

## **PART I. STRATEGY FOR DEVELOPMENT: CONCEPTUAL ELEMENTS**

### **1.1 Moldova in transition – seven years of experience, lessons for the future**

Like most of the 26 countries in transition, the Republic of Moldova concluded the initial phase of reforms. These resulted in liberalization of the economy, mass privatization and macroeconomic stability. In 1997 the Republic of Moldova achieved for the first time a growth of GDP and of real income. In the next stage, which is expected to last for at least 7 to 10 years, the main task consists of restructuring the national economy and improving the social state, on the basis of a good functioning of the legislation and of the institutions of the market economy, investments in the productive sector, progressive management and increased capacity of the state to perform its functions.

The strategy for sustainable development of the country must be formulated on the basis of past experience, national resources and external factors. Taking these into account, in the current conditions, a forecast based on the past record of Moldova's development does not offer any possibility to clearly identify options for the future. This can be explained by the instability of the situation and by the complexity and contradictory nature of the process of transition from the centrally planned economy to the market economy, which implies the fast transformation of all factors of production (labor, capital, land relationships, infrastructure), as well as of the legal basis and the methods of management in economy.

Under these conditions, it is particularly interesting to analyze the recent experience, the results and lessons of the initial stage of reforms.

The first legal documents that laid the basis for the changes in the national economy are: The Resolution of the Parliament no. 186-XII, dated 25 July 1990, "Regarding the concept of transition to the market economy" and the "Moldovan Program on transition to the market economy" (1991). According to these documents, the Republic of Moldova envisions to follow "the extremely difficult path of transition to the market economy in the shortest possible period, of about 1.5-2 years".

In the seven years which have passed since that time, the Republic of Moldova accumulated a unique experience in respect to the implementation of reforms, first while searching for ways and methods to *liberalize the economy*, and later, from 1993 onwards, during the stage of ensuring *macroeconomic stability and property reforms*.

The difficulties initially associated with the implementation of reforms, in the first half of the 90s, were caused by the swift disintegration of the economic system of the former USSR, that caused unprecedented increases in the prices of energy and imported raw materials, and resulted in price rises for transport and in the loss of traditional markets.

On the other hand, unrealistic estimates regarding the real capacities of the new state and its development potential did not contribute to the identification of new objectives and of reliable ways of gradual access of the Republic of Moldova to European structures, but gave rise to unreasonable expectations in relation to economic growth and to our rapprochement to Europe.

In spite of that, by the mid-90s the main purpose of the initial phase of reforms was achieved: *the Moldovan economy became mostly market driven, its transformation having acquired an irreversible character.*

With different results, the reforms ran in six blocks:

- liberalization of prices and domestic trade, and canceling of the centralized distribution of resources;
- financial stabilization (stabilization of the national currency, curtailing inflation and the budget deficit);
- privatization of property, transformation of enterprises in joint-stock companies through their mass privatization (particularly against patrimonial vouchers);
- liberalization of foreign trade;
- social protection; and
- setting the legal basis and the institutional structure of the market economy.

Although, these reforms were undertaken without an clear integrated view of the market economy, they followed a certain sequence and logic, since they were generally based on other countries' experience and took into account certain local conditions. Nevertheless, it has not been possible to avoid mistakes, hesitations, lack of adequate coordination, etc.

Among the **positive results** of the reforms in the Republic of Moldova the following may be mentioned: formulation of a legal framework (more than 400 laws and normative acts); development of a bi-sectoral economy, increasing the private sector share to 50% of the GDP; stabilization of the national currency and creation of a favorable environment, controlling inflation (monthly average in 1996 was 1.18%, and 0.85% in 1997); liberalization of prices and liquidation of the deficit of goods; creation of the main institutional structures required for operation of the market (commercial banks, stock exchange, privatization and investment funds/trusts, audit, leasing, and consulting companies, free economic zones, etc.). The market orientation of the Moldovan economy has also manifested itself in the increase of the share of services in GDP: from 17% in 1991 to about 30% in 1997.

In general, all these transformations *show that the Republic of Moldova has succeeded in macroeconomic stabilization; however, a continuous stagnation in production has caused production indicators to worsen sharply.* In spite of this, according to the unanimous estimates from the national reports of the IMF, WB and EBRD, during 1994-1995 Moldova was assessed to rank higher in comparison with most CIS countries and its neighbors – Romania, Bulgaria and the Ukraine. Furthermore, the "Economist", in March 1995, stated: "Moldova is a model of correct reforms, and the fact that it is a compact country makes it a perfect laboratory for their implementation".

As became clear later, these assessments were exaggerated. The main reason for this is the fact that reforms were carried out without a coherent and complex plan, and there was procrastination in certain fields of the national economy. The liberalization and opening up of the Moldovan economy, the measures aimed at stabilizing the financial sector and stimulating exports, have not been accompanied by restructuring of the enterprises, stimulation of investments and reforms in the social sphere. Moreover, both at enterprise level and throughout the society at large a void of proprietors emerged. At the same time, a share of more than 40% of GDP moved into the shadow economy, which was afterwards criminalized.

The politicization of society, including the state governing bodies and businessmen, during the electoral campaigns, had a negative impact upon the promotion of economic reforms.

Consequently, instead of the economic recovery that was expected to occur in 1996, the official statistics shows a decline of 8% of the GDP, a budget deficit of 7.4%, and a deficit in the trade balance of 17.4%. Of course, this decline does not reflect the whole reality, since the official statistics do not include the results registered in the shadow economy. According to estimates, in the same period, in the shadow economy there was a growth in the production of food products and of construction materials, in construction of houses and in transport and other services.

Due to the weakness of the state in regulating economic processes, the situation of the state budget has continued to worsen, owing to insufficient collections of taxes and duties, increasing difficulties associated with paying wages and pensions and paying for energy resources, which led to a general worsening of the life of the population. The critical situation created ***imposed the need to take a set of urgent measures at the state level***, which were reflected in the Decree of the President of the Republic of Moldova "Regarding urgent measures for improving the social and economic situation" (January 1997) and the Action Program of the new Government. Adoption of these measures resulted in some improvements in the productive sector, tax collection and customs operation, in reduction of wage and pensions arrears and increasing the share of foreign investments.

Macroeconomic, financial stability cannot be preserved endlessly purely on the basis of imposing tough controls over money in circulation. Convincing examples in this regard are the recent economic collapse of Bulgaria, in 1996, and of Yugoslavia in 1995. In other words, a low rate of inflation and a stable currency should be regarded as basic objectives only during the initial stage of the economic reforms. In conditions of continuous recession of the productive sector, the viability of the financial sector cannot be assured without overcoming the budget deficit or without satisfying the stringent need for investment. Thus, without these measures it is not possible to improve the financial position of enterprises or to obtain the funds necessary to raise profitability.

In these circumstances, it becomes even harder to correlate strategy and tactics in promoting reforms and engaging into "crisis management" on the scale of the whole society (liquidation of the state arrears for pensions and wages, new tariffs on energy, etc.). At the current, second stage of the reforms, ***it is no longer possible to postpone the resolution of key problems such as:***

- restructuring of enterprises, branches and sectors of the national economy, including industry, according with a new industrial policy, agriculture, by expanding agrarian reform, and productive infrastructure (energy, transport and telecommunications);
- attracting direct foreign investments, increasing domestic savings with a view to using them for investment;
- providing state support to entrepreneurs and the private sector as a whole;
- promoting exports, improving the commercial balance;
- carrying out reforms in the social sphere.

The resolution of these problems ensures the creation of an economically viable environment, capable of ***treating the socio-economic organism as a whole rather than offer ad-hoc solutions for improving the manifestations of some symptoms of this "illness"***. Through structural reform of all the real economy sectors, the burden of re-equipping and reviving the national economy is transferred from the shoulders of the state (i.e. of the tax payers) to those of the economic agents, motivated by profit, with positive consequences for the improvement of the life of the population.

In this context, it is interesting to ask the question: "What are the special characteristics and the lessons that can be drawn from the past few years of reform in the Republic of Moldova, and which corrections are being imposed to accelerate them?" Leaving aside current political debates in our society, it is obvious that in the past few years the authorities, political parties and NGOs,

with the support of the majority of the population, have expressed the political will to promote and support the reforms oriented towards the market economy. In spite of that, the social and economic results of the reform give cause for concern.

The following indicators attest to this:

- Moldova has been included into the category of "developing countries"; GDP *per capita*, at purchasing power parity, fell in 1995 to 920 USD (Ukraine – 1630 USD, Romania – 1450 USD);
- the productive structure has deteriorated and the country's de-industrialization reached alarming levels (in 1997, the share of industry in GDP was only 28%). The bulk of exported goods represent a peripheral mix to Europe (comprising raw materials or energy-intensive goods) and imports exceed exports;
- in Moldova the average life expectancy decreased: males to 62 years and females to 70 years; there has also been an increase in the semi-legal migration of workers in search of higher wages in Russia, Germany, Greece, Israel and other countries, and in the exodus of qualified personnel from the country.

***At present, after 7 years of reforms, the following mistakes and drawbacks can be mentioned:***

- the legal and institutional reforms carried out so far have been inconsequential and inconsistent. The Parliament has not yet adopted a new Civil Code (for 8 years!), as a result of which the old Civil Code of the Soviet period (in fact "the economic constitution" of the country!) remains generally valid. Also, there has been no definition of priority sectors and enterprises (to whom the state should grant special fiscal and lending facilities), and entrepreneurs face total indifference on the part of the state;
- the taxation policy has a clear fiscal character;
- the implementation of macroeconomic reforms has suffered from irresolution. The restructuring of industrial enterprises started only in 1995 and so far, despite the fact that many enterprises are insolvent, they are not subjected to a more radical restructuring method, sanctioned by the bankruptcy law, followed by their breaking up and by the sale of part of their assets (buildings, equipment, vehicles) to smaller enterprises;
- slow and contradictory performance of agrarian reform;
- the importance of anti-monopoly policy and of the protection of competition has constantly been underestimated;
- the economic basis of the local self-administration (local budgets, municipal property) has not been consolidated. Generically, the local administration system inherited from the former centralized management system has been preserved;
- the banking system continues to be detached from the necessities and interests of the real economy;
- the state does not yet have its own employment policy, and continues to apply the inefficient policy of egalitarianism in the field of social protection of the population.

The delayed economic growth, so long awaited in the Republic of Moldova, ***amplifies the pressures exercised on the Government to revise its general course of reforms***, including those dealing with monetary policy, privatization, land relationships, etc. These pressures come, first, from the economic agents, for whom the stabilization period is very difficult without any real growth of the economic indicators. Lacking cheap loans for re-equipping the production sector, they insist in using barter in their relationships with other economic agents, both domestic and foreign. Secondly, these pressures come from the trade unions and political parties that, seeking to consolidate their positions, bitterly criticize the actions of the executive in the depression period after the stabilization and social difficulties.

Political stability, continuity and predictability of the course of the reform are necessary conditions for ensuring economic growth. And on the contrary the lack of a clear economic

strategy has extremely serious consequences for the factors influencing the country's economic development, both internal (legal nihilism, anti-fiscal attitudes of the economic agents) and external (relations with IMF, WB, etc.).

At present *three different ways of restarting the economic growth of the Republic of Moldova attract the attention of the decision-makers and of the population at large:*

- continuation of restructuring, liberalization and macro-stabilization of the national economy, based on the negotiated memoranda with IMF and WB – option of the Government;
- promotion of reforms, based on an inflationary economic and financial policy, supported by the printing of money and by a strict control by the state over the financial flows in the interest of the producers and the population – option of the radical left-wing forces;
- postponing the pace of the reforms and of development until better times.

The last two options are similar in the sense that both represent the non-acceptance of "ultimatums" from the international financial organizations, their choice nevertheless implying the obtaining of external assistance, coming from elsewhere.

Evaluating the efficiency of Moldova's collaboration with the IMF and the WB, one must take into account the fact that the collaboration itself exceeds by far the framework of simple financial relations – i.e. they are not just a matter of obtaining some cash for topping up the budget and soft loans for realizing some concrete projects (structural adjustment, private sector development, etc.).

The quality of the relationships of the Republic of Moldova with international organizations and the UN raises its banking rating for the international community, makes attractive the arrival of foreign investments and fosters the extension of its relations with the UN, the Council of Europe, the EU and other countries of the world.

Not by chance, foreign banks, insurance and investment companies in their businesses rely on the recommendations and directives for investment of the IMF concerning the countries in question. It is revealing that precisely after 1993, when Moldova obtained access to foreign financing, it could start reforms, position in the political and economic risks rating to foreign economic agents has dramatically improved. The fact that in the second half of 1997 Moldova's rating started to decline provides a clear signal as to the direction in which the Republic of Moldova should move.

*In 1997* the Government continued the policy of macroeconomic stabilization, consolidated by drastic measures oriented towards increasing the state budget incomes, through enhancing the financial discipline of the economic agents, improving tax collection, sale of state property and indebted enterprises and through imposing a tighter control on expenditure.

As a result, after 1989 it was possible for the first time to stop the fall in production and the spontaneous sliding of the economy from under the control of the state, which had been on the increase in previous years. 95% of the approved budget income was realized. This fact made it possible to pay the debts for the year 1997 to public employees and to pensioners. The Government achieved a great deal in preparing the renewal of the legislative basis (restructuring the productive sectors, social sphere, local self-administration), which unfortunately was not entirely approved by the Parliament. According to evaluations, the GDP for 1997 was about 8.7 billion MDL (an increase of 1.3 %), the average rate of inflation 0.85 % (in 1996, 1.26%), and the average salary 221 MDL (an increase of 17%, and in real terms 7%). Industrial output was approximately the same compared to the preceding year, including the food industry where output grew by 4 %. Positive results have been obtained

in restructuring a group of 41 enterprises of the industrial sector (ARIA), 5 industrial parks were created, the process of reorganization and liquidation of insolvent enterprises was started, and new productive capacities were created (pharmaceutical complex "Perfusion", manufacture of glass bottles, of several food and light industry products). The majority of enterprises have renewed 30 to 50 % of their product ranges. The production of the agrarian sector increased by 11%, 79 agricultural enterprises have been re-organized – i.e. approximately 10 % of the overall number of the former collective farms, sovkhoses and inter-farm enterprises (more than 450 of which were transformed into joint-stock companies).

The private sector accounts for at least half of GDP, and small businesses for 14%. The number of joint-ventures with foreign capital has increased by 30 %, and the share of foreign investment in overall investment by 70 %. The share of foreign trade increased by 5%.

However, these results are contradictory. The state budget deficit (of 7.7% in 1997) remains a permanent factor of economic instability. Fixed asset formation during the past years has not exceeded 19 % of GDP. According to estimates, the balance of trade for 1997 was negative and about 300 million USD, or 16% of GDP. Neither the state nor the private sector owns enough capital to propel the economy forward, a fact which determines the need for borrowing from abroad (in 1995 the foreign debt, excluding the debt for purchasing energy resources, increased by 85 million USD, in 1996 by 86 million USD, and in 1997 by 195 million USD) and for foreign investments to modernize and enhance the competitiveness of the national economy. Attempts to implement some long-term measures, such as restructuring the energy sector, stimulating investment, privatizing large organizations based on individual projects (Moldtelecom, Tutun, Cement), reforming the pension system, and territorial-administrative reform, have generally achieved insignificant results. The share of the shadow economy remains very high. Differentiation of social living standards is also a real issue – at least 60% of the population live below the minimal level of subsistence. Together, these circumstances have led to a fall in the country's rating in the international financial market.

It is very possible, however, that the economy of Moldova in 1995-1997 has passed the lowest point of its decline. Yet, for starting a phase of growth some more active measures are required of the Presidency, Parliament and Government – namely shifting from the "policy of small steps" to more radical reforms, primarily aimed at structural change, combined with actions aimed at maintaining the macroeconomic stability.

The analysis of the situation imposes that exceptional importance be ascribed to 1998 within the cycle of reforms initiated several years ago. The experience of Moldova since 1990, characterized by the chain "acceleration-deceleration-acceleration", shows that the best results in promoting the reforms have been achieved when the actions of the President, Parliament and Government have followed the same major objectives. Thus, it is imperative that the Parliament, in its options, will ensure that the Government will honor the commitments assumed before the international financial institutions regarding the continuation of reforms. Following from this, it is important that the ***period of 1998 to 2000, which constitutes the next "cycle of political stability"***, will provide an end to the crisis, an increased level of economic security for the country and the social protection of the citizens.

## Economic security

From the very beginning of the Republic of Moldova as an independent and sovereign state, its *economic security* has been subjected to several internal and external threats. Ensuring Moldova's economic security is one of the key national priorities.

The three most salient aspects of the economic security of the Republic of Moldova are as follows:

*economic independence* which, in current conditions of the international cooperation, does not mean that the country should be deprived of its relationships with other countries, but rather that its capacity to endure both external and internal threats should be enhanced. The state, in this regard, needs to provide for a rigorous control over the national resources and act towards improving the competitiveness of the nation;

*stability of the national economy* that would be able to provide for decent living conditions for the population; can be achieved and maintained through the protection of private property, promotion of entrepreneurship and defusion of factors of economic destabilization (such as criminalization of the economy, socially dangerous discrepancies in income distribution, etc.);

*society self-development capacity* measured by its scientific, technical and spiritual potential that would favor an inflow of new investment, technology and thought. The strategic importance of social investment in the areas of education, science and culture cannot be overstated. Moreover, the entire process of economic reforms should be geared to the interests and aspirations of society at large.

At this stage, *the main threats for national security of the Republic of Moldova stem from the following processes within the country:*

- *reduced financial and political opportunities for the state in choosing the strategy* for socio-economic development and its practical implementation. The precarious situation of the financial sector is not as much due to the crisis of the former state enterprises, collective farms or sovkhozes, but rather to a slow development of the private sector and inadequate mechanisms and instruments to protect this sector;

- *depression* of the real economic sector, deterioration of the technological and scientific potential and structural shift in the economy towards exporting raw materials and maintaining only the production sectors which have lower level of production compared to other countries;

- *increasing economic development instability* (unstable dynamics of GDP, state revenues, exports, etc.) related to a reduced share of industrial sector and, subsequently, growing share of the agrarian sector which depends to a great extent on climatic conditions and which is constrained by lack of advanced technologies (fertilizers, chemicals, irrigation techniques, etc.);

- *low level of investment* and outflow of capital from the country combined with obsolete and depreciated production means at most enterprises;

- *shadow economy* and "dollarization" of the economy as a form of capital outflow; pervasive influence of criminal structures in the state bodies, in the production sector and foreign economic activities;

- *social threat* of ever worsening living conditions of the majority of the population, declining health of the nation, eroding work ethics and increased social differentiation along income lines;

- *territorial disintegration* of the economic complex of the country into two systems that are essentially separated; Transnistria being totally left out of the reform process.

The *demographic situation* until the year 2000 will be characterized by a decline in population growth rates. Between 1985 and 1996, the rate of population growth dropped from 10.9% to 0.5%, whereas in 1997 the number of Moldova's population decreased by 0.2%. The share of the population able to work went down from 54% in 1989 to 46.7%, and the forecasts suggest an even further decline during the next 5 to 7 years. At the same time, the numbers of migrating population will grow (in 1997 – 7.3 thousand persons) as more and more Moldovans will leave in search of employment abroad. These alarming demographic tendencies are bound to increase *the social burden on the state and individual taxpayers*.

The *situation of fixed assets* of Moldova's manufacturers: in the 1990s, as a result of a decline in investment, real assets of most enterprises rapidly depreciated and became obsolete, while those of a number of enterprises were fully destroyed. Between 1990 and 1996, the total volume of capital investment decreased by 13%, the bulk of investment being directed mainly to infrastructure (gas line networks, roads, etc.), construction of housing and services sector. The Government share in total investment dropped from 66% in 1990 to 34% in 1996, the share of private sector, on the other hand, increased from 25% to 54%, whereas the share of mixed sector and that of foreign investment grew up to 8% and 4% respectively.

If the level of investment in the national economy is not increased by year 2000 (by way of a "development budget", attraction of foreign capital, promotion of capital savings in private sector), the depression will continue and in certain fields (electricity supply, air and railway transport) major technogenic catastrophes are possible. As a result, Moldova will slide a status of the most agrarian (and poorest) country in Europe, with an extremely limited domestic basis for innovations (science, engineering, personnel) and with a reduced output and competitiveness.

Particular attention should be paid to the *issue of property ownership*. The financial and economic instability which characterizes the activity of many enterprises after the mass privatization stage poses a serious threat for the entire economy and society. Often unclear ownership relationships produce a situation which allows for property rights abuses, semi-legal sales and, as a consequence, shift of significant funds and real estate to the shadow economy. This results in underpayment of taxes, decreased government investment in the economy and the state's reduced capacity for social programs financing (at present, 54-57% of the budget is spent on social sector).

Reforms in the property ownership system must be carried out on a broader scale (state, private, mixed ownership sectors, including foreign ownership) and under the strict control of the state. The current degree of the state's weakness in exercising its basic functions in the market economy – regulation of economic activities and protection of entrepreneurship and contracts – may potentially lead to a constitutional crisis. In view of this, it is necessary to develop a modern civil framework (Civil Code), strengthen the judiciary system, and provide for the enforcement of courts' decisions.

Moldova's economic security, as regards the realization of the long term supreme national interests, cannot be just a problem pertaining to the state power bodies only. It is crucially important, that it constitutes a major objective for both all political and public organizations and strata of the population. Integration of the common interests of the country with those of the citizens and various groups of the society for the purpose to remove the internal and external threats – social- psychological processes of major difficulty – will depend in continuation on the historical traditions, of the level of the political culture and confidence of the people in state authorities.

*The key external political threats* for the Republic of Moldova are as follows:

- considerable foreign debt (38.5% of GDP in 1994, 49.9% in 1996, and 63% of GDP by the end of 1997);
- dependence of the national economy (no less than 90%) on imported energy resources (an equivalent of 5 million tons of coal per year), delays in determining potential alternative sources of energy;
- growing dependence on imported machinery and technology in conditions when domestic industries and research & development potential are being destroyed.

Of all the ex-soviet countries, Moldova inherited, ***probably most difficult structural problem***: it depended heavily on the economic relations within USSR (the ratio of export/import to the social aggregate output accounted for 63-66%), and the collapse of the latter subjected the national economy of Moldova to an external macroeconomic shock which entailed losses amounting to 30% of the GDP.

At present the Republic of Moldova, as small country open to world, needs to find its own niches on the world markets while maintaining its positions on the traditional markets from the former soviet area.

***South-eastern Europe is a zone of less interest in terms of reforms dynamism. This fact was convincingly proved by the crises in Yugoslavia, Albania and Bulgaria.*** According to the risk rating (Euromoney, September 1997), the Republic of Moldova ranks 104<sup>th</sup> amongst those 180 countries of the world (as of September 1996 it ranked 125<sup>th</sup>, and the 13<sup>th</sup> amongst 21 countries with transitory economies from the Central and Eastern Europe.

According to BERD assessments (Transition Report, 1997), in 1996, in terms of GDP per capita (443 USD), Moldova ranked 23<sup>rd</sup> amongst 26 countries in transition (being followed by Uzbekistan, Kirghizstan and Tajikistan) and GNP per capita in terms of purchasing power (1900 USD) – it ranked 21<sup>st</sup>, having outrun the countries: Albania, Azerbaijan, Georgia, Kirghizstan and Tajikistan.

The following 2-3 years, most probably, will be critical to Moldova. There are two scenarios: either the crisis becomes irreversible, and then Moldova will be a third world country in conditions of a stagnant peripheral country, or it will succeed to overcome this situation in the near future, after 2000, and find its place in the economic and spiritual life of Europe.

## **1.2 Objectives and priorities for sustainable development of the country**

Immediately after the historical event of the emergence of the Republic of Moldova as a new European state, in front of political leadership of the country, its supreme representative and executive bodies, the primary task was the ***necessity to define a Strategy for Development*** – as a definition of paramount national interests, priorities of internal and foreign policies, as an evaluation of current and potential threats to this interests and the formation, on this base, of a current and prospective policies.

The Republic of Moldova and its relationships with Europe, including CIS countries that emerged after the dissolution of USSR, have basically passed the line of uncertainty, expectations, and have overcome the borderline after which Moldova begins, finally, to promote a real policy, based on genuine national interest.

If *elaborating the concept of national interests, as starting point for the elaboration of a national strategy*, without a clear vision of interests, than the politics becomes a sum of sporadic conjectural actions, that have an overall negative effect. National interest, first of all represents the interests of people that make up the nation. Here the word nation encompasses all the citizens of the given society. The definition of national interests requires the harmonization of the interests of all citizens that live under the given state legislation and are equal in front of the law.

*The national interest of the Republic of Moldova today can be identified as – the affirmation of its statehood, preservation of territorial integrity, creation of united and viable economic ensemble with a market economy, where the welfare, physical and spiritual development of the people resides on personal results, and the determination in the nearest future of a well-deserved place for Moldova in the European and world context.*

The *strategic goal* of the Republic of Moldova, deriving from these premises, is three tier:

- (i) stabilization of state institutions, that would guarantee the democratic development of the society, rule of law and respect for constitution, the freedoms and rights of Moldovan citizens;
- (ii) creation of suitable conditions (environment) for the market economy to function, that will increase employment and income, along with the competitiveness of Moldovan products on international markets;
- (iii) formation of a Moldovan society in conformity with European standards and norms of social justice and security.

*Under the certain conditions of 90es*, the national interests where embodied primarily in the necessity *to outcome the multilateral crisis in the country – socio-political, economic and moral*, to stop the production decline and to prevent the decrease of living standards to the level, that could bring to the outbreak of social conflicts and degradation of the nation.

Namely on this base, the national consensus could be achieved – an economic growth is required to increase the living standards of the people, and the society is totally supportive for such a growth.

Deriving from what was stated above, *the key component of the strategy for development* of the Republic of Moldova is the “*economic block*”, including: macroeconomic stability and creation of a durable financial system, active structural policy, oriented towards modernization of production sector and creation for exporters of some “national anchors” for their consolidation on foreign markets (credit, industrial, agrarian policy, improvement of business environment), and on this base – a flexible social policy, that should allow the population to overcome the transition with as less as possible hardships.

*In the long term*, the Strategy for Development of Moldova should be *oriented to a change in the social progress paradigm in favor of new principles of relations between the individual, society and the environment*. The primary goal and subject of the socio-economic and technical/scientific progress shall be the human being, his physical, cultural and spiritual well-being in harmony with nature. The Republic of Moldova will therefore work, along with other UN members, on the implementation of "Agenda 21" – the global plan for sustainable development agreed upon at the 1992 Earth Summit in Rio de Janeiro.

*The model of the state and society*. The Constitution of the Republic of Moldova (1994) defines a *sovereign, democratic and lawful state*, where the dignity, human rights and freedoms are considered as supreme values and are guaranteed. The filling of the notion of “lawful state” with real meaning implies: rule of law, political pluralism, division of powers, free elections, respect for human rights, including the harmonization of relations between ethnic and linguistic communities in the society.

This fact ensures the establishment in the country of an *open civil society*, with well defined mechanisms for human rights protection and relation between civic organizations and the state. A special importance is attributed to the development of free trade unions and establishment of a dialogue and a partnership with the civil society, particularly, with NGOs.

**Economic model.** The Constitution of the Republic of Moldova states the model of a socially oriented market economy as the most acceptable economic model for the country, based on private and public property engaged in a free competition. The state guarantees the freedom of entrepreneurship, choice of profession and residence, equal treatment and inviolability of all forms of property, ensuring a correlation between the income of workers and the work done, social protection of unable persons and the socially vulnerable groups, a social partnership (between the state, employers and trade unions).

Deriving from its geo-political and geo-economic location, the size and potential of the country, the most appropriate prospective for the Republic of Moldova would be *the model of a "small open economy"*. The building of it should become the key-task for the future.

The concept of Moldova – an open economy – should become a certain ideology, that will stick together, in their actions, the state administrative bodies, all social strata, parties and social movements. Its implementation is a complex political, economic and socio-psychological task, focused on supporting the most important spheres that supply the vital needs of the country in the field of production, education, healthcare, science and culture, and which altogether ensure the preservation and expansion of the national genetic fund as a base for progress of the society and the state.

The implementation of the Strategy for Development "*Moldova – small open economy*" is a lasting evolutionary process. Bound on present insatiable situation, crisis state of production sector and the society, uncertainty of long-term forecasts, the most rational would be the elaboration of a medium term strategy, till the year 2005, that will comprise two stages.

**First stage**, that covers the period 1998-2000, coincides with the term in office of the acting President and has as premise his constructive co-operation with the Parliament and the Government, set in the result of 1998 parliamentary elections. The goal of this first stage is the *implementation of structural reforms*, maintaining at the same time the macroeconomic equilibrium, stabilization of the living standards of the population, accomplishing the creation of legal framework and of the economic mechanisms for the basic directions of reforms, including the financial sector, production and social sphere. Already at this stage, by restructuring the "nides" (enterprises, sub-branches), it is important to identify the national competitive advantages and to increase exports.

The goal of the *second stage* (years 2001-2005) – *is passing to a sustainable development of economic growth and of the social processes in the framework of the ideology of a socially oriented market economy*. According to forecasts, in the next decade the national economy will evolve at an annual growth of 2-3% (in the EU countries – 3-4%), thus for Moldova, that wants to get out of crises, the achieving of a faster growth of GDP is of a vital significance.

A fact of overall importance is that, upon analyzing the experience of other countries in Europe (Germany, Scandinavian countries, etc.), the model of socially oriented market economy, based on market self-regulation, is implemented with an active role of the state as a corrector of the production process and public order supervisor. The main tools of intervention are the laws and the institutions set up by the state. In this case, the state has to focus its efforts on that spheres and indexes of the market, towards which the economic agents are looking while taking decisions: the monetary and credit policy, fiscal policy, foreign economic policy, competition laws, investment policy, contract laws. The state also has the obligation to be active in extreme

situations (in the production and custom areas, in cases of natural disasters). The social compensation presupposes the reallocation of income through the system of pensions, social subventions, support for families, encouragement of accumulation.

*After the year 2005:* The strategy for development “Moldova – small open economy” will have to be adjusted, or transformed into a **program of actions directed towards the preparation for accession of Moldova to the European Union**. The length of this process will depend first on how soon Moldova will succeed in catching-up with basic economic indicators and living standards of the European Union. Taking the average on GDP/capita in the Union as 100%, in 1996 this index was 42% for Slovenia, 20% for Czech Republic and Hungary, 14% for Poland, 7% for Bulgaria and Romania and around 2% for Moldova. The gap is huge. But, apart from catching-up with the figures, the country needs to approximate to the EU standards – the legislation, institutional framework, statistical system, informational system, ecology, etc.

The **strategic priorities** that will dominate the whole period till the year 2005 and after it, should be oriented to solving the deeply rooted problems of the social and economic development of the country with an cumulative impact. The reflection of national interests has to be characterized by certain quantitative criteria and parameters according to their degree of importance, that will ensure the sustainable development of the economy, good leaving conditions, development of personality, accepted by the majority of population – the political stability and the integrity of the state, capacity to confront the impact of internal and external threats to national security.

The following key-priorities, reflecting the national interests of Moldova, should be stated:

- **the ability of national economy to function in a regime of expanding reproduction**. This means that the country have to provide:

- **macroeconomic stability** as a necessary prerequisite for economic growth (the annual rate of inflation under 6-8%, the budget deficit by the end of the period – 2%);

- **stimulating growth** by means of financial policy and organizational and economic measures of the state in the **real sector of the economy** (restructuring of enterprises and branches, new industrial policy, agrarian reform, demonopolization of the energy sector and rationalization of energy consume, state support for entrepreneurship);

- reaching a level **accumulation** in the economy of 20-25% of GDP and ensuring conditions for transforming savings of the population and of the private sector in investment; creating opportunities for an increase of foreign investment flows till the year 2000 up to \$500m and doubling them by the end of the period;

- **export promotion** based on competitiveness growth of Moldovan products, creating new niches on external market (in developed countries and in the third world), securing at the same time the traditional markets in post-soviet space;

- **ecologization** of production and society;

- **reaching and maintaining a level and leaving conditions for the population, that will secure the socio-economic stability**. In this respect, the reform of social sphere is imperative along with the non-admittance of overtaking the maximum acceptable poverty line, in order to preserve the socio-political stability, differentiating the living standards of population and unemployment.

An important criteria of national security lies in creating in the country the middle class with good living conditions (skilled workers, scientific researchers, free licensers, state employees, representative of small and medium business) as the most active bearers of national traditions and the ones that constitute the social support for a democratic state.

Political stability of a country implies the creation of a mechanism of social partnership, the co-ordination of economic and political interests of different strata of the society, the non-admittance of separation of certain social or ethnic groups from the whole of the society and an of antagonisms between them. The honest and qualitative work should ensure a well-deserved standard of living.

It is of great importance the access of population to the services offered, as: healthcare, education, culture, heating, energy supplies, water, transportation, communication, maintenance services.

For implementing the strategy “Moldova – small open economy” it is necessary to achieve a unity and concentration of actions of the Presidency, Parliament and Government, public organization, with support of population, in **10 primary fields**:

- (1) **legislation and law enforcement**;
- (2) **institutional changes** in the state structures;
- (3) **active foreign policy** in the field of European integration and international collaboration;
- (4) **internal policy priority – human resources development** (education, healthcare, research and development, informatization, foreign language studies);
- (5) **affirmation of market economy, private sector** – land, real estate, capital and labor markets.
- (6) **financial stability** – monetary, fiscal and investment policies, stimulating to economic growth;
- (7) **structural reforms** in the sectors of real economy, favoring the export oriented branches and the ones that use skilled labor force; the sector of highest growth – the small and medium enterprises;
- (8) **modernization of infrastructure** – telecommunications, road network, transportation, water and energy networks;
- (9) **social reforms** – increase of income of population and speeding up the development of the social sphere, including tourism;
- (10) **territorial development** (local administration, Euroregions, free economic zones, technoparks, trans-border co-operation between regions).

External conditions necessary for the implementation of the Strategy should create an effective framework for Moldova’s co-operation with European and regional structures, for bilateral relations with international financial organizations, and, inside the country – a basis for a partnership of the Government, trade unions, employers and political parties, along with the appropriating of the national interests by the population.

### **1.3 Consolidation idea, the state as initiator and subject of the strategy**

Since early 90’s the Republic of Moldova assumed the role of initiator of reforms, and now the state is responsible before the population for results thereof.

The concept of socially oriented market economy, as mentioned in the Constitution of the Republic of Moldova (Art. 126), determines this responsibility in the following fields: legal, economic security, social policy, institutional restructuring and foreign trade. Gradual limitation of the functions of the state as economic subject (state sector) needs to be offset by its efforts in the role it plays as reform coordinator.

For this purpose the country has to know where it goes and what are its tendencies. This matter is moreover important to Moldova – as a new state, whose economy and society strive to encounter the crisis.

*The strategy for social-economic development, foreign policy doctrine, long term policy in science, education and other programs related to the perspective, all of them derive from the general interests of the state and national interests focused on the idea of social consolidation.* The lack of such a doctrine – as basis for civic consolidation, – of a clear vision of the interest of the state and ideals that are the targets of the society, explain to a great extent the difficulties it faces in overcoming the crisis; generate uncertainties of national strategy orientation, causes loss of time, and it is not excluded – emergence of mistaken approaches in ensuring the geo-strategic and economic interests of the country.

At present the Moldovan society is divided based on the following criteria: ethnic, political, territorial (left bank, right bank of the river Nistru), countrymen-townsmen, poor-rich. Despite of that, regardless to this difficult situation, in the Moldovan society there are some pivoting points based on which the civic consensus and national idea might be realized, in form of a community of citizens of the Republic of Moldova.

The fact that the majority of the population and political forces of the society saluted the independence of the Republic of Moldova and accepted its course to promotion of reforms, that the desire to live in peace, progress and well-being constantly foster the human beings, that the example of neighboring nations encourage us towards the same European values – constitute sure arguments, that even in similar conditions, both interests and national idea can be identified. The series of political and economic measures undertaken recently by Republic of Moldova have demonstrated in what directions the interests of the population converge. The privatization based on patrimonial vouchers, privatization of housing, land, fair solution of social problems have always had a conciliation role in the society.

The need to form the national idea in no case contradicts the Art. 5 p.2 of the Constitution of the Republic of Moldova, where it is mentioned, that: “No ideology can be instituted as official ideology for the state”. Prohibition of ideological monopoly does not entail a refusal to any state ideology in general.

In order to ensure a breakthrough towards a well deserved future – in the XXI century, – in the Republic of Moldova as in any other democratic states, there need to be a stable agreement vis-à-vis basic values and social development priorities. In that circumstance, whatever personalities, parties or governments will come to power, they will have to base themselves on the generally accepted values.

The lack of civic consensus generates dangerous situations, when various social groups or political forces can be animated by ideas that may have a baneful impact on the latter: *i.e.* to maintain or take power at any price, the desire to modify the political system of the state by illegal means, to return to the past times, to get reach in unfair manners, etc., whereas the majority – will have to strive for a biological survival. Avoiding any ideology have lead to other deviations of the social behavior, such as tough pragmatism, deprived of any spirituality and cultural values. When in the state a generally accepted ideology is missing, the social equilibrium loses its meaning.

The *state ideology* of the Republic of Moldova can comprise a system of ideas, that express:

- the model of social system chosen by the state, oriented to fairness, order and to ensuring the human rights;
- basic indigenous interests, that may ensure stability, development and competitiveness of the country;
- unanimously accepted values and local traditions, that unite the people and consolidate the civic consensus;

- legally assumed engagements by the majority of the population and ethnic groups, based on the historical experience of people's living together, in the same country and preserving their national values and identities (in terms of traditions, language and culture);
- the social economic priorities aimed at guiding the social energy to a sole direction – prosperity of the country.

In this context, *the guiding consolidation idea derives from the awareness of the population of the Republic of Moldova of its identity, based on the path and chosen objectives, on the commonly accepted and distinct responsibilities and liabilities in building up a state and a prosperous democratic society.*

Proceeding from the task of the Strategy for Development, as consolidating idea, there can be accepted the idea of *civic consensus and modernization of the country, its transformation into a civilized and modern state – politically stable, open to international cooperation, which promotes a policy of economic and political integration into world community.*

When realizing the model “Moldova – small, prosperous courtly open to the world”, it is a matter of principle, that the civic accord be reached within a democratic *integral state*, whose citizens could ensure a living level, at least not worse than that from the neighbor states. Only in conditions when Moldova will be multilaterally available to integrate into Europe, including through multilateral relationships with Romania, (Austria-Germany model), it has the chance to realize the national idea, based on equality of all citizens under the law and unconditional observance of human rights' priorities.

Devotion to statehood of the Republic of Moldova, social consensus and way to modernization of the country, presumes to univocally *major the role of the state* in establishing new legal order, in formation of structures and norms that regulate the economic relationships, in safeguarding the rights of the citizens to ownership. It is important a legal consolidation of the role of the state in its task of market economy corrector, in compliance to social criteria.

In formulating the *perspective state policy until 2005*, it is necessary to take into account the experience gained during the incipient phase of reforms, regarding the following three aspects:

- “dosing” the pace of reforms as a guarantee of the fact, that they be socially acceptable and irreversible;
- combining methods in regulating, by the state, the economic and social processes based on market self-regulating tools;
- systematizing and coordinating of state actions, availability of a political will oriented to strategic targets.

The state has to take into account the mistakes admitted in the initial phase of reforms: sharp decline of the state influence in economy, including in the main field (property), lack of priorities, tendency to do “everything at once” with scarce resources; spontaneous development of private sector, lack of support to small business on the part of the state, lack of incentives to investments and export, delay of structural changes and measures of social protection. Based on this experience, the role that the state has to play in the years to come have to be oriented to:

- rapprochement of legal basis of the state and institutional structures to European standards;
- intensification of the responsibility of the state regarding prevention of monopolies and protection of competition;
- up-keeping the macroeconomic stability through flexible financial policies and reducing the state budget deficit;
- coordinated realization of the social reforms;
- restructuring the basic enterprises in all branches of the national economy, ensuring a boost of attracting investments into production and export promotion spheres;

- ensuring the economic security – maintaining within acceptable limits the foreign debts, diminution of unilateral dependence of one energy source, creating an economic legal basis for resolving the Transnistrian problem, building up state reserves, fostering the fight of economic crime.

In continuation, the attention of the state has to be paid more on its internal functions, in conditions of socially oriented market economy, including through a distinct differentiation of the private and state sectors (in production, social sphere and infrastructure), state budget decentralization and shifting to territorial self-administration, involvement of private sector in manufacturing mass consumption goods with a view to avoid extreme situations in production and consumption, etc. The state, as partner and catalytic of the activity of the economic agents, needs to use at maximum the potential of the entrepreneurship and of the citizens.

The methods of realizing the functions of the state will cover legislative, economic and administrative measures. It is externally important that the laws and juridical structures be effective, and that the state supports the programs with special destination (implementation of innovations, re-equipment of enterprises, exports development, housing program, education, etc.).

It is important to restore the *confidence in the state*, to ensure its policy predictability, to foster the activity of the state structures and public officials in order to exercise their functions in a new manner; limitation of administrative abuse and corruption.

The “Achilles’ heel” for Moldova consists in the low ability of the state structures to execute its functions. The main danger pertains to the lack of prestige of the public institutions, to the reduction of professional quality of the state machinery, resulting from the syndrome of “temporality” and small wages of the employees, which leads to illegal involvement in business. The structure of some state central and local bodies have lost most important peculiarity of the state structure – its ability to draft and make decisions oriented to realization of the state’s interests. Proceeding from the orientation “Moldova – an open economy” it is necessary to urgently form a new *corps of leaders*, who should be provided with a set of social guarantees on the part of the state, proper wages and incentives to self-improve and act honestly to the general interests of the society as a whole. Sure, in line with that there are needed measures meant to amplify the control on the quality of work done by the state administrative structures and executive discipline at all levels, to ensure fighting of corruption and reduction of disequilibrium in functioning of the state institutions.

For *perfecting the organizational structure of the Government*, it is worth finishing the transition from branch management to problematic-functional management, in compliance with the new structure and tasks of the economy, giving priority to program based functions, regulating guidelines, exercised by the state typically through economic methods.

A weak state wouldn’t be able to realize the model “Moldova – country open to the world”. The *globalization processes* that are running in the world and Europe, at the threshold of the XXI century, openness of borders, for which the Republic of Moldova has been pleading, are accompanied by certain *risks for a country with weakened statehood*.

The way to overcoming them are – political will, respect of law, expressed at national scale, in the favor of the civic consensus and modernization of the country. When a state – including its President, Parliament, Government, and the body of the population are animated and united by a common national idea, on the basis of high organization and self-discipline, the globalization process opens to the country new horizons for development, based on application of advantages deriving from the international cooperation.

## 1.4 A small open country – aspects of foreign policy

The main task of Moldova's foreign policy is to facilitate the fulfillment of the country's national interests. Three considerations are important in defining the foreign policy priorities during the period of implementation of the Strategy:

- The Republic of Moldova is a small country belonging to European political and cultural expanse due not only to its geographic location, but also to a deliberate, conscious political will thoroughly expressed by national leadership and supported by active and coherent actions;
- In the international ambiance there are contradictory tendencies as referred to Moldova: on the one side, the Western interest for the country has flagged (due to some both objective factors – small size of territory and internal market, lack of important mineral resources, the diversion of attention of western states towards Eastern enlargement of EU and NATO, and subjective ones – difficulties in implementing reforms and overcoming the crisis, ambiguity in pursuing foreign policy priorities); and from the other side, political and economic interest towards Moldova from the CIS countries remains constant. On its part, Moldova is also interested in designing an efficient collaboration framework in post-soviet area.
- Transnistrian issue remains unresolved and continuing presence of foreign troops on Moldovan territory has an extremely negative impact on economic security of the country.

One of the fundamental tasks of Moldovan foreign policy is to ensure the security of the country, because the biggest threat for the national destiny lies thereupon. After USSR disappeared from the political map and Moldovan declaration of independence, a security vacuum set in the region. So far Moldova has failed to outline a clear doctrine that would frame the establishment, in the foreseeable future, of a viable security mechanism for the country, and has displayed an extremely passive policy in this regard. It has to be mentioned, that the outcome of such a policy is that the Republic of Moldova is now in a weaker situation comparing to its two neighbors – Romania and Ukraine: the first having a plenary dialogue with NATO aiming an accession to this organization, the second having succeeded in establishing a special treatment arrangement with it.

Closely associated with this is also the question of Moldova's "permanent neutrality" status. In spite of all deficiencies, it can be considered as a temporary solution, but in no way for a long term. This statement is supported by following arguments. The concept is obsolete both in form and essence, by profound transformation that occurred in the world (here to emphasize is the monopolarism of current international situation, that, even if changed in the next 20-25 years, it will result in a rise of new global centers of power; traditionally neutral countries are abandoning or reconsidering their status. Neutrality presupposes building of a strong autonomous defensive system, requiring important financial resources, that Moldova is very unlikely to possess in the foreseeable future. A declared neutrality usually means an agreement between super-powers on respecting this status, or offering guarantees. However, in the case of Moldova, western countries are extremely reticent in offering such guarantees.

Lack of a democracy and independence record in the region – the historical argument in interstate relations of this region was rule of power rather than respect of international laws. Among the solutions that can contribute to improving the situation referred to, could be named the following:

- Elaboration of a more complex stance to explain the flexible, evolutionary, transitory character of neutrality status in case of the Republic of Moldova. An important element of this position could be the emphasis on the fact that in our conceptual thinking there is a clear understanding that long term security of the country can be achieved only by integration into European structures;

- Initiating an active dialogue with Euro-Atlantic political and military structures and bilateral links with countries in the CEECs and industrialized countries for possible security arrangements;
- Development of a thesis (and capitalization on it), that would specify that regardless of Moldova's proclaimed neutrality, the respect of provisions approved in Europe are also important for Moldova – civil control over armed forces, professionalization of the army, etc.

The problem of foreign troops in the Moldovan territory will continue to remain a major threat to national security. Finding solutions to the issue and reanimation of this subject on the international arena is imperative: through enhancing dialogue within OSCE; identifying a new international framework (e.g., NATO-Russia Consultative Committee) that co-ordinates efforts of Western countries in the region; involving more intensively the Western capitals that are engaged in a multi-lateral dialogue with Russia and have efficient leverages over its position, including the issue of withdrawal. Equally, it is necessary to elaborate a detailed plan for the withdrawal of the 14th Russian Army which should be incorporated into broader context of resolution of the Transnistrian conflict. Also possible is that the 14th Army be transformed into a peace-keeping force granted that it adopts the UN peace-keeping standards (clear mandate, time limit on the presence in the region, ammunition standards, and subordination to the international bodies).

Over the longer term, foreign policy of the Republic of Moldova targets the integration into European structures, including the accession to the European Union.

National interests of Moldova within Europe lie in active participation in general European processes and collaboration with other states in the field of European security.

With the view to achieve this goal of major importance for country's destiny, an extremely active, coherent and consistent foreign policy is required. It is necessary to establish a Governmental office for European integration, that would co-ordinate the internal efforts of appropriation of European standards. Also it will be extremely important to project all the internal and external actions through the angle of compatibility with legal, political and economic system of the European Union.

It is vital to stabilize Moldova's trade balance with the European nations to avoid transformation of Moldova into a peripheral economy and to ensure free movement of goods, raw materials and energy resources through the territories of its neighbors. It is important to create political mechanisms of different nature that will prevent an inflow of economic instability from other countries – main economic partners of Moldova.

In terms of bilateral relationships, Moldova will continue to develop the meaningful dialogues it initiated with Russia in 1996, and our immediate neighbors, Romania and the Ukraine. Relations with Russia need to be based on understanding that our rapprochement with the European Union will be beneficial for the Russian Federation in that it will result in a significant Russian presence in the European structures. Integration of Moldova into the global system should not proceed at the expense of Moldova's weakening ties with the CIS, but, conversely, it should foster an harmonization of relations within this interstate organism.

The Ismail initiative (July, 1997) by the presidents of Moldova, Romania and Ukraine, that has set up a trilateral collaboration framework, is of essential importance. Among the immediate tasks of the country will be the capitalization on multiple opportunities offered by this mechanism.

A thorough review is needed of the country's relations with the Caucasus and Central Asia countries, along with identification of opportunities for involving Moldova in energy projects in that region, which, once started, have a potential to produce a major beneficial impact on the geo-strategic, but also economic situation over a good part of the world. Also, in the energy sector, we deem imperative to further expand Moldova's relations with its Western partners (France, Italy, USA, Germany, Austria, Belgium).

Taking into account the financial and economic power and the active international role of countries in Far East and Southeastern Asia (Japan, China, Republic of Korea), we have a certain degree of satisfaction over the stage of our bilateral relations with these countries.

Overall, the implementation of the concept “Moldova – an open country” requires an intense, successive and well coordinated activity of the foreign office, deriving from long term interests.

The Accession to EU is a strategic goal of Moldova. Integration into EU will contribute to economic growth, modernization of the economic and legal system and elimination of technological gap between our country and other European states. The national interest determines Moldova’s will to become a member of the Union. The balance between costs and benefits clearly indicates that the positive effects are much more substantial than the negative ones.

After 7 years of transition it can be stated that Moldova has emerged as a European democratic state with market economy, institutions that guarantee the rule of law, the respect of fundamental human rights and respect for minorities – the minimum set of requirements for European integration.

Moldovan leadership has initiated the process of deepening relations with the European union by submitting an application for accession and by launching bold diplomatic efforts for signing an Association Agreement and establishing free trade zone. Leaders of a number of member-states and associated countries of the Union have expressed their support for Moldova. As a first step on the path to integration in Europe is expected the participation of Moldova in the European Conference in Luxembourg – a new political forum bringing together the member of and applicants to the European Union.

For obvious reasons, Moldovan accession to the European Union will not happen overnight – this process could last from 20 to 30 years – but sailing on a geopolitical sea, often disturbed by storms and threatened by wrecks, Moldova needs a secure anchor in European family of nations, and such an anchor is the European Agreement. An anchor in democracy, stability and peace, an anchor in Christian morality, culture and economic prosperity.

Fulfilling this strategic goal requires building brick by brick of a legal and institutional framework compatible with that of European Union. It is necessary to approximate Moldovan legislation to the consumer products standards, environmental requirements, macroeconomic and budgetary policies of the EU. The development of bilateral and multilateral relations should be enhanced by expanding trade with member-states and associated countries (membership in CEFTA, EFTA). This actions will be supported by EU programs of technical assistance and support for development (TACIS, PHARE) and for regional cooperation (SINERGY, INOGATE, etc.)

The advantages, conditions and practical actions for accession of Moldova to the European Union, along with its chances to become a member of the Union way of enlargement in the next 20 years are topics of major importance that will be developed in the Annex D.

The launch of the enlargement process at Luxembourg summit (December, ’97) is considered as a beginning of a new era that brings to an end the division of the continent, and the extension of the European integration model over the entire continent – as a guarantee of a stable and prosperous future.