



Discussion Papers

Debates on Current Affairs Series

Dumitru Mînzărari and Veaceslav Ioniță

IN NATO WE TRUST?

Explaining Why Moldova
Would Need to Join NATO

No. 3

**October 2008 –
January 2009**



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This publication was made possible through the generous support of the GMF Black Sea Trust for Regional Cooperation.

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Foreword

The accession to the European Union is considered by largest part of the citizens of the Republic of Moldova to be a fundamental strategic option for their country. In recent surveys over 70% of the questioned respondents have stated with certitude to cast a positive vote if a referendum is held next Sunday on the question of Moldova's accession to the EU¹, while some 30% were ready to support the option of Moldovan integration into NATO².

There are strong opinions considering the existence in Moldova of such positive perceptions towards EU and NATO are not necessarily linked to the integration per se. They are rather reflective of a consciousness of belonging to the Western civilization and represent our will to rejoin the community of values, to which we are so profoundly connected through our geography, history and traditions. And becoming a NATO member is not just a mechanic summing of certain statistical figures, collected by a handful of citizens more or less familiar with the process of a possible integration. It is in fact the recognition of benefits, costs and the scope of such a strategic relation, based on a specific system of values, which have extended beyond geographic, historical, cultural and identity factors, and which will bring our society much closer to the Euro-Atlantic community, then a simple security cooperation would entail.

The issue of accession into NATO is to be assessed through a complex development process, which, sooner or later will bring us to the Alliance's port dock. This holds true not only because there is no precedent in the period after 1991 when a country had joined EU without previously entering NATO. This important issue should be also judged and assessed in pragmatic terms, based on involved costs and benefits, and considering not only the costs of realigning to the NATO accession standards, but especially the costs produced by an eventual "non-accession" to NATO, caught in the trap of neutrality, a status which was artfully implanted into the Moldovan Constitution in 1994.

There are many immediate consequences and costs of blindly maintaining the Republic of Moldova on the trajectory of neutrality, which was poorly understood by the elites, and very lousily implemented, in a self-sufficient manner with no international recognition. One of these include keeping Moldova in a "grey" zone of pronounced insecurity and instability of the re-

¹ Public Opinion Barometer, Institute for Public Policies, October 2008

² "CBS Axa" Survey, April 2008

gion, aggravated by the unsolved conflict, which builds the wrong perception that Moldova is a one-issue country, dominated only by the Transdnister conflict. And in fact, continuously feeding such a foreign perception, means nothing less than accepting the failure of the national diplomatic efforts, and reflects the obvious deficit of ideas and actions, capable of redefining in modern terms the national interest of that country.

Suspended between an European Union overwhelmed with fatigue from its previous enlargement waves, and the Commonwealth of Independent States area; marginalized by the effects of a deficit economy, extremely vulnerable to external shocks, the Republic of Moldova is seemingly enjoying its periphery status, isolated from the political and economic decision-making centers both in the region and largely on the continent. This leads to the practical isolation of the country from the main international commercial routs, and its political and social separation during the time when the national economy is in stringent need of foreign capital influxes, new technologies and foreign markets.

The main objective of this study is to assess the political, economic and social benefits of a possible integration of Moldova into NATO. Among political benefits can be listed the consolidation of Moldova's prestige and ability to influence international decisions, and obtaining guarantees of internal stability and good functioning of the institutions based on the rule of law. The economic benefits include a robust perspective to consolidate the legal and functional stability of market economy, developing and consolidating the institutions capable to strengthen the confidence of foreign investors (European and generally international), promoting an openness towards international capital and investment markets, and providing for the access to the newest technologies. Among the social benefits should be listed the fact of transforming the state functions so that they serve the public interest, from the perspective of the ordinary citizen. As a consequence this will consolidate the personal security of Moldova's citizens, of their property and families, opening for them more opportunities for education and professional growth. Additionally, Moldova will benefit from improving its rule of law infrastructure that should become protected by assimilating the standards of the Allied member-countries related to the protection of personal data, combating corruption, etc.

When Moldova's accession to the EU does not carry an immediate perspective, extending and deepening the nation-wide debates over the Euro-Atlantic integration, including our cooperation with the North Atlantic Treaty Or-

ganization is a necessary and opportune step. The opponents of Moldova's membership in NATO insist that joining the Alliance implies high costs that the Republic of Moldova is not able to support, as it faces ongoing economic problems and will be struggling with the requirements set for a candidate-state. One of the authors of this paper, Veaceslav Ioniță, provides numerous convincing arguments that the reality is different from these statements, because all countries that joined in 1999 and especially those that became NATO members after 2004 have obtained clear benefits related to their membership, crossing a "Rubicon", that did not allow their economy to develop beyond a certain level. It is true that becoming the "member of the club" implies respecting certain criteria, yet these are absolutely related to the political, legal, institutional, economic processes and administrative skills, that Moldova would have to improve anyway in a certain time frame, based on available measures, policies and resources.

Alliance does not assess the member countries as weak or strong partners. Instead it emphasizes the free option for each candidate to objectively define its process of joining the "club", considering the existing requirements and benefits that it entails. There are also other opponents, insisting that NATO is an expired project, and in the conditions when the debates among "Atlantists" (UK, Central and Eastern Europe members) and "Eurocentrists" (France and Germany) can hardly reach a consensus when looking for solutions for existing crises (Iraq, Bosnia, Middle East), then Moldova should not apply for membership. Instead, they claim, the Republic of Moldova should aim at joining European Union. The authors of this study provide excessive arguments to counter this idea, referring to the collective defense, which is in NATO competence, making available the military option, when economic sanctions and diplomatic efforts of the EU fail to reach the sought objectives.

The end of the Cold War has emphasized the role of the Alliance after the collapse of the Warsaw Pact and of the bipolar international security system, which resulted in the withdrawal of a significant part of the U.S. military from Western Europe, while new conflict hot points appeared on the map (the Gulf War, Yugoslav crisis). These events have again placed high on the agenda the strategic need for a common defense, able to provide for immediate and responsible solutions. The NATO's capability for change was tested when it had to face the consequences at the end of the Cold War. The decisions taken by NATO in regard to the development of the Visegrad Group, Vilnius Group, the Adriatic Triangle, Western Balkans, and most recently, of the post-Soviet democratic, has generated numerous analyses and commentaries.

The collapse of the bipolar world launched after the 1991 a powerful euphoria among these who hoped for a future free of conflicts and military risks. What is the use of NATO in present times?

The answer to this question is not just a exercise of rhetoric, especially after we all have witnessed the collapse of the soviet state (*Pax Sovietica*), after the fall of the Berlin wall and the choice of freedom and justice, taken by the countries that used to be the prisoners of the totalitarianism. The enlargement of NATO after the Cold War started with the countries of the Visegrad axis (Poland, Czech Republic and Hungary), followed by the Vilnius Group, which were very different cases based on their importance for Europe and the reforms they have launched. Assessing the readiness of the candidate-states to join NATO, many observers emphasized democratic credibility and the stability of political process. As a result of this, Slovakia was disconnected from the Visegrad Group, and anchored to Vilnius Group – a consequence of the policies promoted by its leader Vladimir Meciar.

The enlargement of 1999 was decided out of a general framework of partnership action plans, intensified dialogs, or individual partnership plans, which only appeared later. None of the Central European states invited to join NATO was required to follow a Membership Action Plan, as it was considered a moral duty of the West to repair the historic mistake and rescue these countries from their totalitarian past. In strategic terms the enlargement was important to eliminate all sources of insecurity in the North German Plain. In tactical terms, these countries served as excellent examples of good governance, strengthening reforms leading to the market economy, and consolidating their regional cooperation. Finally, the accession of the Visegrad Group was the last step to prevent a possible threat of war on the axis between Moscow towards Poland and Germany and up to the north of France.

Its strength comes out of the ability of NATO members to review the mission of the organization, including tackling the insecurity on the North German Plain, by integrating Central and Eastern Europe, stabilizing and supporting the Western Balkans, consolidating democratic institutions, and also by not discouraging Ukraine and Georgia in their membership aspirations. The “open doors” policy of NATO played an essential role in the evolution of Europe after 1989. Analyzing the history of NATO since its first wave of enlargement, we can see that there was no decision of enlargement that Allies would later ignore. Every new political dialog framework, every action plan, or invitation to join NATO have resulted every time in a transatlantic cohesion, a political order and a unity of the modern Europe.

The second wave of NATO enlargement continued with its 50th anniversary during the Washington Summit in 1999, which decided to offer the Membership Action Plan (MAP) to Latvia, Estonia, Lithuania, Slovakia, Slovenia, Romania, Bulgaria, Albania, Croatia, and FYROM. In fact the MAP decision was a response to the refusal of certain Allies to accept the invitation of Slovenia and Romania to join NATO during the 1997 Summit in Madrid. As a result the Alliance decided that candidate-states should accelerate their domestic reforms in order to receive an official invitation.

This new procedure has essentially changed then the enlargement policy of NATO. The countries of the Vilnius Group did not require a common enlargement policy, similar to the recovering of Central European democracies. The true meaning of the next enlargement was justified by the reference to the concept of the “free, peaceful and united Europe”, reflected also in the U.S. President Bush speech at the University of Warsaw, when he mentioned that “Europe needs to extend from the Baltic Sea to the Black Sea.” The complementary character of EU and NATO is obvious when analyzing the accession criteria, in geopolitical terms. And since in 1994, the Western Balkans, more than any other region of the globe, offered NATO and EU a lesson on the need to cooperate – both institutions had to learn how to react on many common directions, such as human rights, intervention, reconstruction, pacification and consolidation of capacities. Viewed through the prism of democratic, strategic, political and geopolitical criteria, and compared with the two previous enlargement waves, the candidates invited to join NATO during the Bucharest Summit have put on the table serious arguments supporting their bid for membership.

Then, in April 2008, the Bucharest Summit has supported the accession of Albania and Croatia, while postponed for an indefinite term the accession of FYROM, and fixed the December 2008 as a term for offering the Membership Action Plan to Georgia and Ukraine. The failure to respond immediately the request of these countries was associated even during the NATO Summit with numerous risks³. International experts predicted that FYROM’s invitation being postponed, this would block its domestic reforms, contributing to the isolation of the country in the European and regional context, playing a role similar to which Kosovo played for Serbia.

The refusal of Germany to agree on the participation of Ukraine and Georgia to the MAP process, encouraged Moscow to use military force, which happened during 8-14 August 2008 when Russian military invaded Georgia. Instantly Moldova and Ukraine were warned on a possible continuation of the war in

3 NATO Expansion and Modern Europe, The Bucharest Conference Papers, GMF, 2008

Georgia, in case Russian interests as they are perceived by Moscow are affected. Russia has insisted on a return to the federalization model for Moldova that would bring suicidal consequences for the statehood of our country. The second author, Dumitru Mînzărari, develops this subject, considering that the claim to „defend the Russian citizens” on the territory of other states coincides both verbally and ideologically with the pretexts used by Germany before provoking the WWII. It brings the risk of Europe’s “finlandization”, starting with its immediate neighborhood, and employing either the direct military aggression or using more sophisticated tools, as those linked to the “political subversion, exploiting the internal vulnerabilities and the danger of social disintegration.”

Finally, we should mention that the options available to the Republic of Moldova are Euro-Atlantic by definition. These options cannot be different from the avenues that helped the Central and Southeastern countries to find responses to their needs for security and institutional stability. They should not be read selectively, based on the politicians’ “level of education”, hostage to their relations with the ex-Soviet regime. Republic of Moldova needs a coherent project, which would display a good political will to accept and wisely use the economic, social and political benefits that accession to NATO would offer our country. This should happen during a defined period of time, based on coordinated social actions such as public education, open debates, associative initiatives, and information centers; and based on political actions which would result in redefining the national defense and security strategy, the foreign policy, and would assume the responsibility to promote that complex agenda in the field of attention of Moldova’s citizens.

Civil society would be, as on numerous other occasions, in the vanguard of this initiative, promoting the Euro-Atlantic option as an issue of key importance for the public, and not only for a handful of politicians; in the interest of the private sector, and not only for some bureaucrats used to pity concessions. On this ground the Republic of Moldova should use its chance for defining for itself first and then for other important actors, how it is able to defend its national interest, its own citizens, overcoming all the legal mistakes from the past and its old practices, and treating the issues of strategy... with more dignity that it used to do until now.

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Institute for Development and Social Initiatives (IDIS) “Viitorul”
January, 2009

CHAPTER I

Political and Security Costs and Benefits

Dumitru Mînzărari

Preface

The recent military invasion of Russia into Georgia has forced a different thinking about security in the post-Soviet area. The war between two post-Soviet countries in Caucasus has caught many observers by surprise. Few in the West would even think that Russia is capable of behaving so blunt and brutal with its neighbors. However there were many signals preceding this war, and they were ignored by the West.

Moldova is plagued by a secessionist conflict which is fueled by Russia, and has Russian military forces stationed on its territory against its will. Its sovereignty and territorial integrity is being questioned in a similar fashion as it is in Georgia. The similarities that Moldova shares with Georgia generate significant concern inside Moldovan civil society. In fact, soon after the war, a group of leading Moldovan experts have gathered together and discussed the repercussions that the Russian invasion of Georgia would have on Moldova. The discussion resulted in a number of recommendations for the Moldovan ruling elite. However, even very well thought and useful, these recommendations were handicapped by the need to reach consensus among the experts. One of the most obvious security options for Moldova, the NATO membership, was discarded for not very clear reasons.

This study aims at putting the debate over the NATO membership option for Moldova on the stage. It will focus on the Moldovan domestic audience, which should explain the approach of the paper. It looks into the anti-NATO arguments used by the ruling political elite and other groups opposing

Moldova's membership in the Alliance. Among others the paper will show how misguided are these arguments, built on the Soviet-style propaganda and ignorance of the local people. Naturally, while deconstructing the logic opposing Moldova's accession into NATO, it will underline the benefits that Moldova has to becoming an Alliance member.

This means the current study will look at the issue from the perspective of a local actor. It will not address questions such as how the unsolved Transnistrian conflict may impede Moldova in joining NATO. At this stage, there is a need to tackle the no-NATO policy promoted by the government, and slowly ingrained into the minds of people. The issue of how to bring Moldova into NATO should be the subject of another research. Hopefully the need for it will appear sooner than later.

Moldovan opponents to NATO extension may also point out that the secessionist conflict makes it impossible for Moldova to enter the alliance. However, the fact that Georgia and Ukraine, facing problems comparable with those confronted by Moldova, are seriously considered for Membership Action Plan is an encouraging sign. Especially since the conflict in itself is a tool to prevent Moldova joining NATO. Therefore, the paper will address the efforts of the Russian Federation to influence the foreign policy of Moldova and obstruct its integration into the Euro-Atlantic structures.

One of the primary arguments of the research will focus on the debate whether NATO is capable of promoting democracy. It will argue that the failure of the West to promote democracy in post-Soviet area is due to the misunderstanding of the particularities of this area. The ex-USSR countries have achieved poor success in their democratic development due to the security threats they are confronting with. Since there can be no democracy without security, NATO can promote and support democratic development of the post-Soviet countries by providing their security.

Considering that the strategic goal of EU membership declared by the Moldovan ruling elite will be a very lengthy journey Moldova will need an intermediate goal. NATO membership seems to be the only suitable path in this regard, serving as a transition stage for preparing Moldova to join the EU. It is the NATO membership, the paper will argue, that is able to promote norms, direct the elites, and build institutional commitment for reforms. Entering the Alliance Moldova will be able to change the mental maps of the NATO members, which are basically EU members also.

As a whole, the research will discard the popular in the West belief that democratization in the Eastern Europe depends solely on the institutionalization issues, including fair elections rules and practices and competitive party systems. It will insist that it is comprehensive security and democratic norms that need to create the foundation of a strategy capable of providing successful democratic transition for countries such as Moldova, Ukraine and Georgia.

Security as Primary Element of Democracy

The post-Soviet area generally has been a major disappointment for the West in terms of democratic transition. Significant efforts have been focused on the economic and political development of the region, which however brought limited success. The main obstacles in the way of effective transition were named either the subtle opposition or the inability of the governments to promote change and reforms. However, the model of the economic-political development assistance employed in the post-Soviet area was mainly drawing upon the previous Western experience. And this experience is based on cases developed under conditions which were very different from those existing in the former USSR republics. The key distinction between the post-Soviet space and other countries that were successful in their democratic development lays in the security vulnerabilities of the former, both real and perceived.

Neither Latin American countries, nor the states in Southern and Central Europe that previously joined NATO and/or EU have been facing in the successful segment of their democratic transition trajectory security threats similar to those the former Soviet Union republics are confronting with. The three countries where the West has invested most of its efforts and resources, namely Moldova, Georgia and Ukraine, are striving with unconventional threats against their territorial integrity. At the same time their sovereignty is undermined by their bigger neighbor, Russia⁴.

Numerous times the idea of the former Soviet Union republics being an area of strategic interest for Kremlin has flickered in the statements of the Russian top leaders and officials. Russia seeks what it calls “strategic” partnerships with the ex-Soviet countries. It implies by this that the latter must support

⁴ The Washington Post, “Russia’s Shadow Empire,” 11 March 2006, <http://www.washingtonpost.com/wp-dyn/content/article/2006/03/10/AR2006031001841.html>. See also Zerkalo Nedeli, “NATO Strengthens Ukraine and Itself,” James Sherr, No. 14 (693), 12-18 April 2008, <http://www.mw.ua/1000/1550/62712>.

Russia in international forums and initiatives, decrease their cooperation with international actors perceived by Moscow as competitors, and gradually integrate with Russia into a sort of “Eastern European Union”. Many ex-Soviet republics ruled by authoritarian leaders have more or less accepted this model of cooperation with Russia, in exchange for Kremlin’s economic and/or political support of their regimes. Countries such as Ukraine, Georgia, and Moldova objected, willing to preserve their sovereignty. They faced strong pressures from Russia, and one of the most sensitive issues for them has become the threat against their territorial integrity. Russia has provoked and exploited ethnic contradictions on their territories, using the resulting conflict and secessionist movements for exerting control over them.

A clear pattern emerged, suggesting that as a first step separatism is stirred up in those areas where Russophone population lives. This is done by appealing to their cultural and historical links to Russia, by supporting and polarizing local elites, by exploiting economic hardship, and by cultivating insecurity and xenophobia feelings. These areas coincide as a rule with the geographic regions on their territories where the Russian military forces are deployed, either under the disguise of peacekeepers or based on imposed bilateral agreements. As a result the separatist tendencies consolidate or develop better in the geographic areas where Russian military troops are stationed, because of the protection they offer. It should come at no surprise that Russian passports are distributed in violation of the national legislation of the host countries exactly in the regions where Russian military stays. Summing up, the passports are distributed to strengthen and formalize links to Russia, while its military provides for the protection of the whole operation.

The recently used excuses for the Russian invasion of Georgia, including the reference to the need of “defending Russian citizens” has to ring the alarm bell for the leaders of post-Soviet countries. If first passport are largely distributed and afterwards the Russian passport ownership is used as a pretext for the military intervention, then this is indicative that an aggression perpetrated by Russia may only be a matter of time. And this aggression needs not necessarily take the form of a conventional military invasion, as it happened in Georgia.

Apart from the danger of military intervention there also exists the less visible (external) threat of indirect aggression. A term used during the Cold War to describe actions such as political subversion, interference and external manipulation of elections, the creation and consolidation of economic vulnerabilities and the exploitation of the hazard of social disintegration,

this kind of aggression is not clearly covered by the international law. Its low visibility, the difficulty to expose, and the lack of a clear international legal framework to condemn and judge it, make the indirect aggression a perfect bellicose strategy. In Moldova this is reflected in the Russia's efforts to put pressure on the ruling elite, aiming to sabotage reforms and freeze the rapprochement with the EU. Russia exploits the existing vulnerabilities of Moldova to make foreign dependence even deeper, while advancing its penetration of Moldovan institutions. It has the goal of preventing the diversification of Moldova's economy, which could ease the strains of foreign economic and political dependence. In other words these Russia's endeavors are focused on maintaining Chisinau in its sphere of influence while making active attempts to obstruct Moldova's UE integration.

Along with the political, economic and social pressures on Moldova, Russia is financing the separatism regime in Moldova's eastern region. Moscow does not only provide the necessary cash so that the unrecognized authorities in Transnistria can survive and function as a local proto-government and avoid possible social unrest. It also staged, financed and directed the so-called referendum in September 2006,⁵ so that it can use its results as a political leverage against Moldova and the Western participants to the "5+2" negotiations format. According to the results of this "referendum" 97% of the voters have chosen "to support Transnistrian independence and the following unification with Russia". Russia is also insistently promoting in its dialog with Moldova and the West the concept that the secessionist leadership should be recognized as "equal in rights" with Moldova at the negotiations table. By doing this Kremlin plans to disavow its partisan role in the Transnistrian conflict. This will also allow Russia to fully block and manipulate the negotiations process. Moscow will make its moves behinds the scenes, portraying Transnistrian leaders as independent actors, while in fact they are Russian proxies. The recent show in Geneva, where representatives of the two Georgian rebel regions and Russian diplomats staged a whole drama during their meeting, arguing with each other, is a perfect example of this tactic.⁶

It is true that the indirect hostile strategies listed before are not military actions. Despite this they perfectly pursue the key goal that a conventional military invasion would traditionally have – coercing the other country to fulfill the aggressor's own interests and demands. According to a Chinese report, which seems to be one of the most detailed study attempts on the topic

5 Kommersant, "Transdnistria's Referendum on Dependence," 18 September 2006, http://www.kommersant.com/p705497/Transdnistria_s_Referendum_on_Dependence.

6 Kommersant, "Parties Didn't Find Common Georgian Language," 16 October 2008, http://www.kommersant.com/p1041524/Geneva_peace_talks_failed

of indirect aggression available publicly, such methods “have the same and even greater destructive force than military warfare, and they have already produced serious threats different from the past and in many directions for [the] comprehensible national security.”⁷ The Chinese analysis echoed the very similar conclusion reached by prominent European experts in security studies. One of these has drawn the public’s attention to the fact that in the post-Cold War world ravaged by a larger array of security threats, the non-military challenges, such as the manipulation of ideas, are as efficient in creating serious dangers as the military force is. They can undermine the essence and concept of the state, state institutions, and even may affect the states’ territorial integrity.⁸

Testing the NATO Option

Therefore, in order to overcome these major challenges and be able to effectively integrate into the EU, Moldova needs to defend itself from these foreign threats, or at least diminish their destructive effects. Then, this becomes a fundamental question of national security. To deter a possible military or non-military attack from abroad, Moldova needs either to get security guarantees of a great power or to join an effective military alliance. The alternative on the other extreme would be to yield to the foreign pressure that comes from Russia and bandwagon with Kremlin. However this would mean giving up national sovereignty and independence. In the case when the country’s leadership wants to avoid such an outcome, it needs to consider the first two options. Provided there is no power that would offer Moldova the needed credible security guarantees, Chisinau is left with the only solution to seek membership in NATO. Russia’s offer of security guarantees is also beyond consideration, because in fact it is Russia that mainly threatens Moldova’s sovereignty and territorial integrity. This rationale is not shared by the post-Soviet Moldovan leadership, as it comes clear from their military and security policy decisions.

So far the national security of Moldova was treated through a somewhat liberalist paradigm. Its ruling elite mainly counted on international institutions to provide support for Moldovan territorial integrity and sovereignty even in the case of a military attack. This approach took shape in the 1995 Moldova’s National Security Concept (NSC). However, the *de facto* reason

7 Qiao Liang and Wang Xiangsui, “Unrestricted Warfare”, Beijing: PLA Literature and Arts Publishing House, February 1999, p. 117, <http://www.terrorism.com/documents/TRC-Analysis/unrestricted.pdf>

8 “People, States, and Fear: An Agenda for International Security Studies in the Post-Cold War Era,” Barry Buzan, Lynne Rienner Publishers 1991, p. 97

for such an approach was first of all the lack of appropriate knowledge and expertise among Moldovan leadership in the area of defense and security. The second key reason had to do with the concern of the Moldova's leadership not to upset Russia, which basically was the main client for the Moldova's neutrality accepted in the early 90s. This is also an issue of strategic culture, given the inferiority complex and fears towards Kremlin of the present-day Moldova's ruling elite.

While the new 2008 National Security Concept of Moldova does not state the same idea into open, it implies in fact an identical solution. The Concept insists that international cooperation is the tool that provides for Moldovan national security.⁹ According to the emphasis of the text it is the EU integration that Moldovan leadership believes to "positively influence and consolidate" the country's security.

However, the recent war between Russia and Georgia strongly suggested that the use of military force is becoming an increasingly viable foreign policy option in the post-Soviet area. One that Russia seems very comfortable to employ. And no international institution or non-alliance organization has the ability to protect a small country from the potential Russian military attack. Especially when this country accepts the isolationist neutrality status, imposed by the potential aggressor. It is also hard for the Moldovan leadership to claim no external threat of military aggression, while facing a military occupation of its eastern region by foreign troops. On the top of it, Moldova is confronted with Russia-backed secessionism that employs military forces matching the Chisinau's defense capabilities both in personnel and equipment.

The post-Cold War history has proven that even during periods of its relative weakness, Russia rarely considered international institutions in its policies, if it did not fit its goals. Let's define international institutions as a set of rules that determine how states should cooperate and compete on the international stage, and which can get embodied in organizations.¹⁰ Such organizations cannot compel a country like Russia to obey the rules, because it has the power and the will to choose selectively which rules to consider. Even though institutions have the ability to influence state preferences and alter their behavior, they are more successful in doing that in regard to the smaller and weaker states, and less when dealing with the great powers. Bi-

9 Concepția Securității Naționale a Republicii Moldova [The National Security Concept of the Republic of Moldova], 22 May 2008, <http://www.parlament.md/download/drafts/ro/1305.2008.doc>

10 John J. Mearsheimer, "The False Promise of International Institutions," *International Security*, Vol. 19, No.3 (Winter 1994-95), pp. 9-10

gger actors of the international system tend to attempt having things under their control and base their actions on the *fait accompli* consideration. It is similar to the military principle and goal of controlling the ground. It provides a sizable advantage, since given similar capabilities the defending side faces fewer risks and has an upper hand comparing to the attacking side. The practicability of this principle in international politics was proved in the case of Kosovo and other conflict areas.

The West had the ability to recognize and promote the independence of Kosovo, having control over the territory as well as military forces deployed on the ground. However, it could not oppose the declaration of independence of Abkhazia and South Ossetia by the Russian president Dmitry Medvedev, because it is Russia exerting control of these Georgian territories. Similarly, in Transnistria it is little what the West can do because Russian Federation controls the area both militarily and politically. To offset these controls and take charge of the issue, the West needs to invest incomparably more efforts and resources than Russia has to spend for preserving its influence and status quo. However it is easier for the West to increase its influence on the right bank of Nistru, on the territories controlled by Chisinau and where it is very welcome.

Therefore Moldova's membership of NATO would challenge this *fait accompli* mechanism making it much more difficult and costly for Russia to control and influence Moldova. It has always been that the weakness of a country had triggered the aggression from outside. The cost of aggression against Moldova as a NATO member would increase, while the possible benefits would become less obvious. In turn, this should discourage Russia from belligerent behavior, either direct or indirect, and instead compel Kremlin to look for more conciliatory policy of cooperation with Chisinau.

This judgment is confirmed by the fact that Russia is opposing so overtly and vehemently the Moldova's membership of NATO. Kremlin understands the repercussions of this move too well. At the same time Russia does not resist openly the Moldova's accession into EU, even though it has sent clear messages that it disapproves it. The stark difference between Kremlin's opposition to the NATO membership and its seeming indifference towards Moldova joining the EU is easy to explain. This is so, because NATO has the necessary legal, political and most importantly military tools that make it an action-oriented organization. Contrary to this the EU lacks the military component and has less political unity, which makes EU a talker rather than a doer. Moldova has much more chances to first join NATO, if it chooses

so, and this would propel her to a quicker EU membership. On the other hand, in case Moldova will stay away from NATO, its chances of direct accession into EU are very bleak, or at least would materialize only over a lengthy period of time. Understanding how long it will take for Moldova to become an EU member, Russia does not consider it an imminent threat, as it would in the case of NATO. Also, Russia perceives EU as a weak actor that due to its internal structural deficiencies is less able to erode Kremlin's influence in the post-Soviet area.¹¹ In many regards, such an assessment is not fully inaccurate.

Not only was the EU unable in convincing Russia to recognize the Georgia's territorial integrity over its two secessionist regions, after the August 2008 war in Caucasus. To the contrary, Russia went even further in disregarding international institutions by deploying its military troops deeper into Georgian territory. It was a strategic move, to test the threshold of the Western tolerance to the Russian aggressive behavior in the post-Soviet area, which Moscow considers to be its backyard. Besides, it was a symbolic gesture, which was aimed at showing the West that Russia will push its way, disregarding the institutions and international community.

The Russia's idea of exerting control over the former Soviet republics was advanced to the rank of state policy. This was reflected both in the new Russian Foreign Policy Concept published earlier this year¹² and in the August 2008 statement of the Russian president Dmitry Medvedev, after the active fighting between Russia and Georgia has ceased.¹³ The unwillingness of Moldovan leaders to understand the repercussions of this and take preventive actions is not very clear.

Another fundamental flaw in Moldova's security planning was the unreadiness of the Moldovan national post-Soviet elite¹⁴ to follow on the Baltic States steps. The latter launched reforms that separated them from the Soviet-rooted regionalism and connected to the European integration mechanisms. Critics may state that the Baltic States received extensive support and

11 Mark Leonard and Nicu Popescu, "A Power Audit of EU-Russia Relations," European Council on Foreign Relations, November 2007, p. 13, http://ecfr.3cdn.net/1ef82b3f011e075853_0fm6bphgw.pdf

12 The fourth paragraph in the third chapter of the Concept launches the idea that Russia "will pay special attention to the activity of organizations and structures that contribute to the strengthening of the integration processes in the CIS area". For details see <http://www.kremlin.ru/text/docs/2008/07/204108.shtml>

13 Medvedev made public "the five principles" of the Russia's foreign policy, among which he claimed the existence of regions where Russia has its "privileged interests", – the post-Soviet area, - mentioning that Moscow "will work very careful in such regions". For details see RIAN News Agency, "Medvedev has named the 'five principles' of the Russia's foreign policy," 31 august 2008, <http://www.rian.ru/politics/20080831/150827264.html>

14 Even at the present time Moldova is still governed by politicians of Soviet-style education or even ex-nomenklatura people, while its government structures are dominated by Soviet institutional and political cultures.

assistance from the North-European countries and they did not have to face a secessionist-type of conflict as Moldova did.

However, it is useful to recall that before, during, and after the violent stage of the Transnistrian conflict it was clear that Moscow was behind the secessionists in Moldova. Regardless this fact each and every Moldovan government has chosen policies of concessions and appeasement with Russia. By doing this they ignored the strong empiric evidence suggesting accommodation of Russia coming from a smaller state is counterproductive. Very indicative in this regard is the experience of Norway and Turkey with the Soviet Union. USSR did not change its behavior towards them in response to their softening stance, but instead was guided by larger strategic considerations, as perceived by the Soviet military planners.¹⁵ It is doubtful that Russia will change its posture when faced with a smaller actor's submissiveness. To the contrary, this is highly likely to encourage the more powerful neighbor to continuously look for concessions from the weaker state.¹⁶ Such a behavior may even gradually invite aggression, in cases when the growing anticipation for a more accommodative behavior clashes with the inability or refusal of the weaker state to yield. Then the bigger country may feel compelled to react with force, in order to "save the face" and avoid being perceived as weak.

The inability of Georgia, Ukraine, and Moldova to promote successful democratic reforms is explained by the fact that "the presence of external security threats to states can inhibit and erode moves toward democracy"¹⁷. This happens because during security crises political leadership tends to consolidate the power in their hands, claiming the need for more governance control and efficiency in order to meet external threats. Besides, to be successful on the path of democratic transition one needs national consensus on many issues, and the ability to focus efforts and resources towards priority areas such as economic and political development. This is hardly possible when a country is divided on ethnic and/or political lines, and such divisions are fomented and exploited from abroad. On the top of it, in countries with weak national identity the competing elites that receive external support in their domestic confrontation have fewer incentives to look for concessions and strike deals with their internal opponents.

15 Olav Fagelund Knudsen, "Did Accommodation Work? Two Soviet Neighbors 1964-88," *Journal of Peace Research*, Vol. 29, No. 1, (Feb., 1992), pp. 53-69

16 Robert K. German, "Norway and the Bear: Soviet Coercive Diplomacy and the Norwegian Security Policy," *International Security*, Vol. 7, No. 2, (Autumn, 1982), pp. 55-82

17 William R. Thompson, 'Democracy and Peace: Putting the Cart Before the Horse?' *International Organization*, Vol. 50, No. 1, (Winter, 1996), pp. 141-174 quoted in Jon C. Pevehouse, 'Democracy from the Outside-In?'

The inimical foreign interference represents the growing trend of non-military type of security threats that Russia's former satellites are increasingly dealing with. It is this type of dangers that threaten their very existence as sovereign and independent states. And the reduction of external threat is an important precondition not only for the survival of states but also for their democratic transition.¹⁸

Addressing the Anti-NATO Rhetoric

The debate on NATO in the post-Soviet area is plagued by the Soviet-style propaganda and stereotypes. These are supported by the Russian foreign policy efforts, and carried out by its political proxies on domestic arena of the ex-satellites. Often their messages reflect the phobias dominating the Russian society, but in most of the cases these are deliberate distortions of facts relayed to the public as a part of organized anti-NATO and anti-Western campaigns.

One of the invoked reasons why Moldova should not join NATO (and EU is usually mentioned in tandem) is that it will then be treated as a second-rate country. Interviewed by Western researchers several years ago a Moldovan communist went even further by subtly opposing even the European integration of Moldova, arguing that "it is immoral to 'speculate' with the 'still immature idea of Moldova as part of Europe". He continued by saying that "his party was against 'entering Europe as a second-rank state' but it was not against Europe".¹⁹ On the Internet discussion forums and even in the public debates there are voices insisting that after the accession into Euro-Atlantic structures Moldovans will transform into cheap labor force for the "Western capitalists", being exploited and humiliated. Such questionable statements are ignoring the increasing number of Moldovans striving to find a job in the West. The apologists of these ideas avoid also mentioning that by joining the Western club Moldova will gradually be able to provide more secure and legal procedures for its citizens to work in the West. And working for the Western capitalists as a rule proves far more rewarding than working for the Russian or Moldovan capitalists, not at least because the former pay higher wages and are bound by the rule of law. This is especially impor-

18 Douglas M. Gibler and Jamil A. Sewell, "External Threat and Democracy: The Role of NATO Revisited," *Journal of Peace Research*, Vol. 43, No. 4, 2006, p. 429

19 John Löwenhardt, Ronald J. Hill, Margot Light, "A Wider Europe: The View from Minsk and Chisinau," *International Affairs (Royal Institute of International Affairs 1944-)*, Vol. 77, No. 3, (July, 2001), p. 618

tant, considering that many Moldovans working in Russia return home in coffins, their bodies bearing signs of violent deaths.²⁰

As a negative outcome of Moldova integrating into the Euro-Atlantic community is cited to be the loss of sovereignty. NATO critics insist that Moldova will have to delegate significant part of its decision power to Brussels, which will basically rule Moldova in their view. Most of this critique comes from the Russian media, which occupies a dominating position on the Moldovan mass media market. It promotes the official Kremlin opinion, which is broadcast among Moldovan population, using their ignorance and the lack of knowledge on this subject. What is being overlooked is the fact that it is the EU membership which will require Moldova to work closer with Brussels in shaping specific policies, and not NATO. This strengthens the feeling that the intention of the Russian leadership is not only to prevent Moldova's membership of NATO but also its accession into EU. The status of permanent neutrality for Moldova is considered by anti-NATO pundits to be the right and the only correct option for Chisinau.

In reality these efforts are targeted at maintaining the status quo, since it is specifically the permanent neutrality declared by Moldova in 1994 that undermines the country's sovereignty. Ironically, it is exactly the country that has been insisting so much on Moldovan neutrality, the Russian Federation, that is violating it since 1994 and on. Russia is also investing significant efforts to keep or lure Moldova into regional structures, which it has created and dominates. There is a fundamental difference between the Western and Russia-created organizations. In the first case Moldova has to convince the West to be granted membership status in EU or NATO. To the contrary it has no will to join the Moscow dominated structures in the post-Soviet space, but is experiencing heavy pressure from Russia to do so.

Another difference is the way these organizations work. The Western ones offer equal participation and real influence, built on democratic traditions and values. However those created by Russia allow only a fictitious participation from other members, and are meant to preserve Moscow's dominance over the post-Soviet countries. They are less intended to promote the national interests of members other than Russia. Instead they contribute signatures to the bills drafted in Moscow and increase the number of national flags in the regional pile of banners. Altogether these organizations are boosting the Russia's perceived feeling of self-importance and regional leadership.

20 Jurnal National, "Goniti de acasa – Zeci de moldoveni ucisi la Moscova," [Driven Away From Home – Tens of Moldovans Killed in Moscow], 31 October 2005, <http://www.jurnalul.ro/articole/34219/goniti-de-acasa---zeci-de-moldoveni-ucisi-la-moscova>

During the economic and commercial sanctions that Russia imposed against Moldova in 2006, Chisinau raised to no avail the issue in the Commonwealth of Independent States (CIS) structures. Moldova then pointed out to a number of common CIS agreements that Russia violated by restricting Moldovan exports without providing plausible and objective reasoning. The appealed CIS body has distanced itself from the conflict, claiming the dispute was a bilateral issue and the two countries should tackle it in bilateral negotiations. The more vulnerable and dependent on Russia is a CIS member-country, the bigger the pressure from Moscow is on its national sovereignty. Belorussian officials were recently pressured both by the Russian ambassador in Minsk and by the Kremlin administration to voice support for the Russian invasion of Georgia²¹ and later to recognize the two Georgian breakaway regions.²² By the same token Russian Federation has applied significant pressure on the Collective Security Treaty Organization (ODKB) members to receive their support.²³ Moscow had to launch an additional “explanatory” activity to persuade the ODKB partners in taking a more critical stance towards Georgia.²⁴ For comparison, in the Shanghai Cooperation Organization format, where China was present and balanced the Russian pressure, the CIS countries took a more moderate stance.

To the opposite, both in NATO and EU their members exercise bigger sovereignty. Poland and Baltic States were able to stop the Union’s negotiations with Russia, requesting their national interest to be taken into account by other EU members. Many NATO members did not support United States call to join them in Iraq, and even harshly criticized Washington for the invasion. Similarly, it was the NATO members’ free choice whether to send troops to Afghanistan or not, and where to deploy them, like in the case of Germany.

Opponents of Moldova’s membership to NATO are also claiming that the accession of the country into NATO will undermine the economic ties with Russia. They mean both the Soviet inherited economic links and the ones built by Russian state-controlled businesses in the last several years. However what Moldova needs is the investment of Western resources and technology, so that it can generate a systemic development of economy and infrastruc-

21 Expert Online 2.0, “Mayatnik Lukashenko,” Nr. 37 (626), 22 September 2008, http://www.expert.ru/printissues/expert/2008/37/mayatnik_lukashenko/

22 Voice of America, “Lukashenko pytaetsea lavirovat mezhdu Rossiei i Zapadom,” 28 August 2008, <http://www.voanews.com/russian/2008-08-28-voa22.cfm>

23 Vreimea Novostei, “Tak bezopasnee,” Nr. 164, 8 September 2008, <http://www.vremya.ru/2008/164/5/212049.html>

24 Kommersant, “ODKB razvoracivaiut protiv Gruzii,” Nr. 157(3974), 3 September 2008, <http://www.kommersant.ru/doc.aspx?DocsID=1019687>

ture. There is very few of this that Russia can offer to Moldova, not at least because it needs a similar approach to its own economy. And empiric evidence shows a sharp increase of foreign investment into the economy of a newly accepted NATO member.²⁵ It is very important for Moldova to get rid of the Soviet built economic networks, based on state planning and not on economic efficiency. They were aimed at tying up the republics in mutual dependencies, and currently have become a handicap, in the conditions when Russia is using them to exert control over its ex-satellites.

By joining Euro-Atlantic structures Moldova, skeptics claim, may be faced with the loss of its markets in the CIS countries. Because of the existing larger debate over the question whether Moldova should preserve its CIS membership or not, even the top Moldovan officials are taking sides. The Prime-minister Zinaida Greceanii has recently declared that Moldova cannot give up the CIS member-countries markets. She explained that Moldova has a specific interest in the trade and economic partnerships with CIS states, in the cooperation on the social protection of Moldovan citizens and in the promotion of Moldovan products abroad.²⁶ It is not very clear why Moldova cannot build these relationships on bilateral basis, and instead requires a multilateral format. Especially, as written earlier in the text, since Moldova was already confronted with the inefficiency of CIS and its inability to function as a balanced and multilateral organization, because it is dominated by the Russian Federation. This is an additional argument supporting the rationale that Moldova should take a bilateral approach with the CIS countries, replacing the existing dysfunctional CIS-based multilateral cooperation agreements.

On the top of it the existing statistics on Moldova's foreign trade show that the EU countries receive the highest percentage of Moldova's exports (52.1%), while the CIS countries come in second (38.7%).²⁷ A similar trend is observed in regard to imports, with the EU countries exporting to Moldova 44.4%, and the CIS countries providing 35% of the overall imports of Moldova. It is very indicative that only four out of the top 12 countries which amount for the 86% of Moldovan export markets are from the CIS (Russia, Ukraine, Belorussia, and Kazakhstan), and only three CIS states are in the list of the top 17 that amount for 86.7% of Moldovan imports (Ukrai-

²⁵ See the following chapter on economic costs and benefits

²⁶ Novosti-Moldova, "Zinaida Greceanii - Moldova nu poate și nici nu trebuie să renunțe la piețele CSI," 29 September 2008, http://newsmoldova.md/news.html?nws_id=745988

²⁷ See the National Statistics Bureau of Moldova report Nr. 07-07/167, 5 September 2008, p. 1, http://www.statistica.md/statistics/dat/1403/ro/Activ_com_ext_ian_iulie_2008.pdf. The data is given for the January-July 2008 period. In 2007 these figures were 50.6% and 41% for the EU and CIS respectively, http://www.statistica.md/statistics/dat/1105/ro/Activ_com_ext_anul_2007.pdf

ne, Russia, and Belorussia). This should make it easy to build the necessary bilateral framework, and also shows the unexplored potential of trade with the EU countries.

The structure of imports and exports are also important when analyzing the markets our country is linked to and Moldova's dependence on them. A significant part of the imports from the CIS countries are energy and other mineral resources. Around 47.7% (\$238.88 mil.) of Moldovan imports from Russia in 2007 were formed by natural gas and other gaseous hydrocarbons, considering that imports from Russia made only 13.6% of the total Moldovan imports. For comparison Moldovan imports from Ukraine reached 20.1%, while imports from Romania accounted for 17.9% of the total Moldovan imports. Moldova's 2007 exports to Russia reached 17.4%, to Ukraine – 12.5%, and to Romania – 15.7%.²⁸ The data for the first two quarters in 2008 continues the trend of increasing the exports to EU countries, and decreasing them to CIS area.²⁹

Although a more thorough research is needed, this data is clearly suggesting that the nature of Moldova's economic dependence on Russia and the widespread belief in the attractive economic potential of the CIS area are self-imposed and have domestic roots. The EU markets require a higher quality of products, and consequently some additional investments on the side of Moldovan producers. It is possible that certain business groups are unwilling to invest into quality improvement of their products, preferring to sell in the ex-Soviet republics, going for the easy gain. The lower prices paid by Moldova for the energy resources comparing to what the West is paying may also create conditions for domestic abuses. This kind of arrangements may result in domestic interest groups lobbying the preservation of political and economic relations with the Russia-dominated CIS. Overall, these conditions affect Moldovan sovereignty and its independent choice of policy options. It is by integrating into the Euro-Atlantic structures, which would increase the country's security, and consolidate its institutions, that will help Moldova succeed in diminishing the hostile foreign influence and external dependence.

In addition it is useful to mention the very hypocritical approach that Russia has towards the NATO (or EU) extension. In its usual rhetoric Moscow deliberately puts emphasis on the fact that it is NATO that extends or the

28 See the National Bank of Moldova report on the 2007 Moldova's balance of payments, 25 September 2008, p. 10, http://www.bnm.md/files/index_3047.pdf.

29 National Bank of Moldova report on the 2nd quarter 2008 Moldova's balance of payments, 25 September 2008, p. 6, http://www.bnm.md/files/index_2772.pdf

United States is pushing NATO towards East. Moscow wants to imply that the West is the actor trying to persuade and attract the former Soviet republics to join NATO or EU. In this subtle move Russia brushes aside the idea that its ex-satellites have sovereign will and joining European organizations is their own decision. It insinuates that countries like Georgia, Moldova or Ukraine do not have sovereignty and have transformed into client-states of the United States. These propaganda efforts of Kremlin have reached certain success, since even the Western researchers started to accept some of these claims.³⁰ The idea of some post-Soviet states being client states of the U.S. is used to support one of the propaganda tricks used by Kremlin. It passes the blame on to the national “corrupted” elite in these countries claiming they would like to create obstacles between their people and Russia. Kremlin propagandists insist the elites’ decision in the post-Soviet states to join NATO and EU do not represent the will of their population, which is connected with Russia through “century-long cultural and fraternal ties”. Through this approach Russia questions the legitimacy of these governments, suggesting the national elites in these countries do not represent the will of their people. Together with the invoked right to “defend its citizens and compatriots abroad” this allows Russia to claim the right of repairing the “mistake” by using indirect, or even traditional military aggression.

Promoting and Protecting Democracy

Previous chapters implied among others that the EU membership alone cannot solve the Moldova’s security problems. This is also due to the fact that European Union does not have any arrangement providing for the defense of its members in cases of a conventional or non-military aggression. A prevailing majority of the EU countries are also members of NATO, counting on the capabilities of the Alliance to defend them against a foreign military invasion. It is very telling that even the neutral Finland and Sweden are experiencing debates among their top policymakers on the need to improve their countries’ security by possibly joining NATO.³¹

Another fact ignored by NATO opponents in Moldova is that none of the ex-socialist camp countries were able to join the European Union without first becoming a NATO member. There is certain logic behind this formu-

30 In a public lecture by Michael Emerson from the Center for European Policy Studies (Brussels) given on 10 October 2008 in Chisinau, Georgia was mentioned as a client state of the United States. Asked whether this perception was shared in some of the EU capitals, the researcher’s answer was affirmative.

31 Finland and Sweden Revive Debates on NATO membership, *EUobserver.com*, 1 September 2008, <http://euobserver.com/13/26664>

la, considering the transition is a process that can move either toward the progress or the regress end of the development trajectory. In fact NATO membership can offer countries a starting ground in their journey on the democratic transition path. This assists them in their accession towards EU membership, which has far more serious and complex requirements.

The debate over the issue whether NATO promotes or not democracy is not a new one. There is some research on this topic. While a detailed account of it would be beyond the purpose and volume of the current study, it is useful to comment on the main points that NATO expansion opponents prefer to use. Earlier studies attempted to emphasize that NATO is not able to promote democracy, quoting examples of authoritarian reverse in some Alliance countries such as Turkey and Greece during the Cold War. Other arguments included the need to avoid antagonizing Russia, whose support is needed to solve regional and global security challenges; and allowing organizations other than NATO to promote democracy, especially EU, which could possibly do a better job. Along with these opinions, while addressing the post-Cold War period, the opponents of NATO enlargement referred to the fact that the new members were already democratic at the time they joined NATO.³²

First of all this reasoning is completely ignoring the security dimension, as liberty from foreign threats is fundamental for successful democratic transition and democratic survival.³³ The author's logic at the time that Russia was not going to attack any of its former satellites was rendered obsolete by Russia's invasion of Georgia in August 2008. Kremlin's support of separatist tendencies on Ukrainian peninsula of Crimea, taking place soon after the Russian ex-president Vladimir Putin stated that "Ukraine is not even a state"³⁴ does not leave any room for misunderstanding. Even current NATO members cannot feel very safe, as a recent report published by the Czech Security Information Service (BIS) has suggested.³⁵ The report stated that Russian intelligence has lately been very active in manipulating Czech public opinion and mounting opposition against the building of the U.S. anti-missile shield elements in Czech Republic. According to the report, it did so by infiltrating and financing local civil society, political and mass media

32 Dan Reiter, "Why NATO Enlargement Does Not Spread Democracy," *International Security*, Vol. 25, No 4 (Spring 2001), pp. 41-67

33 Douglas M. Gibler and Scott Wolford, "Alliances, Then Democracy: An Examination of the Relationship Between Regime Type and Alliance Formation," *Journal of Conflict Resolution*, Vol. 50, No. 1, pp. 129-153

34 The Economist, "Redrawing the MAP in Europe," 10 April 2008, http://www.economist.com/displayStory.cfm?story_id=11020089. See also Moscow News, "Can't Live With Them, Can't Live Without Them," 17 April 2008, <http://www.mnweekly.ru/columnists/20080417/55324017.html>

35 Nezavisimaya Gazeta, "Russkie Shpiony Gromjat Zapad" [Russian Spies Subdue the West], 8 October 2008, http://www.ng.ru/nvo/2008-10-08/100_spy.html?insidedoc

organizations. While the Western audience cannot always digest such claims, it is nonetheless obvious and incontestable that Kremlin has used at home simulacrums of civil society organizations to counter the protests of the genuine civil society groups and political opposition against its authoritarian policies.³⁶ It is also increasingly using this tactic in countries of the former USSR, to put pressure on their governments, and support political groups loyal to Kremlin.³⁷

Russia was less aggressive on the foreign policy arena several years ago because it had fewer resources and was less confident. Today it employs both hard and soft power to undermine the sovereignty of the former Soviet republics³⁸ and Warsaw Pact countries. It increasingly uses the Western rhetoric to disguise its aggressive actions, and as seen in the Czech case it puts emphasis on supporting and developing civil organizations abroad “as the major instruments for destabilizing pro-western governments and regaining influence”³⁹.

Secondly, the quoted arguments opposing NATO extension represent a misinterpretation of the existing empiric and theoretical findings. This was correctly pointed out by a number of researchers.⁴⁰ The argument that institutions do help in creating norms cannot be discarded. This is important to bear in mind, considering the transformation of NATO structure and goals after the Cold War, after which the Alliance became also a promoter of ideas and values.⁴¹ Even though the new NATO members had already reached some democratic success by the time of the accession, they still had little experience in democratic governance, facing serious transition problems of social, economic and political nature. The democratic transition is a continuous process during which a state can progress, regress or stagnate, in function of a number of independent variables determined by specific country or political system conditions. Considering this, the risk of democratic regress is higher for the young democracies. What is relevant to Moldova also, the post-Cold War NATO contributes to the consolidation of democratic norms,

36 Among those are the youth organizations created and financed by Kremlin, such as “Nashi” [Ours], “Molodaya Gvardya” [Youth Guard], “Rossya Moldoaya” [The Young Russia], etc.

37 The most known in the West youth organization created and financed by Russian government abroad is “Proryv” [Breakthrough], which is active in Moldova (Transnistria), Ukraine (Crimea), and reportedly in the Georgian secessionist region of Abkhazia.

38 Nicu Popescu, “Russia’s Soft Power Ambitions,” Policy Brief No. 115, Centre for European Policy Studies, October 2006, http://shop.ceps.eu/download.php?item_id=1388

39 Ivan Krastev, “Russia’s Post-Orange Empire,” *OpenDemocracy.net*, 20 October 2005, http://www.opendemocracy.net/democracy-ukraine/postorange_2947.jsp

40 Harvey Waterman, Dessie Zagorcheva, Dan Reiter, “NATO and Democracy,” *International Security*, Vol. 26, No.3 (Winter 2001/02), pp. 221-235

41 It was especially visible after NATO launched the “Partnership for Peace” Program. For more details check the NATO web-site at <http://www.nato.int/issues/pfp/index.html>

which constrain and direct national elite's behavior, shaping their perception of the national interests. And as existing data suggests states experience a higher level of democratization after joining an alliance of democratic states.⁴² Much of the critique questioning the NATO ability to promote democratic development was based on the Cold War experience. However, through a contemporary perspective one cannot deny the democratic character of the allies at present. So over a longer perspective NATO did contribute to the democratic development of its members even during the Cold War.

There exist also opinions that Moldova does not need NATO membership, because it can cooperate and build interoperability with the Alliance in the framework of the "Partnership for Peace" Program (PfP) and based on the Individual Partnership Action Plan.⁴³ I would like to draw the reader's attention to the scope and purpose of the PfP Program. Based on commitment to democratic principles, it aims at increasing stability, while diminishing threats to peace and building strengthened security relationships between individual Partner countries and NATO, as well as among Partner countries. Since 1994, when Moldova joined PfP, it has taken part in dozens of both live and command and staff exercises under peacekeeping and crisis management scenarios. It did so with the generous support from both United States and NATO, which allowed Moldova to compensate for its own lack of funds to provide training and certain equipment. However, after so many years of Chisinau's participation in the PfP where it benefited from NATO investments in Moldova's security, it is only natural that Moldova is expected to advance its level of participation. Instead Moldova's cooperation with NATO is going through a certain stagnation, which is reflected in significant reductions of the funding it receives from the Alliance.

Additionally, PfP provides a framework for consultations between Allies and Partner countries, in case the latter perceives a direct threat to its territorial integrity, political independence or security. The Program touches basically on any single area of NATO activity, such as defense policy and planning, civil-military relations, education and training, air defense, communications and information systems, crisis management and civil emergency planning. Indicative enough, after the invasion of Russia Georgia has addressed NATO for support and assistance to rebuild its destroyed military infrastructure. NATO warships have entered the Black Sea in a demonstration of force and solidarity with Tbilisi, discouraging possible further Russian advance into Georgia. NATO leadership has expressed their solidarity with Georgia, both in statements and actions, visiting the country in the aftermath of the war with Russia. This has been done regardless Russia's efforts to isolate Tbilisi.

42 Douglas M. Gibler and Jamil A. Sewell, 2006, p. 415

43 NATO web-site, <http://www.nato.int/issues/ipap/index.html>

NATO supported Georgia even though it is not yet a NATO member, but also because it expressed its unreserved will to join the Alliance.

This was done based on the way Georgia is perceived by the Allied countries. Georgia has made clear its will to join NATO, and is continuously seeking membership both at the policy and planning levels. It is true that NATO reaction to Russia's invasion was in many regards due to the position of the United States. Yet, many observers invoking this argument fail to see other reasons, which are no less important. First of all, NATO is a community based on common values, affinities and also interests. It stands to defend and protect them. Apart from it the perceptions of shared identity, when Georgia is viewed as a country aiming to join the group of democratic states, has also played an important role. Georgia is becoming a part of the political region⁴⁴ of democratic countries. As a result common values, affinities and interests in relation to Georgia are being created among Allies.

However, another important think to mention is that Georgia was not a member, which had significant repercussions on the way the Russian leadership has assessed the possible costs and benefits of the military invasion. Stronger ties with NATO, even only the offer of the Membership Action Plan (MAP)⁴⁵ to Georgia would have sent strong signals to Moscow. Russian leaders would have been then less convinced that NATO is not committed to defending Georgia. Such an assessment should have made the probability of the Russian military invasion significantly lower.

It can be argued also, that it was the insecurity perception of the Georgian leadership that pushed them to react the way they did in South Ossetia. In this case, should had Georgia received the MAP at the NATO Summit in Bucharest, it would have reacted with more restrain. Tbilisi then would have been more sensitive to Brussels concerns and more careful to not jeopardize its prospects for a clear membership. As such, NATO membership can also serve to consolidate regional security, diminishing security dilemmas of the future members and discouraging their potential risky military endeavors, promoting instead peaceful options of conflict resolution.

The existing level of NATO membership support in Moldova is not an issue of anti-NATO feelings among Moldovan population. It is a question of insufficient information of the people, or what is increasingly the case with the

44 Regions should not be looked at in purely geographical terms. They are also social and cognitive constructs – see Christopher Hemmer and Peter J. Katzenstein, “Why There is no NATO in Asia? Collective Identity, Regionalism, and the Origins of the Multilateralism,” *International Organizations*, Vol. 56, No. 3 (Summer 2002), p. 578

45 For details on the MAP see the NATO Handbook at <http://www.nato.int/docu/handbook/2001/hb030103.htm>

current Communist leadership – of misinformation. An illustrative example is the Parliamentary session on 8 May 2008 when the new draft of the National Security Concept was discussed by Moldovan MPs. It came from the Chairman of the Committee for Foreign Policy and European Integration Grigore Petrenco, who represents the ruling Communist Party in response to the critical reviews from the opposition parties. He announced that the Communist Party “considers military blocks as anachronisms that go against the values of the modern civilization, as tools for repressing the freedom and not for consolidating democracy and security”⁴⁶. This case provides an example of how Moldovans are increasingly subject to propaganda and disinformation campaigns similar to those used by the Soviet Union leadership to control its population.

There is no coincidence that many former Warsaw Pact countries and the Baltic States managed to join both NATO and EU, while states such as Moldova and Ukraine did not. The latter had a “stronger and longer totalitarian and imperial traditions that resulted in their bureaucracies being shapeless, their ministries being undermanned or nonexistent, and their policy-making and policy-implementing cadres, trained to receive orders from Moscow, being anything but effective elites.” Because this gap between the two analyzed groups is of a systemic nature, it cannot be repaired neither easily nor quickly⁴⁷. The inherited Soviet-style institutional and cultural systemic deficiencies have fundamental repercussions on the security of the ex-USSR republics in general and Moldova in particular.

Therefore, in the case when Moldova is striving with severe security issues, NATO accession seems to be the most appropriate mechanism to support tackling them. Nor less important is the fact that the preparation for accession into Alliance require from the future members addressing their legacies of the past, including ethnic problems and political parochialism. Failing to secure the path towards NATO accession will deprive Moldova of imminent incentives encouraging change and reform, and will leave the country pray to bureaucratic authoritarianism and elite parasitism. In turn, the much needed economic transformation will stagnate, scaring away investors, and as usual when hardship grows, it will lead towards even greater state involvement and authoritarian solutions.⁴⁸

Russia’s main focus in the CIS over the years was to consolidate its influence while denying it to the United States and European Union. It used Western

46 See the transcript of the Parliamentary session from 8 May 2008, <http://www.parlament.md/news/plenaryrecords/08.05.2008>

47 Alexander J. Motyl in “Ambivalent Neighbors: The EU, NATO and the Price of Membership,” Anatol Lieven and Dmitri Trenin, eds., Carnegie Endowment for International Peace, 2003, p. 24

48 Ibid., p. 34-35

style rhetoric to conceal its foreign policy goals in the post-Soviet area. It also warned the West against a confrontation over the “spheres of influence” at the same time claiming it had no aim to dominate the CIS countries. On the one hand Russia voiced the idea that the Western countries should make efforts together with Russia to avoid confrontation, in fact willing to restrict the influence of Brussels or Washington over its former satellites. On the other hand it sent a completely opposite message to the capitals of CIS countries warning them against building stronger ties with the US and EU.

In 2004 the Russian Foreign Minister Sergey Lavrov wrote that CIS countries have the sovereign right to build their national foreign policies in accordance to their national interests. He stressed that it is exactly for this reason that no country or group of states can claim a monopolistic influence over them. He warned against pressuring the CIS states to choose either East or West, cautioning that nobody has to win from restoring the obsolete geopolitical confrontation and the fight for the “spheres of interests”.⁴⁹

Contradicting Lavrov, the Chairman of the Russian State Duma Committee on CIS Affairs Andrey Kokoshin, while on a trip to Chisinau, has declared in November 2005 that Brussels and Moscow are competitors. He went on by saying that in case Chisinau will choose the European Union, then Moldova will risk facing a different behavior of Russia. This idea was confirmed by numerous similar statements of the Russian officials. Very recently, the Russian president Medvedev has backed this idea again, when he made public the “five priorities” of the Russian foreign policy. It became clear that along with the feeling of strength and self-confidence that the Russian leadership acquired, their rhetoric and actions in the post-Soviet area is more bold and aggressive. Given these uneasy trends the question of whether NATO membership is a necessary security options for a country like Moldova, subjected to foreign indirect aggression and vulnerable to conventional military threat, is purely rhetorical.

NATO Membership as Deterrence Tool

Facing a number of difficult dilemmas in providing for its national security, Moldova has failed so far to find a workable solution. To develop democratically and economically, it needs comprehensive security. Being placed on the dual EU/NATO border, plagued by a separatist conflict of a proxy type,

⁴⁹ Sergey Lavrov, “Democratya, mezhdunarodnoe upravlenie i budushee miroustroystvo,” *Rossiya v globalinoy politike*, Nr.6 (November-December 2004), <http://www.globalaffairs.ru/numbers/11/3427.html>

which is instigated and supported by a state that is challenging the rules of the existing international system, Moldova has been trying with questionable success to navigate between Russia and the West.

Moldova gets pressured by Russia to give up its European aspirations and to accept Russian military and political control over its territory. This is required by Moscow as a guarantee that Moldova will continue to adhere to its dysfunctional status of declared neutrality. It is important to understand what Russia implies by requesting a neutrality status from Moldova and guarantees that Chisinau will continuously preserve it. When Russian Federation officials state that Moldova has to maintain its permanent neutrality status, they mean Chisinau should not join Western organizations that Russia is not part of and any alliances perceived in Moscow unfriendly. Moscow also wants to prevent the stationing of military forces other than Russian on the Moldovan territory. The only guarantees of such a neutrality that Russia is ready to accept would include either a Russian military base on Moldova's soil, a clear-cut control over the Moldova's parliament, or both of them. Moldovan leadership has a different view of what neutrality status entails. The key features of Moldova's neutrality should include, in their opinion, non-adherence to any military and security alliances or blocs, without exception. Under this clause the official Chisinau is trying to push for the withdrawal of the remaining Russian military and munitions, failing to understand what they want is just wishful thinking. Not only Moscow pretends its soldiers in Moldova do not fall under any such restrictions, portraying them as peacekeepers. It is also rather hardly possible to "withdraw" them, because the bulk of the Russian peacekeepers are locals, which were given Russian passports. In fact, only officers are replaced when the rotation of the Russian peacekeepers in Moldova usually takes place. This suggests that Russia has the ability to claim the withdrawal of its troops from Moldova, but still keep them as military forces under the command of the secessionist administration.

At the same time, Russian officials and experts understand the illusory character of Moldovan neutrality. In conditions when Moldovan authorities do not even try to develop credible alternative policy towards NATO, neutrality is not even much of a selling card. Indeed, how can Russia value Moldova's offer of neutrality when the alternative that Chisinau can offer is also neutrality. To the contrary Georgia and Ukraine have declared their will to join NATO and were given an encouraging response from the Alliance. The offer of these two countries, in case they decide to offer their neutrality as a bargaining chip to Kremlin, is a real thing. Moldova has always refused to

consider the NATO membership, and instead has followed in an allegiant manner the neutrality path. As a result Russian elite perceives the Moldovan neutrality as its inescapable weakness, fait accompli that Chisinau has to submissively accept, not having another option. Modest Kolerov, who used to run the department responsible for “the relations with the compatriots abroad” in the Kremlin administration and was considered one of the masterminds of the Kremlin policy in the post-Soviet area, made this point very clear in 2006, during a conference on Eastern Europe. A Moldovan participant asked Kolerov why Russia is not showing real support to Moldova in the issue of Transnistria conflict. He suggested that Moscow risks pushing the actual Moldovan leadership, currently very enthusiastic about the concept of neutrality, towards the pursuit of the NATO membership. Kolerov’s response was rather harsh, saying that Moldova should not try to intimidate Russia with the threat to give up its neutrality. He continued by saying that nobody in NATO is waiting for such a worthless country like Moldova. In his view Russia does not perceive Moldova’s neutrality as a bargaining chip, which generally is not worth a penny.⁵⁰

Nevertheless the neutrality is requested by Russia to preserve the status quo for as long as possible, since in the present conditions time works against Moldova. Moscow is slowly annexing Transnistria, integrating it into its cultural, economic, and political spaces, by opening offices of the pro-Kremlin Russian political parties, adjusting educational as well as economic legal frameworks. It connects the secessionist administration offices to the analogical Russian government structures, and financially supports the existence of the breakaway region as a quasi state. In a way, Russia is using in its relations with the secessionist regions in Moldova and Georgia policies of assistance similar to those included in the EU European Neighborhood Policy. The difference is however reflected in the higher degree of integration in the case of Russia, which is even seconding its governmental employees to work in the rebel regions’ administrations. Obviously the secessionist regions are de facto slowly transforming into Russian regions, subject to the Russian administration and being integrated into the Kremlin’s “vertical of power”.

Moldovan leadership’s failure to clearly understand the strategic culture of the Russian elite, and the role of Moldova in their larger calculations, is a major mistake. When Moldova talks to Russia it perceives itself and Russia based on a sub-regional perspective. To the contrary, Russia perceives Moldova from a global perspective, and only as a tiny segment of its general policy towards the West. These discrepancies in the employed levels of analysis do not allow Chisinau to assess correctly its position and role in

50 Andrei Popov, <http://andreipopov.blogspot.com/2007/06/ipap-ul-nu-merge-bine.html>

the larger Russia's political design. It leads to Moldovan leadership having false expectations, focusing and accepting at face value the Russian officials' declarations, but neglecting their interests and the actions that are descriptive of these interests. As a result Moldova's ruling elite falls into the trap of favoring wrong strategic decisions, which have severe repercussions on the long-term development and fate of their country.

Larger political entities have bigger attractive power in cultural, economic, and political dimensions. The attractiveness of Russia for Transnistria is even bigger, considering that a significant part its population (close to one third) is of Russian origin. The isolation of the rebel region since the collapse of the Soviet Union, the permanent military and political presence of Moscow, and its continuous support to the secessionist regime has strengthened this tendency. The disfranchised segment of the population that did not support separatism in the region does not have any say in the local politics. Transnistria in fact is ruled by an ethnic minority with the support of a foreign government. As a result, Moldova as it is today or even if becomes much more prosperous, will not be able to compete in attractiveness with the huge Russia, which has a powerful historic and cultural aura and significant resources to support its policies. The only chance for Moldova to regain administrative control over the Transnistria is by offering something of a similar power and attractiveness. This can only be attained by becoming a member of the European Union. The alternative may be rather gloomy – any solution of the conflict imposed by Russia will result in Transnistrian and pro-Russian interest groups gaining administrative control of Moldova.

Time is important because the ambiance on the left bank preserved by the Tiraspol leaders is inimical to the idea of an independent and sovereign state of Moldova. New generations of people will grow up imbuing this anti-Moldovan ideology. Therefore besides the need for achieving better security, Moldova needs NATO to accelerate its accession into the European Union. Moldovan leadership still has to understand that integration in NATO and EU are two sides of the same coin. The difference is that the EU integration is painfully slow, while it is much easier to first join NATO. Then, you are perceived already as a member of the club. As a result it becomes easier to build the necessary bonds and create the feeling of connectedness among those EU countries that are also NATO members. By joining NATO Moldova will change the mental map of EU politicians, public, and business though modifying its current image of a transition, backward country and a Russia's satellite. Sitting at the same table with other NATO states, which are also EU members, Moldova will not anymore be perceived as an alien.

Instead Moldova will look to Western countries as a fellow state that needs their support and assistance, strengthening their feeling of solidarity and involvement. This will open new horizon for Moldova in terms of communication, lobbying and partnership. However this is just half a step. Apart from placing itself through reforms and effective development on the Western cultural, economic and political maps⁵¹ Moldova will also need through its actions to change how it is perceived by the Russian policymakers. It is this factor that contributed to the decision of the Soviet and later the Russian leaders, to consider Baltic States as being a “different”, special case, and to concede their integration into NATO and EU.

Moldovan leadership also needs to review its approach and paradigm applied towards the Transnistrian conflict. In this regard it may take example from China's treatment of Taiwan issue. China has not recognized Taiwan, and continues to view it as its territory. It does not waste its efforts and resources on the issue, understanding that currently circumstances are not in its favor. Similarly, Moldova has to focus on the goal of EU membership, working its way there through NATO in one format or another. It has to understand that at this period of history Moldova cannot solve the conflict in its favor, so Chisinau should prepare the ground for joining Euro-Atlantic framework as a full member.

Some critics warn against taking an obvious pro-NATO stance, because in their view this would provoke a stronger, more aggressive resistance from Russia, with bigger negative consequences for Moldova. They suggest waiting, until the right moment comes. However in case Russia decides to shift from indirect aggression it employs against Moldova to a military one, this will only strengthen Moldova's claim for joining the Euro-Atlantic community, if handled properly by Moldovan leadership. Even though a military invasion by Russia strikes many as highly unlikely, the secessionist region supported by Russia in Moldova and its military troops stationed in Transnistria bring too many similarities of Moldova with Georgia. One should not ignore the fact that until very recently few could imagine that Russia would move its troops as close as twenty miles away from the Georgian capital Tbilisi, and even bomb it.

As pointed out early in the text, Moldova is already facing aggression from Russia. Albeit of indirect nature, it is even more dangerous for Moldova's sovereignty because few understand it and hardly any plans to resist it are drafted. Preserving

51 Martin Walker, “Variable Geography: America's Mental Maps of a Greater Europe,” *International Affairs (Royal Institute of International Affairs 1944-)*, Vol. 76, No. 3, (July 2000), pp. 459-474. It was referred to Ukraine and Russia, which suggests it may refer as well to Moldova.

the status quo, when Moldova is slowly attracted into the Russian sphere of influence, having its government institutions and functionaries losing their integrity, will only make things turn incomparably worse. One of the disastrous scenarios would be a new Moldovan Parliament voting for joining the Russia-Belorussia Union. Considering the transition stagnation of Moldova and the appearance of certain authoritarian trends, this is not completely impossible.

Given the existing conditions, Moldovan leadership should decide on what real Moldova's priorities are. One option would be to accelerate its accession into Euro-Atlantic community by identifying effective ways to do it quicker, and by this preserve its sovereignty and independence. The second option would be continuing the useless negotiations with Moscow on the Transnistrian issue, and getting bogged down in the neutrality and the "be with us or against us" clauses that Russia regularly places on the table. Moldova cannot accept to become a "buffer" state, because this would mean political instability and incapacity to defend from continuous attempts of foreign competing forces to take control over its political system. And the third option would be to accept a Russia crafted solution of the conflict, which will result in Transnistria, with its Moscow appointed rulers holding Russian citizenship, taking political control over the whole Moldova.

There was a clear choice expressed by a prevailing majority of Moldovan population that the country should move towards EU membership.⁵² For obvious reasons which were addressed earlier in the text the only way to speed up the process of accession into the European Union is through joining NATO. Developing a strong cooperation with the Alliance would not in any way resemble the benefits of a membership status. Moldova needs NATO membership to provide for its security. And during its whole existence NATO provided for the security of its members using the deterrence factor. NATO brings security first of all because it is an organization aimed at preventing an aggression by discouraging it. In fact the chief focus of NATO was of a psychological and not military nature. Its goal was to contribute to the confidence of European allies that they are safe from a Soviet attack, enabling them to build political stability and develop economically.⁵³ It is very suggesting that Soviet Union has never directly attacked a NATO member, and instead used proxy-wars and political subversion to damage the Western interests. Moldova needs a real security guarantee that would discourage a military

52 "Barometer of Public Opinion," Institute for Public Policy and CIVIS Center, (March-April 2008), p. 89, http://www.ipp.md/files/Barometru/2008/BOP_March_April_2008_eng.pdf. According to the polls 71.7% of Moldovans would vote for EU accession and only 10.1% would vote against it.

53 Robert J. Art, "American Foreign Policy and the Fungibility of Force," *Security Studies*, Vol.5, No.4 (Summer 1996), p.28, quoted in H. Waterman, D. Zagorcheva, D. Reiter, "NATO and Democracy".

attack from abroad, and will consolidate its institutions making them more resistant towards external indirect aggression. The growing trend of using military forces in international affairs, and the recent military aggression against a CIS member make this necessity even more compelling. Moldova's Concept on National Security is flawed in form and substance, since it does not address the most obvious and imminent threats against Moldovan security.

It is important to point out that this new NSC was adopted by the ruling Communist Party under the hope that Russia will make concessions on the Transnistria issue. This anticipation was encouraged and maintained by the specious signals that Kremlin sent to Moldovan president and his team of advisers. As a result the country's strategic document on national security can be reduced to two main clauses. One is stressing the permanent neutrality of Moldova and the second is renewing the older idea of entrusting the national security to the international organizations and the West, lacking any formal and concrete agreement. However the war in the Caucasus has clearly exposed that the West cannot and will not commit itself beyond political support to an aggressed country, if not bound by specific agreements and commitments. And Moldova needs more than political support and sympathy, which will be of little use in case of military invasion. Any smaller country, and Moldova is no exception, needs workable security guarantees confirming that it will be defended if needed.⁵⁴ It is exactly this kind of guarantees that should discourage both indirect aggression and a military attack on Moldova.

Considering the ongoing developments in international affairs, NATO is the only practical arrangement that would be able to provide for such a security guarantee to Moldova, without affecting its sovereignty. It will also provide the most powerful assurance against any territorial claims from Romania, a scenario seriously considered by a segment of Moldovan political elite. According to the Alliance's principles a NATO member may not have territorial claims against another member.

Practical Considerations of the NATO Membership

At present NATO is not extremely popular in Moldova and in the post-Soviet space generally. This is the result of a socially constructed perception with its roots in the propaganda of the Soviet period. It is very worrisome that

⁵⁴ Oleg Reut, "Amerika na postsovetском prostranstve. Dizain regionalinogo bloka GUUAM+," Eurasian Home, 18 August 2008, <http://www.eurasianhome.org/xml/t/expert.xml?lang=ru&nic=expert&pid=1689>

over the last several years this anti-NATO and anti-Western propaganda was relaunched by the Russian government-controlled mass media, broadcasting in the CIS countries. Therefore when polls show a smaller support for NATO membership in countries like Ukraine or Moldova, this does not necessarily mean the population is hostile to the Alliance in substance. It just means that people judge NATO based on the information they are provided with on a daily basis. And through the Russian media NATO gets a very negative coverage in the post-Soviet countries – a trend that increased significantly during the last few years when Russia embarked on a more aggressive anti-Western and anti-NATO rhetoric. In Moldova the Russian propaganda was supported by the local efforts of the ruling Communist Party. Although the Moldovan communists did not directly promote anti-NATO ideas, they put significant effort and resources into convincing the population that the best security option for Moldova is neutrality and not NATO membership. For comparison, if 33.9% of respondents supported Moldova's accession into NATO in a December 2005 poll, their number decreased to 29% in May 2006, and dropped further to 22.7% in the April 2008 poll, according to the biannual "Barometer of Public Opinion" published by the Chisinau-based Institute for Public Policy.⁵⁵ In fact, the support for NATO in Moldova is not insignificant, especially considering the numbers of the undecided respondents (21.7%) and that the camp of NATO opponents (40.6%) has doubled since December 2005. The latter is suggestive of the fact that in Moldova the total number of NATO "permanent" antagonists, with a consolidated opinion, is rather low. And provided that an informational campaign on NATO is launched by the government, the support for Alliance among Moldova's citizens is expected to considerably increase.

Even though Russia is demonizing the Alliance, neither the Russian politicians nor the experts and even less the ordinary people are able to give a clear answer to the question what is the real threat that NATO poses. For the sake of our argument it is important to deconstruct the anti-NATO rhetoric used by the Kremlin, and understand the real concerns behind the NATO extension to the East. During the Cold War it was the United States that kept the Alliance a powerful military actor, basically providing for the necessary deterrence against the Soviet Union. European allies were mostly free-riding on US security, while rebuilding after the WWII and strengthening their economies. Many countries that had Soviet military troops close to their borders, like Federal Republic of Germany, were willing to have at least some American soldiers on their soil. First of all this would have built a stronger

⁵⁵ "Barometer of Public Opinion," pp. 93-94. 20.2% of respondents consider that NATO is the best security guarantee for Moldova, while 22.7% would vote for Moldova joining NATO.

commitment from the United States in defending its European allies, and would have further discouraged a military attack from the Soviet Union. The judgment behind this logic was based on the idea that stationing American soldiers on their territory, an attack on FRG would have resulted in an attack against the American soldiers. This then would have meant automatically an attack against the United States. In the view of Europeans this was the most powerful deterrence that NATO provided – making the Soviet Union very hesitant in considering whether to attack or not the Western Europe.

A similar idea continues to dominate both Russian and European political elites. Russia is ruled by ex-security service people, whose strategic culture is based on the Soviet way of thinking about NATO and the United States. It is no coincidence that Poland and Czech Republic wanted American military installations on their territory. And the reaction of the Kremlin should come at no surprise. It is not the elements of the US ballistic missile defense (BMD) that worry Vladimir Putin and his colleagues so much. Kremlin is concerned about the US military presence in these two countries, no matter how small it is.⁵⁶ The intention of Romania to convince United States stationing elements of BMD or accept American military installations on its territory, in the NATO framework, is based on the same logic. Poland, Czech Republic, Romania and other ex-Warsaw Pact countries are disquieted by the ongoing changes in the international affairs, and what they perceive as a diminishing involvement of the United States in Europe. Political elites in these countries are concerned about their states' security, especially after the Russia's invasion of Georgia. They are afraid, and rightly so, that in case they face a military threat from the East, West-European NATO members may not be willing to follow on their obligations to defend them. They do exactly what Western Europe states have done themselves during the Cold War, trying to increase the commitment of the United States to defend them, by having small numbers of American soldiers stationed on their soil. The new Alliance members are afraid that NATO is only capable of providing credible deterrence having the United States committed and on board. Their uneasiness is shared by the public and researchers at home and in the United States.⁵⁷

The main question one should ask at this point is what are then the Russian intentions towards the former Warsaw Pact countries, if they oppose the deployment even of small numbers of American soldiers to these states? From a

56 George Friedman, "Russia: Using Missile Defense as a Geopolitical Lever," Stratfor, 12 June 2007, http://www.stratfor.com/russia_using_missile_defense_geopolitical_lever

57 Alexander Motyl, "Would NATO Defend Narva?" New Atlanticist, 8 September 2008, http://www.acus.org/new_atlanticist/would-europe-defend-narva. For a public debate addressing similar ideas see the Los Angeles Times, "What's NATO Worth?" 28 August 2008, <http://www.latimes.com/news/opinion/la-ow-meier-moynihan28-2008-aug28,0,1699467.story>

military point of view the installations and the reduced number of American troops on the territory of East-European NATO members do not pose any threat at all to Russia and neither have they turned inefficient Russia's defense capabilities. Russian political elite is unhappy about the American presence because it creates a powerful deterrence against a potential intention to regain control over these countries. Therefore, this seems to indicate that Russia is not happy with the existing state of affairs, and would like to change it. The phrase of the former Russian president Vladimir Putin that the collapse of the Soviet Union was the biggest geopolitical disaster of the last century does nothing but increase these fears. More recently, the new Russian president Dmitry Medvedev has informed the world about the existence of certain "spheres of influence" which Russia intends to control and where will discourage any Western involvement. A more detailed interpretation of what this might mean was provided by the Russian ambassador to NATO Dmitry Rogozin and his colleague Vladimir Chizhov, the Russian ambassador to the EU. Both of them left no room for misunderstanding suggesting that even the current EU and NATO members, which used to be a part of the Socialist camp, are subjects of Russia's interest.⁵⁸

These considerations leave no alternative for the Moldovan leadership if they want to preserve Moldova as a sovereign country in its current boundaries. It has nothing to do with implied ambitions of the West or Moldovan nationalism, as NATO opponents claim. It is all about the Russia's interpretation and understanding of what "friendship" with ex-Soviet republics would mean in real terms. Russia's leadership implies a hierarchical relationship where Kremlin dominates and others are subordinates. A NATO membership in the conditions of a stronger commitment of the United States to Eastern Europe is what Moldova needs to provide for its national security and survival.

There was very little debate in Moldova, if at all, addressing its neutrality status. The majority of Moldovan citizens still take at face value what is being stated through mass media by the ruling Communist Party. Similarly, a debate on a possible NATO membership is at a very basic level, being promoted among some active civil society groups. In fact, what Moldovan public has listened to for many years, was some sort of a political chanting, in which the Moldovan leaders of different colors and affiliation insisted on neutrality as the best security option for Moldova. They gave no clear and reasonable argument why neutrality is better than NATO membership or membership in the Russia dominated regional security structures. The lack

58 Vessela Tcherneva, "Where Does Russia's 'Sphere of Influence' End?" European Council on Foreign Relations, 23 September 2008, http://www.ecfr.eu/content/entry/commentary_tcherneva_where_does_russias_sphere_of_influence_end

of a comprehensive public debate involving citizens explains the relatively low numbers of NATO membership supporters in Moldova.

In addition to the few propagandistic neutrality arguments addressed previously some more realistic ones should be looked into as well. Moldova needs neutrality, some government officials claim, because it uses it as an excuse to not join the CIS military component. It is also used as an instrument, indispensable in their view, to the eventual removal of the Russian troops from the eastern Transnistrian region of Moldova. This logic, as mentioned earlier, considers that the notion of “neutrality” is equally interpreted by Moldova and Russia. It does not admit and take into account that Moscow uses neutrality only as a pretext to prevent Chisinau from joining the Euro-Atlantic organizations, and to buy enough time for regaining its political control over Moldova.

Even though Russia tries very hard to portray NATO aggressively pushing its borders to the East, NATO did not show great interest in accepting Moldova. It is first of all in the Moldova’s interest to join the Alliance. Moldova has a dwarf military potential which can hardly contribute to the NATO military capabilities, being in fact a candidate for free riding. Few NATO members are also concerned about certain political costs related to a Moldova’s membership in NATO, given the Russia’s opposition to it.

According to certain conventional wisdom, unless Ukraine joins NATO, accepting Moldova will be less cost saving for the Alliance, because Moldova will not contribute to reducing interior protected borders. When Ukraine becomes a member of the Alliance, then NATO might have a stronger interest to include Moldova. It is so, because having a neutral Moldova as an inner country will result in longer borders for NATO to defend.⁵⁹ Additionally, there will be also a geopolitical consideration in this case, because a “neutral” Moldova would mostly likely become a Russian satellite, hosting under some sort of coverage, either “peacekeeping” or “antiterrorism”, a Russian military base.

However if Moldova joins NATO the difference in the length of the borders that NATO has to defend will be insignificant. The value of having a secure and prospering country on its borders cannot be underestimated. Especially considering the fact that Moldova alone cannot deal with the range of security threats it faces today, among them the issues of secessionism and external

59 For a more detailed account see Todd Sandler, “Alliance Formation, Alliance Expansion, and the Core,” *The Journal of Conflict Resolution*, Vol. 43, No. 6, (December 1999), pp. 727-747

indirect aggression. Moldova is also populated by ethnic Moldovans, which underwent a lengthy process of russification. Having Moldova on board, secure and developing democratically is a preventive measure towards possible use of Moldova as a bridgehead to export instability both into Romania and Ukraine.

Another argument used by NATO opponents is that membership is considered so costly that Moldova cannot afford it. However, any single country if it wants to function as a sovereign political actor in the international affairs needs to provide for its own security and pay for it. This is an expensive endeavor, and going alone is even more expensive as if a country would join a collective security arrangement. Going alone may be even impossible to secure ones sovereignty and territorial integrity, as it is in the case of smaller countries such as Moldova.

In fact, NATO membership proved to be beneficial to the economic development of the new members. Empiric evidence shows a sharp increase in foreign direct investments, since the new Alliance member are perceived to be a secure area for investment. The new emerging regionalism trends, implying stronger ties with the NATO countries, will also result in a higher degree of involvement by foreign economic actors. As such, the perception dominating the Moldovan national elites that joining EU is “all about money”, and if as EU member Moldova would receive a lot of money, while NATO membership will only bring costs⁶⁰ is at least very shortsighted.

To reach EU Moldova needs to walk a very long journey. Current trends show that Moldova today walks away from the EU membership, facing democratic regress and increasing authoritarianism. At this stage it needs a more accessible, intermediate goal that would provide Moldova with political and economic capital so that it can move further towards the EU membership. Accession into NATO proved to be such an intermediate stage for many other former Socialist camp countries in Europe. There is no indicator why it should not work for Moldova as well, especially having the advantage of being much smaller, easier to integrate and develop.

The idea that Moldova does not need a military because it will not be able to defend itself against a possible attack from its neighbors is not based on a solid ground. It was launched by President Vladimir Voronin, who aimed to please Moscow, hoping for its support in reducing the military strength of the secessionist Transnistria. It seems like a solution drafted as a result of a

⁶⁰ William R. Thompson, p. 616-617

superficial analysis, since it ignores very obvious and important factors. The opinion wide-spread among non-specialists that only a parity of military capabilities is enough to stop a foreign military intervention can be easily challenged. The case of Moldova as a small country should not be determined by the ideas dominating the balance of forces considerations at the strategic and global levels. There is sufficient empiric evidence suggesting small countries can successfully resist militarily aggression and even inflict political defeat on larger states, employing asymmetric responses. It is the question of identity building, military training and tactics, and not of the size of the military that should be considered by Moldovan leadership. Additionally, Moldova needs its military as a school for consolidating patriotism among its young citizens. This is of a key importance for Moldova, having a weak national identity.

Moldova cannot and needs not build a large military force given the potential security threats that it may face. In the existing context of international affairs the most probable threats of military nature would come from separatist groups backed by outside forces. In the light of the Russian military invasion of Georgia, the threat of a foreign military aggression continues to exist as well. Finally subversive and terrorist actions by armed military groups cannot be discarded. This quick military threat assessment suggests that Moldova is able to partially deal with some of them, but needs assistance in dealing with the others. The best and most suitable defense and security strategy for Moldova would be maintaining an appropriate level of military capabilities to deter the most imminent threats, and benefiting from credible foreign security guarantees to discourage others.

Instead of the existing core principle of the national security strategy which can be labeled as “intrustment”, Moldova should develop a deterrence based security strategy, where NATO plays a chief role. It should not intrust its defense and security to the international organizations that do not have an obligation to defend Moldova. It must stop taking at face value the empty statements of other countries, when they continue to station troops on Moldova’s territory against its will, while continuing at the same time the subversion of its political system. A deterrence strategy has to make a potential military attack so costly, that any possible gains of the invader to be diminished. For this deterrence to be efficient Moldova will compulsory need to built appropriate intelligence and counterintelligence capabilities. This would allow its leadership to learn in advance of imminent and possible threats providing windows of opportunity to defuse them until they reach the critical stage of development. In political terms Moldova would need to

develop a good communication strategy, including both public diplomacy and public affairs components. It should be designed with the possibility to function from the territory of an allied country. However, without a security guarantee, such as NATO is able to provide, Moldova would not be able to address effectively the threats it confronts.

The existing alternatives to having own military capabilities and joining NATO, such as non-violent defense or relying on international organizations to force an invader to withdraw, are not feasible for Moldova. Non-violent defense implies that an invader will be given free entry into the country with no costs to bear and consequences to face at all.⁶¹ Apart from the fact that it would encourage an invasion, it may also lead to the disappearance of Moldova as a country. To Moldova non-violent defense is not an effective tool against an invader, which by employing aggression has already proved its disregard of international law, and readiness to face pressure from the West. Secondly, it hardly can be put into effect by the population of Moldova, which lacks a strong sense of identity, and is heterogeneous ethnically. For a similar reason, relying on international organizations is not appropriate. International institutions (except for collective defense and security organizations) are tended to condemn aggression verbally and less willing or able to commit troops for fighting. Yet countries that would be able to commit considerable forces to defend Moldova have no interest in doing this. Moldova is neither of strategic importance to big players, nor a strategic ally, but instead is seeking neutrality. The history of armed conflicts mediated by the United Nations shows that the crisis stalemate can last for decades without any change. During that time an invading force will be able to play on internal discrepancies, co-opting certain local forces to govern the country with foreign backing in exchange for political loyalty. Due to the weak national identity, this may result in Moldova disappearing as a sovereign state.

Another option discussed by experts for the “small” states is that of “intransigence”. It is based on the emphasis of political, social, and even cultural distancing. The rationale is that this kind of behavior will persuade the “great power” to leave its weaker neighbor alone.⁶² It looks like a bilateral isolation, and it may not be very feasible for Moldova. However, if selectively used, it has the potential to help Moldova diminishing its dependence on Russia in the areas of trade and economy, and reducing the cultural, social and political penetration by Moscow. Choosing the opposite of this strategy is useful

61 Jonathan Dean, “Alternative Defense. Answer to NATO’s Central Front Problems?” *International Affairs* (Royal Institute of International Affairs 1944-), Vol. 64, No.1, (Winter 1987-1988), p. 67

62 Olav Fagelund Knudsen, “Did Accommodation Work? Two Soviet Neighbors 1964-88,” *Journal of Peace Research*, Vol. 29, No. 1, (Feb., 1992), pp. 53-54

to know that a softening on the part of the smaller country is rarely responded in a similar fashion by the bigger country. The example of Norway during the Cold War and its relations with the Soviet Union offer a strong case. Even when Norway decided to choose an accommodative behavior, this did not influence the stance of the USSR, whose considerations continued to be based on strategic calculations of its political and military leadership.⁶³ This is convincing evidence to be accounted by the current Moldovan leadership, which seems to believe that by promoting an accommodative stance it can get a mirror response from Moscow. The case supports the assumption that Russia is guided in its perception of Moldova by some larger, global considerations. Provided Moldova's complex vulnerabilities towards Russia and the lack of any significant bargaining chips to trade with Moscow, the latter will prefer not to trade favors, but to coerce for favors. .

Still the option of accommodation (which in the case of Moldova means accepting neutrality) does not make sense. It does not fit into the logic of traditional understanding of the reasons why a "great power" would need neutrality from a smaller country. Neutrality usually is requested from a neighbor in order to guarantee that no attack will be launched on the "great power" from the neighboring territory.⁶⁴ But Moldova is not an immediate neighbor of Russia, being separated by a quite significant area of Ukrainian territory. The Russian request for Moldova's neutrality is rather linked to the intention of the former to not allow Moldova's accession into Euro-Atlantic structures, because this would decrease the current vulnerabilities of Moldova. In fact, Moscow imposes neutrality upon Moldova in order to be able to prevent it going under a Western protection umbrella. This makes it easier for Russia to restore the influence that the Soviet Union used to have over Moldova.

There is an additional explanation why Russia would like to prevent Moldova from joining NATO and EU. Moscow wants to preserve the Soviet-rooted regionalism that is binding Moldova to Russia through economic, cultural, social, and political ties. The accession into the Euro-Atlantic organizations will gradually diminish the importance of that regionalism, moving Moldova into the Western region. Regions as political creations are not fixed by geography, although they are described in geographic terms. Yet even the most natural and inalterable regions are products of political construction and subject to reconstruction attempts.⁶⁵ It seems this is exactly what Rus-

63 Knudsen, p. 63-65

64 Ibid., p. 54

65 Christopher Hemmer and Peter J. Katzenstein, "Why is There no NATO in Asia? Collective Identity, Regional-

sia means when speaking about the ‘spheres of influence’, and warns the West against increasing its activity in areas considered by Russia its regional “property”. That is another confirmation of the way Moscow values the sovereignty of the former Soviet republics, obviously considering they cannot freely chose their foreign partners and allies.

Conclusions

The confrontation trend that mounts on the international arena and affects the region where Moldova is placed, the separatist conflict in Moldova’s eastern region that is fueled from abroad, the relatively recently achieved independence by Moldova and the consolidation of a revisionist power questioning it, the placement on the geopolitical borders between Russia’s claimed ‘sphere of influence’ and Western frontiers, the increasing instances of the use of military force in international affairs – these are only few major considerations why Moldova cannot and should not be passive about its security. After the “end of history” euphoria these security challenges move the issue of why Moldova needs to join NATO from a simple policy debate realm into the realm where Moldova’s survival is at stake. The existing status quo which is widely known as neutrality but in fact means foreign dependence is nothing less than a precursor towards Moldova’s continuing loss of sovereignty. It is an accommodation towards Russia’s unreasonable requests, which do not express the genuine security concerns of Moscow, but instead confirm its intention to review the status quo established after the collapse of the Soviet Union.

In these conditions Moldova has to choose a security strategy based on deterrence, which would discourage and make unsuccessful possible separatist, subversive and terrorist actions on its territory supported from abroad. This would require a military force trained to conduct both conventional and unconventional warfare, able to effectively counter air force and mechanized attacks. A communication strategy including public diplomacy and public affairs should be implemented and supported with real resources. The main purpose would be to discourage a military attack. For the deterrence to work Moldova needs to build effective intelligence and counterintelligence services. They will inform the leadership about the possible threats and take measures to defuse them, making deterrence more credible.

ism, and the Origins of Multilateralism,” *International Organization*, Vol. 56, No. 3, (Summer 2002), p. 575

To increase the credibility of deterrence against a foreign attack Moldova has no other workable option than to join NATO. In case the European component of NATO will weaken, Chisinau will have to make efforts to secure US guarantees. The alternative in the increasing confrontational environment is the partial or complete loss of statehood. Given the current dynamic of international relations and deriving from existing historical analogies this may happen over the next few decades.

To consolidate the statehood of Moldova, make the foreign pressure and influence less effective, and create the ground for the rebuilding of the country if necessary, Moldova has to dismount the existing regionalism ties of Soviet roots, and instead build them with the Western world. The Moldovan statehood is also based on its people, and their perception of own country. The Moldovan authorities are interested in building a sound political culture among its people, based on high civic participation and morale. That is possible through a successful democratic transition of the country, whose results can only be secured as a member of the EU. In order to join EU, Moldova will have to consider entering the North-Atlantic Alliance, as an intermediate and preparatory stage on the way to the EU accession.

At the end the study concludes that Moldova will not be able to preserve its sovereignty and territorial integrity, consecutively achieving its strategic goal of EU integration if it stays outside NATO.

CHAPTER II

Economic Costs and Benefits

Veaceslav Ioniță

A Conceptual Introduction

Strategic decisions are always based on the appropriate assessment of costs and benefits resulting from the actions or inactions, whose repercussions may be vital for the citizens of a country. And to the opposite, the decisions based on superficial analysis or short-term interests have the tendency to maximize the tension of an existing political issue, as such a decision lacks the thoroughness and accuracy of the analytic exercise. In the current study we would like to propose an effective analytic approach towards weighting the economic and social costs and benefits of a possible Moldova's NATO membership.

Our assessment will assess in practical terms the reasons why nations face the necessity to choose certain security systems that fit their existential interests. Often time the issue of joining a political or a military alliance is treated superficially, as this is perceived as a useless duty paid by the members for some fuzzy or completely indistinct goal. In turn, citizens get accustomed with such behavior of politicians, and have no choice but to finally give up any attempts to understand the reasons why certain political leaders get stuck in useless and formal structures, which have proved their complete inutility. Instead, when we analyze the participation in an alliance through the lenses of involved costs and benefits, we generate tangible arguments and evidence that can be used by anyone interested to debate the relevancy of such a political decision. The current research aims at putting together a methodology for assessing the costs and benefits of a possible NATO membership of Moldova; and developing an analytic framework that would quantify the invested efforts and the resulting gains of economic, social, public and political nature, resulting from the accession to NATO.

There few things that we would like to emphasize. Our analysis reveals in a country that seeks NATO membership in short or long term perspective, the

existence of a strong connection between the security and economic environments, which we define as providing the necessary conditions for domestic stability, offering the guarantees that are required by foreign investors, and ensuring the supremacy of law and an independent justice. There is also a powerful link between the modernization of the security sector and the increasing role of defense, both as fundamental elements of the national security system. The decision to pursue membership in NATO stimulates the regional cooperation and integration, leading to an increased interoperability and strategic investments into the vulnerable areas of the defense and security sectors. It develops the capabilities of the aspirant country for early warning, rapid reaction, or even full-fledged missions, carried out by elements of the armed forces or special units, able to achieve difficult goals, in accordance with their national legislation.

This paper does not claim to be exhaustive, even though it is a first of its kind in Moldova. It rather aims at remodeling the NATO membership debate, bringing into light arguments that would build an intelligible discussion for both the wide public and the political elites. In this study we have addressed not only pure technical - the financial aspects of the membership, but also have put under scrutiny organizational, legal, technological and even educational considerations of the accession process. We have identified two types of economic effects of a possible Moldovan NATO membership. One of them includes the tangible results, which will be elaborated on further in the texts. However the second type of results that the status of NATO member will bring to Moldova, and which seem to be the most important for the long-term development of the country, reflect intangible and difficult to measure progresses for the general environment of the Moldovan state and society.

The tangible benefits are easier to describe and analyze, generally, but are more difficult to quantify, being linked to the proportional growth of costs in the defense budget and the structure of these costs.

Therefore the increase of security costs by 0.5-0.7% of GDP will be compensated by the booming economic growth, while a continuation of this tendency could result in a vitalization of defense industry, which as a rule is very attracting to foreign investment, providing them the sought market niches. In addition to the increase of defense-related investments, joining NATO would also mean a growth of industries affiliated with the defense sector, and other infrastructure spending. The national security system is interlinked and dependent on the civilian infrastructure of the country, which includes roads, railroads, communications, and energy distribution networks. Accepting the NATO accession road, Moldova would also take the responsibility to accele-

rate the process of rebuilding and developing of its essential infrastructure, even to a bigger extent that is required by the EU accession conditions, and much quicker. It is rather difficult to estimate currently what would be the % of GDP, necessary for achieving such objectives; yet we can estimate that only the investments in railroads and roads would increase threefold during the four years from the official request to join NATO. The quality of a NATO member would bring an immediate impact on a number of connected industries, which are linked to IT, software development and telecommunications.

On the wave of these changes we expect an increase of interest in the area of touristic services; investments into the security sector and the improvement of roads and communications infrastructure should reorient a significant number of Western tourists to the completely unknown areas of Moldova. The public education sector should discover new opportunities and stimulus for development, while the need for research and education of a country-candidate for joining the most modern defense system in the world would bring and accelerate essential changes into the university education system.

Obviously we should not underestimate the tangible economic benefits that NATO accession would bring to Moldova; yet we should be conscious about the fact that it is the intangible benefits that are the most important for the systemic development of the economy and society. The most important issue that Moldova should tackle is, however paradoxical this may sound, is the need to improve its image, which affects its attractiveness as a market and as a goods exporter. We cannot indefinitely attempt to avoid this problem, as we should honestly recognize that our country is affected by a triple-negative image: ex-Soviet republic, small and vulnerable state, and a “frozen conflict”.

Those three bring negative repercussions, high risks and even higher costs. “Ex-Soviet” means as a rule problems such as corruption and unrestrained actions of the central authorities, strangling the justice and freedom of opinion, unclear rules of the game. Or, in other words, all of these elements generate insecurity, both for the citizens, and potential foreign investors. The “small and vulnerable state” is usually associated with the burden of a high inflation rate on the population, of extensive migration and foreign pressures of extreme severeness.

Finally, the existence of a frozen conflict on the territory of Moldova suggests all potential investors that the country faces unsolved tensions, which ques-

tions the viability of the state that could anytime break up, provoking new military hostilities and an individual acute feeling of insecurity. The nexus of these three elements are very suggestive of the fact why Moldova attracted so far the lowest FDI per capita, having very little capacity to absorb foreign capital or to develop related industries.

That changes that Moldova's accession to NATO would bring are extremely clear and concrete – they would lead to the condition when Moldova would fully integrate into the Euro-Atlantic area. A deficient economy, political stalemates or center-periphery tensions in Moldova are perceived as issues which require feasible solutions, which would establish civil conciliation, the supremacy of the law and economic freedom. The accession path would result in the consolidation of the institutional framework necessary for the functioning of the national economy, decreasing the transaction costs, increasing the responsibility of the governmental institutions, and improving the legal remedies against systemic abuses. As a result the contracts agreed among economic agents will become more secure and stable, allowing the private business to extend the scope of its planning. This will contribute to the predictability of the business environment generally, and will provide for a greater competitiveness of domestic products, especially on regional and international markets, demanding an increasing amount of products and services.

All these tangible and intangible economic effects of a NATO membership will contribute to the development of Moldova as a state. They would increase its annual economic growth by 1-2 % or about 0.6-1.2 billion leis (in 2008 prices), starting the moment of officially announcing the political will to integrate into NATO.

We expect this economic growth to generate more income into the state budget in form of taxes, and these additional funds may be used to increase the salaries for state employees such as teachers, doctors, and municipal functionaries. Disadvantaged categories of population that could also benefit from this increase are pensioners, farmers, etc., which would improve the welfare of the society and the state. It should be mentioned that by stepping on a NATO integration path, Moldova will have to take serious measures for controlling its borders, and increase its vigilance in dealing with various attacks against the state and its citizens. That could mean establishing visa regimes for a number of citizens from the CIS area, as it would acquire a free visa facilitation allowing its citizens to travel throughout Schengen space. A more severe control regime of its borders would assist Moldova in stopping contraband schemes, and illegal trade and business routes.

Benefits, Costs and Risks of a NATO Membership

The key benefit from a possible NATO membership of Moldova is related to the article 5 of the Washington Treaty, which will guarantee Moldova's security in case of any kind of external attack. As a NATO member Moldova would be able to provide for its defense at very limited cost. Because of its reduced economic power and its small economy Moldova would have to contribute to the annual budget of the Alliance with 0.01% of its GDP, while receiving the whole range of security arrangements offered by the military and economic potential of countries, which have a cumulative GDP of \$33 billion. Because of its geographic position, Moldova should benefit of investments in its security related infrastructure, which means additional influx of funds, creating new jobs, while that entire security infrastructure will have a dual use. The most relevant example in this regard is the building of roads and airports.

By joining NATO, Moldova transforms its European integration perspective into a more plausible and short-termed endeavor. The key argument invoked during the EU integration of Baltic States was the one of European security, which is also a concern in our region. Participating in the NATO decision-making process, having equal rights with other allies, is also a considerable benefit. By joining the Alliance Moldova would significantly increase its international influence. It will be able to play a more active role in international politics, defending better its interests, which would bring both political and economic benefits.

Integration into NATO requires reforms of its governmental agencies, strengthening the rule of law, protecting human rights, fighting corruption, etc. All these efforts have as their final goal the improving of social, political and economic climate of the country. In essence these reforms are identical with those necessary to promote as a condition for joining the European Union. The NATO membership is in fact a "maturity test" for our country, which is valid as well for its EU integration journey. An improvement in its national security means no less than qualitative economic growth and an intensified influx of Foreign Direct Investments. Moldova's underdeveloped economy, whose GDP is six times smaller than that of the former socialist countries that have already joined NATO, will be able to accept a huge development input.

We expect that the dynamic of reforms that accession into NATO would require from Moldova could bring an impressive effect, propelling an increase of Moldova's GDP by four times during the next 5-10 years, comparing to its 2008 GDP level. This would allow Republic of Moldova to catch up with its

immediate neighbors Romania and Bulgaria as its GDP per capita concerns. The cumulative effect of the reforms necessary to implement in order to join NATO would serve as a magnet for the foreign direct investments (FDI), which we have already estimated to attain an increase of at least four times comparing to the level of GDP in 2008. The quality of these expected investments would be incomparable with the current ones, having as a result the generation of new jobs and consequently an improvement of the quality of life of Moldova's citizens.

The current analysis considers also the pressure of the imminent costs provoked by the acquisition by Moldova of the NATO member status. In our view the costs of membership for Moldova would, first of all, demand from Moldova that it shares the risks that Alliance confronts today, which is another basic principle of NATO. As we will gain access to an improved security, Moldova will also have to take the obligation for contributing to the diminishing of risks that other NATO members will face. Moldova would have the choice to participate in the NATO's operations, and will have to contribute both financially and with human resources towards the goal of a more secure Euro-Atlantic area. As a member of the Alliance Moldova is expected to cover some security related costs, which for us means an increase at least by 50% of our defense related expenses of the current costs as a percentage of GDP. And obviously, integration into NATO would bring more tensioned relations with Russia. However we should mention that our dependence on Russia and as a result our vulnerabilities towards Russia have essentially decreased since 1998, because of the economic crisis. A new imminent economic crisis in Russia would have as a result the fact that our military dependence towards would also decrease. Political dependence remains very high, however this is a problem to which solutions have already been identified (consider the cases of Baltic States). A possible integration of Ukraine in NATO could address a significant numbers of these potential difficulties in our relations with Russia.

One more cost includes the need to align our political positions with other NATO member countries. Many times Moldova will have to agree on certain sensible issues for other NATO members, in order to preserve the unity of the Alliance, to contribute to the NATO's consensus and compromise. While this seems to reduce from our liberty of political choices, that is a give-and-take matter, because there will also be many opportunities when Moldova's sensible issues will be accepted by other allies. A considerable risk that NATO membership perspective would bring refers to the public opinion, which in Moldova continues to look at the Alliance with suspicious eyes. That is explained mostly by the existence of a media environment which is mainly

dominated by the Russian or pro-Russian media outlets. We can mitigate that risk by educating the public, explaining thoroughly the advantages that NATO membership would offer and addressing scrupulously the fears that dominate the masses.

Some other risks come out of the skepticism that certain groups of domestic politicians attach to NATO as an effective tool for guaranteeing the national security. The aim of this paper is to show that the benefits resulting from a NATO membership cannot be compared with the costs, as the former are much bigger; while the membership risks can be relatively easily addressed. The empirical evidence both in the case of Baltic States and Southeastern Europe have showed with an excess in details that the main obstacle towards integration into European Union and NATO is the lack of political will. Any other obstacles can be addressed relatively easily.

The Evolution of Post-Socialist Economies

After the collapse of the socialist block and the former USSR, all countries from that area confronted a stagnation of their economies, which resulted in a decrease in the welfare conditions of their citizens. That decline has stopped during 1995-1996 in the socialist countries outside the former Soviet Union area, transforming into an economic development after 1997. On the contrary, the countries that belonged to the ex-USSR, as they were extremely tightly integrated into Russia's economy, have suffered immensely as a result of the 1998 economic shock in Russia.

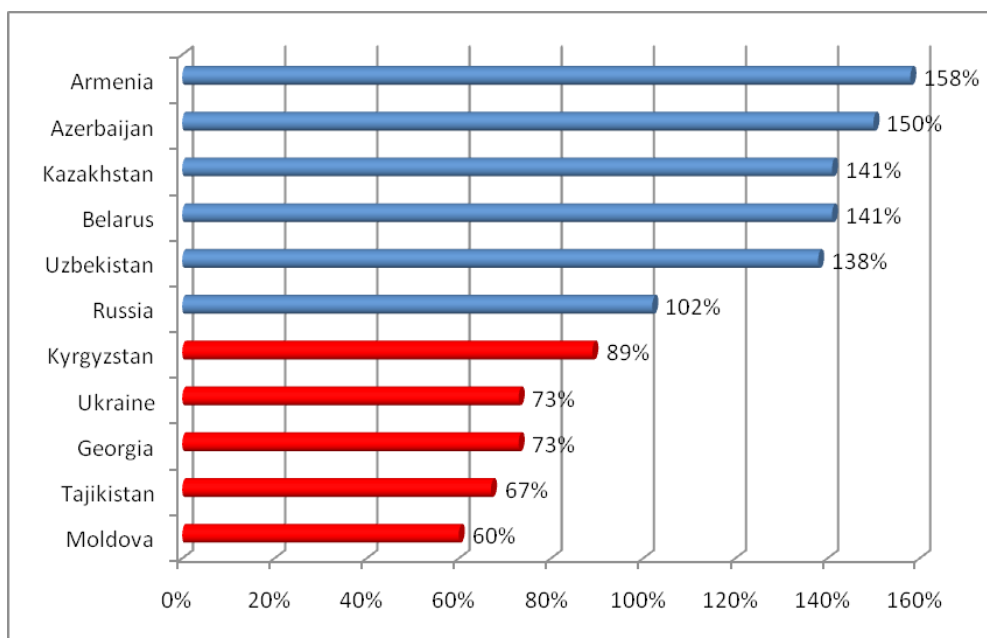
The economies of the Commonwealth of Independent States (CIS) countries which did not include the Baltic States which followed another path have reached their level of 1991 only in 2006. In fact, the cumulative GDP of the ex-Soviet countries (CIS) in 2006 have surpassed their 1991 GDP level by only 2%.

At the same time in Azerbaijan and Armenia this figure was 1.5 times bigger than in 1991, in Belarus, Kazakhstan, and Uzbekistan it was 1.4 times bigger, while in Russia – by 2 %. On the other hand, in Moldova the GDP in 2006 was smaller comparing to the 1991 period, representing only 60% of the 1991 level. The GDP of Tajikistan in 2006 was 67% of its 1991 level, Georgia and Ukraine attained 73% of their 1991 levels, and Kirgizstan reached 89% of the GDP it had in 1991⁶⁶.

66 CIS Statistic Committee, Statistical analysis, prognosis and assessment, The de facto tendencies of economic development of the CIS countries comparing with the expected values. Published in the *Statbuletin* ' Nr. 4 (February 2007).

Therefore, when assessing the CIS area, Moldova is the country which finds it most difficult in confronting the economic decline triggered after the collapse of the USSR.

Chart 1. The Index of Existing GDP Volume in CIS countries in 2006 comparing with the 1991 period (in fixed prices, 1991=100%)



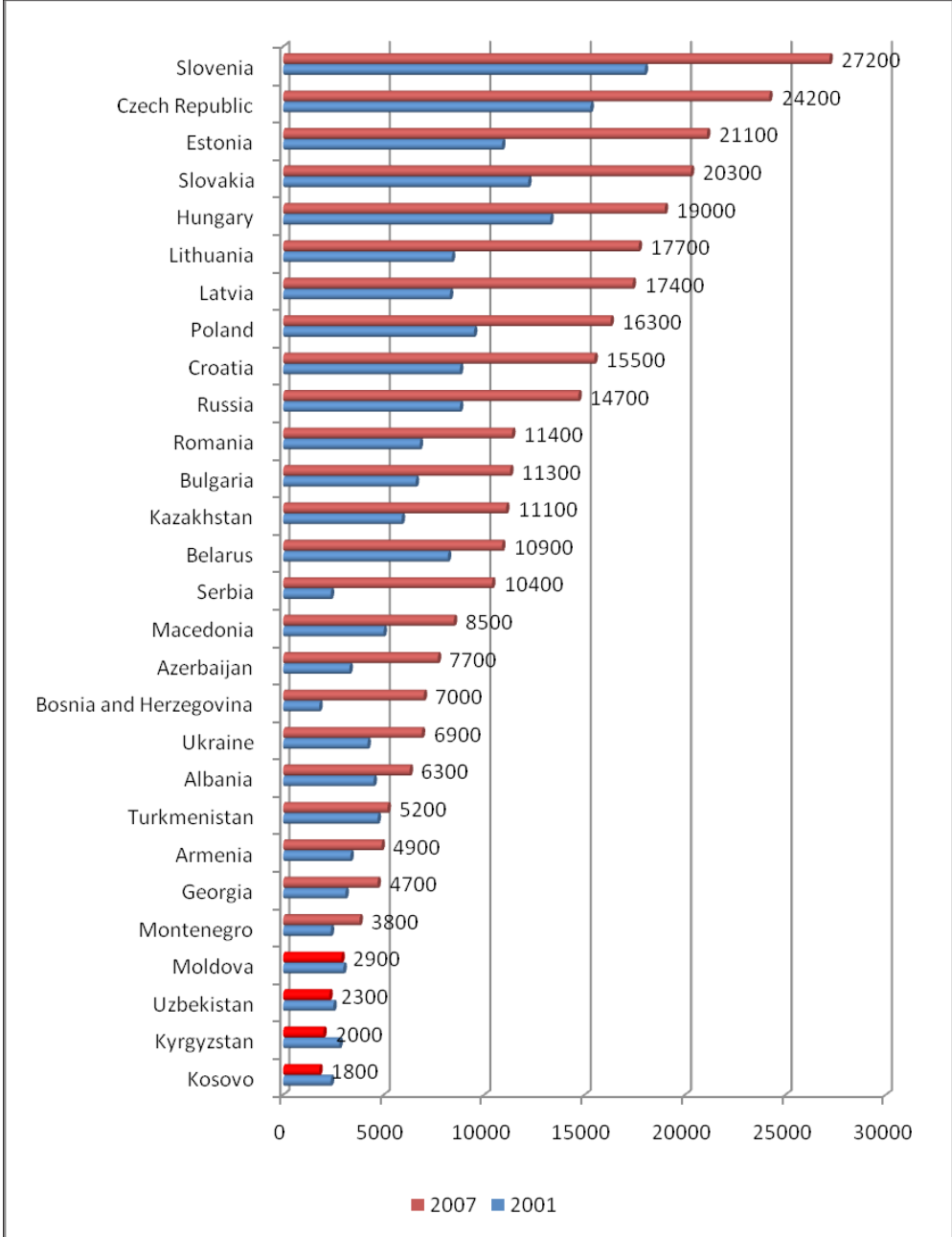
Source: CIS Statistic Committee, Statistical analysis, prognosis and assessment, The de facto tendencies of economic development of the CIS countries comparing with the expected values. Published in the *Statbuletin* Nr. 4 (February 2007).

If we compare Moldova with post-socialist countries in Europe we still see a similar picture. Many of these states have attained significant economic achievements, and some of them, like Slovenia, even reached a level of economic development comparable with older EU members. Starting 2001 the GDP per capita (purchasing power parity) has significantly increased in post-socialist countries. In fact, already in 2007 they have doubled that indicator, from \$5450 in 2001 to \$10650 in 2007.

If the majority of these countries have achieved positive performances after 2001, such as 11% increase in the case of Turkmenistan, and 4.3 times in the case of Serbia, then four other countries, including Moldova, have registered economic regress. More than that, if in 2001 the Moldova's GDP was twice as small as the regional median, then in 2007 this indicator was already four times smaller.

Therefore the Republic of Moldova becomes more and more marginalized as its economic condition comparing to the situation in the region as a whole concerns⁶⁷.

Chart 2. GDP per capita (purchasing power parity) in the post-socialist area (USD)



Source: Central Intelligence Agency, The World Factbook 2002, 2008

67 For more details please see the Annex: The Evolution of the GDP (purchasing power parity) in ex-socialist countries (USD, per capita)

Both charts show with clarity that the countries in the bottom of the lists are those who face, to a degree or another, security problems. Many previous studies on this subject have showed providing convincing arguments that there is a link connecting economic development of a country, population welfare, the quality of the government, protection of the human rights, and the national security. As such, OECD considers that security, in all its dimensions, is a fundamental factor for decreasing poverty, protecting human rights, providing economic development and achieving the Millennium Development Goals⁶⁸.

Security is extremely important for increasing the quality of government. The security vacuum, structures and mechanisms, may provoke the weakening of the government performance, and as a consequence, an increase in violent conflicts; which may bring a negative impact on the efforts to alleviate poverty.⁶⁹

As it was mentioned in the September 2008 report of the UN Secretary General titled Millennium Declaration: “We must invest enormous efforts for preventing violence, before the tensions and conflicts will erode the policies and economies in the affected countries, until their total collapse⁷⁰.”

The lack of a viable security policy brings a negative image to the country, similar with the one that characterized the Baltic States before their accession to NATO and European Union, as they were tagged “periphery countries”, “security vacuum”, or “grey zones” located between Western Europe and Russian Federation⁷¹.

The experience of the Baltic States show that after achieving independence they established an independent foreign policy and became functional members of various international institutions. In 1991 they joined the United Nations and the Organization for Security and Cooperation in Europe; in March 1992 they became the members of the Council of the Baltic Sea Countries, and later they became members of the Council of Europe. The main objective sought by the Baltic States, as members of all these organizations, was establishing contacts with countries from the Western Europe for joining their “communitarian security”.

68 OECD Observer, Policy Brief, Security System Reform and Governance: Policy and Good Practice, May 2004

69 OECD, DCD/DAC(2003)30/REV3, Security system reform and governance: policy and good practice, DAC High Level Meeting, 15-16 April 2004

70 United Nations, General Assembly, Implementation of the United Nations Millennium Declaration, Report of the Secretary-General

71 Baltic States Membership in the WEU and NATO: Links, Problems and Perspectives, Final Report by Ramunas Vilpisauskas, Vilnius University, June 2000

The Impact of NATO Membership on the EU Integration Perspective

Even though there is no official link between NATO and the expansion of the European Union, it is still a fact that no single country from the former socialist area was able to become a EU member without previously joining NATO. Ukraine, which aspires to join the European Union, considers that the status of NATO member increases one's chances to join the European Union⁷².

In fact, the member countries of the European Union cannot anymore claim they are neutral, since the new security policy promoted by the European Union is similar to the one adopted by NATO. Thus the Article 42, para. 7 of the Reformed Treaty on European Union insists that: "In the case that a member country is the target of a foreign attack on its territory, all other member states must provide help and assistance former using all measures available to them, according to the Article 51 from the Charter of the United Nations. This does not prejudice the particular character of the security and defense policies, promoted by certain states⁷³".

We can see that this clause is similar to the Article 5 of the North-Atlantic Treaty Organization⁷⁴. This is one of the key reasons why Finland even started to debate the opportunity of joining the Alliance⁷⁵, while giving up its current neutrality status, which is already an anachronism. Another argument brought by the Marco Minniti on the need for EU and NATO to co-operate, included the argument that the enlargement of both organizations faces the candidate states similar accession requirements.⁷⁶

The key document used by European Commission to define the development strategy for EU and the repercussions of the EU enlargement, namely "Agenda 2000", portrays very clear the link between EU and NATO. It states that "the enlargement of the European Union should bring an additional stabilization impact, after the one delivered by the preceding NATO enlargement."⁷⁷

72 Ukrainian Membership in NATO: Benefits, Costs and Challenges, By John Kriendler, July 2007

73 The Council of European Union, Brussels, 30 April 2008 (OR. fr) 6655/1/08 REV 1, Consolidated Version of the Treaty on European Union and of the Treaty on the Functioning of the European Union, Section 2, On the Common Foreign and Security Policy, *Article 42* (ex-article 17 EUT)

74 For more details see *The North Atlantic Treaty*, Washington D.C., 4 April 1949, Art.5

75 Effects of Finland's possible NATO membership, Ambassador Antti Sierla, 21 December 2007

76 NATO Parliamentary Assembly, 2005 Annual Session, 176 PCNP 05 E - NATO-EU Security Co-operation, Marco Minniti (Italy)

77 European Commission, Agenda 2000 for a stronger and wider Union, Brussels, Bulletin of the EU, Supplement 5/97, 1997

The Danish minister of foreign affairs, Mr. Niels Helveg Petersen stated very clear his view on the security issue: “Currently, there are two important actors that shape the security architecture: European Union and NATO. Together they form an important element of peace and security. These structures offer an exceptional possibility for security and integration on the European continent. They cannot replace each other, yet they can complement each other.”⁷⁸ During the 24-25 August 1996 conference held in Riga on the topic of “Baltic Dimension of the European Integration”, the main argument used by the speakers for explaining why EU should accept the Baltic States as European Union members was the need to increase the security guarantees for the European community, which will be possible after the Baltic countries join EU.⁷⁹

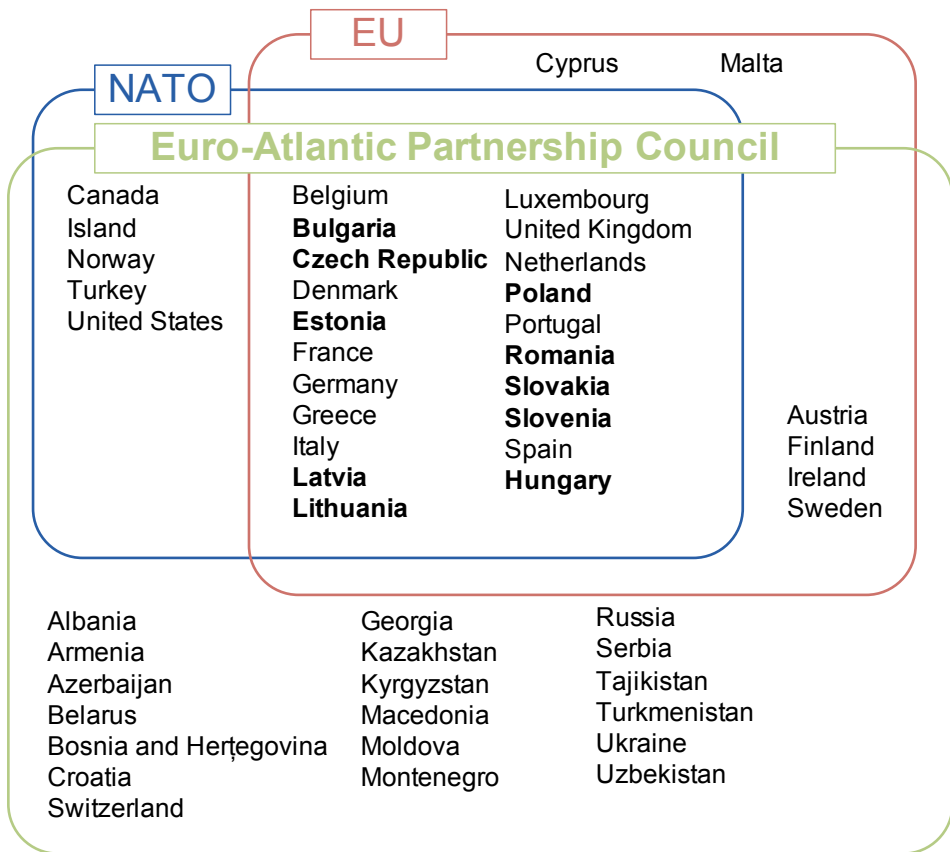
In the Thessaloniki (Greece) declaration it is explicitly mentioned that the rapprochement of the Western Balkans should take place through the consolidation of the dialog and of their foreign and security policies.⁸⁰ Any country that has the intention to integrate into the common European space should synchronize its national security policy with the one of EU. When there is no possibility to identify viable solutions to the security challenges that countries in the region face outside NATO, and when in fact there are no such solutions, then the only realistic policy option which would effectively address the security issues is joining NATO. And we have seen that the only security solution identified by the countries from the former socialist camp, which were successful later in their aspirations to join European Union, was exactly integrating into the security system provided by NATO.

78 Niels Helveg Petersen, Minister of Foreign Affairs, Denmark, Security cooperation and integration in the Baltic region. The role of the European Union: Soft Security? The Conference in Riga 24-25 august 1996, The Baltic Dimension of European Integration.

79 The Conference in Riga on 24-25 august 1996, The Baltic Dimension of European Integration.

80 Press release EU-Western Balkans Summit – Declaration, Thessaloniki, 21 June 2003, 10229/03 (Presse 163)

Chart 3. NATO, European Union and the Euro-Atlantic Partnership Council



Note: Countries from the former Socialist camp are emphasized

Source: Ambassador Antti Sierla, Effects of Finland's possible NATO membership, Ministry for Foreign Affairs of Finland, 21 December 2007

If we assess the participation of the countries in the three Euro-Atlantic institutions such as NATO, European Union, and the Euro-Atlantic Partnership Council⁸¹, we could very easily see that all states from the former socialist area, which are members of the European Union, have previously joined also NATO. It is not a formal rule, but in practice it exists and works. European Union represents first of all a common security space, and only then a common economic space. For this reason, the key benefit that the EU offers is the access to security, which then provides economic benefits.

Currently the security of any country means much more than simply military security. A very important element of the Millennium Development Goals is the issue of security. OECD countries recognize that the development and the security are two interconnected factors. This perception allows us to treat

81 For more details see <http://www.nato.int/docu/handbook/2001/hb020202.htm>

security as a public good, which must be nothing less than a public policy for any government. OECD supports the transition countries so that they can address their security related policies.⁸² In fact, given all of these, it is very clear what were the biggest concerns of the European Union members when they considered a further enlargement to the East - there were and still are many security challenges in the former socialist states area.

Contemporary economics scholars like Lord, Keohane, Wallander and Haf-tendorn have put a specific emphasis the economic security when describing the economic resources of a country. On the top of it they focused on the costs and benefits that conflicts bring, introducing the notion of added value of the international institutions in conflict resolution. In their models they analyzed the role of UN, OSCE and NATO.⁸³ Ulrich Beck and Niklas Luh-man introduced in the economic literature the concept of the risk society, where risk was perceived as a system of management addressing the unknown and the lack of security, which should disappear as a society advance on its modernization path.⁸⁴

As such, security apart from the military dimension has also both economic and social effects. Security costs are represented by the investment in the economic infrastructure of a country, while their rational application may provide for the wellbeing of the population and economic growth. Every country is deciding its own security strategy. The countries from the Central and Eastern Europe were not able to identify a viable security solution outside NATO. European integration, along the economic dimension, has also different meanings such as joining the European common security system, which is a fundamental requirement for the development of a country.

Security Costs of the Republic of Moldova

Security costs that Republic of Moldova has to face include the costs for the functioning of the Ministry of Interior (including Carabinieri Forces), National Army, Border Guards, intelligence agencies, various special forces, disaster management and civil protection, and the Center for Countering Economic Crimes. What is very insightful is that Moldova's security related expenses are especially oriented towards the promotion of internal security, and less towards countering defense-related threats. During the 1996-2000

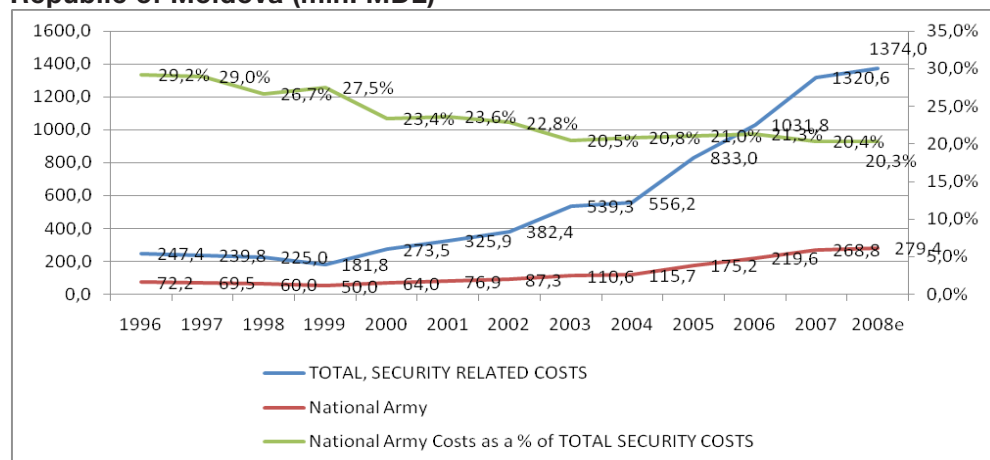
82 For more details see www.oecd.org/dac/conflict

83 Helga Haftendorn, Celeste Wallender, Robert O. Keohane, *Imperfect Unions: Security Institutions over Time and Space*, Oxford University Press, 1999

84 Ulrich Beck, *Risk Society, Towards a New Modernity*, Sage, London, 1992

period, because of the worsening economic climate, the national security related costs did not grow, while they significantly dropped by some 25% in 1999, because of the economic crisis of the previous 1998 year. Only starting 2002 we can observe a continuous increase of the national security related costs, which currently have reached the figure of MDL 1.37 billion, if we do not consider the capital investments and indirect costs, which we will address further.

Chart 4. The Evolution of the Security and Defense-Related Costs of the Republic of Moldova (mln. MDL)

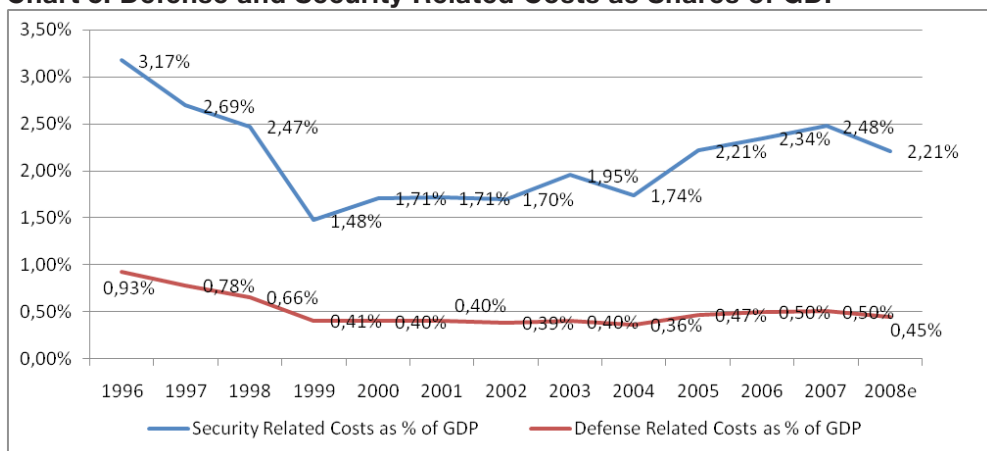


Source: National Statistics Bureau, Annual Statistic Report 2004-2008, The Law on the State Budget 1996-2008, in the authors' estimation

From the chart above we could clearly observe that during the last 12 years the importance of the National Army in the national security system, as attached to it by the Moldovan leadership, has continuously decreased. In 1996 the National Army received 29.2% of the total funds offered for the national security, while in 2008 that figure dropped to only 20.3%.

The national security related costs of Moldova has changed from its maximum value in 1996, when they were as high as 3.2% GDP, to its minimal value in 1999 when they reached 1.5% of GDP. This two-fold decrease as a % of GDP took place on the background of a deteriorating economic situation in Moldova, which have resulted in the very modest budget in 1998-1999. The recovery of the security related costs started in 2000, while today we can affirm that they have reached the level of 2.2-2.5% of GDP. In order to get back to the level of 1996 it is necessary to increase the national security related costs by at least MDL 370 million, in order to reach the figure of MDL 1.75 billion.

Chart 5. Defense and Security Related Costs as Shares of GDP



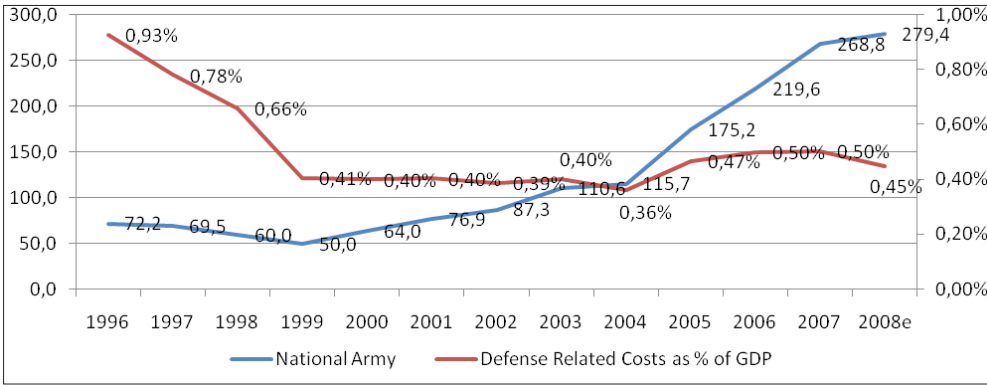
Source: National Statistics Bureau, Annual Statistic Report 2004-2008, The Law on the State Budget 1996-2008, in the authors' estimation

If we can convincingly state that general costs for security have been recovering, then defense-related costs did not reach their 1996 level, after they dropped again in 1999, when they were reduced along with other costs but 2.3 times more severely comparing to 1996. Therefore their recovery is much slower; currently they are a bit higher as a percentage of GDP comparing to their lowest level of 1999 and represent only 0.45-0.5% of GDP. We can state that defense costs are almost twice smaller than they were in 1996 and in order to address this issue it is necessary to identify additional funds for defense, increasing defense spending by at least MDL 280 million, which would mean doubling the current defense budget.

Defense Costs of the Republic of Moldova

Defense-related costs in the Republic of Moldova have been significantly increased starting 2004. Before that they went through a difficult period after 1997-1999, when because of the economic crisis they were reduced from MDL 72 million to MDL 50 million. A period of slow recovery followed in 2000-2003, when these costs increased from MDL 64 million to MDL 110 million. Unlike the security-related costs, the defense costs faced a stagnation period and even a decrease as % of GDP until 2004, when they reached the bottom of 0.36% of GDP. These costs do not include the capital investments, maintenance and refurbishing, pensions and facilitations that will be covered further in the study.

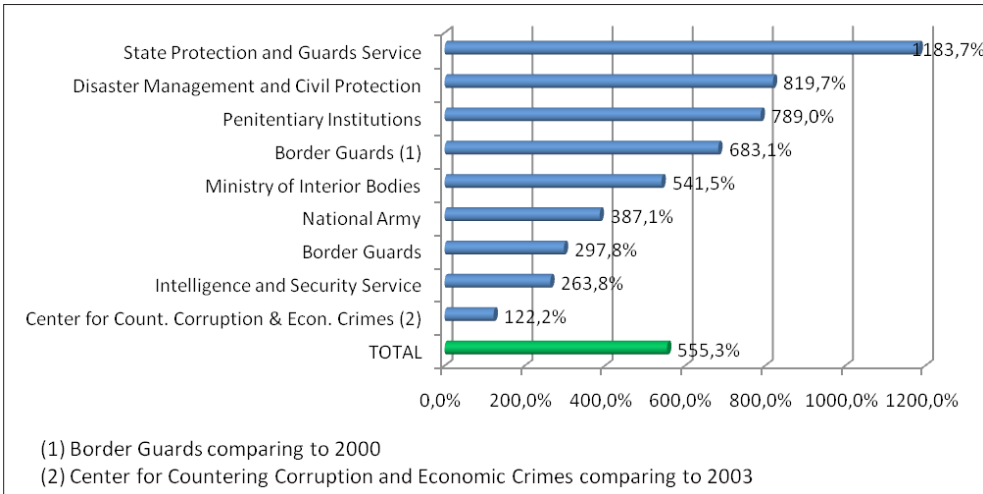
Chart 6. Dynamics of the Defense Costs in the Republic of Moldova (mln., MDL)



Source: National Statistics Bureau, The Law on the State Budget 1996-2008, The Draft Law on the State Budget 2009, National Statistics Bureau, author's prognoses and estimations.

We need to emphasize that the increase of security-related costs was not uniform. In fact, as nominal value, they increased by 5.6 times on average in 2008 comparing to 1996; however this increase had huge discrepancies. The expenses for certain agencies and services such as the State Protection and Guard have increased by 12 times, while the Intelligence and Security Service has witnessed a 2.6 times increase in their financing. National Army was below the average increase level, experiencing an increase in its financing by 3.9 times.

Chart 7. The Detailed Change of Security Costs in 2008 comparing to 1996



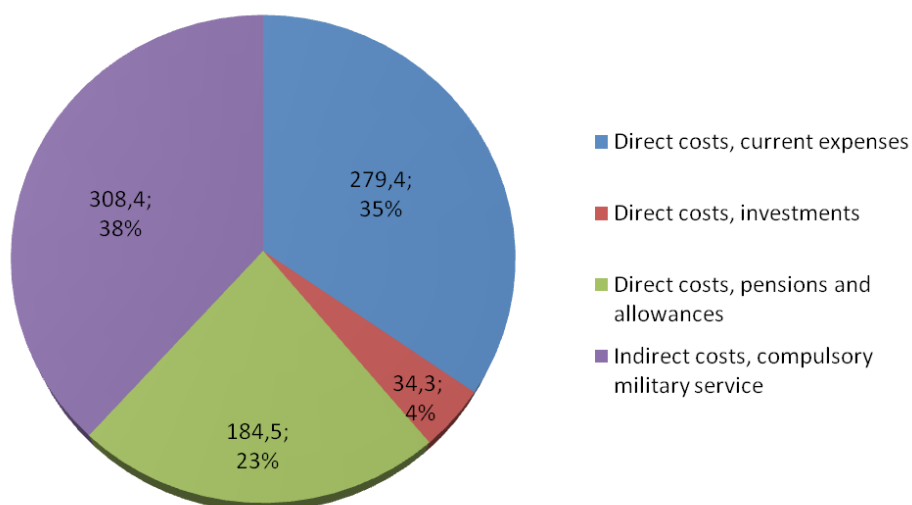
Source: The Law on the State Budget 1996-2008, The Draft State Budget 2009, National Statistics Bureau, author's prognoses and estimations.

If the costs for the National Army preserved their share in the total volume of security related expenses, today they would have represented 0.6-0.75%

of GDP. Therefore, while see the costs for the national defense at present staying at the 0.45-0.5 % of GDP level, when the National Army and security concerns become a priority for the political leadership, then they can be easily adjusted to the level of 90s, when the country's expenditures for defense (National Army) reached 0.7-0.9% of GDP. Apart from direct defense costs that are reflected in the state budget, our defense system implies also hidden costs, which are a burden on the society, and which cannot be seen in the state budget.

The biggest defense cost that is hidden is the cost brought by the compulsory military service, which in fact is a form of taxing, imposed as a rule on all members of society (on male population). It is a paid tax, and it is reflected through an unpaid compulsory work, done annually by some 7000 persons. When we consider the income that was refused to these persons involved in the compulsory military service, then the amount of money obtain reaches MDL 308 million annually (in 2008 year prices). These are the costs that include the monthly salary of MDL 2700, and the costs of obligatory medical and social insurance. In other words, compulsory military service represents nothing else than a loss of an average income for one person in range of MDL 44,000 annually. And this is a hidden tax, distributed unevenly on the citizens of the Republic of Moldova.

Chart 8. The Structure of Defense Expenditures (MDL mil., 2008)



Source: The Law on State Budget 2008, no. 254-XVI, from 23 November 2007, in author's estimates

Therefore, when we consider all direct and indirect costs for the national defense, then they will reach MDL 806.6 million, out of which MDL 498.2 million or 61.8% are supported directly by the state budget, while another MDL 308.4 million or 38.2% are supported directly by the society and are not reflected in the state budget. If we consider then all these defense costs of the Republic of Moldova then we obtain the figure of 1.3% of GDP. The state budget supports only 8/13 of these costs, while the other 5/13 of these defense costs are indirectly paid by the society, through the compulsory military service.

Defense Costs of the NATO Member-Countries

In order to provide for the security of NATO members there is an agreement which requires each member country to increase its defense spending to the level of 2% of GDP.⁸⁵ Even though this provision does not carry any compulsory effect, the failure to follow it generates concerns inside the Alliance.⁸⁶ James Appathurai, the NATO Spokesperson has emphasized during a press conference in 2007, that the answer to the question what should be done so that the Western countries' military forces are in line with the existing expectations, one should look at their defense budgets. He continued saying that NATO has an informal consensus suggesting all its members to provide 2% of their GDP for defense purposes, yet not all NATO countries have reached that objective.⁸⁷

In 2006 only six countries honored this agreement. In fact, appropriate spending for defense purposes is the biggest financial effort that a country willing to join NATO should make. At the same time that financial effort alone is not sufficient for a country to be accepted into the Alliance. And if we analyze the arguments that support the aspiration of a country to become a member of NATO, it becomes clear that in order to satisfy the required conditions of NATO membership, a state should improve its governance and the welfare of its population.

Robert Bradtake, the United States Assistant Secretary of State mentioned in his 2003 testimony in front of the U.S. Senate Foreign Relations Commit-

⁸⁵ For details see (1) Press conference, by NATO Spokesman, James Appathurai, Noordwijk, Netherlands, 25 Oct. 2007; (2) Speech on NATO reform delivered at a podium discussion, British Embassy Berlin on 11 November 2008; (3) NATO's Prague Capabilities Commitment, CRS Report for Congress, Carl Ek, Specialist in International Relation, Foreign Affairs, Defense, and Trade Division, (4) Defense Select Committee Report on the Future of NATO, Martin Butcher, 2008 The Acronym Institute.

⁸⁶ Ibid

⁸⁷ Press conference, by NATO Spokesman, James Appathurai, Noordwijk, Netherlands, 25 Oct. 2007

tee⁸⁸ that there are a number of achievements that a candidate country should make in order to become a NATO member. He listed them as follows:

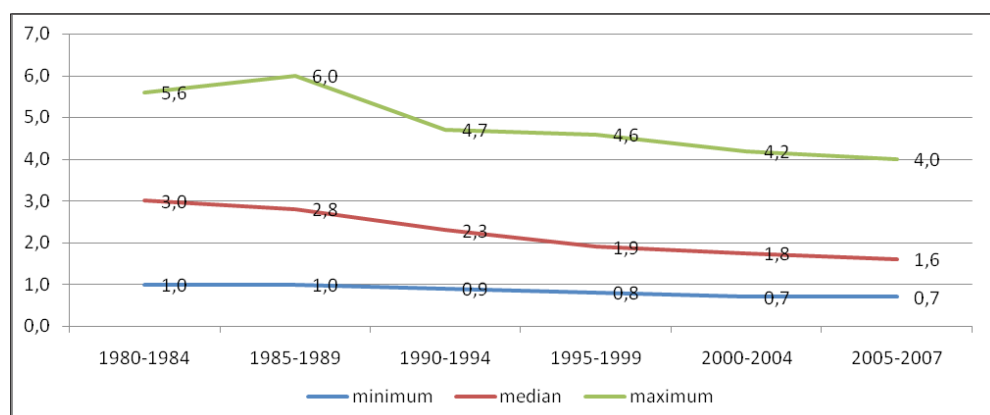
- Clearly demonstrating acceptance of democratic values
- Providing for the human freedoms
- Tolerance and non-extremism
- Functional market economy
- Recovering the property rights
- Consolidating an institutional framework to fight corruption
- Improving the welfare of people
- Respecting the rule of law
- Guaranteeing free and fair elections
- Creating the conditions for an independent media and justice, etc.

A country aspiring to join NATO should demonstrate that is implementing successfully these fundamental values. The intention of a country to become a NATO member should be confirmed through reforms of its institutions and the readiness to spend 2% of its GDP for defense purposes. However, when we thoroughly analyze the dynamic of defense spending during the last 30 years, we come to the conclusion that these costs have suffered a continuous decrease. And the expressions of concern made public by various officials from the NATO member-countries did not stop this process. During the Munich Security Conference in 2001 the U.S. Defense Secretary Donald Rumsfeld displayed his dissatisfaction that the biggest European economies are spending for defense in the limits of 1.3% of their GDP⁸⁹, because according to him (and many other NATO officials) this reflects on the decreased capacity of the Alliance to effectively face the existing international challenges. Regardless all these existing concerns the defense costs of the NATO member countries continued to decrease. As a result they have reduced from the 3.0% of GDP (1980-1984 median) to 1.6% as of today.

88 NATO Enlargement, Robert Bradtke, Deputy Assistant Secretary of State for European and Eurasian Affairs, Testimony Before the Senate Foreign Relations Committee, Washington, DC, March 27, 2003

89 Irena Mladenova, Elitsa Markova, NATO's Enlargement and the Costs for Bulgaria to Join NATO. Final Report Euro-Atlantic Partnership Council-NATO Individual Fellowship 1999-2001, Economic Policy Institute Sofia, 2001

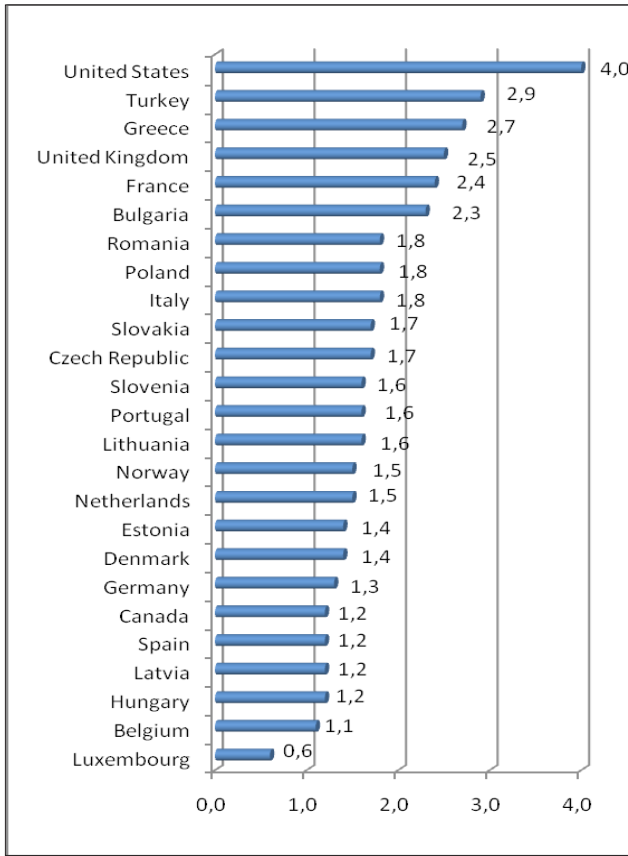
Chart 9. The Change of Defense Spending in NATO Countries (% of GDP)



Source: Author's calculations based on the NATO Handbook, NATO Office for Information and Press, 2001. For the 2000-2007 period the data was taken from the *Information for the Press*, 20 December 2007, NATO-Russia compendium of financial and economic data relating to defence, Data provided by NRC nations. Compiled by Data Analysis Section, Force Planning Directorate, Defence Policy and Planning Division, NATO International Staff

While until 1990 no NATO member-country spend less than 1.0% of GDP for defense, then currently the bottom spending registered in a NATO country reached 0.7%, while in 2007 that indicator was at 0.6% of GDP. This is less than what Moldova allocates for its defense (if we consider also the indirect costs), which is 0.8% of GDP. There was also a constant decrease of defense spending in countries that historically allocated the highest % of their GDP for defense. If during 1985-1989 period the maximum defense costs inside NATO reached the level of 6.0%, then currently these expenses dropped to 4% of GDP. In 2007, as well as in the preceding year, only 6 NATO countries had a defense budget above the required 2% of GDP, while the majority of the NATO members spent between 1.2% and 1.8% of GDP.

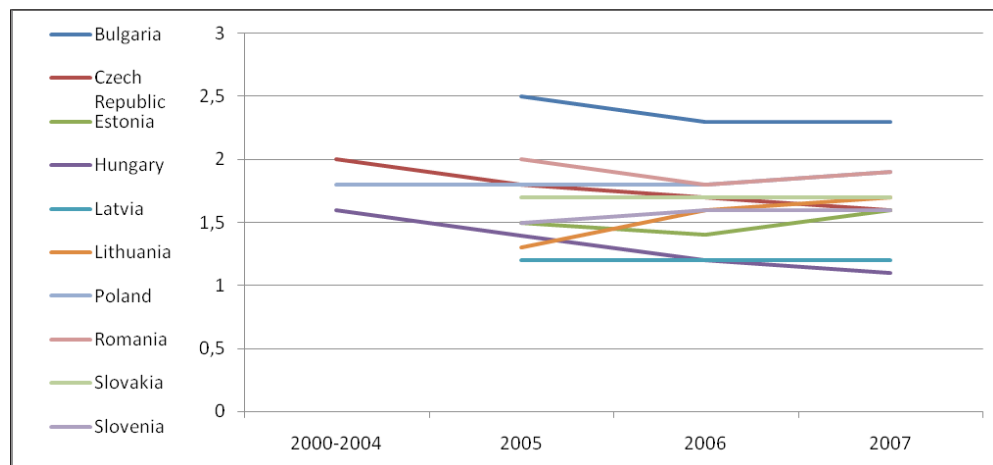
Chart 10. Defense Spending of NATO Countries in 2006 (% of GDP)



Source: Information for the Press, 20 December 2007, NATO-Russia compendium of financial and economic data relating to defence, Data provided by NRC nations. Compiled by Data Analysis Section, Force Planning Directorate, Defence Policy and Planning Division, NATO International Staff

It is interesting to compare this tendency to the dynamic of defense spending in the countries that joined NATO more recently. We can see that the majority of these countries have approved defense costs in the limits of 1.5-2.0% of GDP. The only exception is Bulgaria, which maintains a level of defense spending in the limits of 2.2-2.5% GDP. Some more interesting cases are Hungary and partially Czech Republic, since both of them represented the first wave of NATO enlargement. Both countries have reduced their defense budgets after joining the Alliance as follows: Hungary dropped its defense costs from 1.6 to 1.1% of GDP and Czech Republic decreased its defense related costs from 2.0% to 1.6% of GDP

Chart 11. The Evolution of Defense Spending for the New NATO Members (% of GDP)



Source: Author's own calculations, based on the NATO Handbook, NATO Office of Information and Press, 2001, For the period 2000-2007 - Information for the Press, 20 December 2007, NATO-Russia compendium of financial and economic data relating to defence, Data provided by NRC nations. Compiled by Data Analysis Section, Force Planning Directorate, Defence Policy and Planning Division, NATO International Staff

The main argument used by critics that oppose a possible NATO membership for Moldova, is reduced to the claim that Moldova will have great difficulties in quickly increasing the defense related expenses, and resists no scrutiny. First of all, our defense related costs are already similar to the defense costs supported by member-countries which spend least for defense. Secondly, the experience of Baltic States has showed that even in the time of crisis these costs may be increased lightly. And finally, the question of supporting the defense costs in the framework of NATO is an issue for all its members.

Other NATO member-countries are also looking for solutions, and therefore our problem related to the increase of defense costs will meet the understanding of allies, since the question of defense budget stays high on the NATO agenda for years. Analyzing the issue of the allocation of funds for defense in NATO countries, we can see that things have evolved quickly in this regard. Most of the NATO member-countries have reduced the funds they spent for defense, like in case of Belgium which decreased them by 2.1% of GDP. The only exception is Turkey, which increased its defense spending by 1.5 times, so that the defense costs as a share of GDP grew up from 4% in 1980 to 6% in 2000, and only were significantly decreased in 2007, when Turkey allocated for defence only 2.7% of its GDP.

Table 1. Defense Spending of NATO Member-Countries (% of GDP)

NATO Member Countries	Accession Year	GDP, \$ bil., 2007	1980-1984	1985-1989	1990-1994	1995-1999	2000-2004	2005-2007e
Belgium	1949	453,6	3,2	2,8	2	1,5	1,3	1,1
Bulgaria	2004	39,61	//	//	//	//	//	2,3
Canada	1949	1432	2	2,1	1,9	1,4	1,2	1,2
Czech Republic	1999	175,3	//	//	//	//	2	1,7
Denmark	1949	311,9	2,4	2	1,9	1,7	1,5	1,3
Estonia	2004	21,28	//	//	//	//	//	1,5
France	1949	2560	4	3,8	3,4	2,9	2,5	2,4
Germany	1955	3322	3,3	3	2,1	1,6	1,4	1,3
Greece	1952	314,6	5,3	5,1	4,4	4,6	3,2	2,7
Italy	1949	2105	2,1	2,3	2,1	1,9	2	1,8
Latvia	2004	38,3	//	//	//	//	//	1,2
Lithuania	2004	27,3	//	//	//	//	//	1,6
Luxemburg	1949	50,2	1	1	0,9	0,8	0,7	0,7
United Kingdom	1949	2773	5,2	4,5	3,8	2,8	2,4	2,5
Norway	1949	391,5	2,7	2,9	2,8	2,2	1,9	1,5
Netherlands	1949	768,7	3	2,8	2,3	1,8	1,5	1,5
Poland	1999	420,3	//	//	//	//	1,8	1,8
Portugal	1949	223,3	2,9	2,7	2,6	2,3	1,7	1,6
Romania	2004	166	//	//	//	//	//	1,9
Slovak Republic	2004	75	//	//	//	//	//	1,7
Slovenia	2004	46,1	//	//	//	//	//	1,6
Spain	1982	1439	2,3	2,1	1,6	1,4	1,2	1,2
USA	1949	13840	5,6	6	4,7	3,3	3,4	4
Turkey	1952	663,4	4	3,3	3,8	4,4	4,2	2,8
Hungary	1999	138,4	//	//	//	//	1,6	1,2

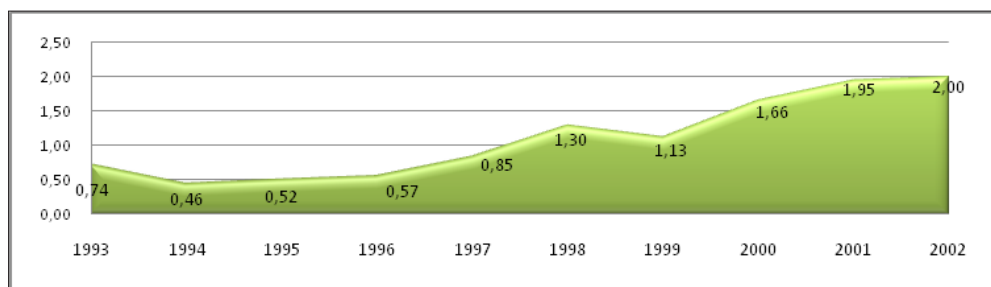
Source: Author's own calculations based on the NATO Handbook, NATO Office of Information and Press, 2001, Pentru 2000-2007 Information for the Press, 20 December 2007, NATO-Russia compendium of financial and economic data relating to defence, Data provided by NRC nations. Compiled by Data Analysis Section, Force Planning Directorate, Defence Policy and Planning Division, NATO International Staff

From the table above we can easily discern that countries that spent big on their defense were Greece and Turkey, due to the common security problem (Cyprus), while both are NATO members. Because a solution for Cyprus was identified, in one way or another, the intensity of security tensions between the two countries has decreased, resulting in Turkey and Greece slowly adjusting their defense budgets to an average NATO level of spending

Countries that recently joined NATO had at the time of accession a defense budget spread between 1.6% and 2.3% of GDP (on both extremes were Hungary – minimum and Czech Republic – maximum). Therefore, their financial efforts for providing for national defense were comparable with that burden supported by older NATO members. We came to the conclusion that a country aspiring to join NATO should plan for its defense spending

to be in between 1.5-2.5% of GDP. Every candidate country before joining the Alliance has signed a document named Membership Action Plan (MAP), which also considered the obligation for increasing the defense related costs to the 2.0% level of GDP (some countries had already reached that level at the time)⁹⁰. During 1994-1996 Lithuania spent for its defense only 0.46-0.57% of GDP, or 1.6 less than Republic of Moldova allocated for defense during the same period. In order to achieve the NATO required average level – fixed at the 2.0% of GDP level – Lithuania needed some six years. In due time Lithuania has confronted the severe consequences of the 1998 economic crisis, which forced on her a significant cut in defense spending.

Chart 12. The Evolution of Defense Related Spending of Lithuania (% of GDP)



Source: Ruta Avulyte, Cost-benefit analysis of NATO enlargement: challenges and achievements of Lithuania, Columbia University, School of International and Public Affairs, 2001

When we compare Republic of Moldova with Lithuania, it is possible to say that Moldova is where Lithuania was during 1994-1995. Logically, in order to adjust our defense costs according to the NATO requirements we will need no more than five years. And, if we consider that the level of defense-related costs as share of general security costs in Moldova have dropped from 30% in 1996 to 20% at present, a possible solution will be to partially reallocate funds from other security sector agencies towards the National Army. Consequently, this will allow to significantly decreasing the burden on the state budget.

The Budget and the Financial Management inside NATO

A specific feature of defense related spending is that as a rule the money does not leave the country. They are directed to cover the payment of salaries,

⁹⁰ Thomas S. Szayna, The Future of NATO and Enlargement, Testimony for the Subcommittee on Europe of the Committee on International Relations, United States House of Representatives on April 17, 2002

investments, which together contribute to the economic growth, welfare of the population and partly come back into the state budget as taxes. However, every NATO member should also contribute to the NATO specific budget. The North-Atlantic Alliance does not have its own military forces, since all troops that participate in various missions under a NATO umbrella belong to the member states. Because of this, the biggest amount of funds allocated by the NATO members are used for maintaining their own military forces and supporting specific activities aimed at building the interoperability of the national troops with the military forces of the other allies. At the same time, the Alliance member-countries support certain expenses necessary to cover the participation of their forces in various activities planned by the NATO Headquarters and regional commands.

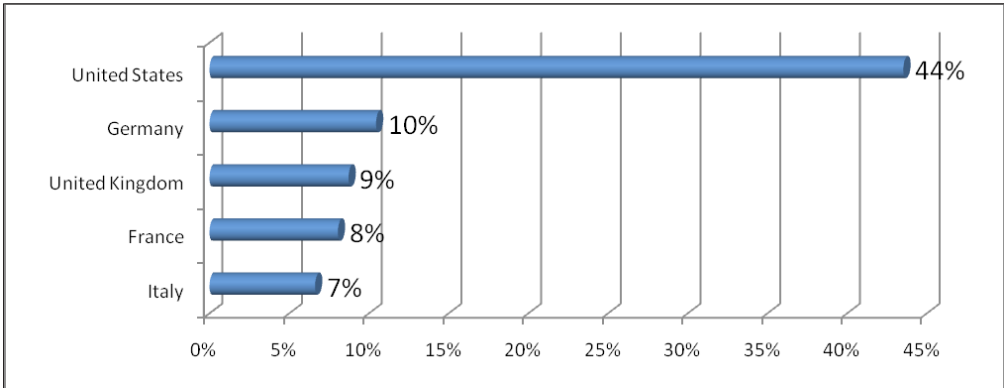
Therefore the Alliance's budget does not include expenses necessary for procuring military equipment. The only exception in this regard is represented by the NATO's radiolocation assets, including aircrafts equipped with early warning and control systems, which are subordinated to the NATO's Central Command, and not to the national authorities as it is the case with all other military assets of this kind. The NATO command structures have the right to make certain investments and have various costs that serve the goals of the Alliance. The countries that have joined NATO are contributing to the Alliance's costs, transferring into its budget annually certain funds, according to a specific formula of cost distribution among member-countries.

As a rule this formula depends on the capacity of the contributing countries to support such expenses, and which represents a relatively insignificant share from their national defense budgets. According to an ongoing tradition, the contribution of each member-state is established based on certain estimations linked to their national GDP, according to the statistical data provided by the World Bank.⁹¹ Accordingly, depending on the economic potential of each country, it is considered the contribution of the allies to the NATO budget.

To make things more clear, we have tried to see the contribution of NATO member-countries, based on their national GDP, according to its power purchasing parity in 2008. In 2007 the GDP of NATO member-countries according to its power purchasing parity reached \$31.8 billion. The first five NATO countries listed according to the economic potential are: USA (\$13.8 billion), Germany (\$3.3 billion), United Kingdom (\$2.77 billion), and Italy (\$2.1 billion). They accumulate a common GDP of \$24.8 billion, which makes for 78% of the combined NATO member-countries GDP.

91 *NATO Handbook*, Public Diplomacy Division, NATO, 1110 Brussels, Belgium 2006

Chart 13. The Financial Contribution of the Five Biggest Economies to the NATO Budget

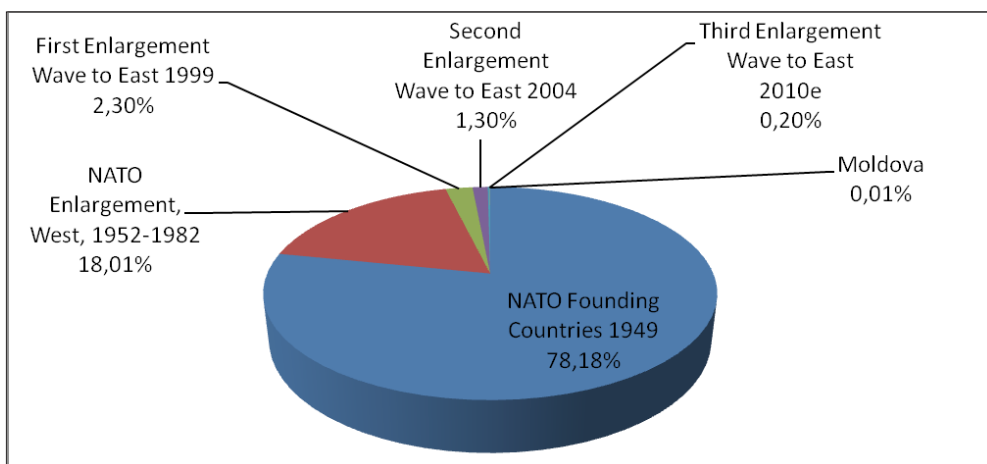


Source: Author's own calculations based on the World Development Indicators database, World Bank, revised 10 September 2008

Analyzing overtime the evolution of NATO after 1994, we come to the conclusion that the enlargement waves during the last decade did not essentially change the picture of organization's funding. The reason for this resides in the fact that the five NATO members with the biggest economies supported the bulk of the costs necessary for the functioning of the organization. Another reason is because the NATO enlargement had the goal of including in its security community countries with a relatively reduced economic potential. Before its extension in 1999 the combined GDP of NATO countries, adjusted at current prices, was close to \$30.6 billion GDP, and the enlargements from 1999 and 2004 accepted groups of countries whose national GDP, adjusted to current prices, was \$1.1 billion or 28 times smaller than that of the older NATO members.

The conclusion is that the main NATO contributors, which are older members, continue to have the ability of supporting today some 78% of the common GDP; and the countries that joined the Alliance during the last enlargement (after 2004) maintain an estimated economic potential of some 1.3% of the common NATO countries GDP.

Chart 14. Distribution of Economic Potential Among NATO Countries



Source: Authors' own calculations based on the data provided by the World Development Indicators database, World Bank, revised 10 September 2008

It is obvious that Moldova, with its contribution of 0.01% to the NATO centralized budget and allocating a minimum of 1% of its GDP for defense will benefit from the security offered by all 25 NATO member states.

It is very important to assess how much spends each country alone for contributing funds from their own defense budgets to the centralized NATO budget. As a rule, each member-country of the North-Atlantic Alliance spends some 1.2-1.5% of the defense budget for these purposes (Denmark - 1.3%, Norway – 1.4%⁹²). This would suggest that Republic of Moldova, in case it is accepted to join NATO, would have to contribute annually to the NATO budget Euro 150,000-200,000, or MDL 2.5 million.⁹³ This amount represents less than 1% from Moldova's defense budget for 2008, which is estimated at the level of MDL 280 million.

Apart from financial contribution each NATO member country should delegate its representatives to fill in staff positions in NATO command structures. The national authorities have to support all the costs related to these secondments, which include lodging and salaries, as well as representative costs. In case Moldova would second 75 officers to the NATO command structures (similarly with what Finland plans to do), then this would involve costs of some MDL 25 million, or 10 times our direct contribution to the NATO budget. And 90% of the defense-related costs that Republic of Moldova would have to cover for such foreign secondments would consist of salaries to our citizens.

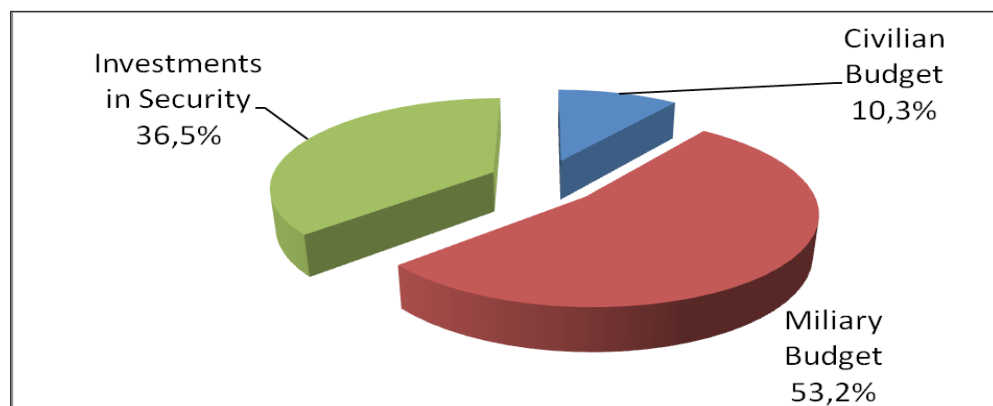
⁹² Ambassador Antti Sierla, Effects of Finland's possible NATO membership, Ministry for Foreign Affairs of Finland, 21 December 2007

⁹³ According to the official exchange rate MDL/Euro on 15 September 2008, The National Bank of Moldova rates.

When we assess the case of Finland this proportion is 1:1. Which means the total spent amount will be 4% from Moldova's current defense budget. However, because the new members will have to increase their defense budget to the level of 1.5-2.0% of GDP, then that contribution in case Moldova decides to join NATO, will also be smaller, amounting to no more than 2% of the future defense budget (which needs to be doubled comparing to the current MDL 280 million). And such a contribution is comparable with the expenses of the other NATO members.

We should also mention that the Alliance funding system consists of 3 separate budgets: civilian budget, military budget and NATO programs of investment in security. In 2006 the NATO budget reached some Euro 1.76 billion, in which military budget occupied about 53.2%.

Chart 15. The Structure of NATO Budget



Source: Ambassador Antti Sierla, Effects of Finland's possible NATO membership, Ministry for Foreign Affairs of Finland, 21 December 2007

Each NATO member country can benefit from financial resources accumulated in the budget for NATO's investments in security, funds which are invested into local infrastructure, with dual use. Therefore Republic of Moldova would be able to request financial resources to repair the roads that would have both military and civilian use. It is obvious that the NATO member at the Alliance's border and the new members are able to access financial resources for investments rather easily. The geographic position of Moldova allows us to estimate that we will be beneficiaries of funds and not donors.

The Effect of NATO Accession on the Level of Foreign Direct Investments

Analyzing the dynamics of Foreign Direct Investments (FDI) in the post-socialist area shows clearly the direct dependence between the FDI and the guaranteed security of a country. Thus, rapprochement to NATO means an increase of FDI. The more serious the security vacuum that a country has before its integration into NATO (Romanian and especially Polish cases), the larger will be the economic effect of the accession. Before 2001, most of the FDI went towards the countries from the Central and Eastern Europe (Poland, Hungary, Czech Republic, Slovakia, Estonia, Latvia, Lithuania, and Slovenia). After 2002 we witnessed a huge influx into certain countries in the Southeastern Europe (Romania and Bulgaria). It is not difficult to see the direct link between these investment influxes and the stages of accession of these countries into NATO and European Union.

Table 2. Foreign Direct Investments in the Countries of Southeastern Europe 1993-2001 (million, \$)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total 1993-2001	Average 1999-2001
Albania	68	53	70	90	48	45	41	143	200	758	128
Bosnia	n/a	n/a	n/a	n/a	1	100	90	150	130	471	123
Bulgaria	40	105	90	109	505	537	819	1002	689	3896	837
Croatia	120	117	121	516	551	1014	1637	1126	1502	6704	1422
Macedonia	na	19	9	11	16	118	32	176	442	823	217
Moldova	14	28	67	24	79	76	40	143	149	620	111
Romania	94	341	419	263	1215	2031	1041	1040	1137	7581	1073
Yugoslavia	96	63	45	0	740	113	112	25	165	1359	101

Source: Tax policy assessment and design in support of direct investment, Directorate for financial, fiscal and enterprise affairs, OECD, April 2003

FDI in the countries of the Southeastern Europe were rather modest during 1993-2001, going slightly over \$22 billion, which amounts for less than foreign direct investments in Poland or Czech Republic taken from the group of Central and Eastern Europe group of countries. Even though the former countries were members of the Stability Pact for the Southeastern Europe, their investment attractiveness was far inferior comparing to the countries from the Central Europe, which have already negotiated association agreements with NATO and European Union.

Table 3. Foreign Direct Investments in Countries from Central and Eastern Europe during 1993-2001 (million, \$)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total 1993-2001	Average 1999-2001
Poland	1715	1875	3659	4498	4908	6365	7270	9342	8000	47632	8204
Hungary	2339	1147	4453	2275	2173	2036	1970	1649	2443	20485	2021
Czech Republic	654	869	2562	1428	1300	3718	6324	4986	4916	26757	5409
Slovakia	179	273	258	358	220	684	390	2075	1475	5913	1314
Estonia	162	215	202	150	267	581	305	387	538	2807	410
Latvia	44	213	178	382	521	357	348	408	202	2653	319
Lithuania	30	31	73	152	355	926	486	379	446	2878	437
Belarus	18	11	15	105	352	203	444	90	169	1407	234
Ukraine	200	159	267	521	624	743	496	595	772	4437	621
Slovenia	113	128	177	194	375	248	181	176	442	2033	266

Source: UNCTAD 2002, IMF 2002.

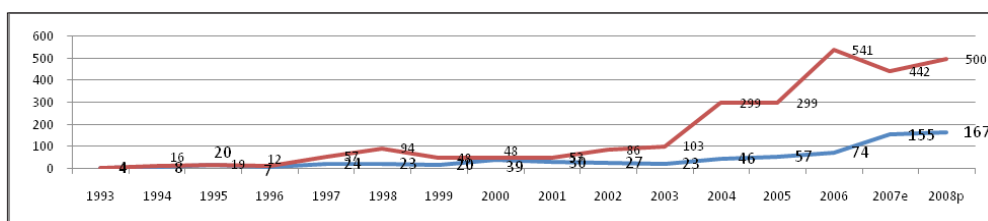
Let us recall the conclusions reached as a result of our analysis on the Central and Eastern European states. There are two categories of countries: those who managed to attract FDI in significant volumes, on one side, and countries that practically were not able to use to the full extent the fact of their association with NATO. If we look at the FDI influx into the Central and Eastern Europe we can see the very extensive capacity of Poland and Czech Republic to attract investments, as together they received more investments than all other countries from the Southeastern Europe. Therefore Poland and Czech Republic received each, more FDI during 1993-2001 than all eight countries of the Southeastern Europe (\$22 billion), followed by Hungary, in which case however the FDI influx continued to decrease during 2000. The drop of FDI level in Hungary, after the important accession in 1996, seems to be a positive reference, considering 2001 as an indicator that reversed that negative trend.

The previous table displays how Central European states (Hungary, Poland, Slovak Republic and Czech Republic) had the biggest success in attracting FDI per capita, comparing with other countries, except maybe Croatia. To a less extent the same thing can be stated about the Baltic States. In comparison with them, Ukraine and Belarus lagged behind in attracting FDI. Convincing evidence can be derived from a comparative analysis between Romania and the Republic of Moldova. Before 2001, FDI in Romania was of a similar level with that of the Republic of Moldova, which may suggest that in the eyes of the investors the political, economic, and security situation looked similar in both countries. However, immediately after Romania has chosen as its objective joining NATO and integrating into European

Union, investors received a clear signal, while the investment attractiveness of Romania suddenly increased.

A bigger difference between the levels of FDI in two countries started to be very visible starting 2004, when Romania joined NATO, and already in 2006 it had an FDI per capita which was 7.3 times bigger than in Moldova; and this happened in the condition when during 10 years the level of FDI in Romania was similar to the one in Moldova.

Chart 16. The Evolution of Foreign Direct Investments in Romania and Republic of Moldova (\$/capita)



Source: Tax policy assessment and design in support of direct investment, Directorate for financial, fiscal and enterprise affairs, OECD, April 2003. National Bank of Romania, National Institute of Statistics: The Results of Statistic Research for Determining the FDI in Romania during 2003-2006; National Bank of Moldova: The International Investment Placement of the Republic of Moldova. Author's own estimations and prognoses

In fact Romania along with Poland showed the largest positive economic effect as a result of their integration into NATO, and to a big extent this is due to the two key factors:

- A reduced security level for investors before them joining the Alliance, which accounts for the huge difference in security.
- A poor economy, which also has created a huge difference and implied larger opportunities for development.

In case of a possible integration of Moldova into NATO, the economic effect should be much more powerful than in the case of Romania, because our security deficiencies and the deplorable state of economy are more pronounced than in Romania of 2003, before it joined NATO.

The Impact of NATO Accession on the Economic Growth in Moldova

Attracting Foreign Direct Investments

The first and the most obvious effect after accession to NATO will reflect in the growth of foreign investments, as a result of the improvement of the security environment offered to investors. As mentioned at the beginning of this chapter, the security offered by NATO goes beyond simple military security and extends well into the area of economic, energy, and institutional security.

From previous paragraphs it can be derived that the biggest advantages as a result of joining NATO is obtained by the countries which have a reduced security, and therefore, maintain a very low level of economic development. Thus, in the first wave of NATO enlargement, the biggest beneficiary was Poland, a periphery country, which had a very low level of security. In the second wave of NATO enlargement Romania was the country that mostly benefited. It is another periphery country for NATO, which also had a reduced level of security.

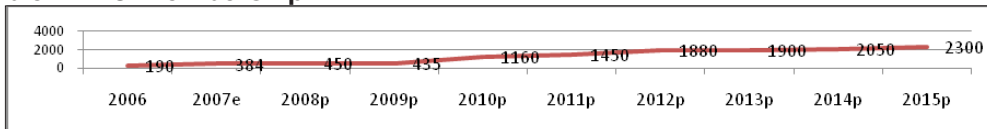
Talking about Moldova, because of its very low security level supported by an economy which is rather inferior in comparison with potential partners in NATO, a possible integration into the alliance would bring a huge effect on the influx of FDI into its economy. A OECD study on economic growth in Southeastern Europe clearly showed the correlation between the perception of security by the investors in a country and the level of foreign direct investments that go there.⁹⁴ From that study it can be derived that Moldova, which is perceived as a country that entails increased investment risks, has the lowest level of FDI in the region, and as a result, this has affected its economic growth.

The only viable security solution in the Southeastern Europe, which was identified by the countries from that region, remains to be the accession into NATO. If we suppose that Moldova may have chances to integrate into NATO in 2010, then 3 years after the accession the level of FDI in its economy would reach \$1.5 billion, having a growth potential of \$2 billion annually. Considering the very high number of unemployment, reported officially, then the investment absorption capacity of Moldova is enormous.

⁹⁴ Tax policy assessment and design in support of direct investment, *A study of countries in South East Europe*, prepared by the OECD Tax Centre for Tax Policy and administration in co-operation with the Investment Compact team directorate for financial, fiscal and enterprise affairs, OECD April 2003

To double the number of employees in the real sector of the economy from 350,000 to 700,000 employed people would require investments of at least \$30 billion.⁹⁵

Chart 17. Estimation of the FDI Influx in Moldova in the Case of its Possible NATO Membership



Source: Author's estimation based on the analysis of the accession to NATO effects in countries of the Central and Eastern Europe.

After Romania has joined NATO and the European Union, Moldova has indirectly benefited from these facts, as we can see an intensified flow of foreign direct investments in Moldova. However, if in the case of Romania the FDI were followed very clearly by the generation of new jobs, in Moldova that did not happen; because while in Romania most of the FDI were focused on building new enterprises, in Moldova we witnessed the procurement of the few existing businesses, which improved to some extent the economic environment, but did not solve the fundamental issue of economic growth.

Generating a Qualitative Economic Growth

The existence of foreign direct investments in a country does not provide for sufficient conditions necessary to support its development. More than that, it is not entirely correct to compare the FDI between two countries only based on the volume of these investments. This is so, because FDI are described by at least two very important criteria:

The economic area where the investment goes:

- Export-oriented industries. In that case, the effect of FDI is in attracting foreign currency and improves the trade balance of the country.
- Investments oriented towards domestic markets. In that case FDI have as an effect the outflow of foreign currency and a considerable worsening of the country's trade balance.

The essence of the investments:

- Greenfield – FDI that creates new enterprises and as an effect generates new jobs.
- Brownfield – acquisition of existing enterprises while investing at

⁹⁵ See the paragraph on job generation.

least 50% from its cost, which as an effect brings an improvement in the quality of work and salaries.

- Speculative Capital – portfolio investments into existing enterprises, which may develop dynamically.

Depending on the FDI type we can determine their quality. Thus, in a country with high investment risks, such as Moldova, FDI even though they may be registered, come mostly as portfolio investments, or, in best case scenario in the form of enterprises acquisitions.

By their nature these investments are speculative and bring increased risks, because in the time of crisis or at the risk of crisis the investor may very easily and quick leave the country, which brings an additional shock on the national economy, in addition to the shock of economic crisis.

Because of this the solution of the comprehensive security problem (including the military, economic, political and institutional security, etc.) leads to an increase of the FDI volume, but what is more important, the FDI quality. This was proved in the case of Romania, where some 50% from its FDI are Greenfield, which most of all contributed to the creation of a qualitative economic climate.

Generating New Jobs

A favorable economic climate for investments generates an influx of FDI of Greenfield and Brownfield types. These investments generate new jobs and leads to the increase of salaries for employees. Additionally these kinds of investment improve the business environment and the competitiveness of the national economy. Building new enterprises leads to the creation of new markets and industrial traditions, while investments into the existing enterprises increase their competitiveness.

Speculative capital does not bring anything as new jobs concern, nor do they lead to the increase of the economy and enterprises competitiveness, because this type of capital only goes into the already competitive sectors of the economy. Therefore, if the first two types of investments lead to the increase of competitiveness, then the third kind of investment has as a result the outflow of foreign currency. And, if in the case of Romania the FDI lead to the creation of new jobs and an increase of economy's competitiveness, in Moldova the FDI represent a speculative risk.

Table 4. The Number of Employees per Sector or the National Economy at the end of the year (1000 employees)

	2002	2003	2004	2005	2006	2007
Agriculture	157.7	137.4	126.7	113.4	92.3	78.9
Industry	123.7	125.5	126	126.9	122.8	123.1
Trade	33.3	34.8	38.9	42.5	44.4	49.7
Constructions	17.3	15.8	16.7	18.7	20.5	22.1
Public Sector	277.5	277.9	278.7	278.4	280	281.6
Other Sectors	75.8	76.9	79	80.1	81.5	84.1
TOTAL	685.3	668.3	666	660	641.5	639.5

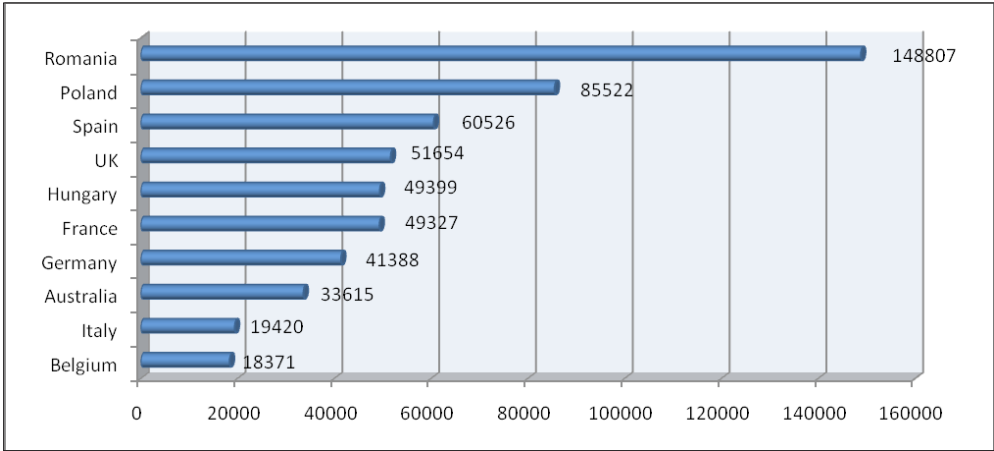
Source: National Statistics Bureau, The Job Market in the Republic of Moldova, 2008

Even though the volume of FDI in Moldova was \$512 million in 2007, this did not in any way reflected on the number of employees engaged in the national economy. Thus, during the last years that number continuously decreases (7% during 6 years), mostly because of decreases in Agriculture (two-fold), while it is partially compensated by the creation of new jobs in the area of Trade (+50%) and Constructions (+28%). However in Industry, a branch with very high export potential the number of employees did not change.

Romania, however, because it has solved its security problem and as a result attracted massive foreign direct investments, managed to stay during the last years among the top 10 countries in the world with the highest number of newly created jobs, and holds the lead in Europe with 148.8 thousand newly created jobs only in 2007 (as a result of FDI). In fact, that increase of new jobs in the Romanian economy is based almost entirely on foreign direct investments.⁹⁶ Local capital has only compensated the decrease of employees in areas of economy such as agriculture.

⁹⁶ For details see the National Statistics Institute of Romania, *Principalii Indicatori conjuncturali – date provizorii*, December 2007

Chart 18. Top 10 European Countries with the Highest Number of New Jobs Created in 2007 as a result of FDI-Greenfield

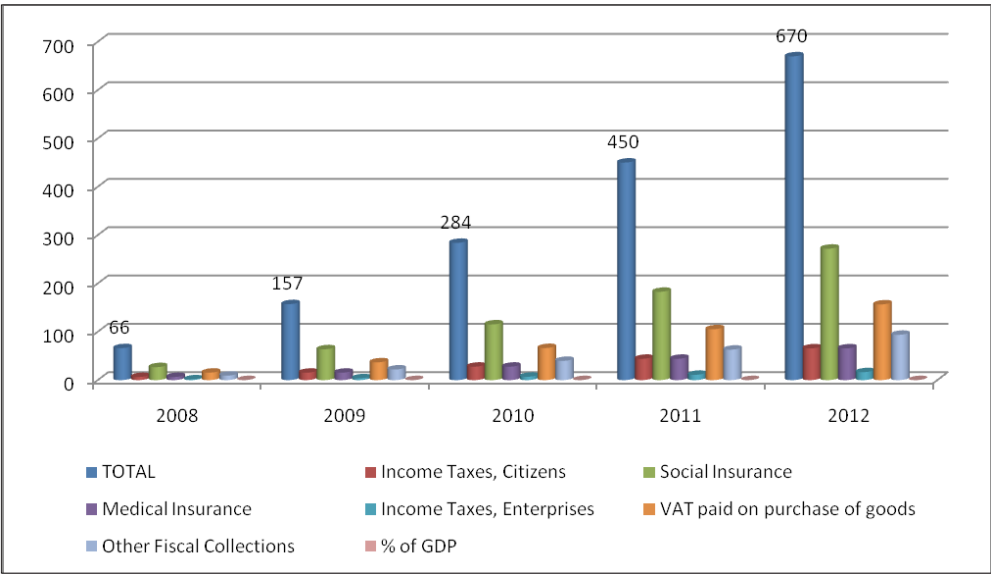


Source: The Earth Time: Global Foreign Direct Investment Grows to Almost \$1 Trillion in 2007, 20% Increase in FDI Capital Expenditure in US, <http://www.earthtimes.org/>

The case of Romania has offered convincing arguments that FDI generates new jobs and economic growth. More than that, the local economic potential is only able to provide for the preservation of the existing level of employees; and similarly to Moldova, the decrease of jobs in agriculture is compensated by increases in other areas of economy, while the total effect is nil, because the total number of employed people is in continuous decrease. It is possible to affirm with a high degree of certitude that in order to recover the national economy it is only necessary by attracting investments of Greenfield type, which cannot be attracted if initially a comprehensive national security is not in place. A net increase in the number of jobs can only be provided by attracting foreign capital from abroad.

If we assess the experience of countries from the Central and Eastern Europe, mentioned earlier in the text, we come to the conclusion that the power of absorption of foreign financial inflows of Moldovan economy is of that magnitude that allows the creation of 25-30 thousand jobs annually. Yet only the existence of guaranteed security would allow Moldova to reach these goals by attracting FDI of Greenfield and Brownfield types. During only five years the existence of that condition would allow Moldova to create at least 120,000 new jobs, similarly to those in the EU, as a direct effect of FDI, and another 100,000 jobs as a collateral effect of economic growth. Therefore only direct collections for the national public budget would reach during five years the level of MDL 670 million.

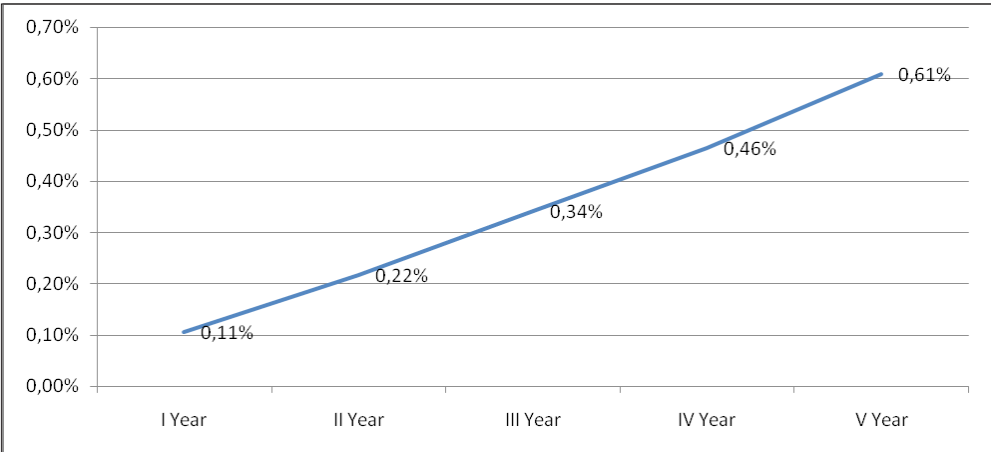
Chart 19. The Direct Effect of FDI on the National Public Budget



Source: Author's estimates

To offer a more clear explanation of that situation, we estimated what would be the additional growth of budget collections, as a result of generating new jobs. In five years these would reach 0.61% (of GDP) comparing to the current no-NATO scenario. This would also mean that the additional security-related costs would be compensated immediately as additional direct income to the national public budget.

Chart 20. The Growth of Budget Collections as an Effect of Creating New Jobs (% of GDP)



Source: Author's estimations

In these calculations we do not include the collateral effects, such as an increase in competitiveness of the local economy, bigger exports opportunities and new jobs created at the locally-owned enterprises, as a result of extending the opportunities for the local economy.

Improving the Welfare of the Population

Foreign enterprises work in the national economy as real generators of the population's income. There is a tacit consensus among economists on the value of the salary offered by foreign enterprises. The first studies on this subject showed clearly that the salary in foreign companies working in the national economy was on average 30% higher than the local-origin wages.⁹⁷ The difference in wages is even more visible in the transition countries and depends significantly on the geographic placement, the size of the country and the state of national economy.⁹⁸

In United States the foreign companies pay annually wages that amount for \$364 billion, which means a salary of \$68000 per employee. On average these companies pay salaries which are 25% higher then those paid by the local enterprises⁹⁹, while in countries like Moldova that indicator is significantly bigger.

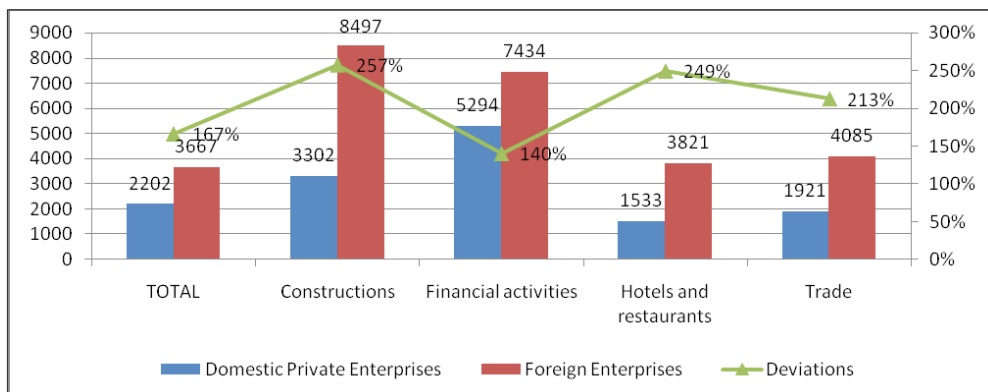
In Moldova foreign companies pay on average some 70% higher salaries than domestic companies. In certain areas of economy the difference may be as high as 2.5 times. However, in Moldova apart from the factor of higher salaries there is also the effect of the shadow economy. This means that foreign companies do not practice paying salaries “in envelopes”, a custom widely used by local companies. As a result the FDI has a fiscal effect that reduced the percentage of the influence of shadow economy, and provides conditions for developing a business climate which is transparent and responsible. It is possible to insist with high confidence that the wage impact after the possible integration of Moldova into NATO will be much more visible then it was in Romania or in the countries of the region, because of the much reduced state of development in Moldova and a complete lack of security at present.

97 The impact of foreign direct investment on wages and working conditions OECD-ilo conference on corporate social responsibility. Employment and industrial relations: promoting Responsible Business Conduct in a Globalizing Economy. 23-24 June 2008, OECD Conference Centre, Paris, France

98 Ibid

99 Impact of FDI, International Trade Administration. www.trade.gov

Chart 21. The Wages of Employees Based on the Type of Enterprise (MDL, 2008)



Source: National Statistics Bureau, Press Communiqué, Nr. 09/01-165 from 29 October 2008, Payment of employees during the January-September 2008 period.

In fact, an increase in number of employees at the foreign enterprises would lead to an additional growth of salaries on average in economy by at least 20% in 3-4 years after integration into NATO, comparing to the current evolution. Only the “injection” of foreign capital and consequently the appearance of the so-called champions of growth would propel the two-fold increase of salaries in 3-4 years, comparing to the scenario when no qualitative FDI would come to Moldova. And this would provide for a general effect on the national public budget of 1.4-2.0% of GDP, only out of salaries, which is a double value comparing to the additional security costs that Moldova has to cover when joining NATO.

Conclusions

All countries from the former socialist camp faced a security deficit and they all, with no exception, have chosen as the only viable and realistic solution to their security problem to be the integration into NATO. European Union implies first of all an access to the common security space, and then, as a consequence, an access to the opportunities for economic growth, financial resources and the common market. The old EU members which are not a part of NATO are also oriented towards joining the Alliance, because that organization offers them an increased range of opportunities and a wider access to its decision making process. Also, along with the acceptance of the “common security” concept in the European Union and the arrangement for mutual protection, the notion of neutrality becomes an anachronism.

The assumed security-related costs if Moldova would like to join NATO would reach 1.2-1.5% of GDP. However it should be mentioned that the issue of increasing these costs is a typical problem for the majority of the NATO member-countries. In order to adjust its security costs to the NATO standards, Moldova would need up to five years, while in real terms no more than 3-4 years.

During its first years of accession Moldova would have to purchase military hardware, and due to its weak economy that kind of obligation would become a very heavy burden on the national defense budget. We estimate that the acquisitions costs would surpass the total defense budget. A possible solution, which proved workable in the experience of other countries, is to negotiate on bilateral basis military assistance and other type of support from the NATO member-countries.

Additional costs for security as Moldova's obligations in its posture of a NATO member would be compensated completely by the income generated as an effect of accession into the North-Atlantic Treaty Organization. The access to the NATO guaranteed security will result in \$2 billion of annual foreign investments during at least 10 years, which is a period of time enough for Moldova to develop its economy to an average level among NATO members. Only based on the foreign direct investments attracted by the virtue of its membership status, Moldova would have created at least 120,000 jobs during a five-year term.

Reducing the country risks, attracting foreign investments, improving the business climate, creating new jobs, which are well paid, - will bring a social effect which is practically impossible to evaluate. However it is obvious that only as an effect of the foreign direct investments, the average salary per economy in 3-4 years would double comparing to the current growth. GDP per capita in a medium term perspective (5-10 years) would approach the regional average, which means an increase of at least four times comparing to the current figures.

Annexes

Annex 1. Economic Potential of the NATO Member-Countries

Member Countries	The Year of Accession to NATO	GDP, \$ billion, 2007
Albania	2010e	10,6
Belgium	1949	453,6
Bulgaria	2004	39,61
Canada	1949	1432
Czech Republic	1999	175,3
Croatia	2010e	51,6
Denmark	1949	311,9
Estonia	2004	21,28
France	1949	2560
Germany	1955	3322
Greece	1952	314,6
Italy	1949	2105
Latvia	2004	38,3
Lithuania	2004	27,3
Luxemburg	1949	50,2
United Kingdom	1949	2773
Moldova	-	4,2
Norway	1949	391,5
Netherlands	1949	768,7
Poland	1999	420,3
Portugal	1949	223,3
Romania	2004	166
Slovak Republic	2004	75
Slovenia	2004	46,1
Spain	1982	1439
United States	1949	13840
Turkey	1952	663,4
Hungary	1999	138,4

Source: Central Intelligence Agency, The World Factbook 2008

Annex 2. Foreign Direct Investments in 2007, Top 20

Country	Projects			Investments			New Jobs		
	Amount	Rank		\$ bil- lion	Rank		Amount	Rank	
		2007	2006		2007	2006		2007	2006
China	1,171	1	1	90.4	1	1	366,111	1	2
USA	783	2	3	46.8	3	3	107,141	6	6
India	676	3	2	52.5	2	2	246,361	2	1
United Kingdom	622	4	4	18.7	16	5	51,654	13	8
France	556	5	5	17.1	20	11	49,327	16	14
Germany	432	6	8	22.8	10	14	41,388	18	21
Spain	379	7	12	17.8	19	12	60,526	10	16
Romania	364	8	7	20.2	14	10	148,807	5	4
Russia	361	9	6	45.1	4	4	158,319	4	3
Poland	330	10	9	20.5	13	20	85,522	7	7
United Arab Emirates	271	11	10	16.0	22	15	42,089	17	10
Vietnam	260	12	14	40.2	5	16	188,679	3	5
Singapore	239	13	15	23.1	9	18	35,441	22	10
Hungary	217	14	13	10	28	30	49,399	15	12
Mexico	206	15	18	15.3	23	19	72,722	8	11
Belgium	206	16	29	25.8	26	47	18,371	36	50
Japan	166	17	20	6.8	36	21	20,511	33	27
Italy	166	18	22	9.9	29	27	19,420	34	33
Malaysia	162	19	27	10	27	44	49,787	14	22
Australia	154	20	25	22.1	12	29	33,615	24	36
TOTAL	11,574			\$946.8			2,867,730		

* Based on Greenfield FDI projects tracked by OCO Global Ltd. Note that investment and jobs data include estimates.

The Earth Time: Global Foreign Direct Investment Grows to Almost \$1 Trillion in 2007, 20% Increase in FDI Capital Expenditure in US, <http://www.earthtimes.org/>

Annex 3. The average monthly salary of an employee based on the types of economic activities and forms of property, January – September 2008 (MDL)

Types of Activity	Total	Classified by the type of property				
		Public	Private	Mixed (public and private) with no foreign participation	Foreign	Mixed (Moldova's investments + foreign investments)
Total	2458	2325	2202	3083	3667	3833
Agriculture, hunting economy and sylviculture	1305	1653	1205	1812	2356	2197
Fishing, pisciculture	1241	1242	1162	1763	-	-
Industry:	2964	3787	2687	3359	2736	2962
extracting industry	3645	2749	3434	4487	-	-
processing industry	2686	3726	2490	3182	2359	2878
electricity and thermal energy, gas and water	4273	3847	4571	3955	6307	8477
Constructions	3486	3765	3302	3068	8497	3379
Wholesale and retail trade	2426	3205	1921	3390	4085	3083
Hotels and restaurants	2105	2651	1533	1673	3821	2818
Transport and communications	3486	3991	1623	2032	3351	8794
Financial services	5366	5902	5294	3277	7434	5967
Real estate transactions	3153	3066	2574	2876	7044	3913
Public administration	2690	2690	-	-	-	-
Education	1646	1620	2820	-	-	2711
Health and social protection	2190	2165	3223	-	-	940
Other activities and services:						
collective, social, and personal	1941	1669	3140	-	2521	1942
recreational, cultural and sports activities	1661	1564	2503		1827	1818

Source: National Statistic Bureau, Press Communiqué Nr. 09/01-165 from 29 October 2008. Wages of employees during January-September 2008

Annex 4. Medium cost of an investment project and of a new job created in 2007

Country	Cost of a project, \$ million	Cost of creating a new job, \$ thousand	GDP per capita, PPP, \$
Australia	143,5	657	36.300
Belgium	125,2	1404	35.300
China	77,2	247	5.300
France	30,8	347	33.200
Germania	52,8	551	34.200
Hungary	46,1	202	19.000
India	77,7	213	2.700
Italy	59,6	510	30.400
Japan	41,0	332	33.600
Malaysia	61,7	201	13.300
Mexico	74,3	210	12.800
Poland	62,1	240	16.300
Romania	55,5	136	11.400
Russia	124,9	285	14.700
Singapore	96,7	652	49.700
Spain	47,0	294	30.100
United Arab Emirates	59,0	380	37.300
United Kingdom	30,1	362	35.100
USA	59,8	437	45.800
Vietnam	154,6	213	2.600
TOTAL	81,8	330	10.000

Source: Author's own calculations based on data provided by The Earth Time: Global Foreign Direct Investment Grows to Almost \$1 Trillion in 2007, 20% Increase in FDI Capital Expenditure in US, <http://www.earthtimes.org/>

Annex 5. The Evolution of GDP (purchasing power parity), in former socialist countries (\$, per capita)

Country	2001	2007	Evolution of GDP in 2007 comparing to 2001
Slovenia	18000	27200	151%
Czech Republic	15300	24200	158%
Estonia	10900	21100	194%
Slovakia	12200	20300	166%
Hungary	13300	19000	143%
Lithuania	8400	17700	211%
Latvia	8300	17400	210%
Poland	9500	16300	172%
Croatia	8800	15500	176%
Russia	8800	14700	167%
Romania	6800	11400	168%
Bulgaria	6600	11300	171%
Kazakhstan	5900	11100	188%
Belarus	8200	10900	133%
Serbia	2370	10400	439%
Macedonia	5000	8500	170%
Azerbaijan	3300	7700	233%
Bosnia and Herzegovina	1800	7000	389%
Ukraine ⁴²⁰⁰	6900	164%	
Albania	4500	6300	140%
Turkmenistan	4700	5200	111%
Armenia	3350	4900	146%
Georgia	3100	4700	152%
Montenegro	2370	3800	160%
Moldova	3000	2900	97%
Uzbekistan	2500	2300	92%
Kyrgyzstan	2800	2000	71%
Kosovo	2370	1800	76%
Mean GDP	5450	10650	195%
GDP of Moldova comparing to the mean in former socialist countries	55%	27%	49%

Source: Central Intelligence Agency, The World Factbook 2002, 2008

Notes:

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