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The difficulties of the transition of the Republic of Moldova. The socio-economic and cultural premises

The purpose of the paper is to elucidate the stages of the establishment of the Republic of Moldova. Appearing after the breakup of the Soviet Union, the Republic of Moldova had an oscillating course. Internal factors, the social infrastructure from the time of the collapse of the Soviet Union, but also external factors contributed to this evolution. The scope of the work is the elucidation of the factors that were the basis of the evolution, involution or stagnation of the independent state of the Republic of Moldova.

Introduction

The process of the break-up of the Soviet Union had a multitude of effects on one or more national societies that were part of that country. The legacy was not an easy one to leave its mark on the subsequent development of each individual country, and the case of Moldova fits perfectly into this situation.

The history of this region roughly begins in 1812, when Tsarist Russia annexed to its huge empire the area between Prut and Dniester, which until then had been part of the Principality of Moldavia, a vassal of the Ottoman Empire. Of course, the occupation of only the eastern part of the Principality of Moldavia for Russia was only one stage in the Russian expansionist policy of becoming masters of Constantinople (Istanbul).

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Historical developments, however, were against these plans. And in the south-western direction, the mouths of the Danube and the Prut River were to be the last point of its political expansion. As early as the 19th century, it became clear that the territory that the Russians had annexed was not organically linked to the huge empire and at the same time was cut off from the natural part of the Moldovan state. Thus, despite some progress, Bessarabia remained on the periphery of the Russian Empire.

For Bessarabia, a chance came in 1918, when it was united with Romania, but this period lasted only 22 years. Following the Ribbentrop-Molotov Pact, the area between the Prut and the Dniester rivers was once again reannexed by the Soviet Empire. Most of the territory became the Moldovan Soviet Socialist Republic, which incorporated the land to the left of the Dniester where, in 1924, the Autonomous Moldovan Soviet Socialist Republic was formed with its centre in Balta and then in Tiraspol. The process of Sovietisation of Bessarabia, which began in 1940, continued with the reoccupation of Bessarabia in 1944.

On most of the reannexed territory, the Moldovan Soviet Socialist Republic was formed. With the collapse of the Soviet Union, the districts on the left bank of the Dniester separated from the former Soviet republic, depriving it of much of its economic infrastructure.

At the time of the break-up of the Soviet Union, Moldova was not ready to promote a self-sustaining economy and the decade after independence was economically particularly difficult.

Moldova's exports and imports

The evolution of exports and imports of the Republic of Moldova did not have a linear and clear evolution. This situation was caused by several factors. Having broken away from the Soviet Union, Moldova has not been able for a long time to make up for the loss of its Eastern market with similar realities in the West. In addition, the Russian Federation has, since the 2000s, exerted an economic pressure on the Republic of Moldova, which had to face several different embargoes. These began in 2005 and came to a head in 2006, when the Russian Federation banned the import of Moldovan wines. Russia has continued to use the policy of blackmail in its relations with the Republic of Moldova, but it is certain that our country has also had to rethink its economic policy towards the Russian Federation. The issue of wine quality was one of the key moments in the reassessment of Moldova's economic policy. A year and a half later, Russia lifts the embargo on Moldovan wines, but the idea that the Republic of Moldova should export them to other markets has already begun to take shape.

The failure of the 2003 Cozac plan to federalize Moldova led to the first actions against Moldova by the Russian Federation, which used economic blackmail to promote its geopolitical interests. These actions have played an important role in Moldova's oscillations over the past years. The Russian Federation until recently held several key elements in the blackmail of Moldova. Two elements are key in this regard: first, the export of Moldovan fruit and wine; and second, the price of natural gas. After the

embargo on Moldovan wines was imposed in 2006, in 2008, when the restrictions were lifted, Moldova returned only to a very small extent to the Russian wine market. Even so, Moldova has not returned anywhere near its pre-embargo levels. The second drastic blow dates back to a new embargo in 2013, when wine export quotas to the Russian Federation were at a very low level since 2014. Most importantly, bottled wine exports have remained consistently low. At the same time, this situation has necessitated the search for other markets for Moldovan wines. Thus, this export increased steadily between 2014 and 2019 from 110.4 to 155.7 million litres for all categories. Unfortunately, the Coronavirus pandemic has also hit hard this basic sector of Moldova's economy. In 2020, the quantity of wine exported amounted to only 136.2 million litres. The following year, exports reached 121 million litres, the war in Ukraine and other related problems hit the sector again, and exports in 2022, were below those of the pandemic year at 104 million litres. At an average of 130.3 million litres per year, Moldova averaged \$157.4 million in revenue per year („Economic exportul producției vitivinicole” 2022). At the same time, over the last five years the export value has averaged \$162.5 million, which basically shows stagnation in the sector. On the other hand, wine production in 2022 was exported to 67 countries (“Economic exportul..”, 2022, p. 11). One of the major problems remains the still rather high export of bulk wine as opposed to bottled wine. So, of the total volume in the last five years, the volume of bulk sales remains quite high, although it has gone from 71% in 2019 (in 2018 it was 70%) to 57% bulk wine (“Economic exportul..”, 2022, p. 3). Note that the 35% of bottled beverages provide 64% of the total value. Resizing the sector and investing in bottled production appears to be a priority for the coming years.

Sales by country in 2021 are as follows: Romania (428 million lei), Russia (295.1 million lei), Poland (176.1 million lei), Belarus (168.5 million lei), Czech Republic (160.2 million lei), China (139.7 million lei), Ukraine (112.9 million lei), USA (70.3 million lei), Kazakhstan (66.5 million lei), and Turkey (50.4 million lei) (Breahnă, 2022). In 2022, export growth was reported in such countries as Romania +6.9%, Canada +15.9%, and the Netherlands +32.4%. At the same time, Poland -12.3% (due to the war in Ukraine), Czech Republic -16.0% (unexplained decrease), Russian Federation -49.2% (due to the war), China -24.4% (unexplained), USA -14%, and Ukraine -41.5% (“Economic exportul..”, 2022, p. 9).

We focused on the situation in the symbolic sector of Moldova to highlight the problems faced by the field. Some conclusions can be drawn from this: Even though three decades have passed since the proclamation of independence, the old links are proving to be strong, and new markets are hard to come by. The fact that there are many wine producers in Europe is certainly a big obstacle to broadening the scope of production. What is being observed now is, in fact, a stagnation of the status quo that has lasted for more than 10 years, and the fact that the Russian Federation (still) occupies an important place in this strategic export confirms our fears of a very difficult transition. It is true that in this case, as in many others, the Republic of Moldova receives almost unconditional support from Romania, which also has its own wine sector that must be supported.

The issue of Russian gas exceeds the capacities and possibilities of the Republic of Moldova, which will remain largely dependent on it, as long as there is no diversification of natural gas supplies to Europe. Only the diversification of natural gas supplies from other parts of the world, for example from Kazakhstan, Turkmenistan, Iran, Iraq, the countries of the Arabian Peninsula, Azerbaijan, etc., will be able to change the situation, but this too depends on the understanding of the world's major players and less on Moldova's will or desire. The reality is that for the population of the Republic of Moldova, the price of gas was already expensive, and now it has become even more expensive.

Several elements were decisive in the structure of the new independent state that inherited the territory of the former Moldovan Soviet Socialist Republic. Right from the start, in 1992, the Transnistrian conflict broke out, which was to further disrupt the situation of the young state. The open conflict lasted for several months and was then frozen. As a result, the region to the left of the Dniester and the city of Bender came out of Chisinau's subordination and the conflict was not resolved. Moscow used the situation created to continue blackmailing Moldova and to maintain its military base on the banks of the Dniester. In the end, the Soviet legacy proved too difficult for the Moldovans, and developments in the early decades confirmed the difficulties on the road to creating their own independent state.

Enterprises that were usually located in different parts of the USSR were linked to each other, and with the break-up of the empire, the economic links between them were also severed. As a result, with the end of the Soviet Union, enterprises in Moldova went bankrupt along with the entire Soviet economic system. Those who worked in those enterprises had to find other work. It should also be mentioned that with the collapse of the USSR, the entire financial banking system collapsed, and all the people's savings burned up. Another legacy is the social system that the young state took over from the previous period. With the annexation of Bessarabia in 1940 and again in 1944, the Soviet regime implemented its own social system in Bessarabia, which aimed to homogenise the population of the huge empire.

The process of Russification was complemented by Soviet-style urbanisation. Representatives from other republics, especially Russians and Ukrainians, were brought to Moldova, usually living in the republic's cities. On the other hand, the Moldovan Soviet Socialist Republic underwent a demographic revolution after the Second World War.

According to official censuses, in 1959, Soviet Moldova had approximately 2.8 million residents. In just 20 years, by 1979 the population had grown to 3.95 million, and by 1989, it reached 4.335 million. Urbanisation at that time was low. In 1989, the capital of the republic, Chisinau, had about 666,000 inhabitants. Three other large cities with populations exceeding 100,000 were Balti (151.000), Bender (123.000), and Tiraspol (188.000). Other district centres, which were considered cities, could be considered larger villages. At the same time, oppressive pressures forcing people to work at home resulted in agriculture assuming a predominant role in the already inefficient economy, a situation further aggravated by the ever-increasing population in the villages. Some of them had populations exceeding 10.000. In the context where

the entire population had to work in villages and the population doubled in a very short period, a challenging and unsustainable situation emerged. The main problem for the Republic of Moldova was that the process of urbanisation process, both during and following the Soviet period, was largely based on the population coming from other parts of the USSR and to a lesser extent on the displacement of people from villages to cities.

During the years of independence, especially in the last two decades, a prerequisite for an accentuation of the urbanisation process was created. On the one hand, the strong development that construction has undergone in recent times is combined with a genuine desire among the rural population to live in better conditions, which also contributes to the growth of the urban environment. The statistics are relative from this point of view, as those who work and live in the city can still have a residence visa in the country. Even so, the data on urbanisation stand out particularly against the backdrop of the general decline in the rural population.¹

Tab. 1. Rural and urban population in 2000–2017

year	urban	%	rural	%
2000	1.486.410	40,89	2.148.702	59,11
2001	▼ 1.485.210	40,94	▼ 2.142.602	59,06
2002	▼ 1.484.142	41,02	▼ 2.134.170	58,98
2003	▼ 1.477.927	40,97	▼ 2.129.508	59,03
2004	▼ 1.476.028	41,00	▼ 2.124.408	59,00
2005	▼ 1.469.828	40,94	▼ 2.120.108	59,06
2006	▲ 1.478.011	41,27	▼ 2.103.099	58,73
2007	▼ 1.476.110	41,32	▼ 2.096.593	58,68
2008	▼ 1.476.099	41,37	▼ 2.091.413	58,63
2009	▲ 1.476.681	41,44	▼ 2.087.014	58,56
2010	▲ 1.481.696	41,62	▼ 2.078.734	58,38
2011	▲ 1.485.766	41,74	▼ 2.073.775	58,26
2012	▲ 1.492.165	41,92	▼ 2.067.332	58,08
2013	▲ 1.502.996	42,25	▼ 2.054.638	57,75
2014	▲ 1.507.265	42,40	▼ 2.047.894	57,60
2015	▲ 1.511.051	42,53	▼ 2.042.005	57,47
2016	▲ 1.516.813	42,71	▼ 2.034.039	57,47
2017	▲ 1.521.894	42,90	▼ 2.025.645	57,10

Source: National Bureau of Statistics. (2023). *Banca de date [Data bank]*. https://statistica.gov.md/ro/statistic_indicator_details/33

¹ https://statbank.statistica.md/PxWeb/pxweb/ro/20%20Populatia%20si%20procesele%20demografice/20%20Populatia%20si%20procesele%20demografice_POP020/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774

Thus, with the collapse of the USSR, these people were left on their own. Agriculture ensured the survival of the Moldovan population during the harsh decade immediately following the collapse of the Soviet Union. However, it could not yield much more. Therefore, the only solution in this case, as in other situations in post-communist countries, was for the population to go abroad to earn money and support their families in the newly created conditions.

The solution was only a temporary one, as in the first years after the proclamation of independence, the Republic of Moldova went through an unprecedented crisis. Therefore, as in other countries, the Republic of Moldova has all the following characteristics:

1. The departure of one parent to work abroad has caused imbalances within such families. As is well known, a child should be raised by both parents. These departures often lead family problems, with the child suffering the most, while the parents leave the country to earn money abroad.
2. The departure of both parents, leaving the children in the care of either grandparents or close relatives, was also widespread. The stated reason was the same – to earn money for the same minor children. However, in this case, the situation was even worse. Left unsupervised, the children created their own perceptions of life, and the educational support that parents could provide was completely absent. The children were also deprived of the love and harmony of a complete family, which also affected their psyche and motivation for a successful future.
3. Children going abroad have raised another major problem. Before the fall of communism, the elderly were cared for within families, who looked after them in their old age, just as grandparents had raised them in childhood. The breakdown of this hierarchical link has led to a dramatic phenomenon in which one social group – the elderly – was left without the care of their family members. As a result, it became necessary to develop policies to address this issue.

In order to answer these questions, one should look at the general state of the Moldovan society in the early 1990s. One of the indicators by which the social and economic situation of a country is assessed is its GDP. Although there are many reservations about the way it is calculated, it is the only one that can provide an overall picture of a country's standard of living. Below, the evolution of GDP from 1991 to 2022 is presented.

So, the first decade of independence was a dramatic one for the Moldovan economy: the break-up of economic relations with enterprises located in other parts of the former USSR; the problem of the economic profitability of enterprises not only in the former USSR but also throughout the post-Soviet area; the 1992 war and its harmful consequences. It should be noted that in the economy of Soviet Moldova, enterprises in Transnistria accounted for approximately 40 % of the industry. The economy of the newly independent state, which was largely based on agriculture, could not cope with the new challenges. Outdated technology could not be updated or adjusted over time, which further compromised the quality and efficiency of agriculture. The excessive segmentation of land plots also made it difficult to achieve efficient farming.

Figure 2. The indices of Moldova's GDP

Year	GDP	Year	GDP	Year	GDP
1991	-7,5%	2001	+6,1%	2011	+6,4%
1992	-29,0%	2002	+7,8%	2012	-0,7%
1993	-1,2%	2003	+6,6%	2013	+9,4
1994	-30,9%	2004	+7,4%	2014	+4,6
1995	-1,4%	2005	+7,5%	2015	-0,5
1996	-5,9%	2006	+4,8%	2016	+2,0
1997	+1,6%	2007	+3,0%	2017	+4,5
1998	-6,5%	2008	+7,8%	2018	+4,0
1999	-3,4%	2009	-6,5%	2019	+3,6
2000	+2,1%	2010	+6,9%	2020	-8,3
				2021	+13,9
				2022	-10,6

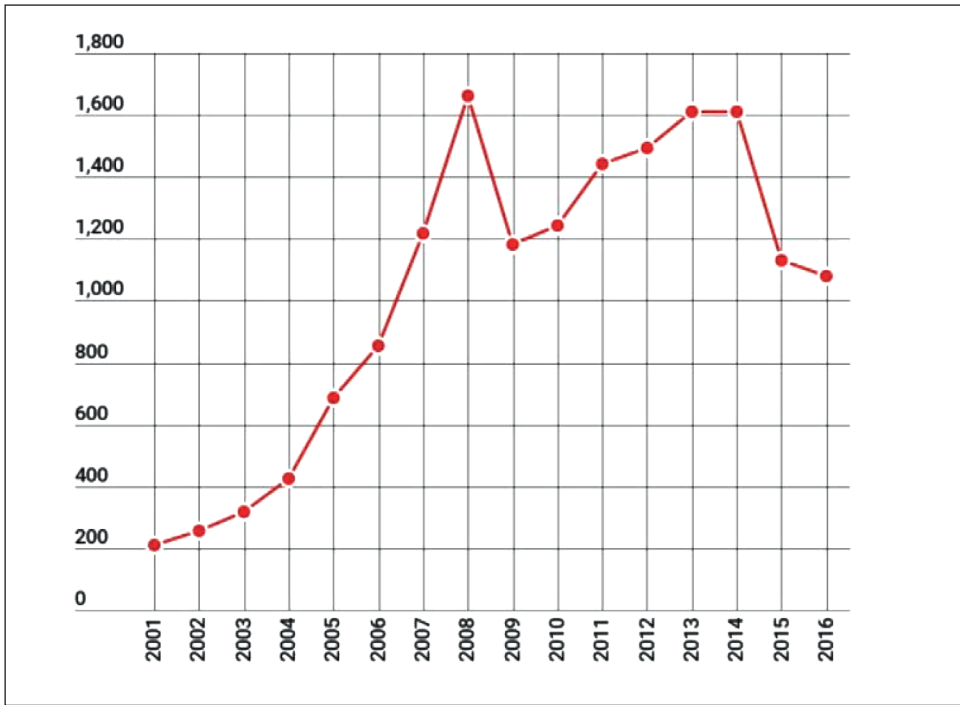
Source: World Bank. (n.d.). *GDP growth (annual %)* – Moldova. https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=MD&name_desc=false

In two years, in 1992 and 1994, Moldova's GDP fell by 29% and 30.9%, respectively. After a period of relative calm in 1997, two more years of economic decline followed, this time caused by the financial crisis in the Russian Federation, to which most Moldovan exports were directed. In 1998 and 1999, Moldova's GDP recorded further negative growth rates of 6.5% and 3.4%, respectively (Constantinov, Constantinov 2016: 270).

It was under these conditions, following the liquidation of the compulsory housing system (the *propisca*), that some of Moldova's inhabitants decided to go abroad to earn money and make a decent living in Moldova. Initially, the priority was the Russian Federation, which, despite the difficulties it was experiencing, retained its potential and ability to attract citizens from the former union republics. Even so, the crisis of the 1990s led another part of the population to emigrate to Western Europe. The main destinations were Latin-speaking countries, especially Italy, Spain, and Portugal, which made it easier for Moldovans to integrate into the labour market. As time went by, Moldovans also migrated to Greece, followed by the UK, where a large number of Moldovans arrived, as well as to Germany and France. The number of Moldovans working abroad is estimated at around 700.000 to 1.000.000. Thus, since the 2000s, more and more remittances started to flow into Moldova.

In 2014, the amount reached \$1.6 billion, an increase of 0.5%. As in 1998, the crisis in the Russian Federation also significantly affected the situation of Moldovans, especially those who made transfers in Russian rubles. While in July the share of transfers in Russian roubles was 40.3%, in December this share reached 30.5% of total transfers and this decline was likely to continue in the following year. In 2012, the Republic of Moldova was one of the countries whose GDP was influenced by the transfer

Figure 3. Evolution of remittances



Source: Nica (2017, February 1). INFOGRAFIC: Evoluția remitențelor în 2000–2016. Economia pierde un pilon important [INFOGRAFIC: Evolution of remittances in 2000–2016. The economy is losing an important pillar.]. MoldNova. <https://moldnova.eu/ro/infografic-evolutia-remitentelor-2000-2016-economia-pierde-un-pilon-important-12668.html/>

quota. Remittances accounted for an estimated 24% of GDP. Moldova was ranked fifth in the list of remittance-dependent countries after Tajikistan (48%), Kyrgyzstan (31%), Nepal and Lesotho with 25% each (other data are available). Over time, this index has declined: in 2005, remittances accounted for 30.6% of GDP; in 2010, 25.1% of GDP; and in 2015, 19.9% of GDP. By 2019, although their total value had reached \$1.9 billion, they represented only 16% of GDP (Banca Națională a Moldovei, 2021).

Remittances, while contributing in some ways to the development of developing countries, are more indicative of economic underdevelopment. In fact, the countries that rank above Moldova in terms of remittances as a percentage of GDP lag behind Moldova in GDP per capita. The money transferred is often used for consumption and not as a solid basis for investment or business start-ups. There is ongoing discussion about directing at least some of these funds toward investment (European Training Foundation, 2021).

The events in Ukraine in 2014 have strongly influenced the economic situation in the Russian Federation, and the flow of remittances from this country has decreased drastically compared to the previous period. This decrease was also visible

in terms of remittances overall. Thus, while Moldova received \$3.2 billion in remittances during 2013–2014, this amount decreased to \$2.208 billion in 2015–2016. For such a fragile economy the blow was very strong.

Figure 4. Remittances in 2014–2016

2014	1.612 mil.	-
2015	1.129 mil. (-30%)	-483 mil.
2016	1.079 mil. (-4,5%)	-50 mil.

Source: Nica (2017, February 1). *INFOGRAFIC: Evoluția remitențelor în 2000–2016. Economia pierde un pilon important* [INFOGRAFIC: Evolution of remittances in 2000–2016. The economy is losing an important pillar.]. MoldNova. <https://moldnova.eu/ro/infografic-evolutia-remitentelor-2000-2016-economia-pierde-un-pilon-important-12668.html/>

Figure 5. Remittances from the Russian Federation

2014	993,73 mil.
2015	487,96 mil.
2016	387,48 mil.

Source: Nica (2017, February 1). *INFOGRAFIC: Evoluția remitențelor în 2000–2016. Economia pierde un pilon important* [INFOGRAFIC: Evolution of remittances in 2000–2016. The economy is losing an important pillar.]. MoldNova. <https://moldnova.eu/ro/infografic-evolutia-remitentelor-2000-2016-economia-pierde-un-pilon-important-12668.html/>

Thus, more money was transferred from the Russian Federation to Moldova in 2014 than in the previous two years. As a result of the situation created on the international arena, a significant number of Moldovan workers who were working in the Russian Federation returned to Moldova, only to soon leave for Western European countries. The implementation of the visa liberalisation regime was another important step for Moldovans without Romanian citizenship. Thus, some of them have the possibility to take up short-term employment (up to 3 months) in various countries, in accordance with legal provisions. Until 2014, Moldovan citizens with Romanian citizenship could legally work in the EU, but the number has grown to an estimated 1 million people.

The structure of Moldova's GDP is also based on consumption, which cannot ensure the sustainable development of the economy and the state of society in general. Investors are interested in making a quick profit, which is why they are mainly interested in importing goods into Moldova. Thus, since the beginning of the independent state, the Republic of Moldova has experienced a trade deficit, with imports far exceeding exports. The largest gap between imports and exports was recorded in 2008, when exports accounted for 32.5% of imports. Although the situation has improved in the subsequent years, things remain very difficult. In 2014, exports accounted for

44.2% of total imports. However, a correction is also necessary here. Of the total exports of the Republic of Moldova in 2014, domestic goods accounted for 65%, 35% were reexported by Moldovan companies. Of the total exports in January-December to the European Union countries, exports increased by 10.6%, while to the CIS countries they decreased by 19.8%, a figure mainly due to the embargo imposed by the Russian Federation and the war in Ukraine.

At the same time, the spectacular increase in exports to Belarus was caused by the reexport of Moldovan agricultural production by economic agents from this country to the Russian Federation, which led to a Russian-Belarusian customs conflict at the end of 2014. The prospects for Moldova's economic development lie both in the prospects of diversifying production and finding new markets. At the same time, diplomatic means of settling various trade disputes have not been exhausted. On many occasions, Moldovan exports were of dubious quality, which was also used as an opportunity to impose export bans. On the other hand, many goods that are now imported into the country can be produced here. This would require not only attracting investment but also bringing back the labour force that has left. However, this can only be achieved through a coherent policy capable of bringing about structural changes in the economy, society, and the training of specialists, as well as reducing the obstacles facing potential investors.

The social transformation that began in the 1990s with the fall of communism and the end of the communist economic and social system can also be reflected in data on various spheres and fields of activity. Therefore, it can be noted from the outset that the number of people employed in agriculture has decreased, from 532.9 thousand in 2004 to 303.3 thousand in 2012. The 43% decrease in the employment rate is undoubtedly one of the most relevant elements of the employment system. At the same time, however, the presence of an impressive number of people living in rural areas, the most numerous in Europe, will lead to the continuation of the social reconstruction process started in the 1990s in Moldova. Nevertheless, the number of people employed in industry is falling. Although this decline is not as drastic as in agriculture, it is also noticeable, decreasing from approximately 161.000 to about 150.000, a reduction of about 7%.

In the construction sector, the same upward and then downward trend can be observed similarly to other European countries, even after the 2009 crisis. While construction in Moldova faced a visible impasse in the 1990s, by 2004, 52 thousand people were employed in this sector. In 2008, their number rose to 82.8 thousand, marking the peak of the construction boom in the Republic of Moldova. However, by 2011, employment in construction had dropped to 66.8 thousand, the lowest point. Yet, in 2012, there was an increase in the number of people employed in construction, and it is expected that the sector will revive as the impact of the crisis during this period is overcome.

At the same time, the increase in the number of people employed in the services sector is also a sign of a certain positive dynamic that raises hopes for the future development of this sector, which in developed countries contributes the most to a country's GDP. Therefore, the fact that most people in Moldova's economy is employed

in agriculture places our country in the category of developing countries, a stage that developed countries have long since surpassed. On the one hand, the global economic crisis, and on the other, the processes of globalisation – where cheap products can be exported anywhere – will hinder the resumption of industrial production, even to Soviet-era levels. Meanwhile, deindustrialisation processes have also taken place in other countries around the world.

The main sources of revenue for a sustainable state budget are taxes, excise duties, and duties. One of the key elements of this equation is the number of employees, the size of the wage bill, and the amount of taxes paid.

Employee

As in the other cases, the section on employees requires detailed analysis. First of all, this aspect is related to the thorny period of the establishment of the new economic reality in the Republic of Moldova, when an old economic system was abandoned and a new economic system was established. This process has been very difficult and has not yet been completed. Phenomena such as income concealment, commonly referred to as ‘payment of salaries in envelopes’ have not been and are not exclusive to Moldova. Several countries have experienced it. And each of them has found a better or worse solution to this phenomenon.

From the table which is presented, the realities that the Moldovan economy has experienced in the last 10 years can be seen. It is not by chance that similarities with the situation in other countries, especially regarding the 2009 economic crisis, can also be observed in this section, even if they are somewhat subtle. It can be observed that in 2008, Moldova had the highest number of employees (850.3 thousand). The global crisis has also affected this sector in Moldova, and the following years maintained this development.

In 2014, Moldova signed the Association Agreement with the European Union. It also includes the Deep and Comprehensive Free Trade Agreement. The aim of the latter was to help facilitate trade between the EU and Moldova. As a result, since 2014, the Republic of Moldova has become an associated state of the European Union. The Moldovan political authorities and most of Moldovan society have been working towards full integration into the European community. However, this integration process has led to some difficulties in terms of Moldovan producers’ understanding of the conditions they need to meet in order to export their products to the EU market. It seems that it was more important for the Moldovan authorities to sign the Association Agreement than to prepare Moldovan companies for the next step, i.e. entering the EU market. In this case, if the basic principle of market freedom operates more or less effectively in the EU, legal education becomes crucial for new countries striving to integrate into this community. This is especially true because, for any product to enter the European Union market, it must comply with the conditions of that market. Moldova has great potential, particularly in exporting agricultural products. However, as in other cases, the lack of appropriate policies meant that, despite the

signing of the Association Agreement, Moldovan products initially faced difficulties entering the EU market, as they were not aligned with EU standards. For this reason, legal education among the owners of agricultural companies is very important, but this requires time, knowledge, and investment (Ministry of Education, Culture and Research, 2014).

Examining the effects of the signing of the Association Agreement and the Deep and Comprehensive Free Trade Agreement reveals several aspects that align with the points discussed above. If in 2014, the level of trade with EU countries was \$1.245 billion, in the following year, 2015, it dropped slightly to \$1.217 billion. The 2014 figure was only surpassed in 2016, when exports to the EU reached \$1.331 billion. A significant jump occurred in 2018, when the figure climbed to \$1.861 billion, followed by a slight dip to \$1.830 billion in 2019 (National Bureau of Statistics, 2023). The coronavirus pandemic and the war in Ukraine have hit the Moldovan economy hard, and new dynamics will become clearer in the coming period.

Moldova's domestic problems

They include elites, mentalities, attitudes, corruption, and issues in the justice system. After more than thirty years of Moldova's independence, one of the main issues identified is the unpreparedness of Moldova's population to live in an independent state. The avalanche of events in 1989–1991 took the political, economic, and intellectual elites of the former Soviet republic by surprise. What is more, no one realised that these events were irreversible. The transition from the communist system to the market economy was marked by significant embezzlement, theft, tax evasion, and similar issues, all of which inevitably left their mark on the overall situation. Moldovan society was not ready for the path of an independent state. Few people could envision how a state that had been deprived of the main economic levers and infrastructure since the establishment of its Soviet republic structures, could realistically aspire to independence. This included the lack of access to the sea and the Danube when the borders of Soviet Moldova were established. Another aspect was the placement of strategic enterprises on the left bank of the Dniester, where immediately before the proclamation of independence, the Russians created a separatist political structure which they supported throughout Moldova's independence. The Soviet system, based on a strict hierarchy condemned initiative, became entrenched in the mentality of the leadership, which was incapable of creating a new political and economic infrastructure in such a short period. The same can be said of the large part of the population, for whom the collapse of the USSR was a cataclysm, from which they have hardly recovered. The transition from a state system where the government controlled everything and the ordinary citizen had no influence to one requiring individual initiative, had a great psychological impact on the population. The former state was a structure that provided the citizen with everything, so the citizen had to do nothing but carry out orders. The state gave a job, an apartment in the city and provided with everything a person needed. Under the new conditions, when the state is a collective

organisation of all citizens through its institutions, the ordinary citizen was burdened with numerous additional responsibilities for which they were not prepared. The new state started, if not from scratch, then from the very bottom. It was the territory that had permanently belonged to other political formations: the Moldavian Country, the Russian Empire, Greater Romania, and the USSR. Perhaps, this is also where the lack of initiative left its mark, and the “state” was still the one that “had to give.” The political class, which had changed several times and lacked traditions, was preoccupied with what it was used to, i.e. improving its own situation at the expense of the common people, who also did not know how to demand their rights and not prevent the degeneration in which the young state found itself.

Not long ago, the Republic of Moldova was affected by the defrauding of the Savings Bank, as a result of which, a debt of about one billion dollars was placed on the shoulders of the Moldovan population. The phase was about to end towards the end of 2014. This period also coincided with the crisis in Ukraine, the exodus of Moldovan workers from Russia, the significant drop in remittances, and the halt in external financing as a result of the scandal surrounding the bank’s embezzlement. However, in parallel with this challenging situation, the Moldovan Government, through effective governance, has managed to cope with this situation and honour its obligations in all important areas.

Prospects for the Republic of Moldova

Although very difficult, with many bumps in the road and constantly embroiled in various challenges and dramatic events, the Republic of Moldova has a European perspective. The coronavirus pandemic and the war in Ukraine have left their mark and will continue to leave their mark on the economic situation of the Republic of Moldova. Certainly, at various stages and with varying degrees of effectiveness, the government has demonstrated professionalism, successfully overcoming several critical situations. At the same time, the fact that some active citizens have also held Romanian, i.e. European, citizenship for a long time makes it much easier for Moldovan citizens to access the European labour market. The situation in 2015–2017, when the Moldovan government managed to honour its obligations towards its citizens, showed that through effective governance, many obstacles can be overcome. Despite the problem of the trade balance deficit, there is a sense of relative recovery in the situation. What is important to note is that the lowest export-import coverage of 32.5% dates back to 2008, when Moldova saw the highest share of remittances since before the crisis in 2009 – over \$1.6 billion. This example shows once again that remittances were then mostly used for consumption, which was provided by imports. It was the 2009 crisis (with a 6.5% drop in GDP) that brought the first adjustments and rectification of economic policies in the Republic of Moldova, as well as a reorientation of economic policies towards investment in innovative technologies, diversification of sales markets in the face of Russian embargoes, etc.

Despite the fall in GDP in 2022, primarily due to the war in Ukraine, trade experienced impressive growth: total trade amounted to \$4335.1 million, with \$2966.3 million in domestic goods, reflecting a 21.9% increase. The remaining \$1368.8 million were re-exports. Although imports also increased, the trade balance stood at 47%. There is other untapped potential. Despite the prospects for wine production in the Republic of Moldova, if it does not have a meteoric rise in the future, no drastic falls are foreseen.

One of the phenomena waiting to be exploited in the Republic of Moldova is tourism. The imposing landscapes can offer the opportunity to spend time in Moldova. The potential of culinary tourism can also be utilised, which will certainly attract people in the future to come and familiarise themselves with local splendours (Simerețchi, 2022). At least the outlook that has emerged in this still underdeveloped area of the Republic of Moldova gives cause for optimism for the near future (“Încasările agenților de turism,” 2022).

A surprise area of the Moldovan economy is the IT sector. In just ten years, this sector has exceeded a tenfold turnover, reaching 353.4 million dollars (Jicol, 2022). We recall that this figure represents approximately 2.36% of Moldova's GDP and is much higher than the revenues of Moldovan wine exports to international markets.

Conclusions

The most pronounced prospect for the Republic of Moldova is, in addition to the status of an associated state to the EU, to obtain the status of a candidate state for EU accession. According to statements by Moldovan officials, negotiations on EU membership are due to begin in 2023, and the same authorities, represented by President Maia Sandu, have set a target date of seven years, i.e. 2030, for EU accession. Although throughout its independence, the Republic of Moldova has encountered numerous difficulties, the country has recovered from the shock of the 1990s. However, the return to normality is taking place on a very difficult path, which includes complex processes of social relocation, especially in the context of globalization.

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Abstract

In 1991, a new independent state appeared in Europe – the Republic of Moldova. In the following years, this state went through an extremely complicated period: the 1992 Transnistrian War and an unprecedented economic crisis with drastic decreases in GDP. One of the elements that contributed to this state of affairs was the social structure inherited from the Soviet era. After the crisis of the 90s, there was a short recovery in the years 2001–2009, a recovery that was mainly based on income from Moldovans who went to work abroad. In the country, however, the children remained without the education of their parents, who were usually under the guardianship of their grandparents, elderly people who were left without any supervision.

Keywords: Republic of Moldova, Transnistrian War, economic crisis, social problems

