

**PSEUDO-SCIENTIFIC ECONOMIC POLICIES OF MOLDOVA ASSOCIATION  
TO THE EU: METHODOLOGY, PROBLEMS, SOLUTIONS**

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*Economic policies and decisions on EU association starting with the beginning of 90's were pseudo-scientific, contradictory, incoherent because those policies have not based themselves on modern and current economic theories elaborated and promoted by the EU. Actuality. The topic is actual from the perspective of the factors' analysis which were conducting to delay the association process of Moldova to the EU. At the same time, those were increasing instability, disequilibrium in the national economy and raise of social vulnerability and constraint levels which ultimately increased the gap between the national and EU economic development levels. During the period of 2000-2015, the socio-economic policy of the Republic of Moldova is described more as small and fragmented steps on conceiving economic and financial instruments for the integration into the EU which were reflected in the Neighbourhood Partnership and Association Agreement with the EU. These processes conducted for the state incapacity to define its own objectives and social-economic priorities for the association as well as legitimated a continuous stage of transition to the market economy. The scope of the present article is to propose a real change of the development and social-economic association policies for achieving final objective on integration to EU. The proposals would consist in emphasizing and implementation of the EU economic principles reflected in the neoclassic synthesis and neo-conservative theories; the elaboration and implementation of a new Strategy on economic supervision, coordination and anticipation of the economic disequilibrium; achieve economic stability for diminishing the negative effects of the global and regional crisis on national economy and adaptation of the development policies to the national socio-economic conditions. The methods used for the elaboration and achieving the expected results of the study were analysis and synthesis of the reliable data on economic processes' trends as well as macroeconomic prognoses for designing a set of development scenarios. Results were reflected in elaboration of a system of actions which includes EU as a monitoring mechanism for preventing and anticipating the disequilibrium that may occur during the association process. Stimulation of consumption, of the research and technological progress and targeting foreign investments in the innovation development priorities are some of other actions that are recommended in the article.*

**Keywords:** *economic theory, imbalances and balances, crisis, recession, competition, competitiveness of the national economy, sovereign risk, internal threat, association and accession, external threat.*

*Politicile și deciziile economice de asociere cu UE, începând cu anii 90, au fost pseudo-științifice, contradictorii, fragmentare, fiindcă aceste politici nu s-au bazat pe principiile teoriilor economice moderne și actuale, elaborate și promovate de UE. Actualitate. Tema este actuală din perspectiva analizei factorilor, ce au dus la încetinirea procesului de asociere a R. Moldova cu UE, la distanțarea economiei naționale de economia țărilor membre ale UE. În același timp, aceștia au dus la creșterea instabilității, a dezechilibrelor în economia națională și a nivelului de vulnerabilitate și constrângere de ordin social. În anii 2000-2015 politica socio-economică a R. Moldova s-a realizat, în principal, cu pași mărunți și fragmentați în sensul creării instrumentelor economico-financiare de integrare în UE, reflectate în Parteneriatul de Vecinătate și în Acordul de Asociere a RM cu UE. Aceste procese au dus la incapacitatea statului de a-și defini propriile obiective și priorități social-economice de asociere, precum și au legiferat o stare continuă de tranziție la economia de piață. Scopul prezentului articol este de a*

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propune măsuri pentru o schimbare reală a politicilor de dezvoltare și asociere social-economică cu UE, pentru a atinge obiectivul final de integrare. Propunerile constau în identificarea și implementarea principiilor economice ale UE, reflectate în teoria sintezei neoclasice și teoria neo-conservatoare; elaborarea și implementarea unei Strategii cu privire la supravegherea, coordonarea și anticiparea dezechilibrelor economice; obținerea unei stabilități economice pentru minimizarea efectelor negative ale crizelor globale și regionale asupra economiei naționale și adaptarea politicilor de dezvoltare la condițiile social-economice naționale. Metodele utilizate pentru elaborarea studiului și obținerea rezultatelor necesare sunt analiza și sinteza datelor privind evoluția proceselor economice, precum și previziunea macroeconomică pentru dezvoltarea scenariilor de dezvoltare. Rezultatele sunt reflectate în elaborarea unui sistem de acțiuni, care va include Uniunea Europeană în calitate de mecanism de monitorizare, prevenire și anticipare a dezechilibrelor, care pot avea loc pe durata procesului de asociere. Stimularea consumului, a cercetării și a progresului tehnologic, precum și direcționarea investițiilor străine spre prioritățile de dezvoltare inovațională sunt alte acțiuni, propuse în acest articol.

**Cuvinte-cheie:** teorie economică, dezechilibre și echilibre, criză, recesiune, concurență, competitivitatea economiei naționale, risc suveran, amenințare internă, asociere și aderare, amenințare externă.

Политики и экономические решения ассоциации с ЕС, начиная с 90 годов, были псевдо-научными, противоречивыми и фрагментарными, поскольку эти политики не были основаны на современных и актуальных принципах экономических теорий, разработанных и продвигаемых ЕС. Актуальность. Тематика является актуальной с точки зрения анализа факторов, которые привели к замедлению процесса ассоциации Молдовы с ЕС, отдалению национальной экономики от экономик стран членов ЕС. В то же время, они привели к росту нестабильности, дисбалансов в национальной экономике и уровня уязвимости и ограничений в социальной сфере. В 2000-2015 гг. социально-экономическая политика Молдовы реализовалась преимущественно путем осуществления мелких и фрагментированных шагов для создания экономических и финансовых инструментов интеграции в ЕС, отраженных в Партнерстве по соседству и в Соглашении об ассоциации Молдовы с ЕС. Эти процессы привели к неспособности государства определить свои собственные цели и приоритеты социально-экономической ассоциации, а также узаконили продолжающееся состояние перехода к рыночной экономике. Цель данной статьи заключается в том, чтобы предложить реальные меры изменения политики развития и социально-экономической ассоциации с ЕС для достижения конечной цели интеграции. Эти меры состоят в выявлении и внедрении экономических принципов ЕС, отраженных в теории неоклассического синтеза и нео-консервативной теории; разработке и внедрении Стратегии мониторинга, координации и предвидения экономических дисбалансов; достижении экономической стабильности для минимизации негативных последствий глобального и регионального экономического кризиса на национальную экономику и адаптации политики развития к национальным социально-экономическим условиям. Методы, используемые для осуществления исследования и получения необходимых результатов являются анализ и синтез данных о развитии экономических процессов, а также о макроэкономическом прогнозировании для создания конкретных сценариев развития. Результаты отражаются в разработке системы действий, которая будет включать Европейский Союз в качестве механизма мониторинга, прогнозирования и преодоления дисбалансов ассоциации. Стимулирование потребления, науки и технологического прогресса, а также сосредоточение иностранных инвестиций на приоритетных направлениях инновационного развития являются другие меры, предложенные в данной статье.

**Ключевые слова:** экономическая теория, баланс и дисбаланс, кризис, спад, конкуренция, конкурентоспособность национальной экономики, суверенный риск, внутренняя угроза, ассоциация и интеграция, внешняя угроза.

**JEL Classification:** A19, G01, G32, H12, D41.

**Introduction:** Theoretical and methodological foundation of the policies and decisions of the development and association of the Republic of Moldova to the EU is based on the economic pseudo-scientific theory of economic growth and the Non-European-Associative elements based on: - limiting the private property right and economic freedom; -oligarchy and monopolization of the regulatory institutions

responsible of the European course of development and integrated economic circuit; - deformation of the social and economic relations between Moldova and EU and of the market; - nonprofessional balancing between CIS and EU; - periodic change in the development vector; - consumption and fueled by remittances.

These trends have essentially compressed economic potential of local integration, because social spending and pensions significantly increased, a number of social facilities have been introduced; direct involvement of the state in the real economy has been admitted, while this economic potential has been dominated by oligarchy and monopolized, accumulation and investment in the real sector decreased, inflation increased and revenues already accumulated have been exhausted deepening imbalances and social and economic crisis, national currency have weakened essentially and low purchasing power of household incomes increased poverty and pauperism. Highlighting effective directions for overcoming the global economic recession in 2007-2009 and the prevention of economic and financial crisis swirled on regional level, implies the necessity of implementation of the Moldovan association principles developed by the EU on the basis of modern and current economic theories in the policies and decisions of development and European integration. National socio-economic policies of EU association adopted by the government have proven to be ineffective over time because they were based on the science of economic theory, including principles developed and promoted by the EU actors. Under conditions of vicious national crisis, the more acute role of science is highlighted and European economic association policy is highlighted in solving strategic problems of balancing the economic, financial system and the current structural, financial-budgetary, fiscal, credit and monetary and international trade.

Analysis of economic theories and mixed economic market systems based on these theories and European association policies does not have purely theoretical nature, but implicitly supports the implementation of a renovation or correcting system on the slowdown elements of the process of association of the actual national economic system with the EU, especially relevant measures in preventing or overcoming the social and economic inequality between Moldova and EU. The fact that the European association of economic science and policy has become at the moment the only chance and so-called "lifeline" for the policy-makers, it demonstrates new rules established on the national level comparable in some cases with the introduction of the gold as a reference standard after the Second World War. As a balancing measure for the economic system, IMF limits for financial policy or budgetary deficit can be maintained or new agreements in the framework of the Basel Convention on bank system regulation. Investigations have shown that Moldovan economy as part of the global and European integrated economic system is continuously exposed to the regional risk of economic, financial, monetary and social crisis. At the same time, slow and modest scientific, technical, and economic progress related to its specific position between two systems and geopolitical forces diametrically opposed worsens the economic situation. The policies and economic decisions that were already implemented in the national economy have not been based on the principles elaborated and promoted by the economic policies and streams of the European association and have led to the increase of economic instability and social and economic inequalities, growth in the level of vulnerability generated by the internal and external factors, continuous apparition of social constraints as a result of the decrease in the local economic potential and public structures in Moldova. The above-mentioned problems that local economic and social systems faces, determine the actuality and theoretical and practical importance of the implementation of the social and economic policies of development and EU association. In order to improve the situation regarding the stabilization and economic growth political will and urgent and radical measures from all the authorities are requested.

**Basic content:** Scientific policies of economic association of the Republic of Moldova to the UE under the conditions of recession have to include mechanisms for supervision, correction and forecast of the economic imbalances and to be based on the economic theories, so as to realize the balance of the economic indicators and creation of prerequisites for economic development, association and EU integration. Imbalances, social and economic disparities include and affect the most sensitive and important element of the economic system, including the real economy, the system of entrepreneurship, small and medium business, enterprise system of individual, family, etc. Permanent instability and monopolization of political, social, economic and monetary relations represent social danger that threatens national interests and state security. It is necessary to develop a strategy for monitoring the state after the EU model on macroeconomic imbalances. This strategy may include surveillance through prevention and

correction of imbalances through coordinated monetary, fiscal and structural reforms (see diagram). In economic system since the 2000s there were not any bodies on macroeconomic surveillance.

The Communist party having the constitutional power in the period 2001-2008, „chunked” the law of financial institutions, law on budgetary and fiscal process, the Government decisions and NBM, etc, in order to retain the development principles on the European path; - to monopolize the economic system and to borrow and “eat” 9 billion of lei from the National Bank of Moldova during the governance for “for social needs”; - to change the procedure on forming and execution the budget on allocation of the funds of those territories where communists were in charge;- to cancel the law on the establishment of the Counties, returning to the rayon party structure and their illegal funding;- to revise the results on privatization in order to return the Economic Bank of Moldova to state through which they could steal billions. A series of decision have been made that led to macroeconomic destabilization monopolization of the market and deepening imperfect competition (for example they took decision that imposed all the public services, taxed, pensions, governmental credits, grants, that were to be made only through the Economy Bank, in this way all the other banks were in a position of unequal conditions in relation to loyal competition

All these and other actions for monopolization of the socio-economic system paved the way for oligarchs from the Governing Alliance, in the years 2009-2015, to monopolize the economy and to steal even more through the of raiders of the commercial banks. „Reshaping” the law, oligarchs from the Governing Alliance had „released the hands” of the checking institutions to respond directly and criminally for stealing billions by oligarchic power.

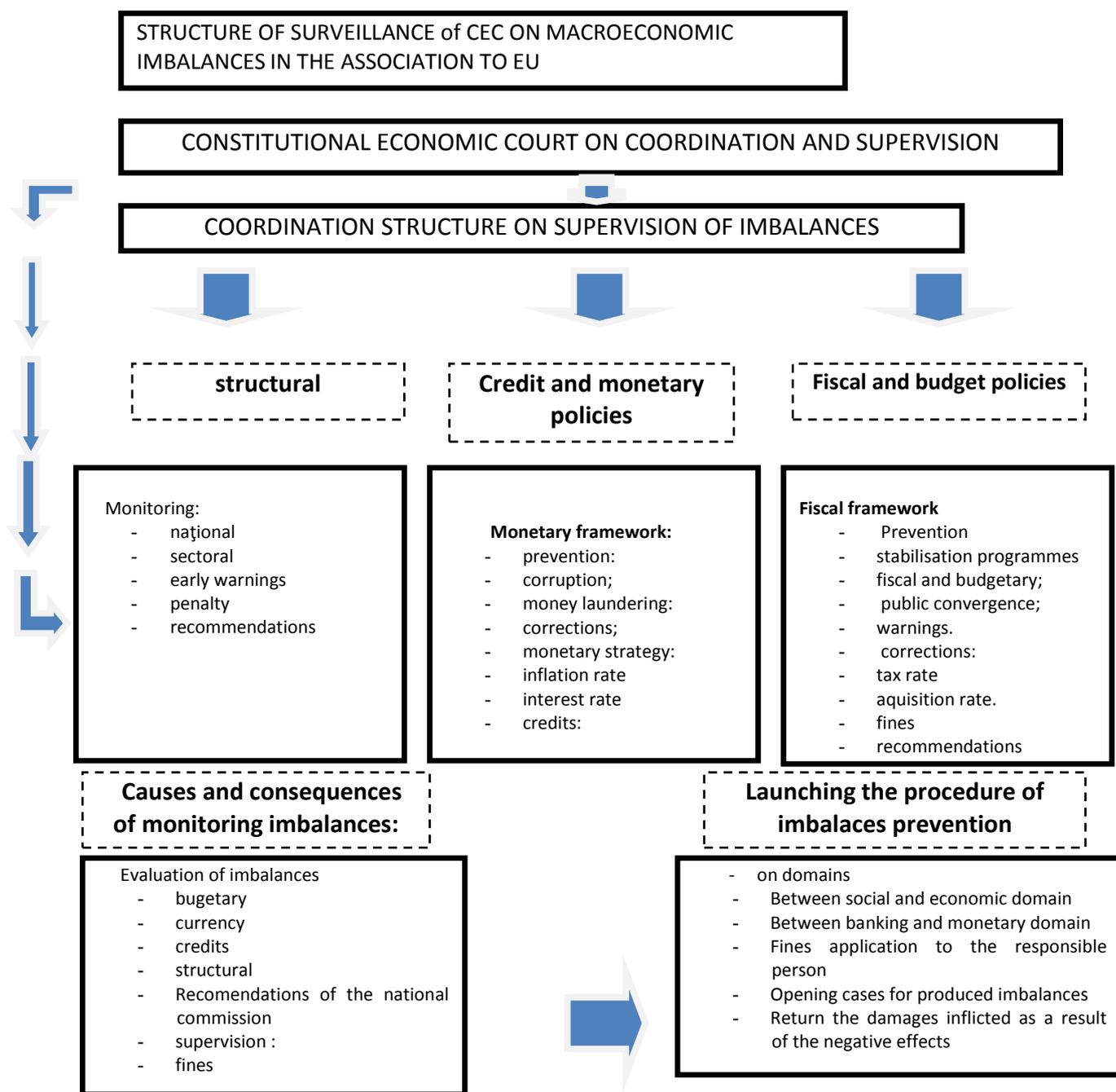
Therefore since the 2009 state institutions informed each other on the ongoing activity and combinations of the theft, but nobody supervised this disastrous processes for the country and there were not any prompt and definitive mechanisms for surcease the deviation from the European development vector, to end the theft of the billion euro through the state bank of economy and to prevent economic and political capture of the state

In order to end this fatal processes it is necessary to create an **Economic Constitutional Court-ECC** within the Constitutional Court, that is dealing with the fulfillment of the legislation, supervision, prevention, correction of imbalances, primary between the Parliament, Government and Presidency, the functions of which could be the supervision and coordination of the real EU association process, economic imbalances and in case of governance deviates from the principles of the science and economic association and generating social and economic instability to urgently stop these negative activities adopting decisions of conclusive corrections. It is important that for committing the imbalances, responsible persons must be sanctioned by ECC and to be responding criminal justice and to recover the damages. For these, it is necessary to change and harmonize the Moldovan legislation with the EU.

Uneven and rapid changes in the Moldovan-European relations in the market economy conditions can cause deepening of the imbalances in the association process that requires constant monitoring and prevention by Economic Constitutional Court by accelerated and adequate changes in the legal system. Structure and supervisory functions of the Economic Constitutional Court of supervision, coordination of the Moldova-EU association and anticipation of imbalances in the EU integration process are reflected in the scheme.

On the strategic base of government and CEC coordination of the processes of EU association and supervision and anticipation of imbalances in the Moldovan-European relations may be found in modern and current economic theories which will take into account and will be achieved in practice of association of various types equilibria, including: economic doctrine and balances system between Moldova and the EU and national money markets; balances of production factor and goods markets; labor markets and their equilibrium conditions etc. Particular attention in the European integration process will be directed to the Moldovan general imbalance theory of economic equilibrium models that are performed in EU member countries. The strategy of associating R Moldova with the EU should take into account the general equilibrium theory and especially economic equilibrium models, including Walras-Wald and Arrow-Debreu-McKenzi. CEC and the government in its activities of cooperation and integration in the European social and economic field industry must be guided by the fact that in the last three decades there appeared new more complex and sophisticated currents on the imbalance and balance system including neoclassical contemporary system that includes various currents, starting with the general balance current of J.Keynes, K.Arow, monetarist current represented by the M. Fridman and S.Fisher and finishing with J.Buchanan's reasonable expectations current; current "new macroeconomics", etc. Under theory and equilibrium policy

of Moldovan-European systems economic, it is necessary that governance and CEC to highlight and realize the components of this theory and policies, such as multiple balance and equilibrium problems; elimination of restrictive assumptions, strategic interaction between agents; game theory, etc. Imbalances or social and economic balance with impact on development and economic association, can be used by government and CEC after the report and deviations from optimum Moldovan-European aggregate supply and demand; global product and money supply which drives the product, the rate of expenditures, deficit or profit and national and European income.



**Fig. 1 Structure of surveillance of cec on macroeconomic imbalances in the association to EU**  
 Source: Rusu Gh., Trofimova T. *Stabilizarea și creșterea economică; aspecte metodologice, probleme, soluții*, Chișinău-2007, CEP USM, pag25-60

The most significant imbalances in the national economy compared to the economies of EU countries that are necessary to be taken into account, are the disproportions between the volume of Moldovan currency and the required volume of state reserves as a result of the theft of the billion, in the foreign currency, from BEM, which caused the essential devaluation of the Moldovan leu and the decrease in purchasing power of it; stagnation of the production and contraction of the real sector; inflation and sudden increase in the consumer price index on domestic origin goods, unemployment and migration of labor from the country and the sharp rise in poverty compared to living standards in the EU.

In case the Constitutional Courts and CEC do not supervise and forecast the deepening of the political, juridical, social and antisocial imbalance, social and political tensions occur (i.e. social and political events from 7-8 of April, 2009 and those periodic from 2015 and 2016 in Moldova). At present, due to the social and economic instability, political tensions and disparities between the government and civil society had reached the top and transformed in antagonist contradictions.

Usually these imbalances are characterized by the change, including the forced one of the power in the state (i.e. Maidan in Ukraine), economic recession, significant increase in the budget expenditure above the level of the budget incomes which generates the increase of social pressure on the population and economic agents, extension of monetary emission without coverage, the decrease in the purchasing power of the consumers and, respectively, diminishing of the consumption. In 2015-2016, in Moldova, imbalance in the labor market increased significantly, social instability between the supply and demand of the work and unemployment. Generally, there is an institutional instability that generates imbalances in the system of fund allocation between the central and local public institution, increase of the monopolization level and oligarch process of production, trade, banking system and insurances. CEC and the Government in the activity of EU association and integration must take into account the fact the Moldovan-European economic imbalances and balances develop, in geometrical progression in time, in relation to the levels aggregation of national economy and EU, depending on the content of the integration processes in the EU economy and the way of expressing the results of economic association. It should be taken into account that the implementation of the Association Agreement with the EU is complicated because of the essential deformation of economic interest and production relations, exchange, distribution and consumption of the various economic sectors and branches operating outside optimal functioning of economic and legal systems. The government should consider the Moldova's association to EU the strategic vision of economic currents on policies to overcome the economic imbalances realized differently in different EU countries, namely: liberal policies requiring a balanced development of the economy, based on the development of private property on mechanisms of free competition on the market, policies of supply of non-interference in private economic activity, supporting free enterprise – regulated policies or balancing policies based on actual demand, which require the indirect intervention of the state and which focuses on global demand; - Social-democratic policy of economic balance that proposes mechanisms of growth based on of social consumption through direct involvement in economic system elements of planning, reducing social inequalities through advanced social protection and facilitating social grants; - Development of the equitable policies of the economic system according to the social policies that limit activity and freedom of economic agents in times of overheating of economy, increasing influence and state's role in social and economic life, limitation of speculative economy, reform of the system of income budget distribution for vulnerable social categories.

It is useful to bear in mind that theories and models of economic equilibrium development essentially evolved over time, according to dynamics of economic reality and of development of economic analysis tools. There are two trends of theoretical and practical opinions on economic equilibrium and overcoming of the economic disproportions. The first tendency is based on researching the short-term balance and on a static background of economic processes in the EU. In this context, the problems of overcoming the disproportions are reduced to development of perfectly competitive market that will solve problems of equilibrium, while economic crises are seen as random phenomena. The second trend consists of researching problems of imminent imbalances of the EU social and economic systems. In this way, the theory of disproportions and social and economic imbalances appeared as an alternative of the economic equilibrium theory. At the head of the table of the CEC and the Government must be J.M. Keynes concept on balanced development that represents a macroeconomic model, according to which national income increases as a result of the equivalent increase of the aggregate demand. The Government and CEC must implement new Keynes concepts related to the balanced development: stimulating the consumption and investment, regulations, that had an important role in the elaboration of the balance policies. In the same

time, it must be taken into account that in the beginning of the 40s R. F. Harold I. Essay and E. Domar had developed postkeynesist models, subsequently characterized by concern for economic stability and unemployment. Harrod-Domar model is a model of balanced economic development that emphasizes the role of private investment seen as a accumulation and component of aggregated balance; incorporates a simple function of accelerating investments based on expected real income. According to this equilibrium model, EU countries maintain the expected coefficient of the capital (V) constant as a result of an assumed interest rate constant in the long term - 0.25-1.5%; economies of these countries have a constant share (s) in real income; EU labor markets increase by an exponential rate (n) determined exogenously; and the growth rate of labor productivity in the economic systems of European countries actually enhances by the technical progress ( $\lambda$ ) which constitutes about 50 percent of EU GDP growth.

Accomplishing the conceptions of the EU association by overcoming the economic crisis, the governance and CEC will include its main final objectives and ways of supervision and implementation by applying political science to overcome the disproportions and balanced development. In the same time, exogenous factors must be taken into account such as conditions of global and regional financial and economic crisis, open and competitive markets, adjustments to the EU economy standards and to the and European level of values.

**Results.** The specifics of the pseudo-polices analysis of the economic growth and association to the UE are based on the synthesis of the socio-economic, monetary, budgetary and fiscal, investment, structural policies, implemented at the national level. The main feature of the economic system and EU association and integration policy consists of continuation of the economic transition and the use of double standards in establishing of a system of market economy, the deformation of the main criteria of market economy at various levels of their implementation in the national economy. Local economic system has undergone various stages of governance but the most controversial was the period of the right force/CPRM government and the other when the governance of pro-european forces came with neoliberal and social-democratic economic policies.

Based on the analysis of the macroeconomic indicators and the production function between the „labor” and „capital” factor calculated in the last decade, we state that the efforts of national economy development and association with the EU, were bigger than the achieved effects, despite the fact the EU provided significant financial support to Moldova. In 2005-2015, fixed productive capital of replacement increased by 3,8, and the nominal GDP increased at a slower pace and grew by 3,3. Decrease of the actual labor force in 2000-214 by 329 thousands people, or on average by 2,44% annually, essentially influenced the decrease in the efficiency of the economic development and association potential.

Negative migration trends, decline in economic activity rate from 60% to 40% has „eroded „ the GDP growth from labor and growth of capital and productivity, because this priority extensive growth is insufficient to ensure future dynamic sustainable, balanced and convergent development towards European integration. According to analysis of the results we can state that specifics of the pseudo-scientific policy of development and association with the EU based on consumption, has caused inefficient GDP growth of 4.5-5% on annual average in the last decade, using quantitative investment of replacement of the existing productive capital, that is depreciated morally and physically. More accelerated growth of the average wage and fixed capital compared to the labor productivity (average wage and productive capital raised by 7,1%, and 10%, respectively, on annual average, and the labor productivity only by 5%) in Moldova compared to EU have constrained local economic potential, „eroded” financial resources and economic agents and population accumulations, increased disproportions in the economic and social domains.

Fiscal and budgetary policies conducted in Moldova during the transitional period contradicted the association policies and were manifested through inconsistent contradictory and ineffective political conditions. In 2005-2015, the National Public Budget deficit increased significantly and peaked in 2014 with a volume of more than 2.0 billion. Lei, which constituted 4.7% of NPB revenue.

In the same time, due to the internal economic situation, Moldova was obliged to attract cheap loans from the external market, as well as those provided by the IMF. Despite of the fact that these loans are provided on concessional repayment terms, with an interest rate up to 1% and grace period more than 10 years, the effect of these loans was minimal for the real development of the economy because of the rough conditions and strict main constraints envisaged by the necessity to maintain national financial and budgetary stability. The constraint system is expressed in the limits of the financial, monetary and budgetary indicators introduced by IMF such as: a) total cash deficit limit; b) the limit on net assets of the

NBM; c) the minimum level of net international reserves of the NBM stocks; d) limit on contracting or guaranteeing of external non-concessional debts of the Government of Moldova; e) limit on limit; h) limit on payroll; i) the level of social expenditure; j) limit on the budget deficit as share from GDP; k) limits on the level of inflation. These and other factors led to the inability of adoption of the radical and effective reform on medium and long term and deprivation of resources for investment in real innovation priorities and expenditures in infrastructure and the inability to implement EU association policies.

A special feature of the national economic system that prevents actual accession to the EU is to transform this system into a market economy with essential deficit of financial resources (average share of bank credits to the economy in 2005-2015 was about a third of GDP) and with a considerable decrease in their revenue of economic agents and population. The situation is even more alarming if we consider the significant increase in interest rates and the dramatic decline of the purchasing power of these resources in 2014-2015.

The situation on intermediation and financial stabilization in 2015-2016 is even more alarming because once the interest rate increases, the volume of money supply in economy decreases significantly (particularly in the small business system) and the money "fail" to serve the real economic cycle. As a result small business bankrupts (2010-2015 bankrupted 15.5 thousands of companies). In the same time the volume of the shadow economy increase, favorable conditions for money laundering appear, expanding economic instability and reduce legal real sector. The situation in the economy will alarm, if we consider that the speed of circulation of money increases and insufficient share of cash in circulation (average of currency circulation in 2005-2014 amounted to 13.4% of GDP), which in 2015 has an essential trend of decrease. Just in the period from July 2014 to April 2015 cash in circulation decreased by 2.7 billion lei and made up 15.4 billion lei, the monetary supply decreased by 3.7 billion lei, and state reserves increased by 4% (data of the National Bank of Moldova). To achieve the target policy of association we propose immediate change in economic policy, including the monetary one, increase the volume of credits in priorities in a relatively short period by 2.5-3.0, decrease the interest rate from 20% to 5% which will allow increasing the volume of current assets to the level required for normal development of priority branches of economy and efficiency and increase, respectively, increase in real GDP. If this volume of credits for priorities will be covered by an increase in foreign currency reserves from the EU, then a significant increase in inflation and an increase in prices won't be recorded. Increasing the rate of lending of the economy, lowering the rotation speed of money and essential increase investment and remittances in key industries-all in line with the reform budgetary and policy reform and business and institutional environment, will create conditions to stop economic recession and create necessary conditions for real association with the EU.

Reducing the volume of exports and imports will result in regional trend of productivity and living standards of the population reduction and will not be based on internal factors that discourage domestic producers in express and unconscious way that is currently done. In the same time, the expected outcome of the proposed recommendation is to maintain flexible balance of the main macroeconomic indicators, such as consumer price index, inflation, monetary indicators, current account deficit and internal and external public debt. Stability is achieved in private sector activity, facilitating regulatory mechanisms in business, the growth of investment volumes in key economic sectors, eliminating bureaucracy in administrative system will lead to maintaining positive trends of macroeconomic indicators and, consequently, to limit market distortions and will increase the pace of association of Moldova to the EU.

**Conclusions.** National economic development policies and association to the EU adopted by the economic actors have proved to be inadequate because they were not based on principles developed and promoted by the scientific and economic trends and on the principles of Moldova Association Agreement with the EU. In order to overcome the economic recession in Moldova and the efficient process of association and integration to the EU, there is a need for implementation of the **policies of renovation** or correction of the negative elements on the basis of economic science and economic policy of EU association.

It is necessary to develop and adopt a strategy on surveillance on imbalances and socio-economic development and association to the EU that would serve as a program to overcome the period of economic instability. This recommendation involves assessing the conditions of economic recession and association that led to the previous economic crises, such as: adaptation of anti-crisis and association policies to the national socio-economic conditions; highlighting and implementing the principles of the neoconservative and neoclassical synthesis theory and EU association policies as a basis for strategy to minimize effects of

the global and regional crisis for Moldova. It is still necessary to implement a system of joint actions with the EU to stimulate productive consumption and productivity and attracting foreign investments in economic development priorities. These assumptions come from the scientific analysis of the conditions that contribute to expanding economic recession in Moldova and the need of real association to the EU.

We propose to create an Economic Constitutional Court within the Constitutional Court, for supervision, coordination of the association system of the MD-EU relations and anticipating economic imbalances. In reforming the structure and functions of the state, the main focus is put on the implementation of the Mid and Long Term Strategy, justice reform and combating of the corruption, especially in the banking system, ensuring transparency and accountability of the new structure and economy, as well as the new implemented procedures. In the same time, it is important to ensure population's trust to the democratic system and its norms, such as right to appeal and right to information.

The reforms necessary for the EU association and integration and transition to a definitive mixed market economic system whose role is to promote climate necessary to the regulatory framework for facilitation of licensing procedures, creation, bankruptcy and liquidation businesses, social-economic reform and adjustment to social welfare losses by protecting the most vulnerable population and in the same time promoting sustainable and rapid growth in the process of optimization of the proportions in social and economic domain. It is important to create a stable macroeconomic environment by redefining the role of government agencies that are concerned with economic policy, in this context, putting the NBM to exercise its functions independently of monetary policy implementation and monitoring of the currency processes. It would be necessary that the Ministry of Economy and Ministry of Finance to stop lending and the control of the exchange rate. On the other hand, it would be advisable to focus surveillance efforts on imbalances and monitoring and forecasting of the economy, to monitor the effectiveness of processes related to budgetary expenditure and revenue, strengthen tax administration.

The fulfillment of the association policy to the EU requires optimization of the fiscal pressure and directioning of the fiscal and budgetary policy towards concentration of the direct budget allocation and decrease of the facilities offered to different free zones and companies and subsidies to inefficient companies. Creation of a modern European financial system requires decentralization in provision of credits, elimination of monopoly and oligarchy of the banking market and creation of a financial transparency. Additionally, commercial banks must activate based on risk and profitability taking into account the need of the competitiveness development in the Republic of Moldova.

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