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**ECONOMIC SECURITY: THEORETICAL PERSPECTIVES AND ASSESSMENTS  
ON REPUBLIC OF MOLDOVA**

**Sous la direction de:  
Matthias WAECHTER  
Lecteur du D.A.A.D., Directeur du Programme à I.E.H.E.I.**

**Élaboré par Petru CULEAC**

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## INTRODUCTION

During the Cold War certain dimensions of the security received exaggerated attention, while others were treated as trivial. The necessity to rethink the bases of the state politics including the security concept, was determined in a significant measure by the end of the Cold War and the dissolution of the bipolar world. It was recognized that security has a multidimensional structure. It consists of many elements such as military, physical, territorial, economic, social, financial, informational security, etc. The agenda of international security studies has expanded, the security policies and thus security studies are no longer only about military issues but also about economic, societal and environmental ones. Some people regret this broadening of the security studies others embrace it<sup>1</sup>. In the present paper we will follow those that accept that broadening of the subject, and will try to explore a component of national security - the economic security, firstly through a theoretic perspective, and second through the perspective of the case of a South-Eastern European state – Republic of Moldova.

The issue of economic security is a relatively new one. With the development of new economic powers in the '70s, war was no longer the primary concern of the state policies. Even if it was considered crucial, the awareness of the fact that economy provides the means for the war, lead to a greater concern of the states about their economies. In the first chapter of the present paper, we attempt to explore the existing information concerning the economic security in order to establish a more or less systemized theoretical framework for the study of that concept. Despite the scarce information on that subject, we try do define the concept of

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<sup>1</sup> Buzan B., Wæver O., "Liberalism and Security: The contradictions of the liberal Leviathan", Copenhagen Peace Research Institute, April 1998

economic security, by combining the several existing definitions that tend to cover only one or another distinct aspect of the economic security. The definitions, the actors and the subjects of the economic security, as well as the types of the economic security are systematized through the analysis of several international relations theories as well as the behavior of the states within the international economic system. A special emphasis is being put on the development of precise paradigms describing different perceptions of economic security within a state, and allowing a better understanding of the economic security concept. According to some authors (Fallows, Kober) there are two main models in the understanding of the economic security concept: the Anglo-American and the Asian models, the European model being treated only as a combination of the previous two<sup>2</sup>. Other authors (Galtung, Møller) do not use the “continental” criteria for the description of economic security models, opting for the following approach: autarky, diversification, and interdependence<sup>3</sup>. We try to elaborate a set of paradigms of economic security, from a realist perspective of the international relations theories, combining also certain features from the previously presented authors.

Despite the fact that the interest and the importance granted to the issue of economic security varied over the time, in the developed states it is treated nowadays as crucial. Unfortunately this is not valid for many underdeveloped states, in particular for the post-soviet countries. It is strange to realize that until now, in the Eastern European states, little attention is given to the research of the subject of economic security. The several available researches on this topic establish the foundations for specific approaches to the economic security for the states concerned. The few existing researches on this topic belong to Russian researchers and deal, of course, with the problems of economic security of Russia. Little information is available by Romanian authors and Moldavian researchers

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<sup>2</sup> Kober S., “The Fallacy of Economic Security”, *Policy Analysis*, No.219, January 24, 1995

<sup>3</sup> Møller B., “The Concept of Security: The Pros and Cons of Expansion and Contraction”, Copenhagen Peace Research Institute, August, 2000

covering the subject of the state economic security. Due to different objective factors (transition process to the market economy, European enlargement processes, promotion of the stability in the region, etc.), the issue of economic security is of much more importance for the emerging economies of the Eastern European states from the former soviet block. That is why the second part of the research focuses on the analysis of the situation in Republic of Moldova. In ten years Republic of Moldova is wandering around trying to finally accomplish the reforms leading to a finality of the transition period. Due to historical reasons, the issue is rooted in the specifics of the centralized planned economy of the former Soviet Union. The strong political and economical ties that connected Republic of Moldova as well as the other Central and East-European states with Soviet Union determined their high degree of dependence towards the metropolis. All the economic policy choices were made by Moscow, the republican authorities having to implement the decisions of the central planners. Fulfilling the center's needs, the satellite states developed distorted economic structures that were not taking into consideration the national republic's economic interests. That dependence is more obvious when we speak about the states that were part of the Soviet Union. Many of the former Soviet states including Republic of Moldova, highly dependent on Russia's markets and fuel supplies, still find themselves in a position of asymmetric economic interdependence. Such a situation is favoring the continuous presence of an economic insecurity environment that undermines the development of these countries keeping them far behind the Western and even the Central European countries. Here arise several questions that this research intends to answer. Is there any hope that Republic of Moldova an East European state from the former soviet block will succeed to develop its economy? What are the factors that determine the economic security in general and of the economic security of Republic of Moldova in particular?

The analysis of the economic security of the former soviet states from the Eastern Europe is of a higher importance in the context of European enlargement that is in fact a process of ensuring the economic security of the European continent. Starting with the Marshal Plan until the introduction of the Monetary Union we are the witnesses of continuous efforts to maintain the economic security of the old continent. Despite its economic under-development, the Republic of Moldova also has certain ambitions of joining the European Union. This was ascertained many times at least in the declarations on the highest political levels as well as by means of several cooperation agreements with the European Union. These ambitions are determined mainly by economic reasons. The integration in the European Union is seen in the Eastern Europe as a stabilization and economy-boosting factor. According to the evaluations of the public opinion made by the European Commission in the applicant countries (Central and Eastern Europe) the majority of the population is in favor of the membership of EU: Romania - 84%, Hungary – 77%, Bulgaria - 74%. In Republic of Moldova the public opinion is divided between the accession to the EU and the reinforcement of the cooperation within the Community of Independent States. According to the last public opinion poll (November 2002) made by the Institute for Public Policies, 38% of the interviewed answered that they are for the integration of the Moldova in the European Union. The percentage of those that support the reinforcement of the CIS is the same. 24% of the interviewed did not answered or they were for the political independence of Republic of Moldova, without any membership in CIS in EU<sup>4</sup>.

This duplication in the opinion of the population shows the nostalgia for the Soviet Union determined mostly by failed reforms, corrupt “democratic” governments, etc. In fact this is not the biggest problem the country is faced with. Economic under-development and political

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<sup>4</sup> IPP Public Opinion Barometer, IPP, 2002, in: Prohnychy V., Prohnychy E., “A Strategic Evaluation of the Integration of Republic of Moldova in the European Union”, IPP, Chisinau, 2003

instability, as well as the conflict in the Transnistrian auto-proclaimed region of Republic of Moldova (situated at the border of Republic of Moldova and Ukraine) are the main issues that jeopardize the development of Republic of Moldova and its accession to the EU. There is thus a discrepancy between the European integration ambitions and the real possibilities of Republic of Moldova. It is not an exceptional case. In a certain extent this situation is normal for the transition period. It is widely admitted today that the discrepancies between the desires and the clarity of the European integration process have been extremely wide on both the parts of the member countries and of the candidates<sup>5</sup>. Statistical data reveal major differences in the economic indicators of the candidate countries from Central Europe and South Eastern Europe. This seriously prevents European Union from regarding the region as a compact entity. The region is rather formed by individual and distinct cases. Geography is an important aspect to be discussed here. European Geopolitics plays an important role in defining the integration purposes and capacities of the candidate countries and in justifying enlargement on behalf of the member countries<sup>6</sup>. Keeping in mind that the EU building process was determined by economic security concerns, it is obvious that the increase of the economic security level in the East-European states shall speed up the process of their adhesion to the European Union. In order to find out the answer to the questions raised earlier, we will look upon the factors that determine the economic security of the Republic of Moldova. We have selected a set of three factors that are: the geographical, political and economical factors. These factors may be stimulating or threatening, external or internal. The geographical factor is included due to its influence on the development of the state economy<sup>7</sup>. We try to analyze the economic security of Moldova, basing on the theoretical

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<sup>5</sup> Kramer H., "Political and Economic Perspectives of the EU Eastern Enlargement", *Austrian Economic Quarterly*, January 1999

<sup>6</sup> Daianu D., "Incotro se indreapta tarile postcomuniste? Curențe economice în pragul secolului", ["Where are the postcommunist states going? Economic Ideas at the Beginning of the Century"], Bucharest, 2000

<sup>7</sup> Gallup J., Sachs J., Mellinger A., "Geography and Economic Development", CID Harvard, CID Working Paper No.1, March 1999

framework established in the first chapter, by means of the international relations theories; and by analyzing the determinant factors of the economic security developed in the theoretical part.



# **I CHAPTER: CONCEPTUAL BASIS OF THE ECONOMIC SECURITY**

## **1.1 Economic Security – a Theoretical Basis**

In the current chapter we attempt to establish a theoretical framework for the concept of economic security. This is done by an analysis of the general trends in the study of the economic security in the last decades through the perspective of the theories of international political economy and international relations. The definitions resulted from this analysis, present different visions on the subject, and allow us to better perceive the economic security in its integrity and complexity.

Since the establishment of the first human groups and communities, their main concern was the survival and development. This kind of survival instinct at an individual or a group of individuals can already be named as security concerns. When these concerns are expressed in conscious activities oriented towards maintaining a certain living standard and enhancing it, we may already speak of economic security incentives. The rise of the states in their modern form was also marked by a will to achieve and to maintain a situation of stability and development favorable conditions, will which also can be depicted with the term of economic security concern. National boundaries were established to protect the state, its national resources, domestic industry and domestic workers from the effects of the early international trade and immigration. Huge economic inequalities in the world are sustained through the protection of these state boundaries. Mercantilism, the leading school of economic theory in seventeenth- and eighteenth-century Europe, prescribed state intervention to promote economic self-sufficiency and favorable trade balances as a way of ensuring nations' wealth, power, and military potential. With the establishment of economic liberalism as the leading school of economic

theory in the nineteenth century, however, national growth and wealth were seen as fostered by freer modes of investment, migration, and exchange<sup>8</sup>.

### **1.1.1 Short Insight in the Development of Economic Security concerns in the World**

The separation, in the nineteenth century of the politics and economics, reflected in the twentieth-century international relations thought in a certain neglect of the importance of economic relations between the states. The economic issues were treated as having little importance for the national security of the state. Until the 1970s, the military security and war were prevailing. However the importance for and the influence of the economic relations on national and international politics, as well as the influence of the national and international politics on the economy of a state, could no longer be neglected. After 1970 the importance of international political economy gained the deserved recognition within the field of international relations<sup>9</sup>. War was no longer the primary concern of the state policies. Even if it was considered as crucial, the awareness of the fact that the economy provides the means for the war, lead to a greater concern of the states of their economies.

The Cold War period that imposed the crystallization of the states in large coalitions, triggered certain distinct trends in the relations between the states that were members of the same camp. First we will drop a short look on the western block. The states that were partners within the Western alliance developed specific relations that were expressed mainly in economic terms. This kind of relations was the warrant of their development as well as of the maintenance of their military competition

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<sup>8</sup> Tickner A., "Gender in International Relations: Feminist Perspectives on Achieving Global Security", Columbia University Press, New York, 1992

<sup>9</sup> Murphy C., Toose R., eds., "The New International Political Economy", Boulder, 1991

potential as well as the warrant of their survival in the Cold War arm race. In the same time we can perceive those events from another angle. The Cold War determined the development of their economies, with high military expenses. This is the case mainly of the United States, but is also true for many European states.

There were five factors<sup>10</sup> that lead to the fact that economic security concerns became central in the economic policies during the Cold War period. First of all was the growing discrepancy, between the needs of basic goods crucial for the industrial growth and the natural resources available in the country. Next is the fact that the European states with a high level of consumption of natural resources were in a similar situation, loosing the links with their former colonies. Thirdly there were the ambitions of the emerging states and former colonies, to increase their industrialization degree, instead of being satisfied with their role of exporters of natural resources and raw materials to the developed markets (as it was desired by the developed states). The fourth factor was the continuous confrontation between democracies and totalitarisms, with all the positive and negative effects that derive from here. The last factor consists in the decrease in the prices of raw materials and natural resources triggering the decrease of the interest of private entrepreneurs to invest in these sectors.

As a response to these factors, US developed a strategy still valid and intensively used today, that consists of three parts<sup>11</sup>. First part is the promotion of a policy granting the access and exploitation of the natural resources everywhere in the world. Second – a policy of a secured supply of natural resources. Finally the third part – a policy of “stockpiling”, the creation of reserves of resources. A key element of this strategy is that US have to try to exploit first of all the resources of the neighbors and partners before using its own resources. We see here that the economic security was playing a key role in the overall security of the US and of the other

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<sup>10</sup> Brunelle D., “La sécurité économique depuis le 11 septembre: changement ou renforcement”, Université du Québec à Montreal, [www.uqam.ca/11sept/brunelle.pdf](http://www.uqam.ca/11sept/brunelle.pdf)

<sup>11</sup> idem

“western” states. A great importance is given to the natural resources supplies, as being crucial in the industrial development of the state.

In the Soviet block the accent was put primarily on the arm race marked by the hyper-development of the military industry, which was in fact the main industry, the other industries complementing the military one. The high specialization degree of the economies of the “member” states, imposed by the Soviet Union, as well as the total militarization of the economy was supposed to bring the victory even with the price of the total exhaustion of the whole soviet block. This narrow view of the arm race led to the continuous loss of the positions detained by the Soviet Union. First of all in the economic domain, then in the technological, scientific, informational domains as well as in the military domain that led finally to the breakdown of this social-political malformation of the twentieth century – Soviet Union.

Another factor that renewed the interest in the role of the economy as well as of the significance of the state economic security in the international politics, was the rise in the ‘70 of the importance of such states as Germany and Japan. The power of these states devastated earlier by the war was based not on military but economic supremacy<sup>12</sup>. This was showing that economic security could be achieved without any military effort. This element is very important for the today’s small states that can not afford and generally do not need to maintain important military forces, the economic development being much more important for their existence.

The continuously increasing gap between the rich and poor states gives birth to many concerns regarding the social and political stability of the countries of the so-called Third World. In the today globalized world the security of the whole international community is undermined because of the existence of such hot-spots that have acute economic problems which demand for solutions, often in an aggressive manner.

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<sup>12</sup> Murphy C., Tooze R., eds., “The New International Political Economy“, Boulder, 1991

As we saw, despite the increase or the decrease of the attention and importance attributed to the economic security ideas in the academic or political circles, the economic security was and still is one of the main concerns of the states, human groups, or individuals. In fact this is determining the types of economic security, which are going to be analyzed further.

Even if it is not expressed directly and it is not perceived as such, the security and survival concerns are central in the existence of every individual. All his actions are determined by the will to survive, exist, and give continuity to his specie. The same is applicable for the groups. They strive for their and their members' survival, existence and continuation. With the establishment of the economic relations among the groups these security concerns obtain a new dimension which is the economic security, on which depend the general security concerns expressed earlier.

The main goal of a state is to ensure its independence, the stability within the society, the welfare of its citizens. The fulfillment of these duties can be accomplished through precise and effective policies that have at their basis the normal functioning of the economy. The economy of a state can properly function only in a safe economical environment that can be ensured mainly by means of the economic security policies. That is why the achievement of the economic security should be one of the main priorities of every state – the basis of the national interests of the state.

### **1.1.2 Theoretical Approaches to the Economic Security Concept**

#### **A) Economic security and Liberalism**

These two concepts are commonly assumed to belong to separate research agendas, security - mostly to realism while strategic studies and liberalism - mostly to International Political Economy (IPE). They are even used to define contending approaches to the study of International Relations

(IR)<sup>13</sup>. We will focus here more on economic liberalism, as it is that strand which has become ideologically dominant, but mostly because economic liberalism operates much more strongly at the international level, where the states are located in their permanent competition.

Economic liberalism has served as the foundation for the dominant approach to Western international political economy in the twentieth century. Based mainly in the works of Adam Smith, who first came up with the ideas of market regulation of goods and services distribution and the division of labor as the best way of increasing productivity and wealth, liberalism is criticizing mercantilism, which supported government involvement in the economy. Goods and services are best distributed through the price mechanism and the supply and demand laws, without any interference from the part of the government. David Ricardo expanded this theory on the international relations sphere. According to Ricardo, on the international market the states should specialize in the goods they could produce cheaper than other states. On the international markets as well any government interference is excluded. Due to this lack of any government interference, the market actors (on the internal level (economic agents) or the international level (states)) are supposed to feel insecure: if they don't the market doesn't produce its efficiencies<sup>14</sup>. This effect of the market competition gives to the market actors the incentive to enhance their economic security. Under contemporary liberalism the main objectives of economic security are the rules that create factor mobility within and among national economies. The economic liberal ideal is ultimately to dissolve national economies, with their exclusive currencies and restrictions on factor movement, into a global economy with relatively few restraints on the movement of goods, capital, services and (more hesitantly) people<sup>15</sup>.

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<sup>13</sup> Buzan B., Wæver O., "Liberalism and Security: The contradictions of the liberal Leviathan", Copenhagen Peace Research Institute, April 1998

<sup>14</sup> Luciani G., "The Economic Content of Security" *Journal of Public Policy*, Vol.8, No.2, 1989, cited from: Buzan B., Wæver O., "Liberalism and Security: The contradictions of the liberal Leviathan", Copenhagen Peace Research Institute, April 1998

<sup>15</sup> Ruggie J., "At Home Abroad, Abroad at Home: International Liberalization and Domestic Stability in the New World Economy", *Journal of International Studies*, No.3, 1995

Liberals believe that free trade leads also to the increase of global wealth and human welfare but also that it will lead to peace and cooperation between states. The disadvantage of this theory consists in the fact that it favors the rich and powerful states. The main condition for achieving economic security both of the individual and of the state, according to liberals, is by ensuring a stable economic growth. However the liberals omit from their analysis the fact that by stimulating economic growth and uncontrolled competition it is the environment that is entitled to support damages, especially when the natural resources are concerned. This is a significant gap in the liberal theory, as on the long run the lack of resources, will determine a situation of economic insecurity for the country.<sup>16</sup>

### **B) Economic Security, Realism and Economic Nationalism**

The nationalist approaches to international political economy (IPE) have their roots back in the mercantilist school of sixteenth-, seventeenth-, and eighteenth-century Europe, the period that coincided with the rise of the modern state. The contemporary version of economic nationalism can be compared to the realist IR thought in terms of its assumptions about the international system and its explanations of the behavior of states<sup>17</sup>. Both the realist approach in IR and the economic nationalism approach in IPE, focus on the state in as the basic unit of analysis. In terms of security, the traditional realist approach perceives the state as the referent object of security<sup>18</sup>.

Economic nationalists also give the primacy to the state, of national security, and of military power in the organization and functioning of the international system. According to the economic nationalists and realists, the states must act to protect their own economic interests lest they fall prey to others' self-seeking behavior in a conflictual international system lacking

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<sup>16</sup> Tickner A., "Gender in International Relations: Feminist Perspectives on Achieving Global Security", Columbia University Press, New York, 1992

<sup>17</sup> idem

<sup>18</sup> Møller B., "The Concept of Security: The Pros and Cons of Expansion and Contraction", Copenhagen Peace Research Institute, August, 2000

any international governance<sup>19</sup>. We see thus that national security is achieved mostly by military means. The economic interests (hence economic security as well), are also protected by means of military power. It is presumed that states shall behave as rational profit maximizers, having as their primary goals: wealth, power, self-sufficiency and autonomy in the international anarchic system. Their participation in the world economy is limited to the participation at the resource allocation. Opening towards other economies is restricted in order preserve the economic security by isolating the economy from the malefic influences of the more powerful economies. Strategic domestic industries are given protection especially when they produce military-related goods. National security and national interest are thus the overriding goals of policy. Economic nationalists believe that, where necessary, the workings of the market must be subordinated to the interests of the state,<sup>20</sup> the state having thus the right to interfere in the market regulation.

### **1.1.3 Definitions of the Economic Security**

As we have already seen there were different attitudes towards the achievement of what we call economic security. These attitudes varied from the end of the Second World War to the end of the Cold War, until now, the intensity of the interest depending on the developments within each state as well as the situation on the international arena.

So what does economic security means? Trying to answer to that question we acknowledge the lack of a precise definition of this concept. In the specialized literature the concept of economic security is seldom treated, the available definitions tending to be partial or missing. This is due to the complex nature of the economic security, as well as to the existence of

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<sup>19</sup> Tickner A., "Gender in International Relations: Feminist Perspectives on Achieving Global Security", Columbia University Press, New York, 1992

<sup>20</sup> idem



several contradictory visions upon the subject from the total universalization to the total neglect of this concept. Still, the analysis of available sources allows us to draw several conceptual guidelines.

In order to have a better comprehension of the economic security, we start with a short presentation of the general concept of **security**. It can be defined as *a situation when all the vital interests of a person, society or state are protected against any internal or external threats*. Security is defined also as *a concern to reduce or eliminate the threats, risks or merely uncertainties in a number of different areas of activity – political, economical, environmental and so on, as well as dealing with threats of a strictly military nature*<sup>21</sup>.

The security concept includes several sub-types as follows: political, economic, societal, and environmental or ecological security, as well as the military security<sup>22</sup>. Physical security, territorial, spiritual and cultural security, economic, intellectual, legal, social, technological, financial, ecological, and informational security can also be included as subtypes of the general security concept.

Economic security is a part of the national security, together with other elements such as: the military security (the maintenance of the military defense abilities), the maintenance of the order within the society, the defense against ecological cataclysms, etc. It is necessary to be emphasized that all the elements of the national security are closely connected one to each other, the economic security having the main role in the proper maintenance of the other elements. Military security and economic security are different elements of the national security. Military security is defensive keeping one's enemies out. Economic security is constructive – its purpose

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<sup>21</sup> Buzan B., Kelstrup M., Lemaitre P., Tromer E., Wæver O., "The European Security Order Recast: Scenarios for the Post-Cold War Era", London, 1990

<sup>22</sup> Møller B., "The Concept of Security: The Pros and Cons of Expansion and Contraction", Copenhagen Peace Research Institute, August, 2000

being to build and to keep a strong economy within the state. Military security means closing one's borders to prevent the neighbors from aggressive intentions. Economic security means the opening of the borders for allowing the neighbors to cross when bearing goods to trade or money to invest in local companies and to spend on local goods. Military security requires closed borders but in the today globalized economy, economic security requires open borders<sup>23</sup>.

So we may define economic security as **a state of the economy** that ensures:

- a sufficient level of social, political and military existence and progressive development of the state;
- the invulnerability and independence of the economic interests of the state, related to possible external and internal threats and pressures.

In the same time according to some authors<sup>24</sup> the economic security of the state may be perceived as **a criteria for evaluating the efficiency of the state's economic policies**. Thus the economic security can characterize:

- the general economy level of the state;
- the existence or the absence of threats towards the state, society, and persons;
- the efficiency of the economy and economic policies of the state;
- the full accomplishment of its functions by the state.

There might be another definition where economic security is **a good produced by the state**. The consumers of this product are first of all the citizens<sup>25</sup> of the state, then the citizens of other states that are resident within the given state and finally the citizens of the neighboring states (economic security export). When the state is not capable to ensure the

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<sup>23</sup> Snelbecker D., "Prospects for Economic Security and Growth in Ukraine", in: "Economic Developments and Reforms in Cooperation Partner Countries: The link between Economics, Security and Stability", NATO Economics Colloquium, Brussels, 3-5 Nov. 1999

<sup>24</sup> Arhipov A., Gorodetskiy A., Mihailov B., „Economic Security: assessments, problems, means of achievement”, *Voprosy Ekonomiki*, No.12, Moscow, 1994

<sup>25</sup> Speaking about the citizens of a state we mean not only the physical but also the legal personalities, economic agents, NGO, etc.

economic security it is producing economic insecurity, which is, by the way, much easier to export than the economic security.

Economic security may also mean invulnerability to economic hazards, which need not be created deliberately by an adversarial state, but could well be structural, caused by the workings of the system, rather than by a specific actor.

As later we are going to use several times the term economic power, we have to explain the difference between the economic security and the economic power of a state. The economic security is the result of the economic development of the country, perceived from and having effects within the interior of the state. While the results of the economic development of a given state have effects or exercise an influence outside that state, i.e. on other countries, this is perceived from the exterior, as the economic power of that state.

## **1.2 The State and its Economic Security**

Considering the economic security as a given state of things within the economy of a country, we analyze further what are the main beneficiaries and who is responsible for ensuring the economic security. We will show that the economic security might have several subjects, or actors as well as several objects. The actors of the economic security are divided according to their “area of competence”, or in other words within the different levels of the economic system there is an actor, or group of actors, interested in the achievement of their economic security. An analysis of several international relations’ theories as well as of the states’ behavior within the international economic system allows us to systemize the types of the economic security. A special emphasis is being put on the development of precise approaches to the economic security expressed in several economic

security paradigms that allow a better understanding of the economic security concept.

### **1.2.1 The Actors and the Objects of Economic Security**

From the presented definitions we can draw some conclusions concerning what are the actors and what are the objects of the economic security. The main actor in the international relations system in general and of the security policies in particular, still remains the state. However, the state has ceded some power to non-state actors ranging from supranational actors (e.g. European Union in the case of Western European States, or NATO - for security matters) to international actors (World Bank, IMF, etc.)<sup>26</sup>. Despite this as the definitions of the economic security show us, it is state's duty to deal with the insurance of the economic security.

Concerning the objects of the economic security, these are the individual, the society, and the state together with its economic system. Economic security has not only its own objects but also other objects that are situated at the interference with other elements of the national security such as social, political, ecological, informational and also military security. In fact when we speak about the economic security we should acknowledge the strong connection among its objects. The economic "stability" of the individuals, society, state and its economic system are also the basis of the national security. That is why a state national strategy in the area of economic security shall foresee adequate policies for all the responsible institutions.

More specifically the objects of the economic security are:

- On the macroeconomic level - it is the economy of the state as a whole,

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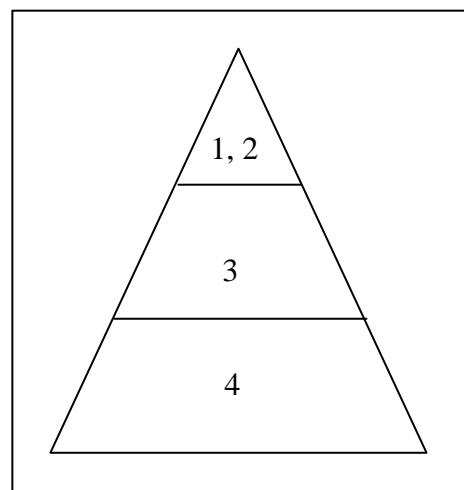
<sup>26</sup> Kirchner E., "Economic Security and the Problem of Cooperation in Post-Cold War Europe", [www.ecsanet.org/conferences/kirchner.htm](http://www.ecsanet.org/conferences/kirchner.htm)

- On regional and branch level – the economy of the regions or administrative units, as well as of different branches of the economy.
- Microeconomic level – the economic interests of the economic agents
- On the level of family and individuals – the economic interests of each citizen of the state.

The interests of the presented objects of the economic security are different, interconnected and sometimes contradictory. That is why it has to be determined the extent in which the state interfere in different sectors of the economy as well as the temporal limits of such kind of state interference<sup>27</sup>. However, considering the complexity of the economic system, the diversity of interests of economic security objects as well as the necessity to avoid excessive state interference in the economic life, it is necessary to delimitate a clear framework of actors of the economic security. Thus we have several actors corresponding to the economic security objects (graph 1).

They are respectively:

- the state (1),
- state's local administrative units (2),
- private economic agents (3),
- individuals (4).



**Graph 1:** Economic Security actors

Each of these, act on their own level for the insurance of their economic security, except for the state that has a larger role. That role consists also in providing the necessary policies for the other actors of the economic security in order to maintain the continuity and accordance with the national interests, objectives, and priorities. This is due to the fact that the state

<sup>27</sup> Lykshin S., Svinarenko A., “The Development of Russia’s Economy and its Reconstruction – the Warrant of its Economic Security”, *Voprosy Ekonomiki*, No.12, Moscow, 1994

should not allow the private economic agents or other actors of the economic security to undermine the economic security of other actors that are not so influential in their activities. In the case of the post soviet countries transiting to market economy, it is necessary to emphasize that the state should prepare and implement specific policies oriented towards the improvement of the business environment, enhancing of the importance of small and medium enterprises, competition stimulation, etc.

### **1.2.2 Economic Security Typology**

As we have seen there are several objects of the economic security. Consequently we can identify several economic security types that correspond to the objects of the economic security. There are two levels in the analysis of the economic security. These two levels can be divided into four sub-levels of the economic security<sup>28</sup>, levels that determine the four types of economic security:

#### ***Microeconomic level***

- Consumers' level (individual economic security) – the possibility of each individual to maximize its consumer utility and to exercise its consumer rights;
- Corporate level (corporate economic security) –the stability of the economic activities, accessibility to different resources of production and maximization of the profits. This type of economic security can be divided into two sub-types according to the property form:
  - ES of the private owned companies;
  - ES of the state owned (public) companies.

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<sup>28</sup> Prohitchi V., “Securitatea economica a unui stat mic. Note de reper pentru Republica Moldova”, [“The Economic Security of a Small State. Guidelines for Republic of Moldova”], IPP Study, Chisinau, 2001

### *Macroeconomic level*

- National level (state economic security) – the availability of sufficient supplies of resources and the invulnerability of the state economy to the internal and external threats;
- International level (international economic security) – is directly connected to the national economic security of several states that are connected by different agreements of economical political or military nature.

In order to follow the objectives of the present research, our study is focused on the state level: i.e. the economic security of the state. Still, speaking about the economic security of the state we should not forget about the economic security of the citizens. The state economic security has strong effects on the individual economic security as well the individual economic security is influencing the state economic security. However not always the existence of the state economic security is ensured by the existence of the individual economic security as well as the individual economic security is not necessarily ensured if there is state economic security<sup>29</sup> (graph 2).

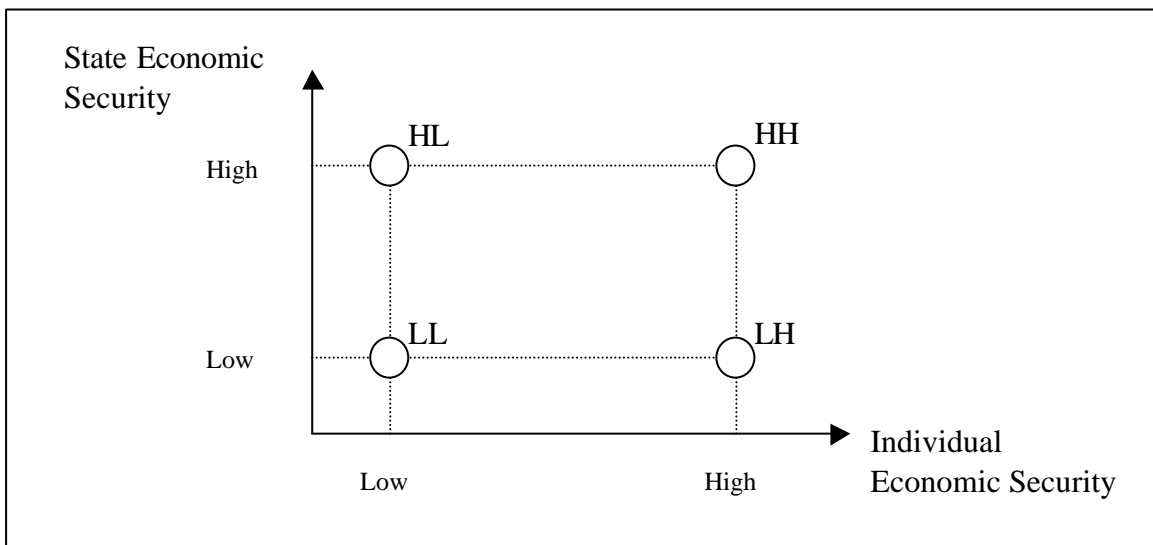
In the first case – LL (Low-Low), the economic security of the state is low as well as it is the economic security of the individual. It is obvious that this is characterizing a poor, under-developed state where neither the individuals have achieved the economic security nor the state has its economic security ensured.

In the second case – HL (High -Low), the state has a high economic security while the economic security of the individuals, citizens of the state is low. This kind of situation can be present in a dictatorship or some authoritarian regime. In such a case the state is busy with maintaining a

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<sup>29</sup> Tambovtsev V., “The Object of the Economic Security”, *Voprosy Ekonomiki*, No.12, Moscow, 1994

certain economic security level of the state as a whole. The state (by means of its ruling elites) is focused only on certain aspects (for example, the military one, etc.), that allow the state to maintain certain positions or a certain status of the state on the international arena or to keep in power the present political regime. In such states, military budgets and arms purchases taking priority over the economic welfare of individuals are undermining their economic security.



**Graph 2:** The relationship between state economic security and individual economic security

Such a situation of economic insecurity of individuals is characterized with the term structural violence. The individual economic security is reduced, not by the direct effects of war but by internal and international structures of political and economic oppression<sup>30</sup>. A good example in this sense can be the situation of the Iraq population, during the regime of Saddam Hussein. The economic security of the Iraq population was reduced not only by the abusive regime with its repressive character, but also by to the economic embargo that was imposed to Iraq after the first Gulf war. However such a situation can not be maintained for a long period of time. The legitimacy of a power that fails (consciously or unconsciously)



to ensure the economic security of its citizens, shall be, sooner or later, questioned by its citizens.

The third case – HH (High-High), represents an ideal situation where the state economic security is high as well the economic security of most of its citizens. The idealism of this case consists in the fact that always, independently of the development level of the country, there is a certain category of population that lives in poverty. Despite of its idealistic nature, this is, more or less, the case of the developed economies, such as USA, Japan, Great Britain, Germany, France, etc.

Finally the last case – LH (Low-High), presents the situation where the state has a low economic security while the individuals (a significant or at least a certain part of them) achieved a certain or even high level of economic security. As hypothetical as it seems, this case is still a real one. Of course it is quite impossible that in a state where all the citizens achieved an advanced economic security level, the state itself has a low economic security level. This is due, as stated already, to the fact that the economic security of the state is influenced in a certain measure by the presence or absence of the economic security at its citizens. However there are states where despite the general poverty of the state there is a certain rich category of population that has the economic security ensured. This is possible in a state with a significant shadow economy and a high criminality rate, those being involved in the illegal activities having the best possibilities to enrich and consequently to ensure their economic security.

### **1.2.3 Economic Security Paradigms**

According to Stanley Kober and other authors, there are two main models in the analysis of the economic security concept: the “*Anglo-*

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<sup>30</sup> Tickner A., “Gender in International Relations: Feminist Perspectives on Achieving Global Security”, Columbia University Press, New York, 1992

*American*” and the “*Asian*” model<sup>31</sup>. From the *Anglo-American* point of view, the fundamental objective of the economy is to ensure a high life standard for the citizens of the state. That is why the American capitalist system is based on the individuals and not on the government or certain collectivities. According to this concept, the economy is not supposed to prepare the country for the war but to satisfy the needs of the national consumers and producers. The American view of the economic security refers to the protection of the life standards, employment and the property of its citizens. Anticipating the things we have to mention here that this definition of economic security represents in fact, the definition of the individual economic security presented further. Another interpretation here of the term economic security consists in the idea of protection of the enterprises, infrastructures, as well as of the public and private institutions. In this case the economic security concept is confused with that of public security<sup>32</sup>. In the *Asian* point of view economic security means first of all the increase of the economic power towards the exterior<sup>33</sup>. Consequently, according to Kober, within such a model the state has the right and even the obligation to control the economic activities that directly affect the national security. This is what the westerns call “military view of economics”. We can argue here that it is difficult to apply the presented description as a general Asian model of economic security. It is more like depicting the Chinese attitude towards economic security, which has in fact similar traits with the economic security approach of the former Soviet Union. In order to describe an eventual Asian model, it is more appropriate to invoke the example of Japan. The *European* vision on the economic security, according to Kober, is a sort of combination of the previous two conceptions. One of the best expressions of that model is the Swedish socially oriented economy. In fact, speaking about an European model of

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<sup>31</sup> Kober S., “The Fallacy of Economic Security”, *Policy Analysis*, No.219, January 24, 1995

<sup>32</sup> Brunelle D., “La sécurité économique depuis le 11 septembre: changement ou renforcement”, Université du Québec à Montréal, [www.uqam.ca/11sept/brunelle.pdf](http://www.uqam.ca/11sept/brunelle.pdf)

<sup>33</sup> Kober S., “The Fallacy of Economic Security”, *Policy Analysis*, No.219, January 24, 1995

economic security, we have to emphasize the fact that the whole European unification process was designed to assure the economic security of the Western Europe. Hence we can say that if we speak of a European model of economic security, we have to speak of it as of a distinct one – a European communitarian model.

However, the “continental” criteria, do not seem to be entirely satisfying for the classification of different models of economic security. That is why we will present other approaches to that issue. According to Bjørn Møller, there are at least three different approaches for developing a situation of economic security<sup>34</sup>: *autarky, diversification, and interdependence* (including *integration*).

*Autarky* was the strategy chosen by the USSR who regarded the world market as unsafe, because of its capitalist nature and the domination of capitalist powers on that market.

Another strategy of achieving economic security is *Diversification*, in the sense of spreading state’s dependencies between as many other states, and across as many fields, as possible. Those states that depend only on one single or a small number of suppliers for essential commodities, such as raw materials for the industry, are vulnerable to cutoffs of these supplies. States that have only one significant commodity to export (such as agricultural products), are especially vulnerable to fluctuations of world market prices<sup>35</sup>. It is even worse if these states have their exports directed to only one or few customers. In such a case they are highly vulnerable to eventual crises (in the importing countries), or to political manipulations from the part of these countries.

*Interdependence*, even to the point of *integration*, is the third, and in several senses most “modern” way of enhancing economic security. This is

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<sup>34</sup> Møller B., “The Concept of Security: The Pros and Cons of Expansion and Contraction”, Copenhagen Peace Research Institute, August, 2000

<sup>35</sup> Galtung J., “A Structural Theory of Imperialism”, *Journal of Peace Research*, Vol. 8, No.2, 1971 in: Møller B., “The Concept of Security: The Pros and Cons of Expansion and Contraction”, Copenhagen Peace Research Institute, August, 2000

the approach taken by the EU countries ever since the foundation of the European Coal and Steel Community. The underlying understanding has been that a web of mutual interdependencies would serve as a powerful inhibition against war, in perfect conformity with the tenets of liberalism, as well as with the modern theories of “complex interdependence”. This can be called a “common security” approach to economic security. Again, the European Union is the best example in that sense, contrary to what Kober and others tend to describe as European model. The whole system is to be made more secure, hence also its members, who could not achieve the same level of security through their individual efforts<sup>36</sup>.

From the economic security definitions presented and approaching the economic security from a situational point of view we may structure several paradigms of the economic security (situational analysis): the *neutral-survival*, the *protectionist (nationalist)*, the *expansionist (imperialist)* and the *welfare* paradigms (Annexes Nr. 1 - 4).

Within the *neutral-survival paradigm* the main concern of the state is the sufficiency of resources supply: natural, human, financial, etc. designed for the survival of the state.

Following such a paradigm of economic security, the state is struggling to survive with the minimum of resources, being highly exposed to all the internal and external threats. The main goal within such a paradigm is to contain as much as possible the internal threats and partially the economy against the external threats. Still the state is in a risk situation concerning the possibility of external threats that the state is unable to control totally. One can not speak here about the existence of a significant military factor.

The history of human development shows us several types of economic systems where elements of such a paradigm were present. Primitive economic systems – *natural economies* – were based on self-sufficiency:

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<sup>36</sup> Møller B., *op. cit.*

the individuals provided only for themselves and those close to them. Such an economic system was composed of many isolated, highly environmentally dependent cells, whose main concern was survival. The activities these cells developed were in fact indirectly meant to ensure the survival-security of the cell. Here we can not speak about the presence of some economic security elements, as there was no will for acquiring and enhancing a certain level of wealth.

With the division of the labor the surpluses that appeared at the economic agents started to differentiate. This gave an incentive to the development of the *exchange economy*. The economic security elements were present in the will of people to obtain surpluses in their production and their concern of preserving and guarding these surpluses. At the state scale, the neutral-survival paradigm of economic security can be observed in the undeveloped countries and countries in transition (ex.: the former socialist states).

The next paradigm derives from the first one. It is the **protectionist paradigm**, that is an enforced model of the neutral survival paradigm. Here the main goal of the state is to contain the internal threats and also to protect actively the economy against the external threats by protectionist policies. This helps ensure its security in the classical understanding of that term, i.e. military security, by economic means.

This kind of policies helps the state to resist in the economic wars. Starvation is a very powerful “weapon” that might be applied with great success to win a “bloodless” war. Thereof many states have striven for economic self-sufficiency as a means of security: by stockpiling “strategic materials” as well as ordinary goods they may make themselves less vulnerable to economic warfare, hence more secure<sup>37</sup>.

In the Cold War era, economics and security were linked only to the extent that a strong economy had to provide the necessary means to fund

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<sup>37</sup> Møller B., *op.cit.*

the military power, which in turn had to provide physical security, behind closed borders, against aggression by a foreign power. The notion of economic security was used only to signify the security of supply, especially of energy and raw materials<sup>38</sup>. Thus we see that the neutral-survival level is very close connected to the protectionist level. This is due to the fact that the country's power is not so important yet, that is why it has to be focused on the supplies too.

The third paradigm is **the imperialist paradigm**. The main objective of a state in this paradigm is to preserve the stability and to stimulate the growth of the country's economic indexes in order to increase the military power and then to sustain the economy growth by military means.

Those states that have secured in a certain extent their physical survival, and also the resources supply for their current economical development, but intend to secure their resources supply for a longer period, start to apply specific policies strongly supported by military force, in order to keep the economy working. A reach state has more possibilities to buy weapons from abroad to strengthen its army. It may also produce these weapons itself, transferring the labor force from the civilian sphere into that of arms production or armed service, as well as creating new working places forms reducing thus the unemployment rates. From this perspective the economic power of a state that ensures its economic security according to this paradigm inevitably constitutes a latent threat to other states that ensure their economic security according to the same paradigm. That is why, even if such states are for the freedom of competition on the international level they tend to avoid contributing to the economic development of their possible competitors. Still if some states support other states, they do this within certain limits, so that no country succeeds to become more developed than the one that helped it. In extreme cases when there are states

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<sup>38</sup> Peter Sutcliffe, "A Geopolitical Analysis of Economic Transition and its Impact upon Security in Europe", NATO Colloquim, 1999

that present possible exaggerated ambitions or eventually threats (military or economic) for the “freedom” of competition, the use of constraining instruments (embargo, protective taxes, quotas, military interventions) is inevitable. Such an attitude was widespread in the USA during all Cold War period and is still valid for the today’s international relations. It might seem strange, but this view is contradicting liberal principles of international trade, which presumed trade as having favorable effects on the war-proneness in the international system.

On the other hand, actual militarization (including the maintenance of standing armed forces and of a continuous increase of military production) inevitably comes at the expense of the civilian economy<sup>39</sup>. Excessive militarization now may thus damage mobilization potential at a later stage, since the latter ultimately reflects the state of the economy as a whole. According to several analyses the high level of military expenditures in both the former superpowers, especially in the former Soviet Union, was counterproductive and in the long run untenable. Due to this counterproductive character the Cold War, the Arm Race had to be “lost” by the Soviet Union considering its unbalanced practices in solution of the “war–economy” dilemma. Generally, this folly would seem to affect great powers in the phase of their decline that is inevitable sooner or later, but which becomes more painful and costly because of ‘over-extension’ both politically and militarily<sup>40</sup>.

The last paradigm is **the welfare paradigm** where the state is focused on acquiring a certain level of wealth to the state and its citizens, as well as to increase this wealth by all possible means excluding the military ones.

Despite the fact that the security of supplies is still important, the reality shows us that the modern economy does not run only on oil. Today’s economies deal with a whole range of resources where a key role belongs to

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<sup>39</sup> Møller B., “The Concept of Security: The Pros and Cons of Expansion and Contraction”, Copenhagen Peace Research Institute, August, 2000

<sup>40</sup> idem

the informational resources. The welfare paradigm of economic security should correspond to most of the modern states. The state's main purpose within such a paradigm is to ensure its economic development and the welfare of its citizens. The characteristic features of a state, acting according to this paradigm are open borders, freedom of trade, etc. It is presumed that here the importance of the military factor is reduced, the accent being put mainly on the economy and on the free competition on the markets. A good example in that sense is the European Union.

### **1.3 Economic Security – Driving Factors, Features and Necessary Conditions**

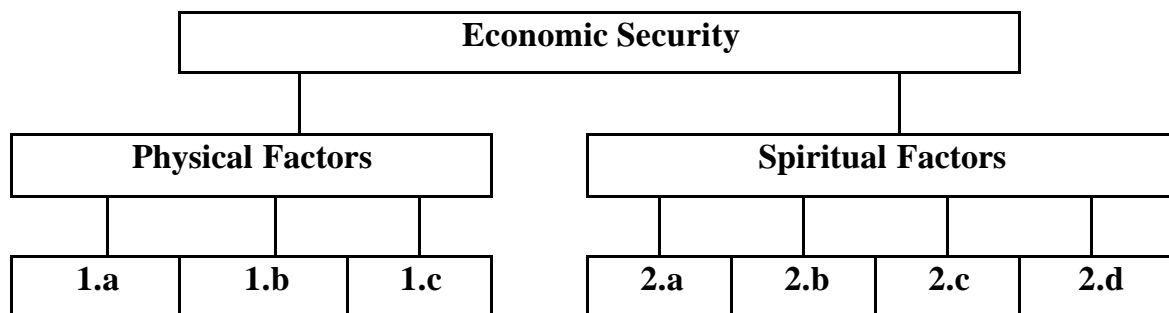
As seen earlier from the presented definitions and paradigms, the concept of economic security has a complex nature. It is strongly connected to other elements of the national security of the state, and also includes a series of interconnected elements. This complex nature of the economic security requires a respective approach in its analysis. That is why we opt for a systemic approach in the analysis of the economic security. The main advantage of such an approach is that it allows us to understand economic security as a whole, fact that gives the possibility to draw a correlation among its interdependent elements, to identify certain rules in its functioning, etc. In this systemic approach we will use the systemic analysis method.

#### **1.3.1 Driving Factors**

In order to understand better the economic security we have to analyze certain “determinants”, “factors” and “variables” of the economic security. In his work “Sociologie de la paix”, Bosc analyses the potential of a state as



the totality of all the resources detained by the state. This totality of resources can have two dimensions of factors: “physical” and “spiritual” factors<sup>41</sup>. Making an analogy with the work of Bosc, we can apply these factors for the analysis of the economic security of a state, as the economic security is closely connected with the development potential of the state.



The economic security is the result of a narrow interaction of many elements that can be called *driving factors* (DF). On the national level of the economic security we can classify the main driving factors in several distinct groups.

1) The physical (directly perceived) factors include the following elements:

- a) Geography (geographical position and its advantages and disadvantages, natural resources, etc.)
- b) Population (the demographic characteristics)
- c) Economy (economic resources, industrial and agricultural potential, commerce: exports and imports, etc.)

2) The spiritual (or moral, social - directly unperceived) factors include:

- a) political regime type and its ideology
- b) the general education level of the population
- c) national moral, the national mood of the society
- d) the strategic position in the international system (for example within a certain community, coalition, partnership, union, etc.)

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<sup>41</sup> Bosc R., “Sociologie de la paix”, Paris, 1995

In our further analysis we will focus on several of these factors: the geographical, economical and political. Thus we attribute the population factor under the economic one, while the national moral and the position within the international system is included in the political factor.

Bosc includes also, in the economical factor, the military power, which we will exclude for the reasons presented earlier: the economic security goes for the achievement of a national security by economic means first.

### **1.3.2 Characteristic Features of the Economic Security**

These driving factors have several **characteristic features**, due to which the DF may be perceived in different perspectives.

*A) From the point of view of the effect of the DF on the economic security:*

- Stimulus (positive DF);
- Threats (negative DF).

*B) From the point of view of their source<sup>42</sup>:*

- external DF;
- internal DF.

*C) From the point of view of the lifetime of the DF we have:*

- short term DF;
- middle term DF;
- long term DF.

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<sup>42</sup> Prohntichi V., “Securitatea economica a unui stat mic. Note de reper pentru Republica Moldova”, [“The Economic Security of a Small State. Guidelines for Republic of Moldova”], IPP Study, Chisinau, 2001

### **1.3.3 Necessary Conditions for Achieving Economic Security**

There are several **conditions** to be fulfilled for the achievement of economic security in a state.

- 1) Self-sufficiency – the capacity of the state to ensure by itself its economy with all the needed resources as well as the capacity to ensure proper conditions for the normal functioning of the economy, for the foreign investments, etc,
- 2) The control over the national resources,
- 3) High levels of productivity, efficiency and quality of the production.
- 4) A high level of competitiveness on the international markets,
- 5) The stability of the national economy. This means the lack or the containment of the factors that jeopardize the proper functioning of the economy: criminality, unemployment, financial crises, etc.

## II CHAPTER: CHARACTERISTICS OF THE ECONOMIC SECURITY OF MOLDOVA

### 2.1 Republic of Moldova: Country's Analysis

#### 2.1.1 Historical Premises of the Present Situation

*We would like to start this paragraph with a short explanation note concerning the historical aspects treated further.*

*We have been already forewarned that “the East-Europeans tend to speak too much about history”. It is true that the present paper is not a historical one but, trying to respect these advice we will approach in a short historical perspective the studied topic, as we are profoundly convinced that many of the today's problems of the Eastern Europe root in yesterday's world events. To support this statement and to stress the importance of the historical aspects, we may bring the example of some “scholars” that study the problems of the Eastern Europe and more specifically the post-soviet Europe, without troubling to inform themselves on the history or at least on the topography of the studied region. Hence, papers produced in the after '90s period, where the Siberian rivers flow in Ukraine, territories populated for centuries by Romanians belong to Turkey or Russia, etc. Unfortunately it is from such “researches”, that the west finds out about what is happening beyond the former Iron Curtain. It seems that the Curtain still persists in the minds of some people. That is why, only by revealing the reality together with the background it lies on, it is possible to get rid of any remains of any Curtain.*

Since its creation, the Republic of Moldova experienced problems with its security. This is related to the persisting interest for control of this area from the part of the former “big brother”. This is expressed in permanent political manipulations performed directly on the Moldavian political scene or indirectly from the backstage of the great powers.

The political games in that region started long time ago. It became worse since August 24<sup>th</sup> 1939, after the foreign ministers of the Soviet Union and Germany, Molotov and Ribentropp in the presence of Stalin, signed the non-aggression pact between USSR and Germany. The non-aggression pact known as the Stalin-Hitler Pact (or Molotov-Ribentropp Pact), being dated with august 23<sup>rd</sup> had a Secret Additional Protocol that

referred to the delimitation of the influence spheres in the Eastern Europe. The third article of that protocol, mentioned: “*Concerning the South-Eastern Europe the Soviet part emphasizes its interest for Basarabia\* . The German part declares itself totally uninterested in these territories*”<sup>43</sup>

After the ultimatum addressed by the Soviet government to Romania, USSR abusively annexed on 23<sup>rd</sup> June 1940 Basarabia and the northern part of Bucovina (which even was not specified in the Secret Additional Protocol of the Hitler-Stalin pact), territories populated mostly by Romanians. After the annexation of Basarabia and Northern Bucovina, the Soviet authorities started to operate significant modifications of the internal boundaries: The Northern Bucovina and the south of Basarabia (together with the seashore) were transferred **illegally** under the administration of Ukraine. It appears that Moscow designed all these boundaries in such a way, as if ever to return Basarabia, it would still retain the strategic northern and southern regions. By retaining south Basarabia through Ukraine, Russia has direct access to the Danube, and thus to the Balkans and Europe.

The break down of the Soviet Union and of the bi-polar system of international relations made clear for the newly emerged states that it is crucial for their existence to get out from the vicious influence area of the former metropolis. Unfortunately due to the multiple problems emerged immediately after the declaration of its independence on 27 August 1991 (that cancelled the “validity” of the Hitler-Stalin Pact), no one had the idea for advocating the reparation of all the negative effects of that Pact. A significant part of those who were affected by the crimes of Nazism were more or less compensated. For this advocated the international institutions, NGO’s, humanitarian foundations, memorial organizations, etc. What international institution from those intended to watch for the respect of

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\* Basarabia is the historical name of the Romanian province, situated between the Prut and Nistru rivers (Annexes 6,7).

<sup>43</sup> Scurtu I., Hlihor C., “Anul 1940. Drama Românilor dintre Prut și Nistru”, [“Year 1940. The Drama of the Romanians between Prut and Nistru”], Bucharest, 1992

human rights, advocated for the demand of compensation for the victims of Communism that has made more victims than Nazism?

It might seem that there is no connection of that fact with the economic security? Well, there is. Half of a century of Communist occupation has left in people's mind undeletable marks that will require another half of a century to be erased. Speaking about the case of Republic of Moldova (that differs not much from the case of other occupied republics), we have to present the facts that still undermine the establishment of the economic security today. First of all after its occupation, Basarabia was amputated of its middle class that was gradually formed before, from landowners, farmers, etc. (that were deported to Siberia, or massacred on the place). Second, as stated already, the country was left without its Black Sea seashore, which could be today one of the main natural assets of a country that does not dispose of any other significant natural resources. The Soviet occupation left to the today's economy of Republic of Moldova an obsolete infrastructure, hyper-developed industrial sectors (as the agricultural one), specific soviet business making patterns, a whole set of dependencies toward the east (the soviet type of railroads, pipelines, etc.), a ruling elite totally faithful and bound for life to their former eastern masters, etc.

It becomes clear that Moldova was unable to build a solid economic security system right after the dissolution of the Soviet Union because of the loss of all the dependencies that were artificially sustaining the viability of Moldova's economy. Situated at the geopolitic periphery of both the European space and former Soviet space, Republic of Moldova has to navigate with dexterity among the riffs of the high international politics to survive. However due to the earlier presented characteristics, this smooth navigation looks more like an automatic and inertial following of a political course similar to the one practiced during the last fifty years. Worse, sometimes due to the incoherent policies promoted by the authorities, this navigation has a zigzag trajectory, oscillating between east and west, and in the last time tending more and more towards a gravitation around the

eastern attraction center. This is meant to ensure the maintenance of some relations that will allow Moldova to benefit from the access to the eastern markets, eastern resources, vital for the Moldavian economy. On the other hand this is enforcing the bindings of Moldova with the East, making the accomplishment of the pro-european ambitions less probable.

### **2.1.2 The Present Economic and Political Situation**

The current economic situation in Republic of Moldova is very difficult and there are no signs of real improvement. Real wages and pensions are very low, often below the poverty level. The Gross Domestic Product is continuously decreasing, despite certain minor stabilization periods. The criminality and unemployment rates have reached abnormal levels, the importance of the shadow economy is increasing. In the former Soviet, Union Moldova was producing 30% of the total soviet tobacco production, 20% of the total grape and wine production, 13% of fruits, and 10% of vegetables<sup>44</sup>. Since then the development of the situation of Moldova went on a continuously decreasing line. The economic decline and the pauperization of the Moldavian population could be explained first by the loss of the traditional markets situated in the East, by the increase in the costs of the imported energy resources and raw materials. Since its independence, Moldova's greatest success was the macroeconomic stabilization. That stabilization can be expressed in the following facts: it was developed the legal framework and institutional structures needed for market economy, a relatively stable national currency and a relatively low inflation rate.

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<sup>44</sup> Padure L., "The Impact of Moldova's Economy on the Country's Stability", in: Bruton L., "The Republic of Moldova: Time for a new EU strategy?", SWP-CPN, Selected Contributions, No.5, 1999

The following table (source: [CISR, 2001]) presents the main economic indexes of Moldova during the last ten years<sup>45</sup>. From the analysis of these figures it is possible to draw some conclusions about the country's present situation.

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Growth of GDP, %,	-29,1	-1,2	-31,2	-1,4	-7,8	1,6	-6,5	-3,1	2,1	6.1	7.4
Inflation, average %.	1209	1284	587	30,2	23,5	11,8	7,7	39,3	31,3	6.4	4.4
Budgetary deficit % of GDP	-	9,0	10,6	6,8	7,6	7,8	3,3	3,1	1,6	-0.6	

The actual basis of the Moldavian economy has been established at the end of the '80s, beginning of the '90s, inheriting from the soviet economy complicate structural distortions. Still the unsuccessful course of the reforms can not be explained only by means of the soviet heritage, but also to the fact that Moldova did not used the chance to obtain an economic independence by enhancing its economic security. The political and social instability that dominated the last decade, together with a lack of knowledge of the national economy through correct and coherent policies lead to the critical situation in the economy today. Only in the last years there was a certain increase in the growth of the GDP, but according to some analysts these data are determined mostly by a certain growth in the agricultural production, that reported some successes in the last years due to favorable climacteric conditions.

Generally we can say for sure that the Moldavian transition was a total failure. The development indexes of year 2000 are just a third compared to the development level of 1989. The next years' destiny of Republic of Moldova is to work for paying back the received credits. The

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<sup>45</sup> Prohnitchi V., Prohnitchi E., "Evaluarea strategica a integrarii Republicii Moldova in UE", ["A Strategic Evaluation of the Integration of Republic of Moldova in the European Union"], IPP Study, Chisinau, 2003



unemployment reached catastrophic levels, according to the World Bank the unemployment rate is 11 – 12 % (according to other sources it is 15-17%). The amount of direct foreign investments in the last years is estimated to be smaller than the value of the drugs that transited the country. The lack of foreign investments was determined mostly by the economic crisis, as well as to the political instability and the imperfect legislation.

Speaking about the productive sectors, it has to be emphasized that the main problems of Republic of Moldova are of structural character. Few other countries in the East of Europe have a such significant weight of agriculture in their economies as has Moldova: 30 –35%. This leads to high dependence of the economy towards climacteric conditions. The population employed in agriculture is almost 54 – 56%. The industrial factors inherited from the Soviet Union are energy consuming thus leading to high production costs, little productivity, hence a low competition capacity on the markets<sup>46</sup>.

The state's bureaucratic and administrative barriers in the activities of the private companies encourage the high level of the underground economy.

## **2.2 Factors Threatening the Economic Security of Moldova**

There is a set of factors that threat the national interests of Republic of Moldova and hinder its capability to build a consistent economic security. Republic of Moldova has its own specific national interests, dictated by several characteristics. These are: the status of a small state, the geographic position in the heartland of the Eurasian continent, as well as its status of

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<sup>46</sup> Gotisan I., “Impactul politicilor economice din Republica Moldova în perspectiva de integrare europeană”, [“The Impact of the Economic Policies of Republic of Moldova in the European Integration Perspective”], IPP Study, Chisinau, 2003

former soviet republic together with all the implications of such a status: former planned economy system, present transition to the market economy, agriculture specialized economy, etc. So, that interest of Moldova, consists in developing its economy, integrating the European institutions, reducing as much as possible from its inherited unilateral dependencies on the former soviet economic partners.

In their work “Geography and Economic Development”, Gallup, Sachs, and Mellinger correlate the geographical, economical and political factors in an interesting manner. According to them, among the temperate-zone economies, development seems to be more favored if there is the next combination of characteristics: 1) the state is situated in the Northern Hemisphere; 2) has avoided socialism; 3) has avoided to be ravaged by the war<sup>47</sup>. If one would like to evaluate Republic of Moldova according to these criteria, by marking one point for each accomplished characteristic, so Moldova shall receive a grade of 1.5, i.e. half of the possible maximum, which might be too much optimistic, considering the reality of that country. Republic of Moldova accomplishes one and a half of these conditions that favor the economic development and hence the achievement of the economic security. It is situated in the Northern Hemisphere and was partially damaged by the war in Transnistria. Still, one can say that the damages resulted from the wild transition from the planned to the market economy equal the damages suffered during an actual war.

In order to stick to the theoretical guidelines for the analysis of the economic security drawn in the first chapter, as well as to the specific interests of Republic of Moldova we will try to accomplish an analysis of three groups of factors: geographical, economical, and political through the perspective of the threats presented to the economic security of Republic of Moldova. These factors are not sharply delimited so that any interference of one factor in several groups is likely to be accepted. Thus, within the

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<sup>47</sup> Gallup J., Sachs J., Mellinger A., “Geography and Economic Development”, CID Harvard, CID Working Paper No.1, March 1999

geographical group of threats there are included some geopolitical or some geoeconomical factors, in the economical group there are some societal, demographic factors, etc., that strongly affect the economic security of Republic of Moldova.

### **2.2.1 Geographic Threats and Risks**

During the last century the geographical configuration of Republic of Moldova, changed frequently according to the wills and necessities of the great powers. Situated in the heart of the Eurasian continent Republic of Moldova benefits of certain possible advantages as well as disadvantages that influence its economic security.

There are several threats that can be linked to the geographical situation of Republic of Moldova. The geographic position could offer the possibility to Moldova to play the role of a link among the West of the Europe and the former Soviet countries. This is not accomplished yet first of all due to the *lack of the coastal area at the Black Sea*. The geo-economic strategic importance of having access to the sea can not be questioned, even now when the idea about the diminution in importance of the geographical factors is intensively promoted. For a small state, as proved by the history of international relations, the opening to sea can be vital. The importance of the coastal areas for the economy of the state is also proved by recent researches that ascertain the high importance of such geographical factors for the economic development of a country. More, according to Gallup, Sachs and Mellinger, coastal regions and regions linked to coasts by ocean-navigable waterways, are strongly favored in development in comparison with hinterlands<sup>48</sup>. Nearly all landlocked countries in the world are poor, except for several Western and Central European states (Austria,

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<sup>48</sup> Gallup J., Sachs J., Mellinger A., *op. cit.*

Switzerland, Czech Republic, Hungary, FYROM, Slovakia), deeply integrated into the regional European market. It is interesting that the authors do not include in the list of the European landlocked countries Moldova as well. De facto, due to lack of the access to the sea coast currently illegally possessed by Ukraine, Republic of Moldova is also a landlocked country, if we do not take into consideration the complicate possibility to reach the Black Sea by means of the Prut river.

The *small surface* of the country is also a disadvantage for Republic of Moldova. This is a result of the already discussed “territorial amputations” performed by the Soviet administration. The *lack of important resources* determines in a significant measure the agricultural character of the Moldavian Economy.

According to Lowenhardt and we tend to agree with him, the main problem that annihilates all the perspectives of a European future of Moldova is *the problem of the “Transnistrian Moldavian Republic”*. In that eastern region of Moldova a separatist regime controls 12% of the territory and 15% of the population of Republic of Moldova. That separatist regime also controls most of Moldova’s heavy industry, electricity, cement and steel production that is situated on the eastern border of the Nistru river<sup>49</sup>. The Transnistrian Moldavian Soviet Socialistic Republic auto-proclaimed on two September 2, 1990. According to the Transnistrian authorities, this was the expression of the people’s will, and of their historical right. It has to be emphasized that the claims of the leaders of the auto-proclaimed republic are not founded. This is due not only to preceding historical reasons, but also to the fact that when the Moldavian Parliament proclaimed, on June 23<sup>rd</sup> 1990, Moldova a sovereign and indivisible state within its existing frontiers, 64 representatives from the Transnistrian

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<sup>49</sup> Lowenhardt J., et al., „A Wider Europe: the View From Minsk and Chisinau”, *International Affairs*, London, Vol.77, No.3, July 2001, in Prohnych V., Prohnych E., “Evaluarea strategica a integrarii Republicii Moldova in UE”, [“A Strategic Evaluation of the Integration of Republic of Moldova in the European Union”], IPP Study, Chisinau, 2003

region that were present, voted in favor of that declaration<sup>50</sup>. In fact this is a problem that hinders not only the European integration of Republic of Moldova but represents a source of insecurity for the whole Black Sea and Balkan regions – a supplementary headache for the EU.

One more problem to be emphasized as significant for the country's economic security, is the *delimitation of the borders* between Ukraine and Moldova. Several bilateral treaties have been concluded, but still there are misunderstandings on that matter, expressed in different pretensions from the part of the Ukrainian government encouraged by frequent “compromises” and “donations” from the part of the Moldavian governments.

Still, from the geographical point of view, there are also some advantages. The situation in the Northern Hemisphere with relatively favorable climate as well as very fertile soils, favors the agriculture. The position within the “heartland”, close to the center of Europe could offer Moldova the possibility to become one of the transiting countries for the commercial flows between the Eastern Europe and Western Europe. However in order to use this advantage there are significant investments to be made, in order to transform Moldova in a “central” country, attractive for the commercial transits by adequate infrastructure: roads, pipelines, railroads, etc. Finally the reduced surface of Republic of Moldova could be perceived as an advantage for Republic of Moldova, provided the fact that a small country is easier to be managed. Still this requires a lot of dexterity and managerial skills in matters of country administration, skills that at the moment are a deficit in Moldova.

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<sup>50</sup> Rurac I., “Separatismul si impactul lui asupra procesului de edificare a statalitatii in Republica Moldova”, [The Separatism and its Impact on the Statehood Building Process in Republic of Moldova], IPP Study, Chisinau, 2002

## 2.2.2 Economic Threats and Risks

The frequent changes in the frontiers of the state determined an irregular development of the infrastructures and the hyper-development of certain industries in the detriment of other industries. It is the case of the agricultural sector that received exaggerated attention during the Soviet administration. This was determined on one hand by such natural factors as the plain relief, temperate climate and fertile soils. On the other hand, this is due to the fact that while being part of the Soviet Union, Moldova was exposed to intensive economic exploitation, expressed in excessive extension of the agricultural lands by massive woodcuts, intensive use of chemistry, etc., now suffering acute ecological problems resulted. Hence another threat to the address of the economic security of Republic of Moldova: the *narrow economic specialization in agricultural products*. In spite of some successes achieved during the soviet period the Moldavian socialist economy could not function anymore. In the former soviet system the country was imposed the role of supplier of agricultural raw materials, consumer of industrial products and structural element of the soviet military industry<sup>51</sup>.

The *destruction of the scientific, technical, and intellectual resources*, especially in research and education, where the average age of the key personnel is approaching retirement age. The scientific elites, trained in the soviet school, being evaluated as one of the main assets of Republic of Moldova, is gradually draining versus the modern scientific centers all around the world: Germany, France, Canada, USA, etc.

This leads to another threat - that of *falling behind in terms of technology*: As long as we continue to “get rid” of our intellectual resources, there will not be any positive sign neither in the overall economic development nor in the establishment of the economic security in Republic

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<sup>51</sup> Prohntichi V., “Securitatea economica a unui stat mic. Note de reper pentru Republica Moldova”, [“The Economic Security of a Small State. Guidelines for Republic of Moldova”], IPP Study, Chisinau, 2001

of Moldova. In the educational sector it is registered a continuous aging of the teaching contingents. The newly prepared teachers are not motivated to stay in the educational domain, the state paying little attention to financially supporting this vulnerable category of the society. This is threatening the literacy rate of the population, and on the long run also reducing the intellectual performances of the country.

There is also the threat of *foreigners taking over key sectors of the economy*. As a result, we could lose some unique technology and our capacity to compete in the global marketplace. And there is the threat of domestically produced goods being overwhelmed by imports

The high degree of *dependence towards the suppliers of energetic resources* as well of some essential raw materials required by the national economy of Republic of Moldova. Due to this situation Moldova is very vulnerable to every possible crisis undergoing in the supplier's country as well as to all pressures during the negotiations with these suppliers. On the other hand Moldova hinders its own economic security by maintaining the *old business-making patterns*, according to which it has to play the limiting role of raw materials exporter. As long as Moldova will export its agricultural products as raw materials alone, rather than ready products, this will be its most vulnerable area.

### **2.2.3 Political Threats and Risks**

According to the heartland theory of Mackinder, the state should follow a strategy that consists in concentrating the industry in a region that is protected and far from the possible attacks of the enemies. This theory is also valid for the analysis of the economic security of a state. In order to ensure its economic security from this perspective, the state should place the industrial units in a region that is safe from all possible threats:

especially those that may affect the ownership or the physical existence of these units. What is the situation in Republic of Moldova in that sense?

Due to the colonial attitude of the former Soviet Union towards the former soviet republics in general and especially towards Moldova, today we have several issues that have their source directly in the policies of the former Soviet Union. The soviet industrialization policy oriented towards strengthening the military industry established a specific situation within all the branches of the economies of the former soviet republics. As in many other former soviet republics in Moldova that policy is reflected today in a considerable structural deformation of the economy. The objectives of that colonial policy were to ensure the control over Republic of Moldova in case it separates from the Soviet Union. That is why most of the industry was concentrated not in a “safe” area, but in a region where the settlement of Russian colonists was highly favored by the soviet regime, in this way being grounded *the separatist trend in the Transnistrian region*. Thus it was prepared an evil instrument for “*blackmailing*” Moldova if it becomes independent. This is what happened, with the declaration of independence of Republic of Moldova, when the industrial regions from the east of the country were “cut-off”, the rest of the country being left “bare-handed” on the road of transition to the market economy. The situation is complicated also by the illegal presence there of the Russian troops, which participated also in the war that accompanied the separation of the Transnistrian region from the rest of the country. Hence the present situation, when most of industrial potential is situated on the left bank of the Nistru river isolated from the any influence from Republic of Moldova. This is an economical and political threat to the economic security, as the *lack of control over the heavy industry* of the state entitles the state to support continuous losses, undermining the state welfare.

Another significant political risk that has important repercussions on the politics of the state consists in the quasi-total dependence of Moldova on **few suppliers** of energetic resources. These suppliers are situated mainly at



the East of Republic of Moldova, the transports having to transit the separatist region. Russian gas supplies pass through the pipes crossing the Transnistrian region. Electric energy supplies come from Ukraine and from an important electric plant also situated in the Transnistrian region. The transit of the energy resources through the Transnistrian region determines the continuous growing dependence of RM towards the separatist region. **The lack of control over the eastern borders** undermines in a significant measure the economic security of Republic of Moldova. That region is a comfortable way for illegal imports and exports, drugs and guns traffic, etc. This lack of control over its borders, is not only hindering the economic security of Moldova, but is also worsening its image on the international level. As a result of the present state of things, Republic of Moldova was already qualified as a “rogue state” by the American policy makers. It is not necessary to add that the foreign investors are not going to queue for placing their money in Moldova, after reading such recommendations.

A significant risk for the economic security of Republic of Moldova is linked paradoxically to the current round of *European enlargement* that will bring significant negative consequences for Moldova. The risk consists in the fact that with the Central European countries becoming more integrated into European institutions, their borders will be closed for the Moldavian exports. The next enlargement round, that will include possibly Romania as well, could have one of two effects on Moldova: a deteriorating or an improving effect. This will depend on a set of external circumstances, including EU policies themselves. Anyway provided that the general context remains the same, the next few years are not propitious to the development of Moldova’s relations with the EU. This is due firstly to the ambiguous policies of the present communist government and president. Second, according to some analysts, Romania has little chance to join the EU in the next years. Even if it does, it will be difficult for Romania to advocate Republic of Moldova, considering the interests of Russia in the concerned area as well as the interest of EU to maintain good relations with

the Russians. Third, EU naturally tends to stay away from anything that does not look like an urgent problem. Until now the west does not perceive as urgent the situation in Republic of Moldova. That is why it is crucial for Moldova to draw Brussels' attention in order to receive more help in the context of the EU's actions against organized crime, prostitution, etc.<sup>52</sup>

These are the threats of the economic security, linked to the international environment of Moldova. However there are also threats coming from the interior. First is the *lack of understanding of the principles of market economy and economic security* by the central and local administration. Second, is a *vicious perception of the regional economic developments as well as of the international relations' contexts*. This is proved by the incoherent declarations of the Prime Minister, Parliament Speaker, or the President himself. According to them Republic of Moldova has to integrate simultaneously in the CIS, EU, Russia-Belarus Union, etc. Next is the *wrong appreciation of the external environment and the threats that it presents to the economic security* of Republic of Moldova. This is linked mostly with the overestimation of the business opportunities and the possibilities for obtaining support from the part of Russia. As shown already in the theoretical analysis of the economic security, the dependence on one or few suppliers is making the country highly sensitive to every crisis undergoing in the country-supplier. Finally is the *lack of experience, the low level of expertise* of the many public workers in the field of administration and finances, and the old-fashion way of working only according to the indications sent from the center<sup>53</sup>.

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<sup>52</sup> Guicherd C., "The Enlarged EU's Eastern Border. Integrating Ukraine, Belarus and Moldova in the European Project", SWP Study, Berlin, June 2002

<sup>53</sup> Prohntichi V., "Securitatea economica a unui stat mic. Note de reper pentru Republica Moldova", ["The Economic Security of a Small State. Guidelines for Republic of Moldova"], IPP Study, Chisinau, 2001

### 2.3 Possible Solutions and Strategies

Stemming from the analysis of the threats for the economic security of Moldova, and taking into account the political and economical specifics of the country determined by its post soviet problems in the transition period as well as the current international political context, we have to draw some guidelines for a set of possible measures for the solution of the existing problems and the insurance of the economic security of Moldova. These measures could be divided in two sets: *political* and *economical* measures. The solutions of geographical problems are included in the set of political measures, the solution of the geographical problems depending now only on the domestic political will and the favorable international developments.

The **Economic Measures** consist in structural policies directed both on the macroeconomic as well as on the microeconomic levels<sup>54</sup>.

An important policy should be applied for *increasing the consumption* and overall demand indexes. The *development of the human factor*<sup>55</sup> as an important asset for the future development of the economy and the insurance of the economic security of Republic of Moldova. It is obvious that with the start of the economic reforms in the '90s, most of the efforts of all the governments were to perform the necessary changes in the legal frameworks, the market mechanisms, etc. Economic problems prevailed and little attention was being paid to the importance of the human factor. It is now that many decision-making bodies understand the essence of the human factor in all transformation processes. Unfortunately valuable skills and knowledge is continuing to be lost: the unemployment rates are still high while more and more labor force leaves the country in order to work abroad. According to unofficial data this figure is impressive:

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<sup>54</sup> Lykshin S., Svinarenko A., "The Development of Russia's Economy and its Reconstruction – the Warrant of its Economic Security", *Voprosy Ekonomiki*, No.12, Moscow, 1994

<sup>55</sup> Prohntichi V., "Securitatea economica a unui stat mic. Note de reper pentru Republica Moldova", ["The Economic Security of a Small State. Guidelines for Republic of Moldova"], IPP Study, Chisinau, 2001

approximately 900000 persons have left the country<sup>56</sup>. There is high possibility that the figures are higher, the number of those that work abroad attaining one million persons. These persons should be taken into consideration by the government as they might serve as a support for the economic security of Moldova. During 2002 the working abroad Moldavians “injected” in the Moldavian economy more than 200 million US dollars<sup>57</sup>. Republic of Moldova should develop concrete policies for the retrieval of the available high-skilled labor-force, and the reinsertion of this force into the national economy. These policies target first of all the insurance of the individuals economic security and through this the enhancement of the state economic security.

Another important task is the *promotion of a positive image* of the economy of Republic of Moldova on the international markets. This is done already on the level of separate economic agents and partially on the state level through the participation at specialized international exhibitions. Still, there is a lack of continuity in these measures as well as a discrepancy between the efforts of the economic agents and the efforts on the political level. The few investors, attracted by the cooperation possibilities with the local companies, are disappointed quickly after investing in the country. This is due to a whole set of factors such as demotivating state policies and procedures, corruption, bureaucracy and lack of transparency. More, the imperfect legislation is extremely favorable for different money laundering practices. Thus in a report prepared in by the US Commerce State Department it is clearly stated: Republic of Moldova does not have a viable market economy<sup>58</sup>. It is obvious that such kind of statements do not favor at all the image of Moldova neither its investment attractiveness.

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<sup>56</sup> Sleptova E., “Labor Migration in Europe: Special Focus on the Republic of Moldova”, IPP Study, Chisinau, 2003

<sup>57</sup> Prohntitchi V., Prohntitchi E., “Evaluarea strategica a integrarii Republicii Moldova in UE”, [“A Strategic Evaluation of the Integration of Republic of Moldova in the European Union”], IPP Study, Chisinau, 2003

<sup>58</sup> Prohntitchi V., “Securitatea economica a unui stat mic. Note de reper pentru Republica Moldova”, [“The Economic Security of a Small State. Guidelines for Republic of Moldova”], IPP Study, Chisinau, 2001

The improvement of the image of the country can not be accomplished without sustained efforts within the country itself. That is why it is necessary to *improve the investment climate* of the country<sup>59</sup>. This should be done by the simplification of the businesses registration procedures, reduction of the bureaucracy, “cleaning” the legal framework in order to get rid of those legal provisions that favor the growth of the criminal practices and money laundering. This should lead to the growth in the attractiveness of the business environment and hence the growth of the direct foreign investments in the country.

Another main priority in the country’s policies of achieving its economic security should be the *industrialization*. It is obvious that a industrialized country has greater chances for a sustainable growth as the non-industrialized ones. This is proved by the statistics of the economic developments in the world during the last ten years. Growth rates were almost twice higher in the industrial countries (the median growth rate equaling 2.86%) than in the developing countries (the median growth rate equaling 1.51%)<sup>60</sup>. This should be done not by a blind copying of the western models but by a thorough analysis of the internal possibilities, available local natural resources and expertise. The domains where Moldova could concentrate its efforts together with foreign attracted investors, are: wine production, microelectronics, electrical appliances, bio-agriculture, etc.

The next measure to be taken for increasing the country’s economic security is *export stimulation*. The stimulation of the export should take also in consideration the necessity to diversify the customers, in order to have a equilibrate geography of the exports between the European countries and the CIS. This might become more and more difficult to accomplish as with the enlargement of European Union towards East, the trade possibilities with the future members decrease.

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<sup>59</sup> Prohntichi V., *op.cit.*

<sup>60</sup> Pritchett L., “Understanding Patterns of Economic Growth: Searching for Hills among Plateaux, Mountains, and Plains”, *The World Bank Economic Review*, Vol.14, No.2, 2000

A possible solution that can help the country to move on from the present deadlock situation might be the *cooperation* with the neighboring countries mainly in the economic, political and cultural fields. However the problem linked to this approach is with what state this cooperation might be the most fruitful. This problem is determined by the preferences of Republic of Moldova in that sense. How strange it might seem, but in the after Cold War world, and especially in the post-soviet Europe, preferences do not depend entirely on the state itself, but are linked to the relationships of the state within the international system. Preferences are linked to the level of amity or enmity in the international system<sup>61</sup>. Where there are high levels of enmity, cooperation is unlikely. States are focused on relative gains, since an unequal absolute gain derived from cooperation today could lead to military defeat tomorrow. On the other hand, where there are high levels of amity, cooperation is more likely. States may focus on the on absolute gains, since a state's relative loss today is unlikely to be employed against it on the battlefield<sup>62</sup>.

From the perspective of the economic security of Republic of Moldova it is necessary to take in account the post-soviet status of this state. Cooperation preferences are mostly determined by the former political, economical and cultural links with the metropolis. From the economical point of view, this is favored by the fact that the Moldavian businesses have partially maintained connections with companies from other former Soviet Republics, while the connections with other trade partners (in West for example), are quite difficult to be established. From the cultural point of view, it is necessary to be emphasized that according to some unofficial data, Russian speaking population runs most of the important companies. This reality is rooted in the fact that during the soviet times the official colonization policy was stimulating the migration from Russia to other Soviet Republics. The persons coming to settle in Moldova were placed in

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<sup>61</sup> Kirchner E., "Economic Security and the Problem of Cooperation in Post-Cold War Europe", [www.ecsanet.org/conferences/kirchner.htm](http://www.ecsanet.org/conferences/kirchner.htm)

<sup>62</sup> idem

the key positions in the most important state enterprises. After 1990, with the start of the transition processes, the Russian speaking minority had thus the control over the most important businesses. From the political point of view it is obvious that the cooperation preferences of Moldova are determined by different possible manipulation between two or more actors: Russia, Moldova, as well as other interested parties. As seen from the analysis of the existing threats to the economic security, there are enough mechanisms for influencing the cooperation preferences of Moldova.

The analysis of the imports and exports shows that 65% in 2001 and ~55,8 in 2002 (the period of January - October), of exports are directed towards CIS countries. The imports from CIS countries equal 43,2% in 2001 and 38% in January-October 2002<sup>63</sup>. Considering this, the cooperation preferences are surely oriented towards Russia or the CIS countries. Some tend to consider this as an impediment towards the European integration of Moldova, and partially it might be true. As long as the economic security of Moldova is depending only on one (or few) trading partner there are little chances that Moldova will succeed in enhancing its economic security and thus increase the chances for integration in the European Union. Still it is not a wise strategy to renounce to all eastern partners only because they are in the East. In economy as well as in the politics there are no friends or enemies – only interests. The business should be made there where there is demand to be satisfied. However, it is true that the relationships with the eastern partners should be revised, in order to avoid the total dependence as well as the narrow role of raw-materials suppliers.

Considering the weak internal incentives for changing the cooperation partners, as well as the external political, economical and cultural ties, the role of the European Union is significant in multiplying the cooperation preferences of Republic of Moldova towards western countries. This point is of a high actuality with the enlargement of the European Union, which is

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<sup>63</sup> Prohnitchi V., Prohnitchi E., "Evaluarea strategica a integrarii Republicii Moldova in UE", ["A Strategic Evaluation of the Integration of Republic of Moldova in the European Union"], IPP Study, Chisinau, 2003

interested in having a safe environment at its borders as well as in those countries that are possible future members of the European family.

Moldova has signed Free Trade Agreements with 10 countries and Most Favored Nation Agreements with 14. The European Union has included Moldova in its "Generalized System of Preference" scheme which enhances Moldova's access to the EU market, though exports of wine, fresh fruits and vegetables do not qualify for these benefits. However, a range of processed agricultural products benefit from up to a 30% reduction in import tariffs. For example, exports of concentrated juices fall under the "sensitive" category and receive a reduction of between 11-17% of Common Customs Tariff duty (CCT). Moldova is the only NIS country that benefits from a 15% reduction in import tariffs, as well as having no quotas to comply with on textile exports to the EU<sup>64</sup>.

There is a whole set of **Political Measures** that are to be taken in order to enhance the economic security of Republic of Moldova. A possible solution likely to be implemented by a new democratic and pro-European government is the *integration in the European Union*. As an enclaved small country, marked by the lack of resources, Moldova can not resist to the tough conditions of the competition on the international arena. This is due to the multitude of the threats that undermine anyway its economic and political independence. Moldova is highly sensitive to all kind of negative influences of different political arrangements among the big powers. In this situation, it is not only its economic security, but even its existence as state, is under question. This fact should have been acknowledged immediately after the declaration of its independence. One possible solution at that stage could have been the reunification with Romania. Romania is a country that in spite of all its problems, has a more advantaged existence: it is several times bigger in surface, it possesses important geological resources, it is not

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<sup>64</sup> Padure L., "The Impact of Moldova's Economy on the Country's Stability", in: Bruton L., "The Republic of Moldova: Time for a New EU Strategy?", SWP-CPN, Selected Contributions, No.5, 1999



exposed in such a measure to the influence of the geopolitical threats that persist in the region. Unfortunately the present domestic and international political conjuncture is not very favorable to that project. However, with an appropriate political will, Moldova could take advantage and fit very well the integration processes that undergo at the moment on the European continent. These regional integration processes reflect a natural trend, started in the after Second World War period that expresses the will of the small and medium-sized countries (in terms of population, territory, geographic situation, and economic potential, according to Katzenstein such countries as Poland, Belgium, Spain., etc., are small countries<sup>65</sup>) to unite especially in the economic field. From a geoeconomical point of view this is a trend intending to overcome the smallness of the European states – i.e. to create bigger economic, and possibly political entities<sup>66</sup>. In terms of economic security this is a trend of constructing a welfare paradigm of economic security on the European continent according to the interdependence – integration model. The main reason for such a behavior is determined by the fact that in the today's complex globalized economy, the creation or the adherence to large common markets is crucial for the welfare of a country. A brief analysis of the current trends within the international political and economical system proves that in order to ensure its economic security, Republic of Moldova should make all necessary efforts to *adhere to the existent common economic spaces*. Moldova should not break all the relationships with the countries from the CIS as long as there might be any chances for making profitable business. However in order to get rid of vassal relationships that determine its high geopolitical sensibility and unilateral dependence towards the former metropolis, Republic of Moldova should put the accent on the western Common Market.

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<sup>65</sup> Prohntichi V., "Securitatea economica a unui stat mic. Note de reper pentru Republica Moldova", ["The Economic Security of a Small State. Guidelines for Republic of Moldova"], IPP Study, Chisinau, 2001

<sup>66</sup> Faminskii I., "The Open Economy and the External Economic Security", *Voprosy Ekonomiki*, No.12, Moscow, 1994

Unfortunately as attractive as it might seem, such an evolution will be difficult to be achieved. As shown by many public opinion polls, the European orientation is not rooted in the minds of Moldova's population. Moldova's identity bears much more strongly the imprint of its interaction with Romania and Russia than of any Western Europe influence. Unification with Romania is still supported by approximately 10% of the population. In the same time for most of the population, the Russian direction is not an alternative. This is linked to the unpleasant experiences of subjugation during Soviet times, to which should be added the decidedly pro-Slav orientation of the Transnistrian auto-proclaimed republic, which functions as a counter-model in Chisinau<sup>67</sup>. Still the alternative could be provided by Europe. Anchoring Moldova in Europe, conceptually and practically, may require the detour of its integration in the Eastern Balkans. Moldova's *membership in the Stability Pact* lays the ground for this, although the deterioration of bilateral relations with Romania since the change of government in Chisinau looks rather counter-productive in this regard. To strengthen the European orientation in Moldavian public opinion, the EU will have to work both with the Moldavian and the Romanian Governments, and also develop sustained pedagogical efforts to explain to Moldavian citizens what belonging to Europe would require from them<sup>68</sup>.

In order to settle the existing problems and thus to direct the country on a way of stable development and European integration there might be undertaken specific actions from the part of Moldova itself, as well as from the part of the European institutions. EU could apply the specific policies,

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<sup>67</sup> Guicherd C., "The Enlarged EU's Eastern Border. Integrating Ukraine, Belarus and Moldova in the European Project", SWP Study, Berlin, June 2002

<sup>68</sup> idem

in order to implement the Partnership and Cooperation Agreement and producing an overall improvement in the Moldavian economy<sup>69</sup>.

One area of activity consists in increasing the role of EU in the political *settlement of the Transnistrian issue* by taking full advantage of the bilateral and multilateral available channels. One important step in the solution of this problem is the *complete withdrawal of the 14<sup>th</sup> Russian Army*, still illegally present in the Transnistrian region, despite the deadlines fixed at the OSCE Istanbul Summit in 1999. The analysis of all the “progresses” achieved until now, make us question the efficiency of all the “mediators” of this problem. Normally for the solution of every issue, are “invited” neutral, objective actors that are not involved in the given issue. Paradoxically, but in the solution of the Transnistrian issue there are involved only “neutral” mediators. First is Russia that detains in Transnistria an illegal occupational army. Then Ukraine, that might not be against increasing its territory once again from the expense of Republic of Moldova. Finally is OSCE - another incarnation of the Russian interests. The finality of this issue still remains unclear. It depends much on the political and diplomatic capacity of Moldova to internationalize further the Transnistrian issue and to involve EU in its solution<sup>70</sup>.

Another solution could consist in providing *technical assistance* and policy advice to Moldova on issues linked with market reforms such as the development of the export activities, the settlement of the debts of the important agricultural, industrial, and energy enterprises. The next activity consists in providing *financial support* through credit lines aimed at giving access to credits with lower rates of interest, in order to enable them to start their own businesses. This is already partially done by means of a crediting institute – Micro Enterprise Credit (MEC) that is giving credits to the small

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<sup>69</sup> Padure L., “The Impact of Moldova’s Economy on the Country’s Stability”, in: Bruton L., “The Republic of Moldova: Time for a New EU Strategy?”, SWP-CPN, Selected Contributions, No.5, 1999

<sup>70</sup> Prohntichi V., Prohntichi E., “Evaluarea strategica a integrarii Republicii Moldova in UE”, [“A Strategic Evaluation of the Integration of Republic of Moldova in the European Union”], IPP Study, Chisinau, 2003

businesses or agricultural enterprises for expanding their activities. Another activity could be the encouraging of the cross-border cooperation in the region and by promoting the Moldavian integration within the Trans-European Networks.

The task is particularly difficult since, as we have argued above, a messianic view of the Union has imposed itself in the Eastern Countries. It implies a reversal of emphasis, placing the stress on the process rather on the end-goal of integration into Union structures and policies. In this context, what it seems the EU could do is threefold:

- increase eastern neighbors *awareness of membership requirements* ;
- keep fostering the process of *democratization, state consolidation, administrative reform, and economic liberalization* which will, on the one hand, facilitate their gradual integration into the European mainstream and, on the other, create greater stability on the eastern rim of the enlarged Union;
- work to dispel and *counter the increasing feeling of isolation* created in the Eastern Europe by EU enlargement.

On the first item, the EU should never tire to clarify that it stands for a particularly demanding set of requirements, involving<sup>71</sup>:

- the adoption and implementation of some 80,000 pages of common norms regulating the every day behavior of governments, companies, and individuals in almost all fields of human activity, norms behind which transpires a certain set of values;
- a commitment to democratic government and the respect for human and minority rights, as embedded in the Copenhagen criteria;
- habits of cooperation, mutual trust, and the acceptance of limitations on national sovereignty for the sake of the common interest;

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<sup>71</sup> Guicherd C., "The Enlarged EU's Eastern Border. Integrating Ukraine, Belarus and Moldova in the European Project", SWP Study, Berlin, June 2002

- participation in a political project meant to profile the Union as an actor of a particular kind on the world scene. Although the latter remains a matter for discussion, the first debates of the Convention demonstrate a growing consensus for the reinforcement of the EU as an international political actor.

The question whether Moldova, shall ever want, and be ready to meet these conditions remains open. In any event, this can only occur in the long-term future.

## CONCLUSIONS

There were several goals established at the beginning of that paper. One of them was to develop a precise theoretical framework for the economic security concept, the other was to apply the theoretical findings on the case of Republic of Moldova.

The goal of developing a theoretical framework of the economic security concept was accomplished in the extent of the existing theoretical material, there still being a space left for future development and improvement. One of the main theoretical findings, besides others, is the setup of four paradigms depicting the different approaches to the achievement of economic security as well as the behavior of a state within each specific paradigm. These paradigms are the neutral-survival paradigm, the protectionist, the expansionist and the welfare paradigm. A schematic explication of each of these paradigms is provided in the annexes 1 to 4. These are not rigid paradigms, as in the real life the features specific to one paradigm of economic security can interfere with other features specific for another paradigm. It is depending on each state how the economic security is ensured, and there can not be sharp cut models of economic security. The state always ensures its economic security in a dynamic way by transformation and adaptation of its policies to the variable external and internal environments. Analyzing these paradigms and comparing them to different states, we can find good examples of states corresponding to one or another paradigms of economic security. Applying the case of Moldova to one of the presented paradigms we see that Moldova falls mostly in the “neutral-survival” paradigm of economic security. Failed reforms, incoherent governments and transition to the market economy determine this situation.

While establishing the second goal we were questioning about what determines the establishment of economic security in Republic of Moldova. For answering to this question we analyzed the determinant factors of the economic security. These were the geographic, economic and political factors. These facts were analyzed mainly through the perspective of their negative influence on the economic security of Moldova, otherwise we analyzed the threats and risks for the economic security coming from the analyzed factors. Some of the geographic threats are the lack of the coastal area at the Black Sea, small surface of the country, scarce resources, the problem of the separatist eastern region of Moldova, the incomplete delimitation of the borders between Ukraine. The economic threats are the narrow economic specialization in agricultural products, the continuous destruction of the scientific, technical, and intellectual resources, old technology. A significant problem to be emphasized here is the high dependence of Republic of Moldova towards its few suppliers of energetic resources. This is a very important issue, because it is determining the high country's vulnerability towards any crisis, or manipulations from the part of the supplying countries. Such an attitude of Republic of Moldova to the security of its supplies and its entire economic security is determined by another factor, which consists in the old business-making patterns, inherited from the former soviet economic system and maintained until now by the omnipresent old nomenklatura. The political risks consist in the existence of several issues that provide good opportunities for "blackmailing" Moldova, counteracting its efforts for independence. The lack of control over the eastern borders as well as over the heavy industry, determined by the presence there of a separatist regime, undermines the state economic development and security, and presents significant political threats in the relations of the former metropolis with the "independent" Republic of Moldova. The presence of the Russian troops on the territory of Moldova is also an important risk not only to Moldova's economic security but also to its national security and the safety of the whole region. Paradoxically but a

significant political threat to the economic security of Republic of Moldova might be the European enlargement processes. This in the case when Moldova will remain inactive while faced with the European integration trends. The threat consists in the fact that Moldova might loose its already insignificant western markets, thus loosing any hope to for economic development and to become in the future a member of the European Union. In the same time the European enlargement process may have favorable effects on Republic of Moldova. As Moldova is going to be at its borders, EU will have to adopt a more coherent policy concerning this state, thus giving more incentives for that country to opt for the European way of development.

After having analyzed the threats to the economic security of Republic of Moldova, we have presented several measures that might bring some possible solutions for the existing situation. These solutions are mainly of political and economical nature.

Trade with its eastern neighbors is an important asset for Moldova, as it depends on them for its procurement of energy. Still continuous targeted efforts shall be made to increase the exports to the EU member states. This requires a significant redesign of the export policies of Republic of Moldova especially concerning the range of strategic products that might be exported in the EU countries. This necessity is determined by the fact that relying only on its agricultural products Moldova will meet significant difficulties, given the strong position of agricultural producers in the EU.

In its relations with other countries Moldova should work on establishing a balance between the east and the west. The necessity to maintain good relations with the eastern countries is determined by strategic reasons. At the moment, Russia is the most significant market for the Moldova products. Ukraine as well as Russia are “part” of the Transnistrian problem and in the same time a part of its possible solution. In the same time with the entrance of Ukraine and Russia in the WTO, there might appear chances for the establishment of a free trade zone between Moldova,



Ukraine and Russia. As a member of the WTO, Moldova can play here a significant role in the implementation of these projects<sup>72</sup>. An important element here is necessity for the intensification of the activities oriented towards the withdrawal of the Russian troops from the territory of Moldova. Considering the lack of access to the sea, as well as the northern territories of the former Basarabia (see annexes 6, 7), this is a delicate problem that is somehow avoided to be discussed, on the political level this topic missing completely. Unfortunately it still remains unclear what shall be the solution of this problem.

Speaking about the relations with Romania it is necessary to be stressed that the privileged character of these relations should be enforced. Unfortunately this is a difficult task considering the present government and the accession of Romania to the EU. However the last factor may present certain positive effects. In case of becoming a member of the European Union, Romania may advocate the accession of Republic of Moldova to EU. In its relations with the EU Moldova should focus on benefiting fully from the opportunities offered through the Stability Pact for the South Eastern Europe.

In the economic field Moldova has to focus on several strategic products that it can produce at a high quality and at a relatively low price, in order to increase its exports. In the short-term, at least, the country is likely to continue to rely on traditional products of export such as wine, tobacco, processed fruits and vegetables. The potential for corrective actions to improve the trade accounts lies in adopting export promotion and energy conservation as a basic strategy to achieve economic growth. This highlights the issue of the appropriateness of the high exchange rate, as well as the opportunity to use administrative and fiscal instruments to discourage the acquisition of certain imported goods by Moldavian citizens. Within the framework of the country's present international economic relations, and in

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<sup>72</sup> Gheorghiu V., "Moldova – vecina nedorita a Uniunii Europene", [Moldova – the Unwanted Neighbor of European Union], IPP Study, Chisinau, 2003

conformity with the Partnership and Co-operation Agreement signed with the EU in 1994, it is not possible for Moldova to introduce mandatory import restrictions. A surcharge tax following the model of that introduced in Romania had been suggested but it remains unclear how it would work in the framework of the free trade agreement between Moldova and Ukraine<sup>73</sup>.

Finally some more conclusions can be drawn from this analysis. There is a significant gap in the economic development of the Republic of Moldova and the other countries from the South East of Europe. This gap is even bigger between Moldova and the European states. The economic security of Moldova fits more the neutral-survival paradigm, described in the first chapter. This is determined by a whole set of threats that hinder the already inconsistent policies developed by the government. There is a need of permanent monitoring of all possible threats towards the economic security and consequent policies meant to reduce these threats. Certain stimuli are also demanded for the development of the cooperation and trade in the region. Only by promoting a coherent, problem oriented policy Moldova can manage in overriding the crisis and the continuous regression, thus creating the necessary background for its future accession to the European family.

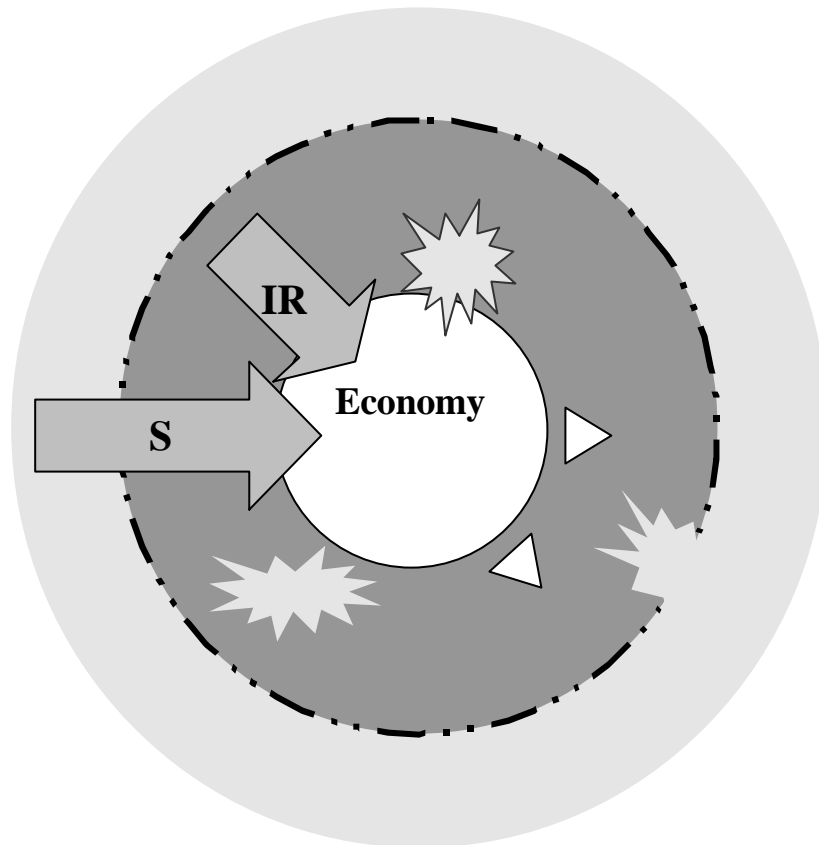
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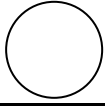
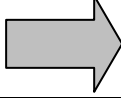


<sup>73</sup> Padure L., "The Impact of Moldova's Economy on the Country's Stability", in: Bruton L., "The Republic of Moldova: Time for a New EU Strategy?", SWP-CPN, Selected Contributions, No.5, 1999

## ANNEXES

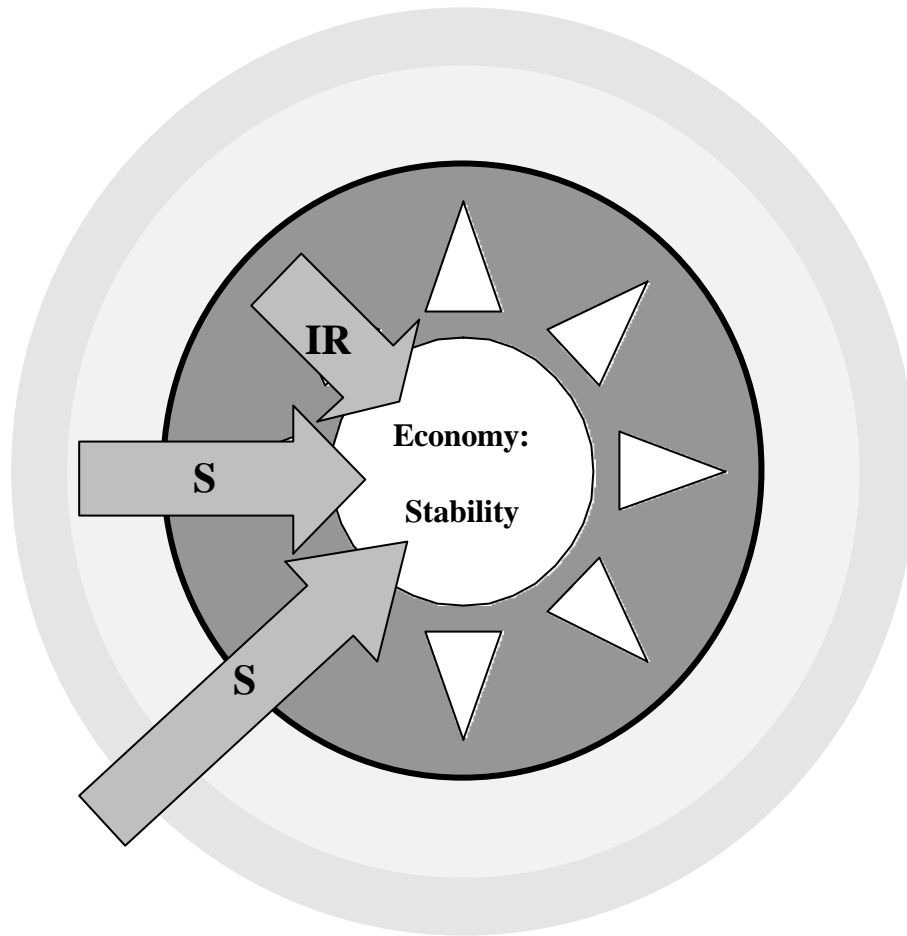
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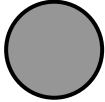
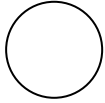
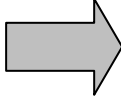
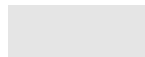
#### The neutral-survival paradigm of economic security



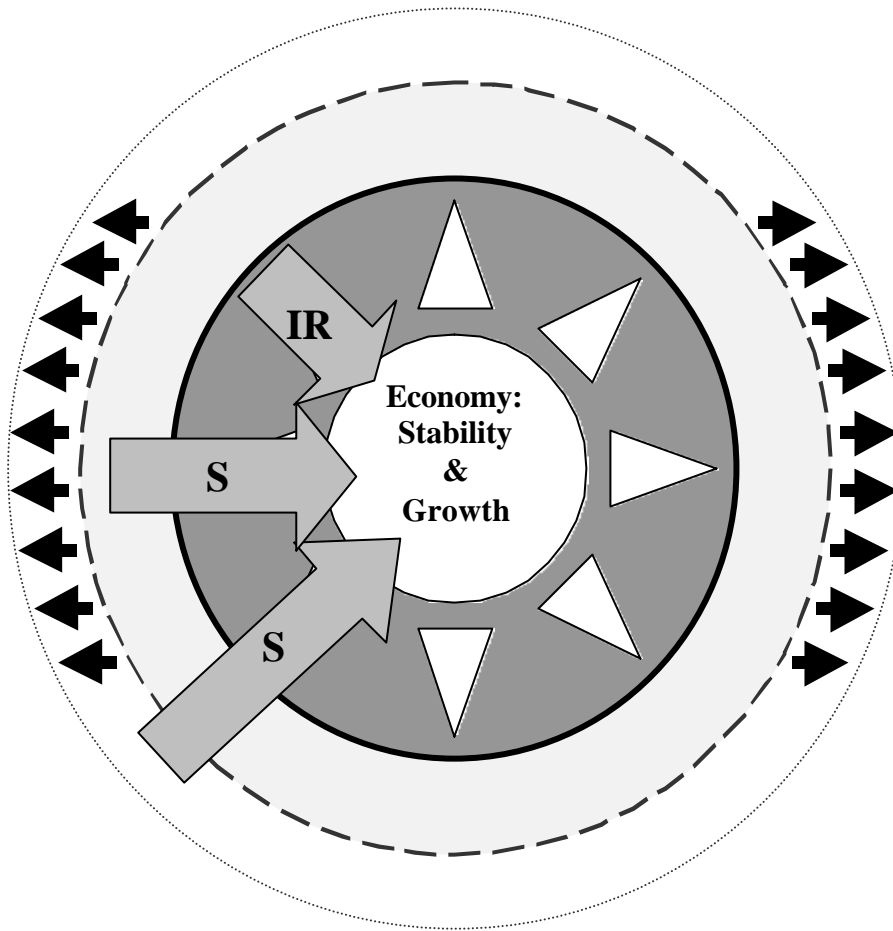
	The State
	“Transparent” borders of the state. Unprotected borders against external threats and the more powerful economies
	The Economy
	<b>Supplies:</b> resources, finances, labor force, technologies, etc. <b>IR</b> – Internal Resources, <b>S</b> – supplies from the exterior
	Physical Security
	Hostile external environment, Internal and external threats to the economy and to the state

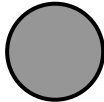

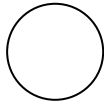
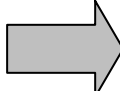



**Annex Nr.2**  
**The protectionnist paradigm of economic security**



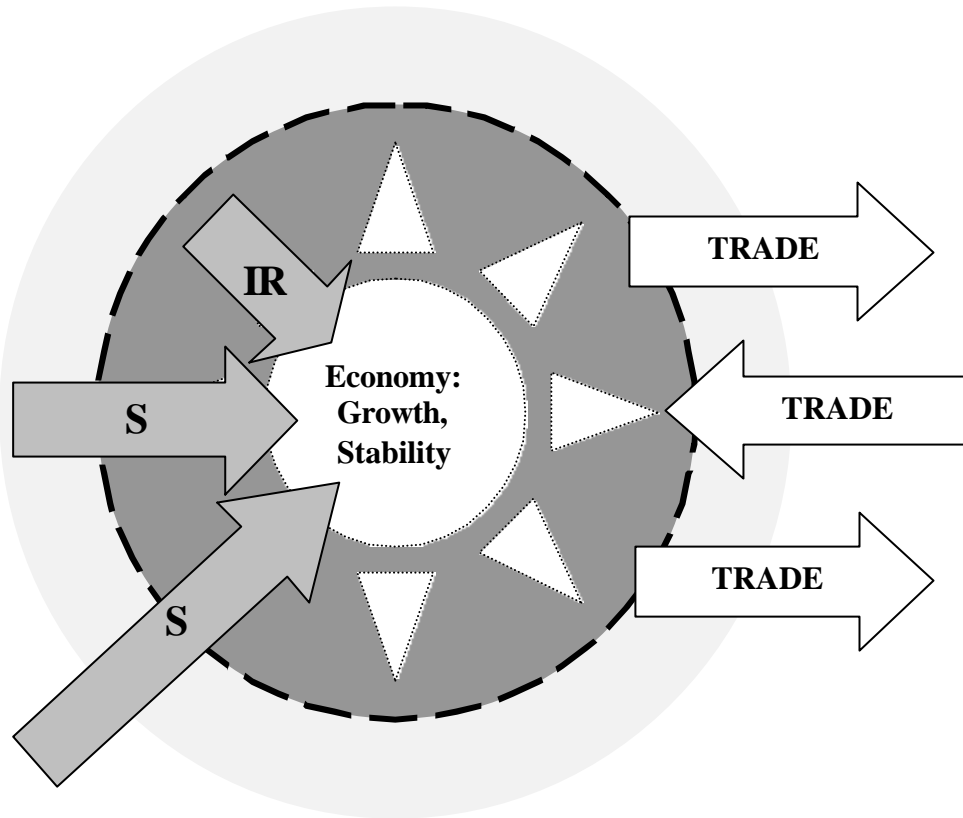
	The State
	Borders protected against external threats and the more powerful economies
	The Economy
	<b>Supplies:</b> resources, finances, labor force, technologies, etc. <b>IR</b> – Internal Resources, <b>S</b> – supplies from the exterior
	Economic Security
	Economic Power
	Hostile external environment, threats to the economy and the state

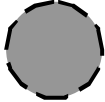

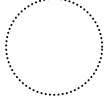
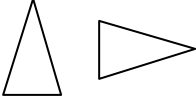
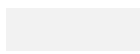
**Annex Nr.3**  
**The imperialist paradigm of economic security**



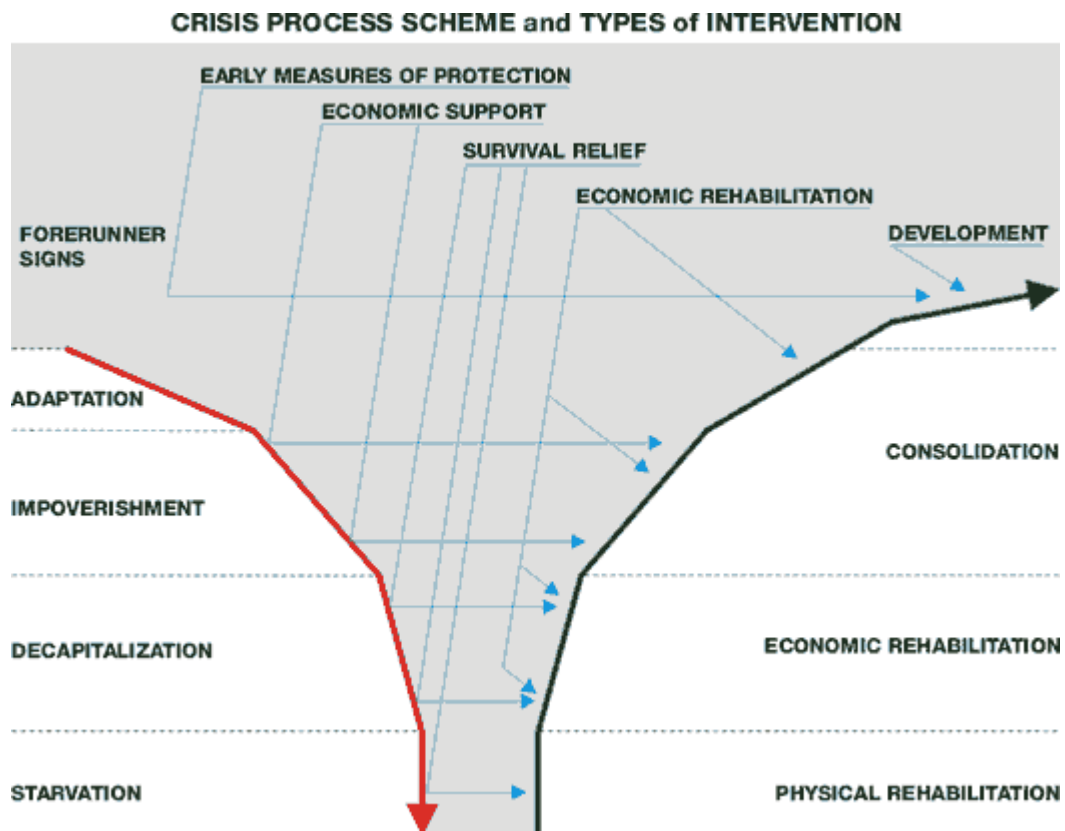
	The State
	Borders protected against external threats and the more powerful economies
	The Economy
	<b>Supplies:</b> resources, finances, labor force, technologies, etc. <b>IR</b> – Internal Resources, <b>S</b> – supplies from the exterior
	Economic Security
	Economic Power and Military Power
	Expansionism: hostile activities towards other states

**Annex Nr.4**  
**The welfare paradigm of economic security**



	The State
	Borders protected against external threats and open for <i>cooperation and trade</i>
	Economy: open to the <i>cooperation, foreign investments, international trade, etc</i>
	<b>Supplies:</b> resources, finances, labor force, technologies, etc. <b>IR</b> – Internal Resources, <b>S</b> – supplies from the exterior
	Economic Security
	Economic Power


**Annex Nr.5**  
**Economic Security Crisis Process Scheme and types of intervention<sup>74</sup>**




<sup>74</sup> [www.cicr.org](http://www.cicr.org)

**Annex Nr.6**  
**Republic of Moldova after 1990 (together with its “lost territories”)**



Regions that belonged to Basarabia	
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The Transnistrian separatist region	
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**Annex Nr.7**  
**Basarabia - Historic map**<sup>75</sup>



<sup>75</sup> Dima N., "From Moldavia to Moldova. The Soviet-Romanian Territorial Dispute", New-York, 1991

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