ On the Future of Europe. Policy Papers 2. The Half-Open Door: the Eastern Border of the Enlarged European Union. Warsaw: Stefan Batory Foundation 2001.

supply (including Moldova) and recipient countries should be developed to channel labor migration into the legal sphere.

9. Out-migration of population and trafficking in human beings, as well as in drugs and arms into the countries of the EU represents a real threat to their security and social stability. To combat these phenomena recipient countries could work in two directions: 1) use economic projects and investments to create new jobs and the decrease of disparity in living standards in supplying countries; and 2) fight networks of traffickers and drug dealers, illegal prostitution and black labor market at home. It is obvious that if there is no demand, there will be no supply.

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