

REGIONAL

WARNING: THE BANKRUPTCY OF THE MOLDOVAN STATE SPILLS ~~OVER~~ REGIONAL INSTABILITY

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The trigger

The beginning of year 2002 has brought a significant deterioration of the situation in the Republic of Moldova¹, and a simultaneous deterioration of its bilateral relations with Romania. This latter process was already noticeable last year, when Moldovan diplomacy started to use every international opportunity in order to blame the alleged Romanian interventionism in Moldova's internal affairs.

Two sets of problems, political and economic, have challenged the Government of the Moldovan Communist Party (PCM), which arguably originated in the PCM Government program itself. ~~This program,~~ made public on June 4, 2001, and which contained a set of political measures, meant to boost the status of the Russian language and to roll back privileged cultural ties with Romania. This program, which materialized in an attempt to reinstate Russian as second official

¹ This report has also used sources such as *East European Constitutional Review* updates on Moldova; Freedom House 1997-2000 reports included in the 'Nations in Transit' final report (signed by Charles King); the paper 'Regional Political Cleavages in Ukraine and Moldova' by Ivan Katchanowski, George Mason University, as reported in the 21 Annual Meeting of the American Political Science Association (www.pro.harvard.edu); policy reports of the *Institute for Public Policy* Chisinau; and press reports from the Moldovan Agency *Basa*.

language, and making it *compulsory* in administration and education for non-Russian and Russian speakers alike, is unusual by every standard related to minority rights. Measures against cultural identification with Romania included making Romanian a ‘minority language’ (thus politically enforcing its alleged difference from Moldovan) and replacing the ‘History of Romanians’ taught so far in the education system, with a ‘History of Moldova’. The latter initiative is officially justified by the objective of making minorities feel more that they belong to the Moldovan state. Whilst this reasoning may seem a sensible approach under normal circumstances, it is, however, worth mentioning that the Moldovan media, including public media, has been already broadcasting numerous Russian language programs, which match and even surpass the Romanian language programs in some categories. ***However, this specific Moldovan situation, which is very different from the situation in the Baltic States (where the newly independent states have consistently pursued a cultural policy of promoting national languages versus Russian), has not helped Moldova gain more legitimacy with its minorities over the last decade.*** On the contrary, neither the Russian-speaking population of the self-proclaimed Dniestr Republic, nor the Gagauz or the Bulgarian, acknowledge the status of Moldovan (Romanian), whilst they endorse Russian more than any minority language. Furthermore, developments over the last year show that even with a Communist Government in Chisinau, minorities do not really settle with the Moldovan state.

~~Another category of~~ Further political problems, generated by the Government program, concerns the re-centralization of power in the hands of the Government. This included, via an administrative reorganization, depriving Moldovans of their right to elect directly their own mayors, and making every influential local executive an appointee of the central Government. Following a Constitutional Reform carried out two years ago, which made the Parliament, not the voters, the sole electors of the President (thus transforming Moldova into a full parliamentary democracy), this administrative reorganization further reduced the possibility for expressing popular will. Moldova currently has a proportional electoral system, which can be characterized as ‘extreme proportionalism’, with the entire country as an electoral unit. Most of the power, therefore, is entrusted to political parties, which run electoral lists, and to party leaders, who pick candidates on the list². These features of the political system combine to burden the newly created political parties – the weak spot in all post-Soviet emerging democracies – with the heaviest tasks. No wonder, therefore, that the public has become increasingly alienated and dissatisfied with politics and politicians, and that the oldest and largest party on the premises, namely the Communist party, which owns the best network and grass-root structures, performs

² The electoral threshold was raised from four to six percent recently. Classification of ‘extreme proportionalism’ on basis on Arendt Lijphart’s classification.

the best. The growing civil unrest is an indicator that the public resents being deprived of other traditional channels to express its opposition towards the Government.

The second set of problems, faced by the PCM Government, are economic problems. Whilst these are undeniably rooted in the legacy of previous Governments, the PCM program did its best to worsen the situation. Last year, Moldova joined the Russia-Belarus Union and applied to join a newly created common market (CEEA), made precisely of those post-Soviet states, which didn't really succeed in their attempt to reform their economies, and which remained close to, and dependent on, Russia. The Moldovan Government also moved towards creating a department for price control, stalled privatization, increased wages in the public sector and announced its intention to create worker-owned 'people's enterprises'. As a result of such policies, the IMF assistance was put on hold, whilst this year the Government has to pay external debt amounting to 75% of its total annual revenues. Following three years of quasi-insolvency, when money to repay loans was found, as a rule, in the last moment, Moldova is now heading towards bankruptcy. Its total foreign debt of US\$1.9 billion amounts to 154% of GDP, several times higher than the average 35% of developing countries.

Fig.1. The spiral of foreign debt

Year	Foreign debt, % of GDP
1993	> 10
1995	20
1996	43
1999	97
2001	120
2002 (forecast)	154

Source: IPP, www.ipp.md

Romania's policies towards Moldova have recently gained in discipline and restraint. However, even in January and February of this year, important Romanian officials, invoking their 'private' opinions, publicly endorsed pro-Romanian factions in the Moldovan Parliament. Whilst Romania succeeded in its advocacy efforts within European assemblies (from the EU to the OSCE) to protect the democratic forces in Chisinau, and managed to obtain a range of critical statements by these organizations towards the Moldovan Government, these are too recent to really make a difference for a Moldovan public used, through official propaganda, to lay the blame for Moldova's problems on Romania's patronizing attitudes, all the more so, since the Moldovan Government seems determined to use Romania as a scapegoat. At a moment when Romania is making efforts to obtain an invitation for joining NATO later this year, the imminent bankruptcy of the Moldovan state, which poses a threat to regional stability, could not have been timed worse.

A failed state?

Many new states have emerged in Europe after 1989. It is, however, difficult to decide what is an acceptable time frame of reference for analyzing the success or failure of these new states. Either for reasons of political correctness, or out of caution, analysts, unlike journalists, have so far refrained to pass judgment on the sustainability of some of these new states. Moldova, however, was less spared: both journalists and analysts seem to have abandoned restraint in pointing at it as a failure of state-building.

There are two basic research questions, which are relevant for policymaking, the obvious first being *whether evidence supports the state failure hypothesis*. The second question is broader, and tries to identify *the reasons for such a failure*. Is it linked with a nation-building policy failure? To what extent is it determined by domestic factors, such as poor governance, and to what extent by external factors, such as Russian or Romanian interventionism? The answers to these questions may help propose a solution for Moldova, as it may turn out that pulling the curtain on the Moldovan state and declaring it a failed attempt doesn't solve anything, but instead creates further regional problems.

As Fig. 2 shows, Moldova's GDP per capita is the lowest amongst the countries surveyed. Not only is it lowest in absolute terms, but it has also had the slowest progress, as compared to the other countries. Georgia, a country which faces considerable constraints and has a comparable situation, in many respects, ~~with-to~~ Moldova, had a lower GDP per capita in 1994, but subsequently managed to overpass Moldova. Equally, alongside Belarus and Georgia, Moldova has received the least foreign direct investment in 2000. When compared to the successful Baltic States, its score of economic freedom is significantly lower, although they have other things in common, such as the high percentage of Russian-speaking minorities.

Fig.2. Performance of post-Communist countries compared

Country	GDP per capita – 2000	GDP 1994	FDI in 2000	% minorities	State type	Unemployment rate-average 1994-2000	Inflation average 1994-2000	Economic liberalization index – Freedom House	Economic liberalization index – Heritage
Romania	1596	1323	1000	9	unitary	9.48	73.31	4.71	3.30
Moldova	326	268	100	36.	unitary	1.67	67.64	4.00	3.20
Ukraine	640	727	594	27	unitary	2.37	203.61	4.58	3.60
Belarus	1104	472	90	22	unitary	2.58	511.81	6.25	4.10
Estonia	3409	1530	241	35	unitary	10.42	18.07	1.92	2.20
Lithuania	3045	1143	355	20	unitary	13.51	21.72	2.83	2.90
Latvia	3019	1442	399	44	unitary	15.02	13.82	2.50	2.65
Poland	4108	2399	9299	3	unitary	13.01	17.71	1.67	2.80
Bulgaria	1484	1152	957	14.	unitary	13.74	199.44	3.75	3.40
Georgia	555	232	101	30	unitary	8.81	2263.30	3.67	3.65
Russia	1697	1867	2000	19	federal	10.37	100.87	4.33	3.70
Macedonia	1685	1742	169	33	unitary	33.72	22.20	4.58	not available
Yugoslavia	1225	1392	50	37	federal	28.01	46.35	5.33	not available

Source: Freedom House Nations in Transit, 2001; Heritage Foundation. Items measured as: GDP per capita (US\$); FDI (US\$ million); Index of economic liberalization FH, scale from 1 to 10; Index Heritage of Economic Freedom, scale from 1 to 5; 1=maximum of freedom.

Based on the above data, we built a model to measure the correlation between economic performance (GDP per capita) and other variables (Fig. 3). The results suggest that a combination of structural (historical) factors, and of policies during the transition period, are correlated with economic performance. Amongst the ‘historical’ legacies, the development legacy (GDP per capita after the split from the Soviet Union) turns out to be a significant predictor for economic performance at the end of the last decade, whilst the percentage of minorities in the total population, which is another structural/historical factor, did not turn out to be a predictor. However, when minority problems resulted in civil war, this affected economic performance.

If we consider the index of economic liberalization as a proxy for economic policies during the transition period, we find, not surprisingly, that this index is a predictor for economic performance in 2000. In other words, Moldova suffered both from a heavy economic legacy at the beginning of its transition, as well as from inconsistent policies of successive governments thereafter. Furthermore, it also suffered from civil war, and from a *de facto* separation of the self-proclaimed Dniestr Republic, which was the most industrialized area of socialist times Moldova, and powerful enough to disconnect all Moldova from its main gas pipe throughout the war.

Fig. 3. Determinants of economic performance in post-Communist societies

Predictor	Association and Significance
Development legacy ¹	+ ***
Economic liberalization policy ³	- **
% Minorities	N/S
War	+ *
R ²	0.89

Source: Fig. 2 data; + signifies a positive correlation, - a negative correlation; * predictor significant at * p≤0.05, ** p≤0.01, *** p≤0.001 (***=strongest association). Notes: 1- proxy used: 1994 GDP per capita; 2- according to Fig. 2; 3- proxy used: Freedom House index of economic liberalization; (*** p≤0.001, ** p≤0.01, * p≤0.05). OLS regression model with GDP 2000 as proxy for economic performance. ‘War’ is a dummy variable (dichotomous) measuring if the country was involved in a war, civil or with another country over the last decade.

Therefore, **civil war in recent history, the development legacy and the lack of liberalization of Moldova’s economy are causes of its poor economic performance.** This also means that the only room for Government intervention is

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at the level of economic policies, and it is precisely in this field that the Communist administration continues to make mistakes, alienating both international donors and private investors.

It may be argued that we are not dealing with state failure even if the economic performance is poor and bankruptcy knocks at the door. Economic welfare matters, but it is not the only public good that a state must deliver to taxpayers, even if it takes a heavy toll on all the others. Let us examine Moldova's state performance taking into account other factors as well. A 'weak state' is usually defined from three perspectives, namely of the state as 'collector' (does tax collection succeed in feeding the spending budget?), of the state as 'deliverer' of public goods (do consumers experience satisfaction with the state's services such as health, education and personal security?), and finally of the state as 'captured' by private interests, such as those of 'predatory' elites.

The Moldovan state is an extremely poor collector. The revenues of the state budget come mostly from customs taxes. An alleged 500,000 people, that is to say roughly a third of Moldova's workforce, are currently working abroad, and although they may contribute to supporting their families back home, they do not pay any taxes. The Moldovan state also performs poorly in delivering security, law and order, starting with customs (58% of Moldovans declare to have bribed a customs officer over the past year³, 62% declare that they do not feel that their personal security is ensured by the state, 57% complain of economic security and 48% of health services). In terms of UNDP's Human Development Index, Moldova ranks at the bottom, at the same level with Tajikistan and slightly ahead of Mongolia. Wages in the public sector, which are on average around US\$20 net per month, are paid with considerable delays and seldom in the full amount. Categories that experience chronic payment delays are the police, the border guards, and civil servants in general. Salary arrears in the national economy amounted to US\$28 million in February 2002, according to Moldovan official statistics. Corruption plagues the administration and the judiciary, and anecdotal evidence claims that every felony has a price tag attached, so even convicted felons are able to buy their freedom. Efforts have been made constantly to address this situation, and with some effect, but still it is clear that people live from informal activities, and that they usually do not have any other choice for surviving. The large informal sector (estimated at 65% of GDP) is blamed on the lack of

³ According to the Barometrul de Opinie Publica 2001, Institutul de Politici Publice, www.ipp.md

resources of the state, but it also provides a backup for the poor and the unemployed, which the state is unable to provide. Equally, Moldova scores high in terms of corruption (6 as compared to 4 for Romania in the Freedom House rankings –scale ranges from 01 the least corrupt to 107 the most corrupt; ~~3.2 as compared to Romania's 2.8 in the Transparency International Index, which also grants a 2.3 to Russia and a 2.1 to Ukraine~~).

The impact of foreign actors

It is undeniable that Moldova's situation was made worse by her being caught ~~among~~ between more powerful state actors, most notably Russia, but also Romania to some extent. Moldova was not the only post-Soviet state to have kept a Russian army on its territory, but the difference between Lithuania on the one hand and Moldova or Georgia on the other is that between an idle army and an army supporting secessionist regions, such as the Dniestr Republic or Ossetia. In what Romania is concerned, its impact has been more in the form of fear by Moldovans that they would be discriminated in a reunified Romania, which also made many of them more likely to be influenced by anti-Romanian propaganda, abundant in Chisinau over the last years. The 'pro-Moldovan' discourse as a separate identity from the Romanian, and the pro-Romanian discourse, have polarized the Moldovan society over the last decade. As shown in a previous Report⁴, there is a significant correlation, amongst the Moldovan public, between pro-Communist attitudes and anti-Romanian (and anti-Western) ones.

Possible explanations for the pro-Russian and pro-Communist attitudes are mostly historical. The more a region has a history of independence in its last hundred years, the less its inhabitants display nowadays a pro-Russian and pro-Communist attitude. There is a significant difference in attitudes towards Russia in regions such as Bukovine, Moldova or Galicia, as compared to regions of Eastern Ukraine or Dniestr, with no tradition of independence prior to 1989 (see Fig. 4). When replicating the same model for explaining voting preferences, historical experience turns out as a powerful predictor. Another factor, which contributes significantly to the vote for Communist and pro-Russian parties, is belonging to the Russian ethnic group or another minority group (as minorities in this part of the world use mostly Russian, not their vernacular languages).

⁴ Annual Early Warning Report for 2001, issued in March, 2002.

Fig. 4. Determinants of regional pro-Communist/pro-Russian vote in Ukraine and Moldova, 1991-1999.

Predictors	Association and Significance
Historical legacy	- ***
Catholic	N/S
Ethnic Ukrainian/Moldovan	- **
Urbanization rate	N/S
R ²	0.68

Legend: + signifies a positive correlation, - a negative correlation; * predictor significant at $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (***=strongest association). N/S means that the variable did not turn out as a predictor. Source: Katchanovski 2001. Proxy for historical legacy: years of the region surveyed outside Russia or Soviet Union in the 20th Century

Fig 5. Determinants of the index of pro-CommunistSoviet/pro-Russian attitudes in Moldova

Predictor	Association and Significance
Historical experience	- ***
Ethnic Russian	+ ***
Other ethnic minority	+ ***
Occupation rank	- ***
Education	N/S
Born in a rural area	- *
Age	+ ***
Male	N/S
R ²	0.21

Legend: + signifies a positive correlation, - a negative correlation; * predictor significant at $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (***=strongest association); N/S means that the variable did not turn out as a predictor. Source: 1998 Latin/Hough Survey apud Katchanovski 2001. Historical experience- dummy based on the regional experience outside Russia or the Soviet Union in the 20th century.

The past within dictatorial Russia or totalitarian Communist regimes is a heavy burden, which still and shapes still the political life of these post-Soviet societies in more than one way. These models show the past as the strongest determinant of current political attitudes. But However, one should also consider the extent to which the elites of these regions were simply annihilated by decades of Soviet repression. Intellectuals and better off peasants were deported in the Stalinist years and, despite some formal rehabilitation later, few have ever returned from Siberia. The current elites are mostly sponsored and socialized by the Communist regime. ~~Romania has offered some counter-socialization in the last decade~~

~~through a program of fellowships in Romanian high schools and universities, but this affects only the youngest, who are anyway more Western-oriented and less Communist. Moldovans work indiscriminately in Romania, Russia and Ukraine from neighboring countries, and they also apply for second citizenship in these three countries, with Romania allegedly leading the top. Double citizenship was formally forbidden in Moldova until recently, and even now its status is not cleared altogether. Romania's granting of Romanian citizenship to Moldovans born before the war when Moldova was part of Romania or their descendants was a constant source of irritation for Chisinau, despite formalities being lengthy and tedious and few Moldovans taking advantage of it⁴. Since December 14, 2001, Romania put on hold this policy altogether, frightened by an increase in the number of requests due to Romania's new visa-free status in the Schengen area.~~

In its relations with Moldova, Romania is increasingly constrained by its application to become a NATO and EU member ~~in the relations with Moldova~~. The current interest of the country is clearly ~~in the direction of~~ giving up the privileged relationship with Moldova, which has become an increasingly embarrassing more and more an embarrassing neighbor. In 2001 and 2002 alone, the Moldovan Communist leaders, ~~followed by the State Duma of Russia prompted by them,~~ have blamed Romania ~~on for~~ the fight between two branches of the Orthodox Church⁵, for the emergence of a 'new wall' at the border between Romania and Moldova due to Schengen arrangements ~~at the border between Romania and Moldova~~, and for the opposition resistance that the Moldovan Government met when trying to reintroduce Russian as a compulsory object of study in ~~the~~ primary cycle of education. The long term support ~~of by~~ Romania ~~to help for~~ Moldova in developing some autonomy in the field of energy production was recently labeled as 'interventionism' by officials in Chisinau⁶, ~~despite former President's Lucinschi acknowledgment that Moldova's dependency on Russia for energy and its huge debt towards the latter is the most serious threat to the independence of the country and its viability as an independent state.~~

⁵ See Yearly Annual Early Warning Report 2002, Regional Section 'When Special Care Creates Special Problems'. The attempt to forbid the Romanian Orthodox Church in Moldova to exist alongside the Russian one was supported by the Moldovan government through all the Moldovan Courts, but ~~they it~~ lost ~~theits~~ case in the European Court of Human Rights in Strasbourg last fall.

⁶ This, despite former President's Lucinschi acknowledgment that Moldova's dependency on Russia for energy and its huge debt to Russia is the most serious threat to the independence of the country and to its viability as an independent state.

~~While/Whilst~~ Romania's attitude towards Moldova is likely to ~~change and~~ become more restrained in the foreseeable future, Russia's attitude is unlikely to stay the same/change. Despite repeated vows to pull out/retreat the XIV Army from Dniestr, the process was has been slow and ineffective so far. ~~There is also doubt that such a belated retreat can change anything in the power gamble over the Dniestr Republic, as the secessionist region has more soldiers than the rest of the Moldovan state.~~ The self-proclaimed Dniestr Republic is an embarrassment for both Moldova and Ukraine, ~~which is not exactly to the dislike of Russia.~~ However, ~~the~~ considerable money-laundering and arms trafficking which goes on in the Dniestr have also allowed various Russian oligarchs or criminal networks to do business during the last decade, and they still have some political clout to protect their fiefdom. ~~Despite the recent focus on making accountable the regions that may provide support for international terrorism, there is no one on the premises who could clean up the mess in the Dniestr Republic, and that feeds the mess in Moldova directly and through manipulating the Gagauz special status area. Russia is not pleased with Romania's application to NATO, as she is obviously not pleased with anything else than a dependent and subservient Moldova. The Romanian officials tried to break the ice this spring, but their attempts were in the end reduced to a less than successful visit by Prime Minister Adrian Nastase, who did not even get to see Mr. Putin (whom Moldova's President Vladimir Voronin, seems on the contrary to see with no difficulty), and a postponed visit of President Ion Iliescu. Not even the recent restraint showed by Romania towards the rallies in Chisinau is likely to appease Moscow's annoyance towards a possible NATO expansion to Romania.~~

The pitiful situation of Moldova is only partly of its own doing. The country was helpless during the Dniestr war, and its stalemate with the separatist Dniestr Republic, which ~~receives the endorsement~~has the support of important Russian politicians, has proved to be a major obstacle in consolidating a Moldovan state. ~~On Taking~~ the example of the Dniestr Republic, other minorities show no commitment to the independent Moldovan state, ~~despite the existence of a better alternative~~. The policy of Mircea Snegur policy of to appeasing minorities by ~~reducing/limiting ties the reunification of Moldova~~ with Romania to just cultural communion only has failed miserably. The attempt by Vladimir Voronin attempt to buy peace by returning to Soviet time language policies is also doomed to fail, since not only is it opposed by a majority in opinion polls and by a majority in opinion polls and by considerable crowds in the street, but it does not seem to be enough to gain the benevolence of Dniestr secessionist leaders. ~~Even moderate~~

~~opposition leaders no longer believe the Communists of Moldova have the potential to become enlightened Communists.~~

The international organizations, which assisted Moldova, ~~as well as~~ the international community, ~~should~~ also bear some responsibility in this failure. Totally dependent on Moscow for its energy, with its industry captive in the mafia-dominated Dniestr, could Moldova recover only by privatizing its wine and tobacco industry and pursuing its macroeconomic reforms? Moldova had its ups and downs with the reforms, but that was ~~at least partly~~ also because reforms did not produce expected results ~~in rapidly~~ enough ~~time to~~ ~~buying popular support to~~ reformist Governments ~~some popular support~~. The ~~lack of little~~ attention ~~that~~ Moldova received from the international community, and the double standards applied to the Baltics' policies towards Russian minorities ~~as~~ compared to Moldova's policies, are also to blame for the current ~~deterioration~~ situation. The 'original' state model ~~adopted by~~ Moldova ~~adepted~~, with two special status regions, make it different from successful states in the post-Soviet area, which adopted a unitary state regardless ~~of~~ the percentage of minorities. The failure of the Moldovan ~~state~~ experiment is not of Moldova ~~only alone~~, but also ~~and perhaps primarily~~ of the advocates of this experiment. ~~The Western endorsement of the experiment hid~~ ~~poorly the decision to contain the Dniestr conflict, not solve it,~~ ~~the lack of political will to reinstate the rule of law in Moldova and the open desire not to antagonize Russia.~~ In the case of Baltic States, Europe has ~~played its cards~~ ~~manifested with~~ more interest and sympathy towards the newly created states, and the difference is visible in the results.

~~Notwithstanding the above,~~ ~~it is,~~ however, in everybody's interest that Moldova succeeds in its attempt to create a ~~viable~~ state. ~~Its prospects of reunification with Romania at this time are blurred and the move would destabilize the Romanian economy, which is only at the beginning of its first breakthrough. At present,~~ Moldova has no ~~other~~ options ~~besides i than~~ independence ~~at this point~~, but with ~~aits~~ bankrupt state and separatist minorities, the prospects are poor.

Recommendations

- Romanian Government.

The choices of the Romanian Government are severely limited. The Government can do little than continue to lobby internationally to support democratic forces of Moldova, and refrain from any public statement which may further be used by Communists in Moldova ~~as proof of to blame~~ 'Romanian imperialism'. The Romanian Government should also persuade the pro-Romanian forces in Moldova to tune down their ~~appeals for~~ reunification ~~message~~, while ~~ste~~ supporting the consolidation of civil society in Moldova through partnerships between NGOs and cultural associations of the two countries. Any other preferential aid for Moldova should be ~~discontinued~~ ~~dropped~~.

- Moldovan anti-Communist forces

The vocal pro-unification message has proved unsuccessful ~~over~~ in the last decade with ~~the a~~ majority of Moldovans. Moldovans may speak Romanian, but they have crafted for themselves a sort of separate identity nevertheless. Even if Stalinist policies contributed to this, today the only option ~~available~~ is ~~seek~~ to broaden ~~the public~~ support ~~basis~~ for democratic parties and ~~ensure that advance democracy and reforms in~~ Moldova ~~is a democratic country~~. Its ~~id~~ identity is the business of ~~its~~ citizens, and both pro-Romanian and anti-Romanian symbolic policies should be relegated to the background, leaving ~~to~~ each Moldovan the choice of language. ~~Such a goal~~ ~~This would~~ means keeping the pro-Romanian discourse only at the level of cultural identity and abandoning its political implications. ~~At~~ ~~Under present circumstances, having this point having~~ as ~~program~~ the reunification with Romania ~~only~~ means having no program at all. Democratic forces need to join under a common banner, and this should appeal to a majority. It should, therefore, be pragmatic and economically oriented. ~~The 'Belarus' model, positively invoked by many Moldovan inhabitants needs to be fought on the economic, not symbolic field.~~

- International donor community, EU

It is not too early to acknowledge that the Moldovan experiment in its current form has failed. Moldova urgently needs a recovery package, it needs a voice to negotiate on its behalf with Russia, and it needs the acknowledgement that state building policies are thean absolute priority. ~~#Moldova~~ also needs a mediator to uniteget all democratic forces together and empower them to build the state from scratch. Neither of these things can be provided by anyone else than the international community, as the intervention of ~~both~~ Russia andor Romania in a mediator capacity is not credible for either one of the parts in Moldova. In particular, The current crisis in itselfChisinau needs mediation ~~as only early elections and a caretaker Government can solve the current deadlock. The alternative for after elections needs considerable coaching, however. In brief, as~~ Moldova heads towards bankruptcy and more social unrest, it badly needs a full recovery plan, ~~as it heads towards bankruptcy and more social unrest~~ and not the kind of formal human rights monitoring applicable to a consolidated state. the formal monitoring of human rights like it would be a consolidated state. A weak state cannot ensure anybody's rights. Moldova is not a state yet, and without the full commitment and support offrom the international community, it may yet implode, ~~on NATO's Eastern flank and Europe's Eastern border,~~ destabilizing Romania and Ukraine the entire sub-region in the process.

ANNEX: Tables in the section one

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Annex 1. Determinants of economic performance in post-Communist societies

Predictor	Regression coefficients (Standard Error)
Development legacy ¹	0.968 (0.211)***
Economic liberalization policy ³	-338(102)**
% Minorities	N/S
War	984 (272)*
R ²	0.89
N	13

Source: Fig. 2 data. Notes: 1- proxy used: 1994 GDP per capita; 2- according to Fig. 2; 3- proxy used: Freedom House index of economic liberalization; (***) $p \leq 0.001$, ** $p \leq 0.01$, * $p \leq 0.05$). OLS regression model with GDP 2000 as proxy for economic performance. 'War' is a dummy variable (dichotomous) measuring if the country was involved in a war, civil or with another country over the last decade.

Annex 2. Determinants of regional pro-Communist/pro-Russian vote in Ukraine and Moldova, 1991-1999.

Predictors	Regression coefficients (Standard Error)
Historical experience	-0.264 (0.071) ***
Catholic	-0.014 (0.176)
Ethnic Ukrainian/Moldovan	-0.430 (0.147) **
Urbanization rate	-0.194 (0.182)
Constant	98.209 (20.125) ***
R ²	0.68

Legend: + signifies a positive correlation, - a negative correlation; * predictor significant at $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (***=strongest association); Source: Katchanovski 2001. Proxy for historical legacy: years of the region surveyed outside Russia or Soviet Union in the 20th Century

Annex 3. Determinants of the index of pro-Soviet/Communist/pro-Russian attitudes in Moldova

Predictor	Regression coefficients (Standard Error)
Historical experience	- 0.13 (0.001)***
Ethnic Russian	0.554 (0.063)***
Other ethnic minority	0.494 (0.052)***
Occupation rank	-0.045 (0.013)***
Education	0.013 (0.017)
Born in a rural area	-0.112 (0.048)*
Age	0.008 (0.002)***
Male	-0.085 (0.145)
Constant	2.059 (0.195)***
R ²	0.21

*Legend: + signifies a positive correlation, - a negative correlation; * predictor significant at $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (***=strongest association) Source: 1998 Latin/Hough Survey apud Katchanovski 2001. Historical experience- dummy based on the regional experience outside Russia or the Soviet Union in the 20th century.*