

Czech University of Life Sciences Prague



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The European integration of the Republic of Moldova

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Declaration

I declare that the presented bachelor's thesis entitled "The European integration of the Republic of Moldova" was prepared separately with use of the referred literature. I agree with the storage of this work in the library of CULS in Prague and making it available for further study purposes.

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Date

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Signature

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ABSTRAKT

Moldavská republika je zemí Východní Evropy, jejíž historické kořeny sahají až do 14. století. Jedná se o vnitrozemský a jeho klima je mírné a kontinentální. Moldavsko je také jednou z nejhudších zemí Evropy a tudíž hlavní prioritou této země je být členem tak dominantního, ekonomického a politického subjektu jaký Evropská Unie pro Evropu představuje.

Moldavská republika byla po dlouhé období 20. století součástí Sovětského svazu a během této doby byla využívána převážně k zemědělské produkci. Moldavsko získalo nezávislost 27. srpna 1991. Tímto bodem počínaje Moldavsko začalo přeorientovávat své zájmy z Ruské federace směrem k Evropské Unii. Proces to byl velmi dlouhý a čelil mnoha překážkám, Moldavsko ale dovedl ke klíčovému a zásadnímu dokumentu, Evropsko-moldavskému Akčnímu plánu, který byl představen v roce 2005. Tento dokument tvoří jakousi páteř ve vztazích mezi Evropskou Unií a Moldavskem. Moldavsko se zavázalo k plnění rad, které Akční plán zmiňuje, aby se v budoucnosti mohlo stát členem Unie. Kroky Moldavska a jeho snahy ukazují, že mít dobré vztahy s Evropskou Unií je prioritou číslo jedna pro tuto zemi. Obojí, politické klima i nálada ve společnosti se mění a zejména mladší generace spatřuje mnoho pozitiv v členství v Evropské Unii.

Situace v Moldavsku se lepší téměř každým rokem v obou sférách, jak politické tak ekonomické a vztahy mezi Evropskou Unií a Moldavskem jsou lepší a pevnější než kdykoliv předtím. I přes tento pokrok to však zatím stále není dost. Stále ještě v Moldavsku existuje mnoho nedokonalostí, které je třeba vylepšit. Seznam by mohl začít chudobou, pokračovat migrací moldavských občanů za prací, převážně do zemí Evropské Unie, a mohl by končit rozšířeným moldavským problémem, korupcí. Moldavsko nicméně pokračuje ve svých snahách stát se členem Evropské Unie, i když možnost obdržení oficiální pozvánky nebo dokonce plného přijetí do Unie je cílem pro na dlouhé období.

Klíčová slova: Moldavsko, EU, integrace, kooperace, EU-Moldova Akční plán

ABSTRACT

The Republic of Moldova is a country in Eastern Europe which historical roots extend to the 14th century. It is a midland country and its climate is moderate and continental. Moldova is also one of the poorest European countries and therefore its top priority is to be a member of such a dominant economic and political entity that the European Union represents for Europe.

The Republic of Moldova was a part of the Soviet Union for a long period in 20th century and was used mainly for agriculture production in that era. Moldova gained independence on the 27th August 1991. From that moment Moldova began very slowly reorienting its interests from the Russian Federation to the European Union. The process was very slow and faced a lot of obstacles but it led Moldova to the key and substantial document, the EU/Moldova Action Plan which was presented in 2005. This document is some sort of backbone in the EU and Moldova relations. Moldova is obliged to fulfil advices which the Action Plan mentions in order to become a member of the Union in the future. Moldovan actions and efforts show that good relations with the European Union really are the number one priority for this country. Both political and public climate are changing and especially the younger generation sees a lot of positives in the EU membership.

The situation in Moldova improves almost every year in both spheres, political and economical and the EU/Moldova relations are better and stronger than ever before. However big the progress is, it is still not enough. There are still many imperfections in Moldova that need improvement. The list could begin with the poverty situation and continue with the work migration of Moldovan citizens, mainly into the EU member states, and it could end with the widespread problem in Moldova, with corruption. Nonetheless Moldova continues with its efforts to become a member of the European Union even if the possibility of receiving the official invitation or even the full accession to the Union is the long term goal.

Key words: Moldova, EU, integration, cooperation, EU-Moldova Action Plan

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List of Abbreviations

- BBC British Broadcasting Corporation
- CHRM Center for Human Rights of Moldova
- CHTICC Chamber of Trade and Industry for CIS Countries
- CIA Central Intelligence Agency
- CIS Commonwealth of Independent States
- CSFR Czechoslovak Federative Republic
- CSSR Czechoslovak Socialist Republic
- ČSSD Česká Strana Sociálně Demokratická (The Czech Social Democratic Party)
- EaP Eastern Partnership
- ECSC European Coal and Steel Community
- EIU Economist Intelligence Unit
- ENP European Neighbourhood Policy
- EU European Union
- EUR Euro currency
- FAOSTAT Food and Agriculture Organisation Statistics
- FDI Foreign Direct Investments
- GDP Gross Domestic Product
- GUAM Georgia Ukraine Azerbaijan Moldova community
- HDI Human Development Index
- ILO International Labour Organization
- IMF International Monetary Fund
- KDU-ČSL Křesťanská Demokratická Unie – Česká Strana Lidová (The Christian and Democratic Union – Czechoslovak People's Party)
- KSČM Komunistická Strana Čech a Moravy (The Communist Party of Bohemia and Moravia)

- LMIC Lower Middle Income Countries
- MLD Moldovan lei
- ODS Občanská Demokratická Strana (The Civic Democratic Party)
- OECD Organization for Economic Cooperation and Development
- OSCE Organization for Security and Cooperation in Europe
- PCA Partnership and Cooperation Agreement
- PHARE Poland and Hungary Assistance for Restructuring their Economies
- SZ Strana Zelených (The Green Party)
- UN United Nations
- UNDP United Nations Development Programme
- UNICEF United Nations International Children's Emergency Fund
- USD United States dollar
- USSR The Union of Soviet Socialist Republics
- WTO World Trade Organization

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I. INTRODUCTION

The Republic of Moldova is with its 3,656 million inhabitants (2012 est.) one of the poorest European countries (CIA, 2012). The reason why present Moldova is in such an unfavourable condition is buried in Soviet history of that region because Moldova was one of the fifteen Soviet republics. Due to the good climate and fertile soils the territory of the Moldovan Soviet Socialist Republic during Soviet era was mainly used on agricultural purposes (Czech development cooperation, 2009). During that time Moldova lost the pace with the rest of Europe and remained on the periphery of the European interests where it is even at present.

According to World Bank (2012) Moldovan gross domestic product (GDP) per capita reached 1 966.9 USD in year 2011, respective 3 391.9 USD based on purchasing power parity. Both these digits are the lowest in Europe (World Bank, 2012). Moldova experiences the same situation with another important development indicator, Human Development Index (HDI), where it sits on the 111th position out of 187 listed countries which suggests medium human development (UNDP, 2012). The main reason for such a low rank in HDI is the widespread poverty. The share of the people who were living below national poverty line in 2010 was 21.9% which is, apart from Kosovo, the highest number in Europe (World Bank, 2012).

The structure of employment according to the three sectors (agriculture, industry and services) has undergone some changes. There are still a lot of people working in agriculture but there is also annually increasing number of people working in services (Laborsta, 2012). This new trend is a positive message for Moldovan economy because the outcome and the share of added value in GDP are much greater from the Tertiary sector than from the Primary and the Secondary sectors. To the subject of employment, respective unemployment, there is another positive message. Even if the poverty is so high, the unemployment rate was in year 2009 lower than that in the Czech Republic with its 6.4% of jobless people of working age. However, there is a significant number of people who migrate for work opportunities (World Bank, 2012).

All these problems or difficulties mentioned above are more or less typical for countries with soviet history or for countries in transition. It is only the choice of the Moldovan citizens and their government which direction they want to lead their country. During the last two decades there have been signs that the Republic of Moldova would like to undergo the way of the integration into the western societies respective into the European Union (The official website of the Republic of Moldova, 2012).

This study presents Moldova as a country trying to integrate itself into the European Union structures. All Moldovan authorities know that it is a run on a long range distance but there are cases of the successful integration into the European Union of the former Soviet republics (Estonia, Latvia and Lithuania) (European Union, 2012). The Republic of Moldova could also benefit from cooperation with the Czech Republic within the Czech Republic Development Cooperation and also from cooperation with Romania, one of the neighbour states. These two countries are members of the European Union and could therefore provide some useful advice concerning the integration process.

The dialog between the European Union and the Republic of Moldova is conducted through a series of agreements and meetings. The backbone of this bilateral cooperation is the EU/Moldova Action Plan which is some sort of advising tool for Moldova. This document was adopted in February 2005 and should help Moldova to solve some burning issues especially in economic and political areas (EU/Moldova Action Plan, 2005).

This study summarises the progress having been made by Moldova so far along with its positives and negatives which have been rising from the integration process and also this study mentions some areas where the improvement is needed. The important part of this thesis is comparison of Moldova with two of the European Union member states. In this case the most suitable countries are the Czech Republic and Romania.

II. LITERATURE REVIEW

2.1. General Information

The Republic of Moldova is a landlocked country situated in the south-east corner of the Europe. Moldova borders with two states: on the north, east and south with Ukraine and on the west with Romania which is also the border with the European Union. The climate is moderate and continental and the landscape is relatively profiled even if the highest point, Mount Balanesti, is only 429 meters high (Encyclopaedia Britannica, 2012). The Republic of Moldova extends on 33 843 sq km. (The official website of the Republic of Moldova, 2012). However, that area also includes the Trans-Dniester separatist region which is situated between the eastern bank of the river Dniester and the Ukrainian border with its area around 4 163 sq. Km. and the Autonomous Territorial unit of Gagauzia which is situated in the south-west corner of the country and with all its enclaves extends on area of 1 832 sq. Km. (Encyclopaedia Britannica, 2012). The capital of Moldova is Chisinau which is also the biggest city with its 752 000 inhabitants (est. 2011) (CHTICC, 2012).

The situation around the population of the Republic of Moldova is rather unclear. There are differences between the numbers from local authorities and institutions and those from the international institutions. This situation is caused mainly by two factors. The first factor is the work migration of Moldovan citizens, reaching almost 25% of all Moldovan citizens working abroad (EaP, 2012). The second factor is the reliance on the data from Trans-Dniester region which some institutions include while the others do not. According to the Central Intelligence Agency (CIA) (2012) there are 3,656 million people who live permanently in Moldova (est. 2012). The national structure of the Moldovan society consists of these ethnic groups: Moldovan 78.2%, Ukrainian 8.4%, Russian 5.8%, Gagauz 4.4%, Bulgarian 1.9% and other 1.3% (Crowther and Matonyte, 2007).

The majority of the Moldovan people belong to the Eastern Orthodox religion 98% and apart from that religion there is also a small minority belonging to the Jewish religion 1.5% (Turcescu and Stan, 2012).

2.2. Historical Background

The roots of the present-day independent Republic of Moldova date back to the 14th century, 1359 to be precise, when the principality of Moldova began to form under the rule of Bogdan I. (The official website of the Republic of Moldova, 2012). In the 15th century that feudal state experienced its greatest era from its foundation. It was under the rule of the voievod Stephan the Great (Stefan cel Mare) who is also the patron of the present-day Moldova (Turcescu and Stan, 2003). But unfortunately for Moldova this situation did not last for long and centuries of unstableness were approaching.

Those dark centuries of Moldovan history (16th – early 19th) were characterised by the clash of the two main regional powers, the Ottoman Empire and Russia (BBC, 2012). That conflict ended in year 1812 when the Bucharest Treaty was signed. The Treaty divided former principality of Moldova by the river Prut on the Bessarabia region which was on the eastern bank of the river Prut and was attached to Russia (Turcescu and Stan, 2003). That territory included the majority of present-day Moldova. The rest of the former principality was attached to the Ottoman Empire and from the year 1878 to independent Romania. At the end of the First World War in 1918 the Bessarabia encouraged by the Bolshevik revolution declared independence and formed the union with Romania (BBC, 2012).

At the dawn of the Second World War, in year 1939, the Molotov-Ribbentrop pact allowed the USSR to annex all the Bessarabia territory together with the rest of the present day Moldova (Matsuzato, 2010). That was for the first time in history when Moldovan territory was coherent as it is known in the 21st century. After the war the soviet regime declared the Moldovan Soviet Socialist Republic and the communist regime began to russify the Moldovan people through the Russian language and persecution (BBC, 2012). From that time Moldova began to focus mostly on agriculture and lost the pace with the rest of the Europe.

Moldova was part of the Soviet Union for more than 50 years. The turning point towards the independence was probably the reinstallation of the Romanian language as the official language and the reintroduction of Latin script in year 1989 (BBC, 2012). The Republic of Moldova declared its independence on the 27th August 1991 (The official website of the Republic of Moldova, 2012). The new era of Moldovan history, the era of reintegration into the European structures could finally begin.

2.3. Political System and State of Democracy

According to Crowther and Matonyte, (2007), the Republic of Moldova is, broadly speaking, parliamentary democracy. But this seems to be only the official statement because Moldova performs as a presidential republic (Senyuva, 2010). The second assertion has however stronger support and is more likely to be correct. First of all, there is the Nations in Transit 2012 report which ranks Moldova into the group of states with Transitional Government or Hybrid Regime (Freedom House, 2012). And second of all, the shortage of parliamentary seats needed to elect the new President led to two parliamentary elections in short period, April 2009 and November 2010 (Cantir, 2011). That only shows the importance of the presidential office for Moldova.

The current Head of the State is Nicolae Timofti who was introduced to the office on 23rd March 2012 (Presedintele Republicii Moldova, 2012). The current Prime Minister, from 14th January 2011, has been Vladimir Filat who was appointed by the Presidential decree (The official website of the Government of the Republic of Moldova, 2012).

The territory of the Republic of Moldova consists of two regions which are beyond the reach of the Moldovan legislation. The first one is so-called Dniester Republic on the eastern bank of the river Dniester which is, de facto, non-recognized state (Protsyk, 2012). More than a half of the population of that region are ethnic Russians and Ukrainians (Roper, 2005). The second one is Gagauzia, the autonomous enclaves in the south-west corner of Moldova, with the majority of the Gagauz Khalky (Gagauz people) (Zabarah, 2012).

In the field of democracy observation there are many international agencies or institutions that deal with the democracy phenomenon. There are also many studies published on this subject. The following summarization shows how the Republic of Moldova stands in these observations.

Right after the declaration of independence in 1991 Moldova was more pluralistic thus more democratic than any other post-Soviet republic apart from the Baltic region. More interesting thing is that Moldova achieved this situation with no democratic history, extreme poverty and low educational attainment (Way, 2003). According to Freedom House (2012) the Republic of Moldova was evaluated as “Partly Free” country in 1991 and remained on this rank till 2011. This rating comprises from average value of political rights and civil liberties and ranges from 1 (the best rating “Free”) to 7 (the worst rating “Not Free”). Moldovan rating improved during the last two decades from 5 in 1992 to 3 in 2011 which is still “Partly Free” country (Freedom House, 2012).

Another international agency observing the process of democratization and state of democracy in the world is The Economist Intelligence Unit (EIU) which works under the patronage of The Economist. EIU has stepped into this branch very recently so there is no comparison of Moldovan democratic progress through history. EIU annual reports divide 165 independent states and two territories into four groups by the regime type according to their democracy index (Full democracies, Flawed democracies, Hybrid regimes and Authoritarian regimes). According to the EIU report for year 2011 the Republic of Moldova is among 53 countries which are considered as Flawed democracies (EIU, 2011). This is in contradiction to the statement of Nations in Transit 2012 report from Freedom House which ranks Moldova among group of countries with Transitional government or Hybrid regime (Freedom House, 2012). Surely there could be a debate, where there is the threshold between Flawed democracy and Hybrid regime. But the situation on the field of democracy in Moldova is changing the right, democratic way and on this statement there is consensus of both early mentioned agencies.

There are also other studies concerning democracy status and development. According to Møller and Skaaning, (2010) the Republic of Moldova is minimalist democracy based on civil liberties, rule of law and electoral rights. In all these categories Moldova achieved the minimum required to be considered as some sort of functioning democratic state (Møller and Skaaning, 2010). Important part of democracy is the freedom of speech. *On this field Moldova equals Southeast European countries and is much better than most former Soviet republics* (Bertelsmann Stiftung, 2009). But there are also some barriers that obstruct Moldova to become Full democracy. The biggest among them are corruption, conflict with Trans-Dniester region or so-called Dniester republic and organized crime including trafficking in human beings (EU/Moldova Action Plan, 2005).

The common framework of Moldovan representatives and the European Union (EU), The EU/Moldova Action Plan, pays very close attention to democratization of Moldova. There are many suggestions which concern guaranteeing democracy and the rule of law (EU/Moldova Action Plan, 2005). If Moldova fulfils and implements all those advice it can become one of the Full democracies and furthermore the European Union member state.

2.4. Economic Situation

As it was mentioned in previous chapter Moldova is a very poor country. This situation then results in widespread poverty. Even if the issue has been improving in the last ten years there was still an alarming number of people living below national poverty line in 2010, 22% to be precise (World Bank, 2012). The situation was and still is worse in rural areas than in urban areas. But Moldova is some sort of exception from other East-European countries in the way that the rural poverty declined faster than the urban poverty between years 1998 and 2002 (Macours and Swinnen, 2008). This is again actual trend in the time after the global recession (World Bank, 2012).

Another burning issue of Moldovan economy is the high level of informal barriers to trade and the high cost of doing business in Moldova. Even if Moldova is relatively very open to trade with low formal barriers, the informal barriers in form of unofficial fees, bribes and corruption are widespread and pose a complication for Moldovan export and import. This problem is also significantly connected to poverty. With more foreign investments and more foreign business subjects the poverty in Moldova could decline even faster (Porto, 2005). This situation in Moldova did not pass unnoticed from EU Commission which through The Action Plan suggests improving the investment climate with transparent and predictable business conditions. The Action Plan also very strongly appeals to fight with corruption (EU/Moldova Action Plan, 2005).

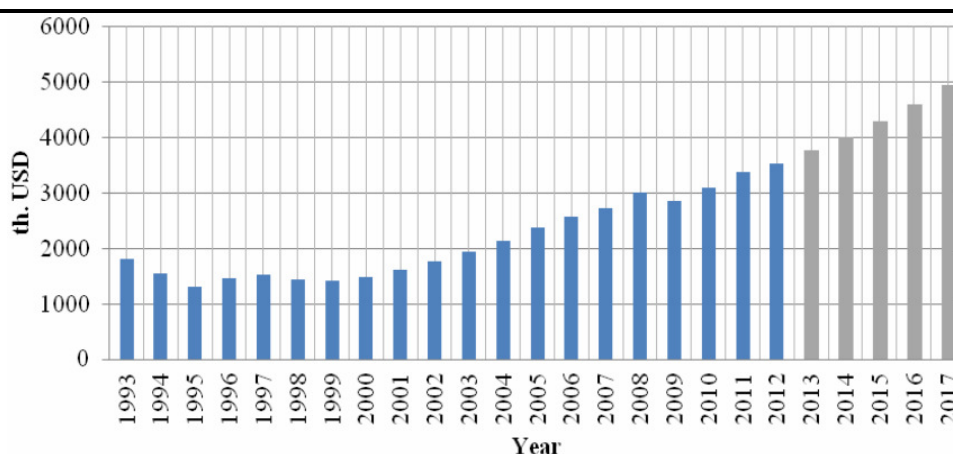
But the European Union is not the only institution which is concerned about the state of national finances in Moldova. Foreign development cooperation could be in some way considered as a part of Moldovan economy. It is surely not an insignificant number because only the Czech Republic contributed to Moldova with 8 million EUR through Development Cooperation Programme. And this amount was only for the last closed term which ended in 2010. Moldovan mid-term economical priorities are very much connected to the business climate in country. It comprises from anti-corruption programme and programme for improving the business climate (Czech Republic Development Cooperation, 2010). The foreign development cooperation programmes, should focus to this economic issues at most.

The last but not least important part of Moldovan economy, are public transfers. These transfers in form of remittances account for 14% of national GDP and they are also important part of income diversification strategy for such country with widespread migration as Moldova is (Macours and Swinnen, 2008).

2.5. Macroeconomic Characteristic

As it was already mentioned the Republic of Moldova is one of the poorest European countries. Moldovan GDP per capita in year 2011 reached 1 966.9 USD (World Bank, 2012). And the GDP based on power purchasing parity reached in the same year 3 373.2 USD (International Monetary Fund, 2012). **The Figure 1** shows the development of Moldovan GDP per capita based on power purchasing parity from 1993 to 2012 plus the prediction for five years to come.

Figure 1.: GDP per capita based on Power Purchasing Parity

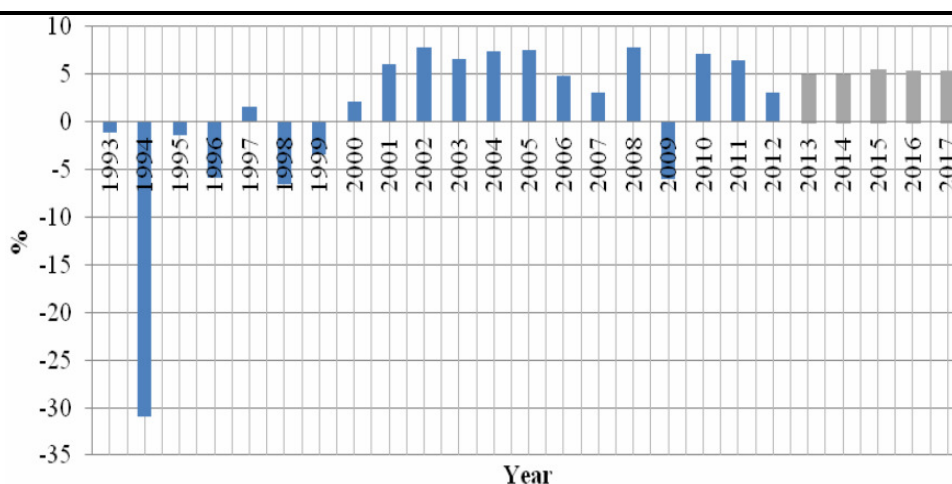


Source: International Monetary Fund, 2012

If we look at the growth of Moldovan GDP since the declaration of independence in 1991 to 2012 the situation from the threshold of new millennium is rather positive. This positive trend was devaluated by the financial crisis in Russian Federation in 1997-98 which had a great impact on Moldovan economy (Czech Business Web Portal, 2012). After the year 2001, when the national economy fully recovered from this crisis, the growth of GDP ranged from 6.6% to 7.8% (International Monetary Fund, 2012). This growth was reduced by the loss of the Russian wine market in 2006 and by extreme period of drought in 2007. The growth decreased to 4.8% in 2006 and to 3% in 2007. In the era of financial turmoil, caused by the world financial crisis and European debt crisis, Moldovan GDP growth is again very decent. In 2010 it was 7.1% growth respective 6.4% in 2011 (Czech Business Web Portal, 2012). Although the prognosis for the next five years is not so positive, it still predicts the growth around 5% (International Monetary Fund, 2012).

The Figure 2 shows the development of Moldovan GDP growth from 1993 to 2012 plus the prediction for five years to come.

Figure 2.: Real GDP growth



Source: International Monetary Fund, 2012

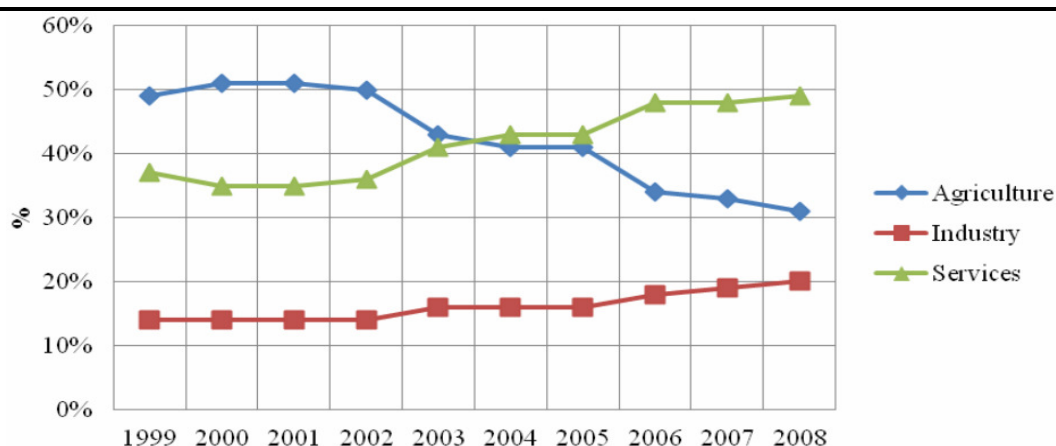
The distribution of Moldovan labour force into three sectors (Primary, Secondary and Tertiary) and their share on national GDP is following.

Agriculture has always played a big role in Moldovan economy mostly thanks to fertile soils and favourable climate (Gorton, 2001). But even this sector underwent some changes during last two decades. Employment in the Primary sector in 1992 was 40% of economic active people. The highest number of people working in this sector (51%) was reached in 2001 and since then the number annually decreased to 31% in 2008 (Laborsta, 2012). The similar development could be observed on the share of agricultural added value in GDP. It diminished from 51% in 1992 to 10% in 2009. The latest data show that there is little change in trend because in year 2011 the share was 13% which could have been caused by the global recession which damaged mostly the Tertiary sector (World Bank, 2012).

The situation in industry is very different from the one in agriculture. In 1992 the employment in industry was 26%. Then it fell to 14% in 1999 and since then it slowly, annually increased to 20% in 2008 (Laborsta, 2012). The reason for this could be rooted in Soviet history when Moldova was mainly agricultural, and what is more, Moldovan the only power plant was on the Trans-Dniester territory (Czech development cooperation, 2009). The increasing trend in employment could also be connected to energy production through new national energy programme which lays emphasis mostly to renewable energy (Karakosta *et al.*, 2011). However the employment in industry is on the rise, its share of added value in GDP decreased from 32% in 1992 to 12% in 2011 (World Bank, 2012).

Employment in the Tertiary sector seems to approximate the sine curve. One year after the declaration of independence, in 1992, it was 34% of labour force working in services. The share of people employed in this sector had then risen to 44% in 1997 only to fell to 35% in year 2001. It is surely no coincidence that in 2001 the employment in agriculture reached its peak, as it was mentioned earlier in this chapter. The most recent data shows that the share was again increasing and reaching 49% in 2008 (Laborsta, 2012). The share of added value of services in Moldovan GDP was on the rise from 17% in 1992 to 77% in 2009. But then there was small fall to 75% in 2011 most likely caused by the global recession (World Bank, 2012). **The Figure 3** maps the employment situation according to three sectors (Agriculture, Industry and Services) in ten most recent years available.

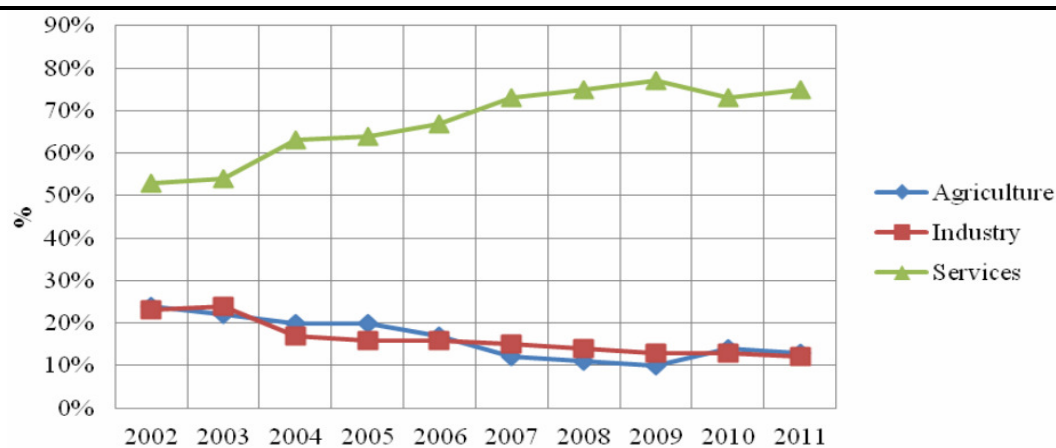
Figure 3.: Employment in sectors



Source: Laborsta, 2012

As it is shown in **Figure 4** the percentage share of added value of three sectors Agriculture, Industry and Services) in national GDP in ten most recent years available.

Figure 4.: Share of added value on GDP



Source: World Bank, 2012

Moldovan unemployment rate was measured for the first time in 1999. That year the number of people of working age without a job was 187,000, which was 11% of all Moldovan labour force. In the period from 2000 to 2006 the share of unemployed people was oscillating between 6.8% and 8.5%. Shortly before the world economic crisis there had been a sign of improvement in this sphere of economy. The share decreased to 5.1% in 2007 and 4% in 2008 (Laborsta, 2012). But then the trend changed again and the share in 2009 was 6.4% which was for example still lower than the unemployment rate in the Czech Republic (World Bank, 2012). According to Manrai *et al.*, (2001) the Republic of Moldova is included in the group of five states from Central and Eastern Europe with low unemployment which suggests high income stability. The other four states are Belarus, the Czech Republic, Estonia and Ukraine (Manrai *et al.*, 2001). However the data concerning the unemployment situation in Moldova are highly distorted by work migration of Moldovan citizens. Most of these migrants are thus illegally employed (Mahmoud and Trebesh, 2010).

Remaining two important macroeconomic data and characterization are following. According to OECD, (2012) Moldova is the country with lower middle income (LMIC). And the level of inflation was for the last two years, 2010 and 2011, steadily on 7.5% (World Bank, 2012).

2.6. Agriculture

The key role of agriculture on Moldovan economy through history has already been highlighted. The Republic of Moldova has unique set of conditions for agriculture. Only 11.6% of Moldovan land is a forest area and 13.24% is classified as other land, the rest could be used for agriculture purposes. Arable land covers 55.24% of Moldovan territory and most of it is very fertile soil (FAOSTAT, 2012). The climate in Moldova is also very favourable especially for fruits, cereals and vegetables (Gorton, 2001). The majority of rural population (52%), however it slowly decreases, may have also contributed to position of agriculture in national economy (World Bank, 2012).

The current position of agriculture in Moldovan economy is following. The share of people working in primary sector is decreasing and so is its share on Moldovan GDP (Laborsta, 2012; World Bank, 2012). There are reasons for this situation. When Moldova was part of Soviet Union *there were large state farms (sovkhos), collective farms (kolkhoz) and state-owned food processing plants (kombinants)* (Gorton *et al.*, 2006). This system was centrally planned, so after breakup of the Soviet empire this system collapsed and that led to supply chain failure in this sector. This failure had much greater impact on animal husbandry than on the crop production (Gorton *et al.*, 2006). According to White and Gorton, (2006) in Dries *et al.*, (2009) the current supply chain is still developing but there are signs of progress especially in involvement of local farmers. On the other hand, crop production faced severe droughts in 1992 and 1994 (Gorton, 2001). There was also another drought in 2007 and a loss of Russian wine market in 2006 (Czech Business Web Portal, 2012). But there are also much more current problems, such as limited access of local producers on global markets, lack of storage capacities, limited access to loans by farmers and low investment into agriculture (Czech Republic Development Cooperation, 2010).

These difficulties of Moldovan primary sector are taken into consideration in mid-term agricultural priorities. These mid-term objectives are following: *Organizing census of farmers; Providing farmers with access to local and export markets; Providing laboratories with equipment; Renewing irrigation system; Improving farmers access to loans and credits; Liberalizing trade in land; Proposing and implementing data administration systems; Supporting research in agriculture* (Czech Republic Development Cooperation, 2010). The European Union also suggest improving sustainable development in agricultural sector (EU/Moldova Action Plan, 2005).

Plant production in Moldova is mostly known for wine production, which is on high level of quality and has a long tradition in the region (Gorton, 2001). According to Wine Alley (2012) there are four wine production zones in Moldova: North (Balti), Central (Codru), South-east (Nistreana ou Purkari) and South (Cahul). Tobacco industry is another field with a high potential, although, it faced some privatisation difficulties in early years of Moldovan independence (Gilmore *et al.*, 2005). Other crops which are largely produced in Moldova are maize, sugar beet and wheat (FAOSTAT, 2012). Fertile soils are also very good for horticulture (Gorton, 2001).

Animal husbandry is in different situation compared to the plant production in Moldova. The time comparison of the situation in meat production is rather clear. Current meat production is much lower than it was in 1992. Since the time when Moldova gained independence the meat production of all species has gone rapidly down (FAOSTAT, 2012). This was most likely caused by privatisation difficulties when the collective farms and large livestock herd managed by the state were divided into private hands (Gorton *et al.*, 2006). According to FAOSTAT (2012) the situation is now stabilising because the total meat production is growing again. Production of cow milk experienced similar problem as meat production (Gorton *et al.*, 2006). In this field of animal husbandry the privatisation resulted in state that the majority of cow milk producers have less than 5 cows (Dries *et al.*, 2009). On the contrary the egg production, goat milk and sheep milk grew after 1992, and are still sustaining this trend (FAOSTAT, 2012).

2.7. European Integration

The Republic of Moldova is a member of several international or regional integrations and agreements. After the declaration of independence, on 2nd March 1992, Moldova became member of United Nations (UN) (UN, 2012). Then Moldova became a member of Commonwealth of Independent States (CIS) which unites the former Soviet republics (Carmignani, 2007). Moldova is also a member of regional organisation (GUAM) which unites four states: Georgia, Ukraine, Azerbaijan and Moldova. Other international bodies, where Moldova is a member are: International Monetary Fund (IMF), Organization for Security and Cooperation in Europe (OSCE) and World Trade Organisation (WTO). But the absolute priority of current Moldovan external policy is to become the member state of the European Union (EU) (The official website of the Republic of Moldova, 2012).

The idea of the union of European states rose just after the end of the Second World War when sustaining peace was priority number one. At the beginning of this new era on the European continent were Belgium, France, Germany, Italy, Luxembourg and Netherland. From 1950 these states began to form the union on the basis of European Coal and Steel Community (ECSC) (European Union, 2012). From that year many agreements were made and many states became members (European Commission, 2012). The turning point in history of EU represents The Maastricht Treaty which was signed on 7th February 1992 and set the course for the future direction of EU. What once was a tool for peacekeeping became large commonwealth of European states economically and politically cooperating together. The European Union now consists from 27 states and is an important global power on both economic and political levels (European Union, 2012).

The Republic of Moldova is a member of Eastern Partnership Community (EaP) which unites the Eastern European states in some stage of European integration (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). In 1994 Moldova signed the Partnership and Cooperation Agreement (PCA) with EU and is also involved in European Neighbourhood Policy programme (ENP) (EaP, 2012). The pro-European tendencies in Moldova began to be more serious in year 2005 when The EU/Moldova Action Plan was introduced (EU/Moldova Action Plan, 2005).

The Action Plan is a kind of a backbone of the cooperation between EU and Moldova (European Union, 2012). This document is divided into seven main chapters which each describes the imperfection and suggests its improvement. The fields are following: *Political dialogue and reform; Cooperation for the settlement of the Trans-Dniester conflict; Economic and social reform and development; Trade related issues, market and regulatory reform; Cooperation in justice and home affairs; Transport, energy, telecommunications, environment and research; and People-to-people contacts* (EU/Moldova Action Plan, 2005). Moldova is trying to implement those pieces of advice and is also annually judged by European Commission on the basis of Action Plan progress (ENP, 2012).

When Romania became the member of the European Union, the Republic of Moldova became a direct neighbour of EU (Popescu, 2008). After the parliamentary election in 2010 the Alliance for European Integration formed and has been leading Moldova the EU direction (Cantir, 2011). The public opinion is also more in favour for the European integration (52% pro, 30% against) (EaP, 2012). According to these circumstances the Republic of Moldova is much closer to EU than ever before yet the path leading to EU membership is still very long.

III. OBJECTIVES

3.1. Main Objective

The main objective of the presented work is to summarise Moldovan efforts and progress towards becoming the European Union member state. This summarization includes the history of relations between the Republic of Moldova and the European Union, the current state of the integration process and possible future direction of this relation. It also considers the preparedness of Moldova to become a member state and focus on the progress made in political and economic sphere of this country.

3.2. Specific Objectives

The main objective is supported and supplemented by the specific objectives which should help to demonstrate the European integration status of the Republic of Moldova. The specific objectives are following:

- Evaluation of the progress made by Moldova in fulfilment of the EU/Moldova Action plan;
- Comparison with Romania because of cultural and regional proximity and also because Romania experienced some difficulties during the process of integration which could also occur in the Moldovan case;
- Comparison of Moldovan progress in integration with the integration process of the Czech Republic which is suitable for its geographical position, communist history and relatively smooth process of integration.

IV. METHODOLOGY

The main methodological approach which was used in this work was the literature analysis of available resources. The analysis was then divided into two subchapters which each followed the specific objectives:

- Study of the EU/Moldova Action Plan fulfilment,
- Comparison with the suitable EU member states.

4.1. Study of the EU/Moldova Action Plan fulfilment

The key document which was used as a backbone of this methodological approach was the EU/Moldova Action Plan. This document was then confronted with the latest annual report from the European Commission, the joint staff working document – Implementation of the European Neighbourhood Policy in the Republic of Moldova. The latest version, which was used in this work, mapped the progress made by Moldova till 31st December 2011.

4.2. Comparison with Romania

The second methodological approach focused on comparison of Moldovan efforts having been made so far with the current member of the European Union. One of the suitable countries for this comparison was Romania. This country was chosen because of the regional and cultural proximity with Moldova. This part compared the situation which was in Romania before it became a member state with the current situation in Moldova. All the necessary steps made by Romania and all rights and responsibility which come in hand with the membership were also considered.

4.3. Comparison with the Czech Republic

The second country suitable for the comparison with the Moldovan case of European integration was the Czech Republic. This country was chosen because of relatively smooth process of integration into EU. The structure of this second comparison was similar to the previous one. The findings from these two comparisons then resulted in the final statement about the positives and negatives which would the EU membership bring to Moldova. On the basis of these facts the recommendation for Moldova was then proposed.

V. RESULTS AND DISCUSSION

5.1. Study of the EU/Moldova Action Plan fulfilment

The Republic of Moldova is European country, so it has the right to be a part of the biggest political and economical integration on this continent (CIA, 2012). However, Moldova struggled in finding its position on the geopolitical map. The country was divided into two camps. One part of the society tented to sustain or even strengthen the relations with the Russia Federation while the other part preferred to be a part of the European Union (EaP, 2012). This status quo started to fall apart in 2005 when Moldova accepted the EU/Moldova Action Plan and took the first serious step on the way to become a member of the European Union. This political document became the main tool in bilateral dialogs between the European Union and Moldova (EU/Moldova Action Plan, 2005).

The Action Plan from year 2005 continues in the steps of the Partnership and Cooperation Agreement (PCA) from year 1994 (EaP, 2012). PCA only set up the frame for further partnership between the European Union and Moldova (Official Journal of the European Union, 1998). The Action Plan, on the other hand, presents the list of advice which should encourage Moldova on the way to the official EU membership. Both sides of the accession dialogues consider the document as a backbone of their cooperation. Even if the Action Plan was dimensioned for the term of three years, it is still the main document in the bilateral relations (EU/Moldova Action Plan, 2005).

The priorities for the Action Plan are following: to resolve the Trans-Dniester conflict; to strengthen the democracy and the rule of law; to improve the economic situation via reducing poverty and improving the investment climate; to reinforce the administration, legislation and judicial system; and to significantly reduce organised crime (EU/Moldova Action Plan, 2005).

The tool of the European Commission for monitoring the progress made by Moldova is the joint staff working document, Implementation of the European Neighbourhood Policy in the Republic of Moldova. But it is not only one report. This document is presented annually and is revised for the development made by Moldova in fulfilling of the Action Plan. The latest report of this sort mapped the progress made in time interval between 1st January and 31st December 2011 and was presented in Brussels on the 15th May 2012 (ENP, 2012). That last report will be used in this thesis to study the latest progress made by Moldova in the field of implementing the Action Plan suggestions.

The Action Plan pays the biggest attention to political dialogue and reform, which concerns the state of democracy in Moldova and also to economic and social reform and development, which advises how to improve the economic situation (EU/Moldova Action Plan, 2005).

The political dialogue and reform chapter of the Action Plan consist of two subchapters each taking a closer look at different part of Moldovan democratic status. The first one focuses on the rule of law. In this field the Action Plan advises to undergo the constitutional and legislative reform to come closer to the European standards which should help to guarantee the democracy by institutions which are involved. The justice should also be reformed to be more independent and impartial. According to the Action Plan there are also some reserves in the capacity of the judicature. And the last but not the least issue in this subchapter for Moldova to consider is the fight against corruption (EU/Moldova Action Plan, 2005).

According to ENP (2012) Moldova made some progress in judiciary by adopting a comprehensive justice sector reform in October 2011. This step was absolutely necessary for Moldova because from that moment on EU is providing the budget support of 62 million EUR for this branch. Apart from that success many imperfections could be still found in the field of fight against corruption. According to the Transparency International, (2011) in ENP (2012) the country fell in 2011 to 112th place in corruption perception index. Although Moldova adopted the anti-corruption strategy there is still a lot to improve in fight against corruption but the biggest problem is a lack of resources (ENP, 2012).

The second subchapter of the topic political dialogue and reform focuses of human rights and fundamental freedoms. The Action Plan again suggests the approximation to the European standards in such areas as eradication of the trafficking in human beings, improvement of respect of children's rights, equal treatment and freedom of expression and respecting the freedom of association (EU/Moldova Action Plan, 2005).

In all those areas only limited progress was achieved (ENP, 2012). According to UNICEF, (2011) in ENP (2012) the number of children in residential care is 6,900. Even if the number is decreasing the situation of those children remains complicated mainly due to insufficient budget support from the government. Discrimination of minorities, especially of the Roma population, still persists. However, *Moldovan government continued to implement the National Programme*

on gender equality 2010-2015 only small progress can be reported. Even if there is a bigger share of female mayors, women influence on both central and local levels remains low. In area of freedom of expression the justice still need more time to become accustomed to new law on freedom of expression. Violation of freedom of association is slowly diminishing, but still is not completely eradicated. And finally, some progress was made in field of religion when, for the first time in Moldovan history, the Ministry of Justice registered an Islamic organisation, the Islamic League of the Republic of Moldova (ENP, 2012).

The economic part of the Action Plan starts with the poverty issue suggesting to improve targeting of social assistance to socially weak structures of society plus to eradicate child poverty. The next big topic of this section is stabilisation of public finances and sustaining of economic growth. According to the action plan the combination of fiscal policy and reducing of the public debt, especially foreign debt, should help to achieve such objectives. To those goals the next proposal which concerns the functioning market economy could also contribute. The Action Plan suggests to, at least, lower the existence of the barriers for entrepreneurship and to improve business climate. The list of advice of economic area is closed by the rural and regional development topic. The main message of this part is that there should be minimal disparities between Chisinau and other big cities and rural areas. The key role in improvement of Moldovan economic situation as a whole should have the *promotion of sustainable development*, especially in long-term prospect (EU/Moldova Action Plan, 2005).

On the contrary to democracy improvement Moldova has done some good progress in economic area so far. The crisis in euro-zone did not hit Moldovan financial sector yet, but there is some possibility that the turmoil somehow could affect Moldova too. This scenario could happen directly via cut off of EU funds and lowered trade with EU or indirectly via the negative effect of the crisis on Russia. But as it was mentioned nothing of this happened so far and Moldovan economy grew by 6.4% in 2011. *The growth was driven by booming export and strong domestic demand*. EU via the EU Macro-Financial Assistance also provided a support worth 90 million EUR. The public deficit decreased to 2.4% of GDP in 2011 and the target for 2012 is to decrease it to 0.9% of GDP. The key role in this process was the implementation of fiscal policy which should also grant the objective for year 2012. In area of social reform the social protection was improved and *the allowances for families with children were increased*. The minimum wage

grew from 530 MLD to 575 MLD which is something around 37 EUR. The unemployment rate stabilised mainly because of new job offers in industry and agriculture. New pension reform was also approved by the government. Even with those successes the social situation needs further improvement (ENP, 2012).

According to ENP programme and its annual reports there are signs of progress of fulfilling the Action Plan as it could be observed from previous paragraphs. However, tangible effect of the Action plan on everyday life-problems is still little. Moldova needs to step up the efforts and pace of implementing those suggestions, especially in area of democracy status and the rule of law. Wider consensus among all Moldovan citizens and politicians is also vital for future integration acts. Those first six years of, more or less successfully, implementing the Action Plan suggestions should be recognized as a first and established step on the long road to the accession to the European Union.

5.2. Comparison with Romania

The negotiations between the EU representatives and Romania concerning the future membership in the Union began on 22nd June 1995 (Agenda 2000, 1997). Romania together with Bulgaria was accepted as the European Union new member states on 1st January 2007. Romania is one of the bigger member states in the Union with 237 500 sq Km. (9th position in EU) and 21.5 million inhabitants (7th position in EU). The integration process took ten years but during this period Romania had to implement many reforms and work out many imperfections (European Union, 2012). Romania and its situation before accession to EU should be the perfect candidate for the comparison with Moldova and its efforts towards the EU membership.

Romania had worked on relations with the European Union and its bodies since 1989 and the results were rather positive so there was nothing in way of submitting the application for EU membership in 1995 (Agenda 2000, 1997). Romania was included in several strategic programmes of the European Union. The most important programme was introduced in 1997 and was called “Agenda 2000 – for a Stronger and Wider Europe” which united Romania with other nine countries from Central and Eastern Europe which also applied for the EU membership (European Union, 2012). Another programme was called PHARE programme (Poland and Hungary Assistance for Restructuring their Economies) which was introduced in 1989 and was originally only for Poland and Hungary but was extended, in 1996, to involve 13 applicant countries including Romania (Bogaerts *et al.*, 2002). After introduction of Agenda 2000 the PHARE programme like the other similar cooperation programmes was linked to that main programme. The main aim of PHARE was: *agriculture; education, training and research; infrastructure; and the private sector restructuring and privatisation*. Romania received 118.4 million EUR for the purposes of this programme (Agenda 2000, 1997). PHARE programme was later reoriented to focus more on Acquis Communautaire (Acquis) which is known as the “rules” of the European Union (Bogaerts *et al.*, 2002).

Moldova worked on relations with the EU as well but it took Moldova much longer to elaborate such document of importance as Agenda 2000, where Romania was involved. The EU/Moldova Action Plan was elaborated in 2005 and by that time Romania was almost the EU member state. It could be said that Moldova overslept a bit but there are reasons for that. First of all Moldova was part of the Soviet Union and gained independence in 1991, Romania was never part of the USSR. Secondly, even after the USSR breakout Moldovan communist party was still in power

and was re-elected several times which only meant more eastern orientation of Moldova and lack of interest for cooperation with the EU authorities. Thirdly there was and still is the conflict in Trans-Dniester region in Moldova which is a big issue for the European Union. And finally Romania is bigger economy than Moldova (see Annex 2) (World Bank, 2012) and therefore it might have been more interesting for the Union to focus on first.

In Agenda 2000 Romania received criteria for the EU membership. The structure and composition of those suggestions were very similar to the EU/Moldova Action Plan starting with: *the democracy and the rule of law; human rights and protection of minorities; the economy situation; the economy in perspective of membership; the ability to assume the obligations of membership; and the administrative capacity to apply the Acquis*. The document also contained a brief summarization of state and status of those major fields in Romania (Agenda 2000, 1997).

Some imperfections in relation to Romania, that the document Agenda 2000 mentioned, could be also found in the EU/Moldova Action Plan. According to Agenda 2000 (1997) there was a slight lack of respect for the primacy of the law across all Romanian legal bodies. The similar situation was observed in the area of respect for fundamental rights. The major issue which was mentioned in relation with the state of democracy in Romania was corruption and all its negative aspect on Romanian society (Agenda 2000, 1997). Those are basically the same problems that Moldova faced or is facing now. Corruption is the major problem for both countries. The similarity of current Moldova and Romania in the political area and the state of democracy could be also observed from the Democracy index 2011 presented by the EIU where both countries are involved between the countries with flawed democracy (see Annex 1) (EIU, 2011).

The functioning of market economy and the whole economic situation in Romania experienced similar situation. The governmental reforms and actions headed the right direction but still have not been sufficient. The document suggested to stabilize the economic environment and mainly to deal with persistent macroeconomic imbalance, otherwise Romania could experience some serious difficulties with the pressure and strength within the EUs economic system in medium term. The document also pointed out that, both primary and secondary sectors, needed to be modernised and that research, development and training of workforce should be improved. The main message of the document regarding economy was that *the economy needed a number of years of sustained structural reforms* (Agenda 2000, 1997). The common denominator for

Moldovan Action Plan and Romanian Agenda 2000 was sustainable development of reforms and their promotion. Apart from that the EU/Moldova Action Plan is focused more on poverty reduction, diminishing the informal business barriers and promotion and stabilization of market economy. The difference between those two countries is also in contribution of three sectors on national GDP (see Annex 3, Annex 4 and Annex 5) (World Bank, 2012).

Romanian progress and state of preparedness for EU membership had been monitored by EU and annual monitoring reports had been presented. The structure of those reports was very similar to annual reports for Moldova. The last of these reports were presented on May 2006. According to that document Romania fulfilled the political criteria for EU membership although it was also said that some corruption issues still needed to be addressed. The economic situation was also improved from the one in 1997, when the Agenda 2000 document was presented. Most important thing regarding economy was that Romania successfully set up macroeconomic stability. However, the report suggested that some reforms should be executed especially in areas of public expenditure, privatisation and bankruptcy framework. Even with those comments the result of the last report is obvious. Romania passed the accession criteria and on 1st January 2007 joined the European Union (Commission of the European Communities, 2006).

Generally, there are a lot of positives for new member states of the EU but there are also some rules which need to be obeyed even if it might cause some difficulties for the member states. There are some examples how did and does the Romanian accession to the EU affect some aspects of its everyday functioning. In short term after accession the food prices rose in order to equalize with those in EUs Single Market. This however could change in medium or long term. Due the new competition within the Single Market and new funds for food industry prices could lower a bit again (Hubbard and Thomson, 2007). According to Financial Times, (2008) in Andreev, (2009) the economic progress made by Romania after accession was an overall “*success story*”. Moreover, after privatization was successfully carried out, Romania shifted from economy mainly relying on agriculture and cheap labour to economy which is driven by investment (Andreev, 2009).

On the opposite, the political scene faced some turmoil right after the accession. The reason of that was nothing else than corruption and series of allegation for corrupt behaviour by both governmental coalition and opposition parties accusing one another. The situation in Romania

came that far that *the President Basescu was suspended on 19th April 2007 by 322 – 108 vote on allegations of abuse of power and constitutional violations* (Andreev, 2009). The situation concerning corruption environment did not change as much as the EU representatives expected so for the first time in history of EU the Union leaders were actually considering the suspension of Romania from the Union (European Union, 2012).

In agricultural sector Romania had to apply many new mechanisms and procedures to cope with the EUs rules which some of them, as it was mentioned earlier in this chapter, caused some difficulties to Romanian people. EUs representatives also pointed out that Romania prefers quantity over quality in reforms concerning agricultural sector and recommended to focus more on quality policy (Commission of the European Communities, 2006). Moldova should also focus on quality policy to fulfil the recommendation of the Action plan concerning promotion of sustainable development of agriculture (EU/Moldova Action Plan, 2005). Moldova and Romania have that recommendation in common and Moldova should watch the situation in agricultural sector in Romania very closely to prevent possible future errors.

The proximity of Moldova and Romania is obvious even if there are some small differences. Moldova should use the experience of its western neighbour and focus on eliminating the imperfections which Moldova already has and prevent some problems which occurred in Romanian case and there is possibility that they could happen to Moldova as well. Moldovan leaders should also analyse the post-accession situation in Romania to prevent the future difficulties and also to understand that being a member of the EU does not mean only the access to the EU funds and other financial advantages but that there is a lot of responsibility as well.

At the end of this subchapter there is a comparison between Romania and Moldova in some areas of economy. The referential period would be between years 2003 and 2007. From the **Table 1** could be easily observed that the economic power of Romania, in this case represented by GDP per capita, is greater than Moldovan. **Table 1** also shows that Moldova depends on the Tertiary sector more than Romania. From values of the other indicators, but even of those previously mentioned, it could be said that those two countries are close to each other.

Table 1.: Economic indicators (Romania and Moldova comparison)

	2003		2004		2005		2006		2007	
	ROM	MOL	ROM	MOL	ROM	MOL	ROM	MOL	ROM	MOL
GDP p.c.(USD)	2737	548	3481	721	4572	831	5681	951	7865	1231
GDP grow. (%)	5,2	6,6	8,4	7,4	4,2	7,5	7,9	4,8	6	3,1
FDI (% GDP)	3,1	3,7	8,5	3,4	6,9	6,4	9,3	7,6	6,1	12,2
Inflation (%)	15,3	11,7	11,9	12,5	9	12	6,6	12,8	4,8	12,4
Agricul. (%GDP)	13	22	14	21	10	20	11	17	9	12
Industry. (%GDP)	35	24	35	17	35	16	37	16	35	15
Services. (%GDP)	52	54	51	62	55	64	52	67	56	73
Unemploy. (%)	7	8	7,7	8,2	7,2	7,3	7,3	7,4	6,4	5,1
Rural pop. (%)	47	56	47	57	47	57	47	56	47	55

Source: World Bank, 2012

5.3. Comparison with the Czech Republic

The Czech Republic underwent a long and hard integration process to become a member of European Union on the 1st May 2004 together with 9 other countries (Cyprus, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia) (European Union, 2012). But the Accession Treaty to European Union itself was only the last final step which had been preceded by 26 years of bilateral agreements between Czech or former Czechoslovak Socialist Republic (CSSR) and European Communities. These arrangements helped the Czech Republic to be more prepared for the entrance and also to be better known and predictable from the EU side (European Commission, 2012).

The very first of those agreements was the agreement with European Coal and Steel Community (ECSC) from 1978. However, the big step towards the membership in the EU could not come earlier than after Velvet Revolution took place in autumn 1989 when the years of struggle under the Soviet dictatorship had passed and the Czech Republic was looking forward to reintegrate itself within the European structures. The first sign of that attitude was the European Agreement on affiliation of Czechoslovak Federative Republic (CSFR), Hungary and Poland to the European Communities which was signed on 16th December 1991. On 1st January 1993 the CSFR was divided and replaced with two successor states the Czech Republic and Slovakia and from that moment the dialogues continued with each of those countries separately (European Union, 2012). In June 1993 in Copenhagen the European Council decided that the associated countries could become member states of European Union if they fulfil necessary economical and political requirements (Ministry of Foreign Affairs of the Czech Republic, 2012). The final approach towards the EU membership took place on 23rd January 1996 when the Czech Republic handed over an application to EU representatives on the summit in Rome (European Commission, 2012).

From this very brief history of relations between the Czech Republic and the European Union could be observed that when CSSR made first contact with the European Community the Republic of Moldova did not even exist, it was a part of the Soviet Union. The determination to be a member of the Union was also bigger in the Czech case than in Moldovan case which is mainly caused by different history and also different geographical position towards the EU. The comparison of the Czech accession journey and Moldovan efforts made so far could be used to demonstrate how long it could take one country to actually become a member of the Union.

In 1996 the Czech Republic was also included in PHARE programme and from 1997 it was a part of Agenda 2000 initiative. Between years 1998 and 2003 the Czech Republic used 342 million EUR from the PHARE programme on projects supporting mainly: financial situation; Interior Ministry; agriculture; environment; justice; and development of civil society (Kozlová *et al.*, 2007). Moldova is not part of such programme as the PHARE. Moldova is receiving financial support without some project of similar sort covering it. The main EU financial support goes to improving the economy and democratic situation which left, for example, agriculture or environmental situation with less interest from EU representatives. Those sectors then must depend on non-EU support, for example, on the Czech Republic Development Cooperation. In 1997 the European Commission also made a statement about socio-economic situation in the Czech Republic. It said, in summary, that the Czech Republic has stable institutions, functioning market economy and should be able to apply Acquis in medium term (European Commission, 2012).

As it was mentioned in previous subchapter Moldova was without such generous financial support from the EU because of absence of a key legal document which could guarantee the right use of the support. This had changed in 2005 with introduction of the EU/Moldova Action Plan. This plan however, did not change almost not comparable economic power (see Annex 2). The share of three sectors on national GDP is also different (see Annex 3, Annex 4 and Annex 5) (World Bank, 2012).

The European Commission also had to prepare Regular progress reports on the Czech Republic which had again vary similar structure as in the Romanian and Moldovan cases (European Commission, 2012). First report of this type was presented very shortly after the application was submitted in 1998 and was very critical especially in areas of administration and judicial system (Ministry of Foreign Affairs of the Czech Republic, 2012). After this criticism the government of Czech Republic elaborated and then approved The National Development Plan as the basic programme document and also another important document of that type named The Joint Regional Operational Programme (Kozlová *et al.*, 2007). This is an example of a quick reaction on the EU criticism made by the Czech government which is in contrast with slow if any reaction made by the Moldovan government on similar matters.

The second Commission Report in 1999 recognized that there were some improvements in the Commission's comments highlighting the approval of the two earlier mentioned documents.

However, 1999 report found another serious imperfection and that was the situation of Roma population in the Czech Republic (Ministry of Foreign Affairs of the Czech Republic, 2012). The reaction of the Czech government was the establishment of a human rights ombudsman in February 2000 (Ram, 2003). Moldova had similar institution, the Center for Human Rights of Moldova (CHRM), since April 1998 (CHMR, 2012). Moldova however, experienced similar problems in relations towards minorities as the Czech Republic and the situation is improving only very slowly in both countries.

The Commission Report from year 2001 was positive especially in the area of functional market economy although the permanent issue, the Rom situation persisted. The Czech market economy functioning was also very different story from the problems in that area in Moldova mostly caused by corruption and other external business barriers. In Commission Report from year 2002 the issue of the Benes decrees was dealt with and it was decided that this issue does not represent any obstacle for Acquis implementation (Ministry of Foreign Affairs of the Czech Republic, 2012). The process of pre-accession negotiations was completed at the summit of the Council of Europe in Copenhagen in December 2002 where all the dealt chapters were closed and it was decided that the Czech Republic plus other nine candidate states would extend the EU on 1st May 2004.

The last thing that had to happen was the referendum which was held in June 2003 with the result 77.33% for and 22.67% against the membership of the Czech Republic in the EU. The electoral participation was 55.21%. On 1st May 2004 the Czech Republic actually became a full member of the European Union (European Commission, 2012). If the referendum will be held in Moldova in 2013 it will not be so unequivocal. The share of the EU supporters in most recent public opinion survey was 52% which is driven mainly by young people and the share people who would vote against the membership is 30%. Plus there is of course the 18% of people who do not have clear opinion on that matter yet.

The Czech political scene was divided in the matter of the EU membership since the application had been submitted. However, after the accession this dividing was even more significant. Pure positive stance towards the European integration had and has got the Czech Social Democratic Party (ČSSD), the Christian and Democratic Union – Czechoslovak People's Party (KDU-ČSL) and the Green Party (SZ). On the other side there was and still is the Communist Party of

Bohemia and Moravia (KSČM) with pure negative stance. The Civic Democratic Party (ODS) saw the positives in the economic dimension but had and still has some comments towards the political dimension. Plus the Head of State in 2004 was a big EU dissenter Václav Klaus (Havlík, 2011). Moldovan situation concerning that matter is very similar. The communist party is the most pessimist party towards the Union but not as strictly against as KSČM. Other political parties in Moldova are mostly pro-European. The whole political situation and the state of democracy in the Czech Republic and Moldova is mapped by EIU which put the Czech Republic between full democracies and Moldova between flawed democracies (see Annex 1) (EIU, 2011).

For the Czech Republic the membership in the Union brought many benefits beginning the EU structural funds, membership in The Schengen area and ending with a feeling of being a part of a big political and economic union (European Union, 2012). But there is an issue where the Czech Republic is holding back a bit and it is the membership in the Euro zone. The Czech membership in that monetary union was postponed several times and in year 2012 there was still some kind of uncertainty around that subject especially in the context of the debt crisis and uncertain situation in Greece. The Czech Republic also received an honour in form of the presidency of the EU from 1st January to 30th June 2009 and was only the second new member country to accomplish such an honourable position (Euroskop, 2012). But in public opinion survey, held in autumn 2012, only 37% of respondents had positive attitude towards the EU membership, which is the lowest number in history of the Czech membership (Mediafax, 2012).

At the end of this subchapter there is a comparison between the Czech Republic and Moldova in some areas of economy. The referential period would be between years 2003 and 2007. From **Table 2** could be observed that the Czech economy is on different level than Moldovan especially in GDP per capita. However, there are some areas in which Moldova is slightly better meaning: unemployment rate and GDP annual growth.

Table 2.: Economic indicators (the Czech Republic and Moldova comparison)

	2003		2004		2005		2006		2007	
	CZE	MOL	CZE	MOL	CZE	MOL	CZE	MOL	CZE	MOL
GDP p.c.(USD)	9336	548	11157	721	12706	831	14446	951	17467	1231
GDP grow. (%)	3,8	6,6	4,7	7,4	6,8	7,5	7	4,8	5,7	3,1
FDI (% GDP)	2,1	3,7	4,4	3,4	8,9	6,4	3,7	7,6	5,9	12,2
Inflation (%)	0,1	11,7	2,8	12,5	1,8	12	2,5	12,8	2,9	12,4
Agricul. (%GDP)	3	22	3	21	3	20	2	17	2	12
Industry. (%GDP)	34	24	37	17	36	16	37	16	37	15
Services. (%GDP)	63	54	60	62	61	64	61	67	61	73
Unemploy. (%)	7,8	8	8,3	8,2	7,9	7,3	7,1	7,4	5,3	5,1
Rural pop. (%)	26	56	26	57	26	57	26	56	26	55

Source: World Bank, 2012

VI. CONCLUSIONS AND RECOMMENDATIONS

6.1. Conclusions

The idea of being part of something greater, of something bigger, is very widespread and popular idea in modern Moldovan history. At the dawn of the new millennium those thoughts materialized to countless of efforts to approach the European Union membership.

The situation in Moldova is not very satisfying in both, political and economic spheres. The issues current Moldova is dealing with are, without a doubt, mainly remnants from the Soviet history. Moldovan government, and after all the whole Moldovan society, is trying to get over the past and concentrate more to the future. That is the main reason why the cooperation between the European Union and Moldova intensified and is now better and stronger than ever before. Those bilateral meetings and agreements had transformed in the EU/Moldova Action Plan which became some sort of a milestone in Moldovan path of becoming a member of the Union. From the political point of view Moldova's attitude towards the EU have even improved by the victory of pro-European parties in last elections. The new government made a big commitment towards the European Union and is trying to prove that Moldova is worthy of the EU membership. The signs of progress are real, tangible and lead to improve the state of democracy and the rule of law. However, the pace of implementing the reforms is very slow.

On the other hand the economic situation is improving far more rapidly. The economic growth is solid, economic climate is also improving and the deficit of public finances is decreasing. The common denominator of economy and policy is, however, corruption which causes some kind of a barrier for foreign entrepreneurs to invest in Moldova. Another big issue of Moldovan economy is a large number of work migrants. Those migrants are source of remittances which participate on Moldovan economy quite a lot.

As for the comparison with the two member states the result is unequivocal. There are issues which are common for all three countries, for example the difficult situation of minorities. However, it is obvious that Moldova is much closer to Romania than to the Czech Republic. The regional proximity of Moldova and Romania should be used by Moldovan government to focus on imperfections in Romanian accession to the EU, which may occur in Moldovan case as well, and their elimination if it is possible. The differences between the Czech accession and Moldovan efforts made so far only illustrates the gap existent not only between those two countries but also between Moldova and the European Union as well.

6.2. Recommendations

As it was mentioned earlier the problem inheres in the speed of implementation of reforms, so the recommendation for the political sphere is simple: to intensify the process of fulfilling the Action Plan even more and also the government should pay more attention to combat corruption and improve protection of minorities. The European Union gives a big emphasis on solving the Trans-Dniester issue. The current government has made some progress even in this part of the Action Plan but again, the progress is slow and the multilateral meetings were, not unusually, frozen. However, for EU it is absolutely vital that Moldova has its borders secure, preventing the export of illegal activities from the CIS countries therefore that issue should be one of the top priorities for the oncoming ten years.

Suggestions concerning the economic situation would be, again, to sustain the course of the reforms concerning that area. Moldova also must try harder to make the country interesting for foreign investors by fighting corruption and other business barriers. Moldova should also focus on diversification of import and export markets to involve not only Russia and CIS countries but also, and maybe mainly, the European market. One of the priorities should be production of solid work opportunities to reduce the emigration of Moldovan human capital instead of working on non-visa obligation into the EU countries which would only accelerate the emigration problem.

All the measures and reforms, from both areas, should be undertaken under the Action Plan proposals and recommendations. Moldova is also receiving financial support from the EU funds on the basis of the Action Plan fulfilment which only suggests the importance of the reforms made by the government.

The current gap between Moldova and the European Union is large but the reforms are in motion and even if the progress is slow the course is right. The eagerness of being part of the Union is widespread in Moldova, especially between younger generations. It could be seen in Chisinau streets as well as on the governmental level.

The final conclusion and also the final recommendation is that the integration into the European Union is not an easy process for any country especially not for one of the poorest countries in Europe. However, Moldova chose this path. There is and would be a lot of hard work for Moldova to achieve its goal but if Moldova maintains the course and keeps implementing the necessary reforms it should achieve the goal. But there is almost one hundred percent certainty that it would not happen in short or medium term but in longer term.

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VIII. ANNEX

Annex 1.: Democracy Index comparison

Annex 2.: GDP per capita comparison

Annex 3.: Agriculture, added value (% of GDP) comparison

Annex 4.: Industry, added value (% of GDP) comparison

Annex 5.: Services, added value (% of GDP) comparison

Annex 6.: Moldovan national flag and emblem

Annex 7.: Geographical position of Moldova

Annex 8.: Residence of the Moldovan President (Chisinau)

Annex 9.: Example of the EU financial support to Moldova (Project concerning promotion and innovation of rain drains in Chisinau)

Annex 10.: Moldovan Prime Minister Vladimir Filat meets with the European Commissioner for Enlargement and Neighbourhood Policy Stefan Füle

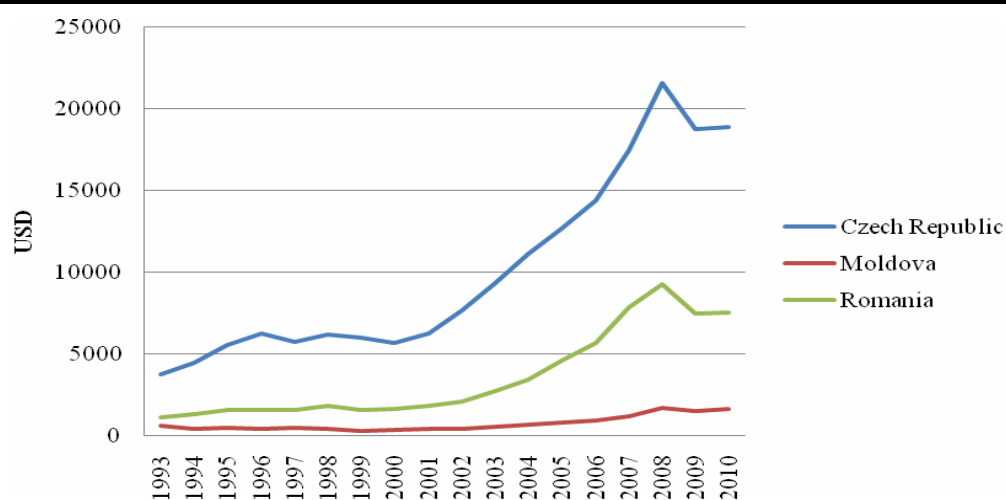
Annex 1.: Democracy Index comparison

Category scores							
	Rank	Overall score*	Electoral process and pluralism	Functioning of government	Political participation	Political culture	Civil liberties
Full democracies							
Czech Republic	16	8.19	9.58	7.14	6.67	8.13	9.41
Flawed democracies							
Romania	59	6.54	9.58	6.07	4.44	4.38	8.24
Moldova	64	6.33	8.75	5.00	5.56	4.38	7.94

Source: EIU, 2011

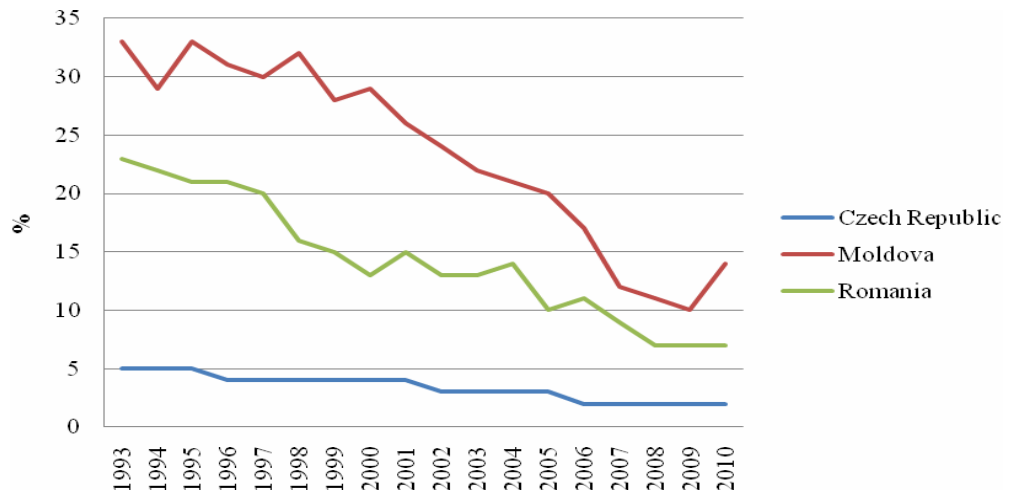
*Where 0.00 is the lowest and 10.00 is the highest score overall and in each category.

Annex 2.: GDP per capita comparison



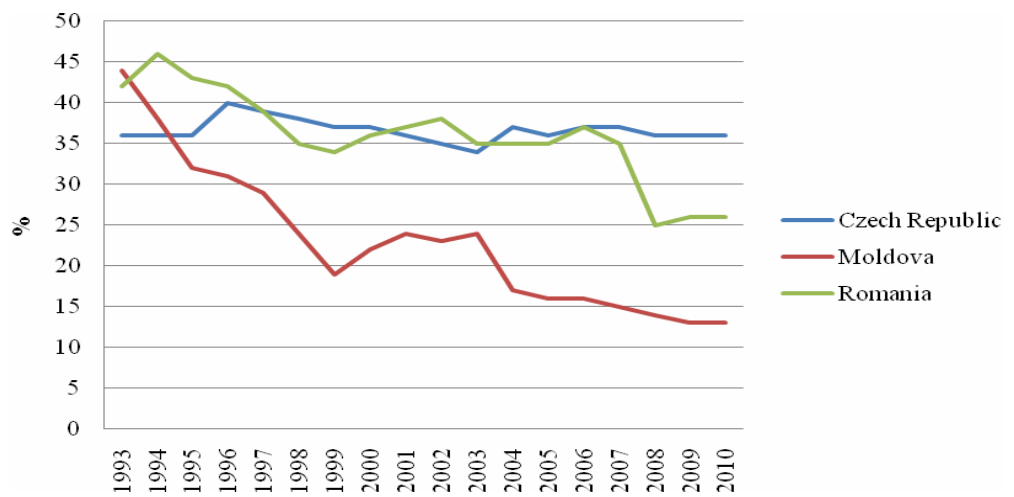
Source: World Bank, 2012

Annex 3.: Agriculture, added value (% of GDP) comparison



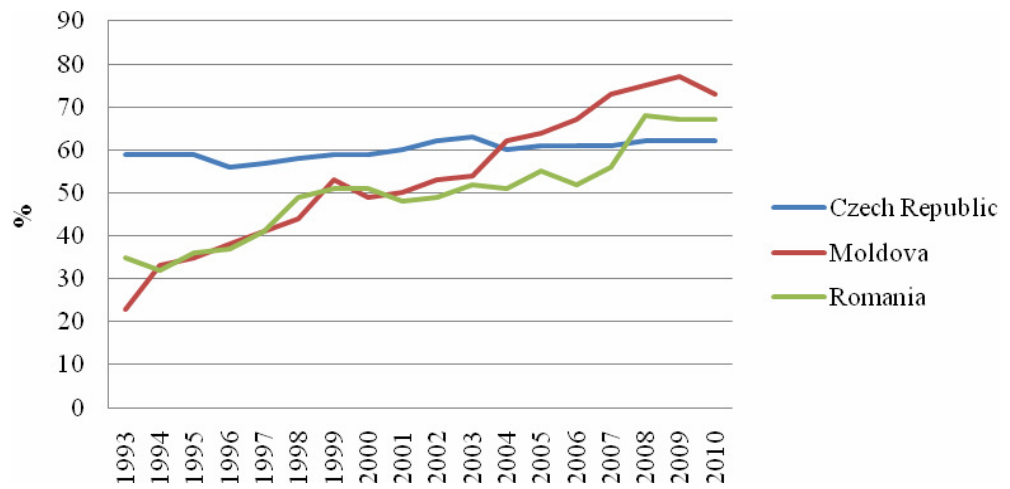
Source: World Bank, 2012

Annex 4.: Industry, added value (% of GDP) comparison



Source: World Bank, 2012

Annex 5.: Services, added value (% of GDP) comparison



Source: World Bank, 2012

Annex 6.: Moldovan national flag and emblem



Source: Encyclopaedia Britannica, 2012

Annex 7.: Geographical position of Moldova



Source: Encyclopædia Britannica, 2012

Annex 8.: The Residence of the Moldovan President (Chisinau)



Source: Tomáš Vacek, 2012

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Source: Tomáš Vacek, 2012

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Source: The official website of the Government of the Republic of Moldova, 2012