

8. Economic reforms and conflict situations

The analysis of transformational processes in the countries in transition towards a market economy suggests that the majority of those processes are accompanied by conflict situations. This is quite easy to understand, because the *reform is a change, a progression from past to new*. Developed countries with well-established political parties and democratic societies experience fewer conflicts and at lower social costs. Countries like Poland, Czech Republic, Hungary and Slovenia already undergo progresses in the real sector, experience financial-budgetary stabilization. The state strictly determines its participation in the economy – as an initiator and promoter of reforms.

The success in those countries was attained through the timely creation of legal framework for the formation of the private sector as a guarantor of employment and solver of social problems. Next to the creation of a competitive private sector – the fundament for economic growth, these countries went through an increase in foreign trade. This brought an inflow of investments. It is important that in the processes of transformation of property and creation of new management forms the conflicts *did not generate destruction, but where a mobilizing force for the society*.

As for the post-Soviet countries, including Moldova, on one hand the sluggish and indecisive pace of reforms originated long-lived conflicts, and on the other hand, the social, *political and military conflicts blocked implementation of reforms*. The procrastination of reforms deepened the real sector degradation, unemployment problems and worsened the living standards. In some countries the pace of reforms was suppressed by lack of social consensus and continuity in the activity of the governments, succeeding in a row. Moldova, for example, had seven different governments between 1991 and 1998. In the absence of a medium-term development plan for the national economy, this fact delayed the pace and consequence of reforms.

Another important cause for the delay of reforms was the persistence in post-Soviet mentality of population, who expected the bulk of social benefits from the state. Simultaneously, the crisis in the production sector and tax arrears caused a chronic infringement of population needs by the state (social protection, full employment capacity, and salary arrears in the government sector.)

The absence of political stability and continuity in governmental actions in Moldova, the military struggle in Transnistria ruined the economic integrity of the country. Along with unrealistically overestimated expectations of population this has been dragging the reforms. Only in 1997 Moldova managed to put an end to its economic stagnation, to register a 1.3-percent growth of the Gross Domestic Product and to lower its inflation to 11.2 percent per year. The national currency remained relatively stable. But at the micro-level the situation has not been stabilized yet. Most enterprises operate at losses. Budget situation worsened as a result of huge internal and external debts.

In such conditions the success in improvement of the situation was temporary. Macro-instability and state budget crisis are delaying structural reforms, private sector development and the degree of labor force employment, leading to the development of a social crisis.

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The 2nd government of Ion Ciubuc (May 1998) outlined a new complex of actions for the accomplishment of privatization reforms, restructuring of agrarian, energetic and industrial sectors, of the financial-budgetary environment, infrastructure and social sphere. Nevertheless, the Russian financial turmoil (August 1998) as well as internal factors harshly deteriorated the socio-political situation in Moldova. This needed an elaboration of a system of anti-crisis measures and their consideration in the 1999 budget, etc..

It became clear now that only financial mechanisms by themselves, without the revival of the real sector of the economy, are not enough to improve the situation. The only way out of the crisis is through restructuring of industrial and agricultural enterprises based on new technologies and advanced management. Reorientation toward competing markets will improve country's trade balance, reduce the pressure on the budget, expand the employment, and ease state's social commitments.

According to preliminary estimations, about 300-500 million US dollars are necessary for complete restructuring and upgrading of Moldovan enterprises. The country does not have such funds. The solution would be a tight cooperation with European Union, Mediterranean and Black Sea basin countries in order to collaborate in implementing joint projects. At the same time it is vital to maintain the traditional advantages, resulting from cooperation with the CIS countries.

A range of transition countries encountered *political-ethnic problems*, besides the above mentioned social ones. They slow down the economic reform and draw away a significant portion of resources targeted towards an antihuman utilization. Such conflicts originated in Russian Federation, Caucasus and Balkans. Moldova was not an exception. These conflicts, as a rule, have a foreign support. Elimination of this kind of conflicts requires time, as well as joint efforts of different countries: a refusal of foreign support for separatist regimes, that are eager to obtain recognition from the subjects of international law; application of resolute sanctions towards the countries, which assist the separatism, etc.

Another type of conflicts, which arises in countries in transition to a market economy, are *territorial conflicts*, linked to the infrastructure (gas pipelines, energy complex, road-transportation). These conflicts emerge as a result of undetermined frontiers between countries and refusal to cooperate for the improvement of the general situation. Among these conflicts, one of the most alarming cases for the Republic of Moldova are the difficulties emerged at the construction of Giurgiulești terminal on Danube River.

A common platform for settling the conflicts in transition countries is the democratization of the society, economy, and of the state. Democrat□□ states, in their essence, are not aggressive in their internal and external policies. They protect personality inviolability and property rights. A democratic society seeks for a compromise between the interests of all and each member of the society. This should be the objective of state's, economy's, and society's transformation in Moldova.