THE TITLE OF THE PAPER: POLITICAL AND ECONOMIC TRANSFORMATION AND THE PROCESS OF EUROPEANIZATION IN MOLDOVA

Sarvar ABAKULOV, master's program in international public services and development, State University Rutgers Camden

Political and Economic Transformation

Why the economic development process of the Republic of Moldova is so difficult and slow? Initial process of economic transition in Republic of Moldova has been most difficult when comparing with Balkan and CIS countries. The country encountered more tangible and visible obstacles on its way in transforming from closed to open market economy. For one thing, poorly diversified economy and lack of natural resources prevented foreign direct investment that most CIS countries used to boom and invest in their economies. Initial course of polices pave a path toward economic growth. At present, there is little investment in businesses or in developing local factories which could lead to economic development. Also, other fundamental reasons prevent Moldova from interaction and development with other countries. Controversies over poorly divided and established territories, both during after the collapse of the Soviet Union remain unsolved. The region has many unresolved domestic and territorial issues that have increasingly combined to slow economic development and political stability. In spite of these limiting issues, during the past twenty years, Moldova has made modest progress in transforming into a competitive economy that can trade with neighboring the EU countries. However, an outdated infrastructure technology, and machines have prevented Moldova from specializing in a more traditional agricultural economy.

To better understand the economic obstacles of the Republic of Moldova is to acknowledge that the market has been distributed. Lack of differentiated specialization is preventing regional development within Europe, Russia, and CIS countries. Moldova jointly shares the same agricultural products with other CIS countries that it can provide to the global market. Unfortunately, agricultural products are in low demand in that market. Moldova has been primarily specializing in agricultural products, and made little attempt to diversify its economy. Because they produce the same agricultural products Moldova cannot sell its products to Western European countries or Russia. It is accurate to say that the Moldovan economy depends almost entirely on the Russian economy for reasons that have been seriously complicated by a deep energy crisis. The crisis is further exacerbated by the fact that the Republic of Moldova has a complete lack of natural resources, raw materials, modernized machinery, and equipment.

Political and Economic Reforms

Moldova built its foundation on three important stages of transformation: from dependent to independent statehood, from centrally planned to a free market economy, and lastly, from a communist-dictated regime to a democratic political system. The transformation process faced ideological barriers and challenges within a society that was 'schooled' under a communist regime, and unprepared for sudden, new changes. The introduction of a new national currency, the Moldovan lei, that replaced the Russian ruble, served as tool for Moldova to proclaim its economic independence from the former Soviet Union.

Through membership in the United Nation and recognition of European Council, the new, fledgling nation actively pursued democracy to gain both national and international recognition as a new sovereignty. New international trade treaties and memberships opened new doors to Moldova for economic progress, steps that led to the development of new international trading links with new partners. These steps were necessary to reduce its dependence on the economic centers of the old Soviet system.

However, from 1991 through 1994, approximately 74% of Moldova exports and 71% of its imports were still being made with former Soviet Republics, including almost 50% trading with the Russian Federation [9, p. 14-15]. New international economical treaties were also established to attract foreign investment and international aid assistance, including development loans from World Bank and IMF in the amount of $600 million from 1991-through 1994 [9, p. 16-17]. However, the development funds were managed poorly by the central government; the funds often did not reach the rural areas where they were often needed the most. The transitional period from the centrally planned to a free market economy stage was the weakest period of its economic transformation. It is worth noting that international financial institutions and international organization were largely supportive of the newly established state, and are still contributing grants and loans for the economic development of Moldova. This financial assistance was also linked to demands for improvements in democracy and human rights, as it is often the case with Western countries' preconditions for aid.

A sound economy is the foundation for cultural and peaceful development of a country that guarantees basic human conditions and protections from civil unrest or internal conflict. Most Former Soviet Republics, including the Republic of Moldova, adopted a similar if not identical political and economic systems of transformation, from a closed; communist- dictated state and centrally planned economy to a democratic state and a free market economy. Twenty years later, it is still an ongoing process of transition for most CIS countries. These same strategies and policies are being questioned today, since most CIS countries have followed the same strategy, but few have succeeded. With regard to economic growth and sustainable development, the transition process produced unexpected and critical problems for the Republic of Moldova

With respect to the rule of law, basic human rights, foredoom of citizens, and liberalization of economy, The Republic of Moldova adopted a similar system of governance, guided by democratic elements. Liberalization and economic reforms were implemented using the model of a neo-liberal economic approach, one that produced some positive results including the democratization of public life, multi-party election, freedom of religion, mass-media, and NGOs. The neo-liberal model implemented was based on basic elements of economic liberalization (price liberalization and liberalization of trade and enterprise activity), privatization, and macro-economic stabilization. The economic and political reforms put in place in the early 90s were designed to build necessary infrastructure, essential for a free market economy.

Moldova was lacking a banking system, foreign exchange and trade system, law firms, and private businesses, and most importantly, the body of a wealthy class who could invest in their own country. Understanding the chaotic situation in the country and its economical weaknesses and political instability for years to come, most rich people who possessed some type of capital moved it to foreign banks or immigrated to foreign countries,. A lack of essential seed capital in the country was devastating to the economy of Moldova. There was a complete stoppage of money flowing in or out in the limited cash country. Exports and imports were entirely stopped for almost two years.

Most financial institutions were run by government entities. By the mid-1990s, Moldova was able to equip itself with necessary infrastructure, and completed the process of privatization. However, the process of privatization and transition to a free market economy did not improve the economy of the country nor social standards of living. In regard to a public education and health care, the social sectors of public aid suffered from a lack of funding which had a dramatic effect on the general population.

The government reduced and in some cases eliminated social aid programs. This created a sharp rise in poverty, and the population lost faith in the new system. The spread of poverty in the Republic of Moldova was the essential factor that reflected negatively in economic growth. The government failed to understand that social programs play a significant role in assisting the society, and are necessary to reduce poverty from the after-affects of civil war, and minimize conflict between ethnic groups.

It is important to note, that social support reforms were neglected or given a lower priority in national policies. According to the World Bank report, people in Moldova were living on less than $4 per day rose from one million in 1989 to 147 million in the mid-1990s [9, p. 22]. According to the UN report, 66% lived below the poverty line, while the elite enjoyed 50% of the national income and poorest 20% lived with only on 3.4% [9, p. 22].

The standards of living experienced significant decline in all sectors of the economy. Beginning in 1993, more than 50% of the population was living below poverty line and could not afford basic dairy products [9]. By the end of 1994, the minimum monthly wage and pension was 18 lei (US$4.1) per month, the average monthly salary was 108.6 lei (US$24) per month, and the minimum consumption budget was at 271 lei (US $61) per month [9, p. 22-23].

The price liberalization and process of privatization produced negative outcomes that reflected severely in Moldovan society. In 1994, previously subsidized food products including bread and dairy products went up substantially in price, which resulted in a decline on a national level in the purchasing power of the population and vastly hurt the national economy [9, p. 22-23]. Economic challenges spread to all areas of social sector and also directly affected the population regarding access to basic health care and education.

In the pre-independence era, most people enjoyed the benefits of a free education and high quality health care that is now unavailable to the average citizen. With independence, the population lost the benefits of social services which dramatically impacted their lives. Naturally, this sharp economic decline provoked nostalgia for the old the soviet system, where people were protected under the social programs, had steady salaries, and enjoyed regulated market prices. Economic liberalization and a free market were prioritized over democracy, a formula which led to catastrophic events that unfolded in gang wars and the instability of the state. A lack of fundamental institutional infrastructure led to massive corruption in the public as well as in the private sectors.

Due to fundamentally weak institutional and structural policies, the situation created chaos and provided opportunities for other organizations which quickly installed their own principles and seized power. This was reflected in the privatization process of agricultural lands. The agricultural sector inherited good infrastructure system from the Former Soviet Union, where collective farms were owned by the state. However, the privatization process failed due to unwise land distribution, the land was distributed in small portions which destroyed agricultural sector along with its infrastructure. The lands were divided into small portions where farmers were unable to produce large quantities of agricultural products. Never the less, the privatization process was necessary in order to build and develop a competitive economy. From 1993-1994, 40% of domestic privatization and 25% of agricultural privatization occurred [9, p. 34]. By the end of 1995, the process of privatization was by and large completed.

In 1995, the unemployment rate had reached a shocking level that had tremendous impact on Moldova’s national economy. At that time, official sources showed that the unemployment rate had reached 240,000 to 250,000 people of working age [9, p. 39-40]. The following year, with completion of privatization, 300,000 people were officially unemployed or had lost their jobs [9, p. 39-40]. An increase of unemployment did not result from implementation of any new system or technology that required different or higher skills of specialization. A smaller number of workers lost their jobs due to the loss of production demand, which resulted in drop of the GNP which affected all sectors of economy, including the system of social protection.

The transition period for the Republic of Moldova was over, and a new millennium started with new challenges in the economic and social sectors that were not fully addressed or foreseen during the transitions years. It was recorded in 2001 that the GDP per capita of the Republic Moldova was the lowest among CEE and CIEs countries [12, p. 24]. Poverty dramatically increased over the transition period. In 2002, 26.2% of the population was living under the extreme poverty level estimated at 212 lei (US$15) per month, while 40.4% of population was under absolute poverty estimated at 271 lie (US$19) per month [12, p. 25].

In comparison with the other developing countries, the poverty in Moldova has many dimensions. It is worth noting that after the collapse of the Soviet Union, the Republic of Moldova lost most of its trading partners the CIS or Former Soviet countries. It took the country almost five years to create new treaties and trading agreements with the CIE countries, which was heavily reflected in the agricultural sector. The agricultural sector is one of the most important for the Moldovan economy which has largely been neglected by the government which has made only minimal investment in this sector over the past five years. As a consequence, the agricultural sector suffered severely from a lack of investment in agricultural technology and equipment, both essential to jump-start the national economy. The agricultural sector was abandoned and was viewed only as a secondary priority for the government despite its strong potential. The agricultural income remains an essential source of revenue for rural population, representing 77% of income for the rural population [12, p. 24].

Due to a lack of jobs and opportunities in the rural villages, rural poverty significantly increased during the transition years, a factor which resulted in the emigration of a significant portion of the rural population to urban areas. Despite this, the remaining rural population had the capacity and the will to produce their own agricultural products to feed their families and to sell them in the urban markets. Conditions were unfavorable for the rural population who grew poorer as time passed. They simply did not possess any source of revenue to invest in their own lands to produce more crops and raise livestock. In addition, the agricultural sector lacked the necessary means to expand in a new direction. The process of privatization allowed farmers to acquire their lands but did not allow expansion. The central government failed to create development loans and funds necessary for jump-starting the local economy of the agricultural sector, vital income that would have assisted cash poor farmers to purchase needed equipment and fertilizers, and to employ the local population.

When Moldova lost its trading partners from whom they were importing energy and exporting their agricultural products, it led to the collapse of both the collective farms along with market transactions. From 1993 to 1999, the GDP declined by 40% [12, p. 26]. The reforms in the economic sector and the privatization process showed no immediate results as expected. In 2000, there were some positive results that have contributed to macroeconomic stability, but bypassed the general population who felt no significant improvement.

By inherited the pre Soviet farm culture the agricultural sector has important value to economic growth, but this same culture needed modernization in all aspects, and signifies the main trading activity of the Moldovan economy. It represents 60% of total GDP [12, p. 28]. Another factor of note is, Moldovan dependence on external energy, importing 100% from foreign countries including the CIEs countries but mainly from Russia. In addition, the technology that is used to distribute the energy was outdated. This too contributed to the additional expenses that the government failed to address at that time.

During the transition phase, the cost of energy increased 10 times [12, p. 28]. This increased energy cost, combined with an adequate tariff policy contributed to the accumulation of national debt. As national and foreign debt was accumulating each year, it became increasingly difficult for Moldova to balance its trade deficit budget. In 2003, Moldova had a US$ 6125 million trade deficit, one much higher than in 1993-2002 [12, p. 28].

It is extremely difficult to attract foreign investment and boost economic growth while carrying a large foreign debt that further pushes a country into deeper economic difficulties. Lack of investment in non-traditional sectors of the economy and decreased budget allocation in science and new technology left Moldova with limited options and few partners to trade with. The Republic's trading partners were still the CIEs countries and Russia, and represented 54% of exports and only 23% with European Union countries [12, p. 28]. From 1994-2003, when investments decline by 90% over the period of 1991-2000, Moldova's the national and foreign debt increased nearly threefold [12, p. 28].

The unemployment issue was another significant factor that was vastly draining the national economy internally. According to the International Labor Organization, the unemployment rate in Moldova reached 6.8% in 2002 [12, p. 28]. That same year, most of the unemployed population left the country in search for jobs abroad. It was estimated that 600,000 people or 37% of population were working in foreign countries, mostly in Russian Federation and EU countries [12, p. 28].

Barriers of Economic Development

During and after the transition period in Moldova, structural and institutional weaknesses and late economic reforms further delayed economic growth. The year of 2000 marked the expansion of non-traditional sectors and modernization of the agricultural sector. The average rate of GDP from 2000-2005 was estimated at 6.1%, still below the rate of CIS countries that showed a rate of 7.2% [13, p. 25]. Never the less, the Republic of Moldova made progress in the areas of transportation, telecommunication services, and real state transactions. Combined, they generated 30% of GDP [13, p. 26]. However, the agricultural sector contributed only 15% of GDP which had decreased from 28% to 22% [13, p. 26].

In 2007, another factor that delayed the economic growth of the country was a direct result of the Russian economic crisis. The Russian financial crisis had a devastating effect on Moldova's economy. This was due to late diversification of foreign trade policies and single-oriented exports with the Russian Federation whose policy banned the import of Moldovan wines. This was due to political disagreements. The policy served as an effective lesson for the Republic of Moldova to start diversifying both its trade and economy. During this period, there was an increase in the number of workers in services representing the non-traditional sector, and a decrease of labor force workers in agriculture which, by far was the largest employment sector of labor workers in the country.

In the agricultural sector, the modernization process was achieved through elimination of the labor force, the primary source of income for the rural population. The general population that worked in the agricultural sector did not possess sufficient skills to work in different sectors of economy, and there were no programs in place that were designed to re-train unskilled workers for new sectors of the economy. The modernization process was implemented by a mix of brutal yet ineffective means, where workers lost their jobs and had limited options to find other employment in their own country.

The structural changes in the economic system led to massive out migration from the Republic of Moldova to Western European countries where labor was valued at a much higher rate of pay. Due to the modernization process, the active sector of the economy suffered severely. In 2005, there was 13% less of an economically-working population than in 2000. In agricultural sector, there was 30% less of the population working in that field [13, p. 27]. The modernization process was necessary, and had to occur sooner or later. The government did not protect its own population from increasing unemployment in the country, and as previously mentioned, the rural population had no other means available but to migrate from rural to urban areas or abroad.

New sectors of the non-traditional economy, including telecommunication and transportation retained only 6% of the population [13, p. 27]. The situation of the labor market had worsened due to the dramatic reduction in the populations' income precipitated by major layoffs and unemployment which stalled financial transactions as had also been the case in the1990's.

From 2000-2005, the agricultural sector had employed 40% of population, but had only generated 22% income back to the economy [13, p. 27]. Structural modernization also brought positive changes that contributed to the economic growth of the country in this same time period. Services, including telecommunication, transportation, and real estate transactions produced 30% of GDP growth, which was a significant increase in GDP. This was due to new and relatively small investments in non-traditional sectors of the economy [13, p. 27]. However, the agricultural sector had significantly declined and had generated only 15% to GDP [13, p. 27].

During this period, The Republic of Moldova made important and necessary changes in the economic sector of the country. Economic reforms laid the foundation for long- term investments, and also created an environment to attract foreign investments. This period marks modernization and reforms in the economic system, which had been the greatest barrier to overcome. Moldovan economists understood that the agricultural sector was outdated and labor-intensive, a factor which severely reflected in the country's economy and self-sufficiency.

They also understood that with modernization comes a high cost in terms of significant decreases in both the public budget and social system. The singular economic concentration on its agricultural sector made Moldova dependent on other countries that were exporting their agricultural products. In order to reduce its dependence on other countries, Moldova first had to reduce its dependence on the agricultural sector. It was not an easy task because the agricultural sector employed some 650,000 people, primarily from rural areas [13, p. 28]. In order to effectively reduce its dependence from the traditional agricultural sector, Moldova has to create more jobs in rural areas for the impoverished population there that were largely unskilled and untrained in modern technology and had no other specializations. Modernization in the agricultural sector without jobs in other manufacturing areas would inevitably reduce the demand for laborers, a situation which would eventually become a second great migration wave of the rural population.

Foreign Direct Investment

The failure to attract foreign direct investment was due to lack of natural resources as well as late policy reforms which would have created favorable conditions for foreign and domestic investment. Today, government realizes potential of foreign direct investment and the needs of specific measures and has implemented a series of reforms to its judicial system, its public administration, and the fiscal regimes that resulted in an increase of foreign investments in the country but not nearly enough. These reforms created an environment for foreign investors to invest in private businesses that contributed to the overhaul economic growth. The GDP rose by 1.6 times from 2000 through 2008 [4, p. 45]. During the same period, the average salaries rose almost 5 times and average pensions increased 6 times [4, p. 45]. During this period, the growth of foreign direct investment indicated positive factors. Furthermore, since Moldova adopted the EU integration model, it allowed country to attract FDI in various sources including in development grants and loans with low interest rates. However, government should take in consideration that apart from having the status alone being potential candidate of the EU member won't attract investment. It is imperative for government to create more favorable environment for foreign as well as domestic investors, so they can choose this country for their investments. Government should take it even further for attracting foreign since the country lacks own financial resources by creating friendly business environment and improving legislation for regulating entrepreneurship. Foreign Direct Investment offers various opportunities in economic development including access to the latest technologies, employment, trainings human capital, and access to new markets. Multinational corporations have many multiple choices to invest in the current global economy. First of all the foreign corporations have a choice to invest and do business in a region that best fits their interest. Transition counties, on the other hand, have limited choices. Moldova has to compete for investments by offering favorable conditions; lower tax free production and negotiate reasonable wages to local workers. This is how Moldova can today attract the business of a Multinational Corporation. It is no secret that corporations choose the best options to locate their agencies within a country.

Entrepreneurship

Today, in Moldova there is a great potential and necessity for entrepreneurship where citizens are choosing to open their own small and medium enterprises which are largely attributed to lack of employment. This presents various opportunities for citizens to have an independent source of income which is vital element in the developing economies. It is evident that entrepreneurship is most successful in the business friendly environment where individuals have access to sufficient capital and quality of financial institutions operating in the country. In the recent past, entrepreneurs had many obstacles because of bureaucratic problems that are still remain but no longer are main obstacles. Entrepreneurship success in Moldova is more than realistic with to latest economic reforms concerning SMEs and implemented policies that encourage entrepreneurs to do business in this country.

Modernization

Despite these positive indicators of economic growth, there were few reforms to develop the main sectors of the economy that generated revenue sources for the country. The agricultural and industrial sectors made no progress in transforming from the old into the new system. As the result of neglected policies and reforms in this sector, the agricultural sector faced numerous difficulties in delivering efficient and quality supplies of food and wine. In addition, weather conditions were presenting serious problems for the agricultural sector which was lacking sophisticated technology and equipment to protect and produce quality products. This was a serious problem for the rural population who were disappointed with their jobs due to low and late salaries. The harsh circumstances forced most remaining labor workers to search for other opportunities outside their homeland or change their occupation.

One sector of the economy has seen substantial increases is remittance which allowed the remaining Moldovan population to survive day by day, relying on money sent by relatives as an essential source of income. The remittance along with increased salaries helped Moldova to escape absolute poverty. In 2000, the poverty rate was at 67.8%, a figure which later decreased significantly to 26.3% in 2009 due to the remittances [4, p. 45]. Despite that fact, those remittances increased the income of the general population and in the end of 2008 the GDP increased by 7.2% compared to the previous years. Export and imports increased by18.6% and 32.8%, respectively [4, p. 45-46]. Foreign and direct investment also increased by 1.4 times during this same period [4, p. 46].

The recent global financial and economic crisis had indirect impact on Moldova’s economy. Moldova was not committed to long-term investments but mostly to short-term ones that did not require substantial amounts of money from investors. Moldova avoided most of the problems associated with the financial crisis, as its economy is the least integrated into global financial markets. In the early stages of modernization, Moldova had a closed economy and was very slow in transition of institutional reforms and adapting to a market economy, mainly based on the real sector with its weak banking system. It is subject to the national economy, but its reticence toward external markets and a weak linkage with speculative capital will allow Moldova to avoid the manifestation of the financial crisis. However, Moldova is not yet rescued from rising inflation, slowing GDP growth, and the reduction in effective consumer demand. Moldova has its own set of economic issues to deal with. However, this is a manifestation of crisis on the consumer market is easiest to overcome. Political and economic instability in the country saved Moldova from financial crisis, which would have been dramatic for small an economy. The banking sector was developing slowly with cautious and small investments in international trading sectors. Moldovan citizens do not trust their national banks and keep their capital in a foreign currency Dollars and Euros or in real estate. Due to the past economic declines and financial crisis, Moldovan banks were unable to honor their obligations toward their clients, which hurt their reputation.

The constant rise in prices is affecting the socio-economic situation in Moldova. It is primarily affecting the socially unprotected layers of the population. This could lead to the next socio-political explosion which will potentially create instability and conflicts within region.

The economic success consists of changing and abandoning the old political structure that prevented Moldova from accepting new ideas and innovations. The element old regime, particularly communism, restricted the ability of modernization to have an affect, including areas of education and higher advancement. Communistic cultural barriers had been influencing the course of modernization in Moldova. Today, Moldova is better adapted to modernization because of its persisting and hardworking culture and elements of young movement that allowed them to move from tradition to modernity. The country is better suited for the transition to modernity. In order for underdeveloped economies to enter the world market, they have to overcome the main obstacles which are the old ways of business. By changing the traditional norms of business and politics, developing nations can transform the internal and external structure not only of the government but the whole society as well.

Moldova Today

A high inflation rate in Moldova has repeatedly led to higher prices and has prevented thedistribution of accumulated income. The crisis in the banking sector had dramatically affected private businesses and corporations from further investment and development. The decline of GDP growth reflected negatively in all areas. Difficulties as a result of the economic crises in the region are associated with specific sectional development as part of national development, and the level of market reforms.

Economic stability in Eastern Europe plays an essential role in global peace and economic prosperity. Despite initial similarities in economic conditions with the CIS countries, Moldova has differed substantially since independence. The European Union is considering a future economical investment in this region for a mutual prosperity and security.

For the past three years, Moldova has been actively pursuing its dream to join the European Union as a last-ditch effort to resolve its socioeconomic problems. Half of the Moldovan population strongly believes that integration with the European Union will resolve their entire problems.

Since the fall of the communistic regime there, Moldova made several attempts to unite with Romania as two countries with shared linguistic, cultural and historical ties. Despite the regional and cultural affinity with Romania, Moldova was unable to achieve its desired unification with Romania. Today, external and geopolitical tensions, particular with Transnistria, are the main security issues that at present serve as a threat to Moldova. One of the EU's conditions before Moldova can enter into the Union is that the country has to resolve its territorial disputes with the Transnistrian region. There were also many internal factors, including socioeconomic situation, and post-socialist political transformation that put on hold the process of integration all together. Furthermore, ethnic tensions within the country and the struggle for a national identity seriously complicated political relations with the European Union, particularly with Romania. Today, a majority of native Moldovans have dual citizenship; 300,000 to 500,000 citizens possess Romanian passports [10, p. 492]. Similarly, ethnic minorities including Russian and Ukrainian-speaking groups have Russian citizenship, and in some cases, Ukrainian. This presents a serious and complicated matter for the European Union and an even greater challenge for Moldova due to its ethnic structure which is divided over distinct ideologies.

To complete its democratization and improve its economic and social development, the European Integration has emerged as the only alternative option for Moldova. The European Union had a significant role in establishing bilateral relations and creating conditions for civil societal cooperation, specifically with Romania and Moldova. Due to Transnistrian separation, Moldovan and Romania relations that were emerging in 1991 later were revoked [10]. Furthermore, the recent acceptance of Romania into the EU in 2007 helped to revive former cross-border cooperation relations between Romania and Moldova. In order to promote greater interaction among local population of two countries, the EU was responsible for implementing visa-free travel and creating new cross-border trade treaties [10]. It was an effective strategy for the EU to bring these two neighboring countries closer through the process of European integration.

With regard to national and regional interests of both countries, the EU adopted a unique system to normalize and stabilize relations. However, there were several criticisms made toward the European Neighborhood Policy, suggesting that the EU was discriminating against Russian and Ukrainian-speaking groups, who were not eligible to receive Romanian citizenship due to their ethnic backgrounds. This could have aggravated tensions between ethnic groups involved in local cross-border cooperation between Romania, Ukraine, and Republic of Moldova. Instead, a new system of cross-border cooperation is currently being developed to include ethnic minorities to participate in local and international projects [10].

The participation of civil society through cross-border cooperation has great potential for the future of Moldova. The process of European integration has been arranged through social cross-border networks that deal not only with local economic issues, but also, incorporates democratic principles and new forms of political cooperation.

Developing states with well-established institutional values and democracies have a higher level of labor productivity in the developing nations. The institutional environment encourages production and positive behavior toward economic development. At the same time, this is a great opportunity for the local population to interact at the regional, national, and international level. Finally, Moldovan civil societal organizations (CSOs) have been cooperating with the EU countries and international organizations, such as the United Nations, Nations International Children's Emergency Fund (UNICEF) and the Organization for Security and Cooperation in Europe (OSCE) which have jointly helped many former soviet states as well as eastern socialist countries to bring these countries closer to democracy.

Europeanization and the European Neighborhood Policy

In the case of Moldova, Europeanization is specifically designed and targeted to the Eastern European countries that have been under influence of the former Soviet Union, to revive their European cultural identity and to integrate them with the rest of Europe for economic and political reasons. In a broader sense, Europeanization means that European countries share a common origin, and have a sense of belonging to one, European family. The process refers to the idea of institutional values in terms of political, legal, economic policies that bind these individual states [10].

The European Union has institutional principles that are followed and respected by those states that are members of the union, or are in the process of unification. Individual states that seek to join the EU have to comply with the rules set by Article 39 of The Treaty on European Union that specifies liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law [10]. In addition to that, candidate countries must have a stable institution (a) stable institutions that guarantee democracy, the rule of law, human rights and respect for and protection of minorities; (b) a functioning market economy, as well as the ability to cope with the pressure of competition and the market forces at work inside the Union; and (c) the ability to assume the obligations of membership, in particular adherence to the objectives of political, economic and monetary union [10].

However, the Europeanization process has not been limited to the integration based on the principles set up by the EU. It is important to understand that in terms of a security agenda, Moldova has strategic geopolitical importance to the EU. In exchange for political and economic reforms and democratization efforts by candidate countries, the EU has been providing financial assistance through international grants and holding political dialogues. Due to increasing levels of poverty in the Eastern Europe, the EU has its own objective with regard to security issues, conflict crisis, terrorism, illegal immigration and drugs, arms, and human trafficking that are threatening border security and regional stability.

The emigration from Eastern to Western Europe has especially been an issue for the EU. However, despite efforts made by the EU, the integration process of potential candidate country has been slow for the following reasons. For one, the EU has been criticized for implementing the same neighborhood policy strategy for all potential candidates while ignoring their distinct backgrounds, historical experiences, and geographic locations. The potential candidate countries from the Eastern Europe, North Africa and the Middle East all have substantially differed in their development and characteristics. The neighborhood policy strategy was not applied correctly, and the EU failed to distinguish their differences. As a result of administrative error, the EU adopted a new approach aimed at the Eastern European countries, which is based on a bilateral action plan is subject to annual reviews. A new approach of European Neighborhood Policy is intended for a gradual transition through cross-border mobility, which includes strengthening multilateral and regional factors. In case of Moldova, regional cooperation advocates promotion of the civil society, youth work, science and education, culture and cross-border activities, and the support for local democracy.

References

1. (2003). 2003 National Human Development Report Republic of Moldova. Chisinau Moldova : UPND.
2. Deen, B. (2009). Deadlock and division in Moldova: the 2009 political crisis and the role of the OSCE. Security and Human Rights, 325-338.
3. Dressler, W. (2006). Between Empires and Europe: The Tragic Fate of Moldova. DIOGENES 210 International Council for Philosophy and Humanistic Studies, 29-49.
4. (2011). From Socail Exclusion Towards Inclusive Human Development. Chisinau: National Human Development Report.
5. JOHANSSON, A. (2006). The Transnistrian Conflict after the 2005 Moldovan Parliamentary Elections. JOURNAL OF COMMUNIST STUDIES AND TRANSITION POLITICS, 507-516.
6. March, L. (2007). From Moldovanism to Europeanization? Moldova’s Communists and Nation Building. Nationalities Papers, 601-625.
7. Maria Cristina Pantiru, R. B.-W. (2007). Migration and Poverty Reduction in Moldova. The Developmnet Research Centre on Migration, Globalisation and Poverty.
8. Mungiu-Pippidi, A. (2003). DISPUTED IDENTITY AS UNESCAPABLE PLURALISM. MOLDOVA’S AMBIGUOUS TRANSITION. Romanian Journal of Political Science, 85-101.
9. (1995). National Human Development Report. Republic of Moldova Chisinau : UNDP.
10. Sotiu, C. S. (2010). Europeanization at the EU’s External. European Integration Borders: the Case of Romanian-Moldovan Civil Society Cooperation, 491-506.
11. (2006). The Republic of Moldova National Humand Dvelopment Report. The Republic of Moldova
12. Good Governance & Human Development, 2003.
13. The quality of economic growth and its impact on human development, 2006.