



THE UNFINISHED STATE

25 YEARS OF INDEPENDENT MOLDOVA

Kamil Catus

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OSW |

CENTRE FOR EASTERN STUDIES

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EXECUTIVE SUMMARY

- After twenty-five years of independence, the Republic of Moldova is showing signs typical of so-called failing states. It has no control over parts of its territory and large sections of its border, no effective or responsible political class, no functioning political and legal system, no coherent and generally accepted concept of statehood, and no stable economy. These are persistent problems as a result of which Moldova has not been able to effectively perform many of the basic tasks of a state (especially in the social and institutional dimension). Even more importantly, the country has been and remains in a state of permanent and often visionless transition.
- Moldova's intellectual elites and the political factions which have been in power to date have not been able to put forward a coherent national vision capable of uniting its society, and neither have they been able to reach a consensus on the model and direction of Moldova's development. This failure to develop an identity model that could be attractive to all Moldovans has hindered the development of a cohesive society in Moldova, as its population remains divided along ethnic and linguistic lines, and, even more importantly, divisions also persist within the titular majority (because of the absence of a cohesive Moldovan identity). This absence of an attractive and inclusive model of identity has rendered it difficult (if not impossible) to resolve the problem of Transnistrian separatism and ease the tensions between Chisinau and Gagauzia. As long as those two problems remain unsolved, it appears that it will not be possible in the long term for Moldova to function normally, create an effective and responsible political class and administration, consolidate society, develop civil society structures and instil a sense of responsibility for the character of the state in its citizens.
- Moldova's current political system is a classic example of a post-Soviet oligarchic model in which the wealthiest and most powerful persons in the state do not so much try to interfere with the state's policy by using their economic influence as seek to take power directly in order to safeguard their interests. If for any reason they are unwilling or unable to hold the highest state positions themselves, they will appoint completely dependent persons with no political backing – the recent nomination of Pavel Filip (a close aide of Moldova's most important politician, the oligarch Vlad Plahotniuc) as the prime minister in January 2016 is a case in point. In its current shape, Moldova is also a classic example

of a captured state, in which the operation of key state institutions (including the administration, the judiciary and the security services) has been fully subordinated to the interests of a narrow political and business elite led by Plahotniuc.

- Moldova's party system is dominated by strong-leader parties which do not represent the interests of wider sections of society but merely serve as instruments in the pursuit of the political and business objectives of their leaders and sponsors. The Democratic Party is an example of such a political formation – in late 2009 and early 2010 it was taken over by Vlad Plahotniuc and began to represent the oligarch's interests on Moldova's political scene. Moldova's main left-wing parties (Igor Dodon's Party of Socialists and Renato Usatii's Our Party, and previously also the Party of Communists) are dependent on Moscow, which supports them financially, politically and media-wise, and views them as instruments serving the objectives of its own policy towards Moldova.
- It is hard to find a party with a classically left-wing or right-wing profile in Moldova's party system. The divisions of the country's political scene do not reflect differences of ideology or economic views, but rather different attitudes towards geopolitical and historical issues. As new political formations emerge, they do not try to compete by offering attractive economic or social programmes, but instead strive to present themselves as credibly as possible as exponents of specifically understood "left-wing" or "right-wing" political ideology. Such divisions are very convenient from the point of view of the political elites because they make it easy to capture particular sections of the electorate. At the same time, Moldova lacks bottom-up parties based on broad, self-governing structures. It was only recently that attempts were made in Moldova at building such parties, and those efforts have not produced any tangible results yet.
- The political system that has formed in Moldova over the last 25 years of independence is highly unstable. The periods of stabilization which Moldova witnessed in recent years (especially while the Communists were in power) were not an outcome of the system's effective functioning. On the contrary, they stemmed from a heavy concentration of power in a single political camp, which was therefore in a position to bypass or ignore the problems generated by the system. Under conditions of political pluralism, on the other hand, Moldova's political and constitutional system has almost always generated political crises because of its immaturity.

- The weakness of the legal system is a fundamental structural problem that the Moldovan state faces. Adopted in 1994 and modified on several occasions, the constitution of Moldova is imprecise and open to broad interpretations. New laws adopted by the Moldovan parliament are often incompatible with the constitution, and amendments made to the constitution are frequently not followed by corresponding modifications to lower-level legislation. As a result, Moldova's legal system is inconsistent and internally contradictory, and therefore conducive to constitutional and political crises. Because of the legal system's imprecision, the Constitutional Court has acquired a special role in Moldova – it is regularly called on to issue (often far-reaching) interpretations of the constitution. Under the circumstances of a general capture of the state apparatus by political and business groups, the Constitutional Court lacks independence and regularly gets used to effectively enact new legal regulations that do not pass through parliament.
- Moldova is one of the most corrupt countries in the region. Corruption is widespread, from the top tiers of government administration down to the healthcare system or education system. Meanwhile, the institutions legally appointed to fight corruption tend to be used in political games, to combat political rivals, etc. The Moldovan leadership is aware that if it genuinely curbed corruption, it would lose some of its influence on the state apparatus (including the administration of justice), thereby exposing itself to considerable danger. Consequently, the measures which the successive governments had pledged to take in order to crack down on corruption have not produced any tangible results.
- Moldova's economy has been in permanent crisis since the early 1990s. Over the last quarter of a century, successive governments have not been able to create the foundations for stable economic development. As a result, Moldova remains Europe's poorest country, with an economy based on relatively unprocessed agricultural products (with as much as 30% of the country's population working in agriculture), completely dependent on external energy supplies (mainly from Russia), and largely export-based (with exports susceptible to political shocks). Its financial sector remains unstable and opaque, of which the recent banking affair is a good illustration: in late 2014 around one billion US\$ was siphoned off from the Moldovan banking sector. Twenty-five years after independence, the country has not been able to achieve standards of living comparable to those it enjoyed at the time of the Soviet Union's collapse. In 2000 Moldova started to report

steady, if modest, year-on-year economic growth, but in 2015 that trend reversed and the country's GDP shrank by 18%.

- The bad economic situation has contributed to mass job emigration, which may affect as many as 40% of working-age Moldovans. Official foreign currency remittances amount to US\$ 1.3 billion a year, accounting for more than 20% of Moldova's GDP. Emigration has been exacerbating Moldova's demographic problems. During the 25 years of Moldova's independent existence, the country's population (excluding Transnistria) has shrunk by some 20%. Since 1998, the number of deaths has exceeded the number of births every year. As a result, Moldova now ranks third in terms of the rate of population decline globally. There is no doubt that the dramatically deteriorating demographic situation (and the brain drain that comes with it) will have a very negative impact on Moldova's economic development indices. In the coming years it will lead to a decline in foreign investments, hitherto based mainly on cheap and well-qualified labour, and may incapacitate the state apparatus, which will not be able to function effectively without an influx of new people.
- Over the first twenty years of independence there have hardly been any occasions when Moldova's elites (and society at large) were able to reach consensus about a foreign policy orientation to which the country could adhere, irrespective of what political force was in power at the given moment. Consequently, Moldova's foreign policy has been characterised by instability and variability. Chisinau's international activities have been guided, on the one hand, by the desire to strike a balance between Russia and the West, which in practice involved periodic rapprochements and cooling down of relations with each of the sides according to current needs, and on the other, by internal factors, especially the political elite's desire to win over a particular section of the electorate by backing this or that foreign policy orientation.
- Over the last quarter of a century, Moldova has not been able to make any real progress towards resolving the Transnistria conflict, which has been frozen since 1992. Thanks to the systematic political, military and economic assistance from Russia, which has been Transnistria's protector and sponsor since the early 1990s, the breakaway region has consolidated its unrecognized statehood. Over the years, the actors involved in the negotiations process have taken various measures (often limited to the level of declarations) with a view to resolving the Transnistria issue and have put forward

various proposals to foster a resolution. However, those efforts lacked the political will necessary to make them effective, and alongside that in many cases their real aim was to further the political interests of a particular party, rather than to actually resolve the conflict. There are some serious reasons to believe that the existence of the unrecognised Transnistrian state has been generating profits for some sections of the Moldovan elite and bringing substantial financial gains to its members. Because of the political impotence of the West, combined with the divergent interests of Moscow and Chisinau and the ever more deeply ingrained patterns of corruption, enabled by the existence of the para-state and benefiting the political elites on both sides of the Dniester, a resolution of the Transnistria problem would appear to be a very distant prospect today.

INTRODUCTION

The Republic of Moldova is an exceptional state. It was the only Soviet republic to proclaim independence, on 27 August 1991, in order to become part of another state, i.e. Romania, rather than building its own independent political future. After the civil war, the break-up of the common state and the *de facto* collapse of the unification project, the newly established Moldova found itself in an ideological vacuum. With no experience of statehood, no coherent historical narrative or responsible political elites, and with a nation that was unsure of its identity, it set off on a long march in search of an idea that could define the shape of its statehood and the direction of its future development.

Twenty-five years on, the social and political project called the Republic of Moldova is experiencing a grave crisis. The Moldovan statehood remains fragile and seemingly impermanent. The country's successive governments have not been able to build effective state institutions or create adequate conditions for economic development, which could satisfy the basic needs of the country's people. After years of structural and economic weakness, today's Moldova as led by Vlad Plahotniuc, the country's most powerful politician and businessman, is a typical post-Soviet oligarchy ruled by a narrow clique interested mainly in protecting its own political and business interests.

Endemic corruption affecting all sections of society and all spheres of life remains a key problem. As many as 86% of the inhabitants of Moldova believe that the country is heading in the wrong direction. As the social and political crisis lingers on, a growing number of people openly admit that they miss the USSR. In March 2016, 59% of Moldovans believed that the collapse of the Soviet Union had been a bad thing (compared to the 29% who believed the opposite).¹ This demonstrates that the level of Soviet nostalgia is higher in Moldova than in Russia (where 56% of respondents declared in February 2016 that they regretted the disintegration of the Soviet empire).² Interestingly, nearly 70% of respondents between the age of 18 and 24 in Moldova are of the opinion that life in the Soviet Union was better than in today's Moldova, which is an unprecedented result in the entire post-Soviet area (in Ukraine, 18% of respondents in the same age bracket share this opinion, compared to 25% in Russia and 47% in Armenia, the

¹ http://www.iri.org/sites/default/files/wysiwyg/iri_poll_presentation-moldova-march_2016.pdf

² <http://www.uawire.org/news/survey-suggests-56-of-russians-regret-the-collapse-of-the-ussr>

country with the second-highest result).³ At the same time, due to Moldovan society's growing disillusionment with the political class, the economic situation and the absence of a credible idea to guide Moldova's development, the idea of reunification with Romania (tantamount to dismantling Moldovan statehood) has been gaining popularity as a way of resolving the problems with which the country is struggling. At the same time, popular support for European integration (an idea increasingly perceived as discredited, despite the visible achievements in the form of a visa-free travel regime implemented in April 2014 and the signature of an Association Agreement in June 2014) reached a record low of slightly more than 30% in 2015.

The present paper is an attempt at summing up the quarter of a century of Moldova's independence. The successive chapters are devoted to the most pressing problems with which Moldovans are still struggling after twenty-five years of the young republic's existence. Part One examines the problem of the still underdeveloped Moldovan national identity, which, in the author's view, is not only a key issue that has been holding back the development of Moldovan statehood but has also rendered it impossible to clearly define the direction that Moldova should take and has been conducive to the degeneration of the political class.

The next chapter presents the Moldovan political system and its evolution over the last twenty-five years, as well as the specifics and deficiencies of the country's party system, and the mechanisms whereby the state apparatus has been periodically captured by particular interest groups. The chapters that follow are devoted to social and economic issues. The author focuses mainly on the fundamental problems of Moldova's economy, which has been in permanent crisis (with its dependence on exports of lightly processed goods, a low volume of foreign investments, an inefficient agricultural sector in which 30% of the entire workforce is employed, etc.). Because of the weakness of its economy, Moldova has remained Europe's poorest country for years, which, in turn, has kept the standards of living low and has negatively affected the social situation more generally, generating unprecedented levels of job-related emigration (up to 25% of the country's inhabitants have emigrated for work).

Further on, the author discusses the questions of Moldova's foreign policy, pointing to its instability and changeability over the first two decades of

³ <http://enews.md/news/view/48063/>

independence, and tries to identify the causes of the disillusionment with the idea of European integration, which has been observed in Moldova over recent years. The final chapter discusses the Transnistrian problem and the reasons why Chisinau has not managed to come any closer to a resolution of this frozen conflict over the quarter of a century of independence. The paper ends with a summary of the current situation in Moldova and a tentative forecast of what may happen during the next twenty-five years of its existence as a state.

I. WHO ARE THE MOLDOVANS? TWENTY-FIVE YEARS IN SEARCH OF AN IDENTITY

The inability of the Moldovan elites to develop an attractive identity model to which all the country's inhabitants could subscribe (such as a modern supra-ethnic civil identity) or a national idea around which society could unite has been one of Moldova's most consequential failures. The identity problem, which still remains unresolved, has been one of the key issues affecting the cohesion of Moldova's ethnically diversified society (where Moldovans/Romanians account for around 78% of the population of right-bank Moldova (without Transnistria),⁴ Ukrainians make up 9%, Russians – 6%, and the Gagauz – 4%).⁵ The titular majority also remains fragmented and uncertain of its ethnic identity, and the entire society (including the minorities) is deeply divided and torn by conflicts over attitudes towards history, national symbols, certain values and the language (or even the name of the language). This identity problem has been directly affecting the political scene and the party system, and has hindered the development of an effective state apparatus in Moldova. It has also severely hindered any attempts at instilling a sense of loyalty towards the state or a sense of patriotism, understood as a willingness to work and make sacrifices in the name of the country's development, among the people of Moldova.

1. The historical background to the problem of identity

The roots of Moldova's identity problem are historical and political. Before 1812, the lands of what is today the Republic of Moldova (excluding the territory of present-day Transnistria on the left bank of the Dniester) were part of the Principality of Moldova, which had existed since the 14th century. In the aftermath of the Peace Treaty of Bucharest, signed between Turkey and Russia in 1812, those territories, along with the entirety of Bessarabia (right-bank Moldova along with Budjak and Khotyn and the surrounding lands) were separated from the Principality and formally incorporated into the Russian empire. At that time, the population of the incorporated lands (consisting mostly of peasants who identified with their local communities but did not have any broader identity) became separated from nation- and state-forming processes unfolding in the remaining parts of the Principality of Moldova and Wallachia, which united in

⁴ According to the 2004 census (conducted by the separatist government), 32% of the population of Transnistria are ethnic Moldovans, 30% are Russians and 29% are Ukrainians. Bulgarians, another ethnic group present in the region, account for 2.5% of the region's population.

⁵ <http://www.statistica.md/pageview.php?l=ro&idc=295&id=2234>

1881 and formed what is today the Romanian state. The indigenous population of Moldova not only did not participate in the formation of the modern Romanian nation but was also subjected to intensive Russification. As early as 1826 the use of the Romanian language was banned in local administration, Orthodox liturgy and education in the territories of today's Moldova. At the same time a policy was implemented to build intellectual and economic elites in the new province by bringing Slavic, Jewish, Armenian and German settlers to its territory. The local people, most of whom lived in villages and small towns, spoke Romanian in their daily activities but often did not have a sense of being part of any particular nation. The situation changed with World War I and the October Revolution. In 1918 Bessarabia was incorporated into the Romanian state and its population was subjected to an intensive, albeit inefficient and awkward Romanianisation. From the point of view of Bucharest, reclaiming Bessarabia was an act of historical justice which offered a chance to re-Romanianise the Russified 'Bessarabian Romanians' (i.e. the autochthonous inhabitants of today's Moldova). To this end, administration cadres and teachers were brought to the newly acquired province from other parts of Romania.

At the same time, the Soviet government created the Moldavian Autonomous Socialist Soviet Republic (MASSR) in the territories located east of the Dniester (an area comprising today's Transnistria and parts of the then Ukrainian SSR). Even though those lands had never been part of the Principality of Moldova and Romanians/Moldovans accounted for only 30% of their population, it was there that the idea of 'Moldovanism' started to be developed and promoted under the auspices of Moscow. It was a new national idea that was supposed to give rise to a new Moldavian national identity that could be juxtaposed with the Romanian identity. The Soviet government created the new autonomous republic and imposed a new identity model on its inhabitants in preparation to reclaiming the territory of Bessarabia, lost in 1918, from Romania. The 'Moldovanist' ideology was expected to spread to the entire territory of Bessarabia in the longer term and legitimise the planned incorporation of those lands into the Soviet Union, based on a logic according to which a territory inhabited by a separate nation, the Moldovans, had the right to live in its own state entity, which in this case would be a Soviet republic, in accordance with Moscow's plans. In 1940, in the aftermath of the Ribbentrop-Molotov Pact, Bessarabia was incorporated into the Soviet Union, merged with a western part of the MASRR and transformed into the Moldavian Soviet Socialist Republic (MSRR). Moldovanism became the official national idea of the entire republic. A decisive majority of those who represented the pro-Romanian option (mostly members of the intelligentsia) fled abroad, faced repression or

were physically exterminated. As a result of intensive Sovietisation and Moldovanisation, the pan-Romanian idea (according to which Moldovans were in fact Romanians, and which called for a union of the two nations) became deeply marginalised. However, pan-Romanism survived among members of the Moldovan intelligentsia, artists, writers and academics.

A revival of the pan-Romanian idea began in Moldova at the time when a wave of change swept through the Soviet Union in the second half of the 1980s. In 1989, the Popular Front of Moldova (FPM) was established. It was a movement of intellectuals, anti-communist activists and pro-reform organisations from the entire republic (in the initial period it even included organisations from Transnistria and Gagauzia). Pro-Romanian activists, and especially academics, journalists and writers, played a key role in the movement, which openly called on the MSSR inhabitants to revive their Romanian identity. A pivotal point in the Front's activity came on 27 August 1989, with a rally organised in the central square of Chisinau, which later came to be known as the Great National Assembly (Marea Adunare Națională in Romanian) because of its massive size (around 300 thousand people). Under pressure from the crowd, on 31 August 1989 the republic's government adopted a law which changed the Moldovan language's script from Cyrillic to Latin. One year later, the FPM along with some pro-reform communists came to power in the aftermath of the first, partly free elections to the republic's Supreme Council. The new pro-Romanian government started to speak openly about reunifying Moldova with its historical motherland Romania, and large sections of society became involved in a festival of pro-Romanian sentiment which manifested itself in ever more frequent, spontaneous social initiatives such as the 'bridge of flowers' on 6 May 1990. On that day, passport checks and the visa regime were suspended for several hours for Romanians travelling to the MSRR. Up to one million Romanians crossed the eight border bridges, bringing flowers which they threw into the river. A similar event, this time for Moldavian citizens going to Romania, was organised on 16 June 1991. The will to reunite with Romania was also articulated quite clearly in the Declaration of Independence adopted on 27 August 1991. It expressly condemned the incorporation of Bessarabia into the Russian empire in the 19th century and called for "redressing the consequences of the Ribbentrop-Molotov Pact", i.e. effectively for Bessarabia to be returned to Romania. Framed this way, the Declaration was clearly based on the assumption that independence would be a transitory step towards a reunification with Romania. At the same time some steps were taken to symbolically initiate the process of reunification. Romanian rather than Moldovan was proclaimed the country's official language, and the Romanian flag and anthem were adopted as the symbols of the newly independent republic.

However, the pro-Romanian sentiment quickly started to wear, firstly, because Bucharest showed no genuine commitment to reunification, and secondly, because there was growing opposition to the idea among significant parts of the public (especially the Russian-speakers). The opposition was particularly strong in Gagauzia and Transnistria, i.e. the two regions with predominantly Russian-speaking populations, which would go on to proclaim independence from Moldova in the second half of 1990. The secession of the two regions, and especially the highly industrialised Transnistria located on strategic trade and transport routes, led to the outbreak, in March 1992, of an armed conflict between the Moldovan government forces and Transnistrian volunteers supported by Russian troops stationed in the region. After five months of fighting, which claimed the lives of at least 650 people on both sides of the conflict, Chisinau's forces were defeated. Moldova *de facto* lost control of the territories on the left bank of the Dniester and the town of Bender (Tighina in Romanian) on the right bank.⁶ In the aftermath of the war trauma and the fiasco of the reunification idea, FPM was defeated in the early parliamentary election held in February 1994 (garnering a mere 7.5% of the vote), and a new government was formed by groups championing the Moldovanist idea, which came to dominate the country's political thought for the next fifteen years.

2. Two (and a half?) identities

The historical factors discussed above led to the formation of two dominant models of identity within Moldovan society: pan-Romanianism and Moldovanism.

The proponents of pan-Romanianism differ from the advocates of the Moldovanist idea in that they do not consider the Moldovans to be a separate nation, but rather part of the historical Romanian nation. In this context, while not denying that a Moldovan identity exists, they see it as merely one of various Romanian regional identities, similar to the Wallachian or Transylvanian identities. They also believe that the separation of Bessarabia from the remainder of the Principality of Moldova in 1812 (and then again in 1940) was an act of historical injustice which left millions of Bessarabian Romanians outside their homeland. Most (but not all) of those who advocate pan-Romanianism believe it is necessary to reunite Romania with Moldova, which they see as the second

⁶ Unlike in the case of Transnistria, Moldova managed to regain control of Gagauzia (which had proclaimed independence from Moldova in August 1990) in 1994 with the formation of the Autonomous Territorial Unit of Gagauzia.

Romanian state. From this vantage point, Moldovan culture, literature and arts are inseparable from the broader Romanian culture. The pan-Romanianists also reject the notion that the Moldovan language exists separately from Romanian (a basic idea for the advocates of Moldovanism), and at best consider it to be a dialect of Romanian. While the adherents of pan-Romanianism do not make that argument expressly, the pan-Romanian identity model is by nature exclusive, i.e. the members of the ethnic and linguistic minorities living in Moldova may only adopt it through assimilation and rejection of their original identity. The pan-Romanians do not harbour an aversion towards minorities but they emphasise the primacy of the Romanian culture in Moldova and believe that the country's political choices should be decided primarily by its autochthonous inhabitants.

In contrast to the essentially homogenous pan-Romanian idea, Moldovanism exists in at least two variants. One comprises the ethnic Moldovanism construed in the Moldavian Autonomous Soviet Republic to legitimise Moscow's supremacy over Bessarabia, which continued to function in the country's political life, in only slightly mitigated form, until 2009. In contrast to the pan-Romanians, its adherents believe that the incorporation of Bessarabia into the Russian Empire saved the Moldavians living in the region from the Romanianisation which all the other inhabitants of the Principality of Moldova had to endure as a result of the unification with Wallachia and the creation of the Kingdom of Romania. Seen in this way, Moldova is therefore the legal successor of the Principality and the heir to its history dating back to the 14th century, while Stephen III the Great, the most powerful historical leader of the Principality, is the most important figure in its history. While the Moldovanists do not deny the cultural affinity between present-day Moldovans and Romanians, they firmly believe that these are separate and distinct nations. The Moldovanists like to emphasise that, unlike the Romanians, the Moldovan nation formed in a multi-ethnic territory inhabited in large part by Slavic people, thanks to which it developed an inherent tolerance towards multiculturalism and multilingualism, which today constitutes one of its key distinctive features. The Moldovanists harbour an aversion to the pan-Romanian ideology, which they consider a threat to Moldovan statehood because the denial of the existence of a Moldovan nation distinct from the Romanian nation deprives the Republic of Moldova of its title to an independent and sovereign existence and undermines its existence as a state. The Moldovanist identity model has not been particularly inclusive either, because it has been addressed primarily to the ethnic Moldovans/Romanians living in the republic. However, from the point of view of the ethnic and linguistic minorities, it is much easier to accept than pan-Romanianism since, as mentioned

previously, it expressly accepts their presence in the naturally multicultural territory of Moldova, welcomes their involvement in the country's political life and recognises their contribution to Moldovan culture.

Civic or state Moldovanism, which has been developing since the end of the 2000s, is the other variant of the Moldovanist ideology. It started being promoted by Vlad Filat's Liberal Democratic Party after the Alliance for European Integration came to power in Moldova in 2009. It was conceived as the first fully inclusive identity model for the citizens of Moldova, and was expected to enable the formation of a Moldovan political nation. Its proponents avoid any references to ethnic categories. From their point of view, ethnic identity (like religion) is a private matter and as such is secondary to one's self-identification as a Moldovan citizen, which is considered to be the most important aspect of identity. Civic Moldovanism represents the Moldovan state as a common good of all its citizens, irrespective of their ethnic background. It avoids any historical or identity debates (which also applies to the question of the name of Moldova's official language). In the context of foreign policy, it strives to be pragmatic and while it is pro-Western in principle, it emphasises close historical links to both the West (especially Romania) and Russia. However, it firmly advocates independence for Moldova and rejects the notion that it might support unionist tendencies.

Civic Moldovanism has not gained wide popularity among the Moldovans and remains an ideologically imprecise and incomplete niche project. However, it should be stressed that even after twenty-five years of Moldova's independent statehood, there are many people in the country who do not identify strongly with any of the identity models described above and whose self-identification remains diffuse and relatively shallow (i.e. based on very basic values, such as attitudes towards the West - and especially Romania - or towards Russia, and the language of everyday communication).

In a poll conducted in August 2016, when asked about their identity, 75% of Moldova's inhabitants replied that they were 'citizens of the Republic of Moldova', and more than 50% said they were 'local' (the results do not add up to 100% because the respondents could select several answers and rank them in order of significance).⁷ While those results suggest that a supra-ethnic state identity exists in Moldova, this identity lacks significant substance. Those who identify

⁷ http://imas.md/pic/uploaded/%5Bimas%5D%20libertatea%20de%20a%20fi%20liberi_conferinta%20de%20presa.pdf

as ‘citizens of the Republic of Moldova’ differ amongst themselves on fundamental issues such as attitudes towards historical events of crucial importance for the perception of the Moldovan state, symbols, values and language (including the name of the language). As a result, even though a large majority of the inhabitants of Moldova identify primarily as the citizens of their state or region, irrespective of their national or ethnic affiliation, apart from that they do not feel that they have much in common with the other inhabitants of the country (and especially members of the minorities). So much is clear from the poll mentioned above, where nearly 40% of respondents described the relations between ethnic Moldovans and Russians living in the republic as ‘conflicted’ or declared that the two groups simply ignored each other. 33% provided the same answers when asked about the Moldovan-Gagauz relations, and around 30% expressed the same opinions about the relations between Moldovans and Ukrainians.

3. Consequences of the identity problem

The failure of the efforts to develop an identity model that could be embraced by everyone living in Moldova has entailed a number of problems for the Moldovan state and its inhabitants. It has hindered the efforts to build a cohesive society, and as a result the Moldovans remain divided along ethnic and linguistic lines, and divisions exist even within the titular majority itself (e.g. between the advocates of pan-Romanianism and the Moldovanists). Because of the absence of an inclusive identity, it has been difficult, if not impossible, to resolve the problem of Transnistrian separatism or ease the tensions between Chisinau and Gagauzia.

The identity problem has also seriously impaired Moldova’s ability to effectively promote a sense of loyalty towards the state and a spirit of modern patriotism. That, in turn, has contributed to the inefficiency and corruption of the state apparatus, exacerbated economic migration and stymied the development of civil society or indeed any grassroots civil activity. It has also discouraged the country’s inhabitants from getting involved in political activity (including protests). The political elites lack a sense that their state is permanent, feel no attachment to it, and therefore have no motivation to work for the benefit of the state and generally prefer to focus on the protection of their own, often much more tangible interests. At the same time this absence of a consensus about self-identification has enabled Moldova’s political elites to easily play the electorate by exploiting emotionally charged identity divisions (and the political preferences based on them). This has deepened the divisions that exist and seriously impaired public debate in Moldova by effectively suppressing economic issues

or any deeper reflection about the nature of the state and the necessary reforms (see the chapter on Moldova's political system for more information).

Family relations vs. politics

Uncertain of its identity, lacking previous experience of independent statehood and originating predominantly from the peasant classes, Moldovan society attaches a great significance to broadly defined family ties. In Moldova, families are traditionally understood to include not only spouses and actual relatives, but also godchildren and godparents, wedding best men, etc. Being in a family involves very close relations and generates commitments which are considered to be much more important than obligations towards the state or its institutions (given the absence of a civic identification and the weakness of the Moldovan state, these are seen as ephemeral in comparison to the lasting institution of the family). As a result, what we see in Moldova is a variant of the phenomenon of clan relations found for instance in Central Asia.

This phenomenon naturally also extends to the ruling elites, leading to nepotism and favouritism, which are rampant in Moldova, because it is considered natural to involve clan members in the activities of political leaders. Vlad Plahotniuc's clan may serve as an example: it includes, among others, Andrian Candu, the oligarch's godson who currently holds the position of Parliament speaker, and Raisa Apolschii, who was a maid of honour at Plahotniuc's wedding and now heads the Moldovan parliament's committee for legal issues, nominations and immunities.

Because Moldovan identity is both nebulous and fragile, the idea of a reunification of Moldova and Romania has regularly cropped up in public debate, leading to even deeper public divisions and radicalising the anti-Romanian sections of the public (including the minorities). The political elites have been exploiting it in their political intrigues, which has further reinforced the impression that the Moldovan state is impermanent, undermining citizens' sense of loyalty towards it. Because of the lack of a strong identity, combined with the deteriorating social, political and economic situation and the fact that the Moldovan political elite has become increasingly compromised and discredited in the aftermath of a series of corruption scandals (especially in recent months), a growing, albeit still relatively small proportion of the public has started to see the idea of reunification with Romania as a remedy that would help the country deal with its economic problems and corruption, achieve real integration with the EU

and avert the risk of a political turn towards Russia, should the ‘leftist’ parties come to power. Currently around 20–25% of Moldovans declare that they would vote for a reunification with Romania; in previous years this number oscillated between 10 and 15%.⁸ It should be noted in this context that Bucharest’s policy, pursued since the 1990s, of ‘restoring’ Romanian citizenship to former citizens of the Kingdom of Romania and their descendants, has also hardly been conducive to the growth of a Moldovan state identity.

⁸ According to available polls, in 2011 around 10% of all inhabitants of Moldova ‘fully’ supported reunification. Another 18% supported the idea ‘to some extent’, but it should be noted that many respondents understood that this would involve co-operating more closely with Romanian while preserving the Moldovan statehood. The real number of the supporters of reunification could be estimated at 15% at best (most of the voters favourably disposed towards reunification were members or supporters of the Liberal party whose approval ratings did not exceed 10%). See: <http://www.iri.org/sites/default/files/2011%20June%206%20Survey%20of%20Moldova%20Public%20Opinion,%20January%2024-February%207,%202011.pdf>

II. THE STATE OF STRUCTURAL CRISIS

1. The evolution of the the political system over 25 years: between a façade of democracy and soft authoritarianism

Despite its numerous deficiencies, Moldova's political system has been regarded for many years as relatively democratic, in comparison with the other states formed in the aftermath of the Soviet Union's disintegration. Moldova was one of the very few member countries of the Commonwealth of Independent States (CIS) that did not slide into the authoritarian model of power centred on the president, with a subordinated and instrumentally used parliament, which was typical for the region in the 1990s. Attempts at introducing a presidential system in Moldova, undertaken in the early 2000s, were blocked by parliament (with the support of the Constitutional Court) and led to a defeat of the then president Petru Lucinschi, who had pushed for the change, while Moldova became, at least at the legislative level, the only parliamentary-cabinet republic in the post-Soviet area at that time.⁹ The president's mandate was weakened considerably in 2000 when the method of electing the head of state was changed, i.e. general elections were replaced by parliamentary vote (by a majority of 3/5). At that time the parliament also gained the right to oust the president by a majority of 2/3 of votes, while at the same time the president's prerogatives were substantially curbed, and both the parliament and government were given considerably stronger powers.

The adoption of that model reinforced the perception that Moldova's political system was democratic. This image was further boosted by the relatively efficient functioning of the electoral mechanisms which allowed the ruling elites to be replaced regularly and frequently. During the first decade of Moldova's independence, the country had three different presidents, and each had come to power through genuine political struggle rather than its pretence. In the same period, every parliamentary election (in 1994, 1998 and 2001) removed from power the ruling party of the time. On the one hand, this testified to the weakness and instability of Moldova's young political system but, on the other, it proved that the system was genuinely independent by demonstrating that none of the successive ruling groups had managed to consolidate its grip on power sufficiently to be able to influence the election process using administrative methods. The absence of a political monopoly was also visible in the pluralism of the media scene which Moldova enjoyed in the 1990s. However, even though

⁹ A parliamentary-cabinet republic has also been in place in Georgia since 2013.

the political system at that time enabled a wide range of political groups to participate in political life and as such bore the hallmarks of democracy and pluralism, most people in Moldova perceived it as chaotic and inefficient. This was conducive to the rise of nostalgia for the mono-party system known from Soviet times. In 2001, 57% of Moldova's inhabitants declared that it would be better for the country if just one party was present on the political scene. Meanwhile, the multi-party system was very clearly associated with corruption: nearly 80% of Moldovans believed that the leaders of the main political groups were guided solely by the desire to protect their own interests and prosperity.¹⁰

Thus, the political system which existed in Moldova during the first decade of its independence in principle bore the characteristics of a pluralist democracy but, as Lucan Way rightly observed, it was "pluralism by default"¹¹, which did not stem from either civil society's or the elite's strong attachment to democratic values but, on the contrary, was the result of the institutional weakness of the state and the party system, the absence of political and statehood traditions, the persistence of identity problems and the absence of consensus concerning the country's geopolitical orientation.

The year 2001 marked the beginning of the end of that era. At that time the Party of Communists of the Republic of Moldova (PCRM) won the parliamentary elections and gained a decisive majority of seats in parliament (71 out of 101). By the end of the year it also managed to independently appoint a new president and the party's leader Vladimir Voronin became the new head of state. Voronin and his political and business faction immediately proceeded to consolidate power in their hands. Even though the president's powers had been considerably curbed by that time, Voronin had full control of the PCRM, which was loyal to him and had a parliamentary majority, and thus he became the most influential actor in the political life of Moldova. Formally a parliamentary-cabinet republic, Moldova became a country with a *de facto* presidential system when, through Voronin's dictate, the post of prime minister was entrusted to Vasile Tarlev, a manager with no political backing of his own, who was fully dependent on the president's decisions.

In this way Voronin came to control both parliament and the government, while occupying the post of the head of state himself. He used his untrammelled

¹⁰ <http://www.ipp.md/libview.php?l=ro&idc=156&id=470>

¹¹ Way L.A., Pluralism by default in Moldova, *Journal of Democracy*, t XIII, nr 4, Oct 2002, s. 127.

power to appoint trusted and loyal aides to key ministries and positions in the uniformed and other services. He also initiated the process of subordinating the administration of justice to the ruling elite, by appointing trusted people to the positions of prosecutor general and judges of various instances (including the Supreme Court). Thus, within a short time, the administration of justice became fully subservient to Voronin. The Communists also managed to take over control of the public media without much difficulty, and because they already controlled some media outlets with links to the party and the party press organs, they now occupied a dominant position in the country's information space. An important move on the way towards creating a fully subordinated state apparatus consisted in stopping the development of the nascent local government. By Voronin's decision, the administrative divisions modelled on the Romanian system, with 11 relatively large and independent regions (*judet* in Romanian) were replaced by a system dating back to Soviet times, comprised of much smaller districts called '*raions*'. The *raions* were made completely financially dependent on Chisinau, which forced the local authorities to co-operate with the central government. The latter could easily influence the results of local elections by making cuts to the *raions*' budgets. Thus, the Communists quickly managed to take control of the local administration structures. While capturing the state apparatus, Voronin and his associates also sought to subordinate Moldovan commerce. Taking advantage of the growing influence of his father, Oleg Voronin started building a business empire which could expand unimpeded thanks to public contracts, services provided to state institutions and generous preferences. At the same time prominent members of the Communist party moved to take over profitable private companies, to which end they used administrative pressure (e.g. tax audits) or acts of so-called *reiderstvo*, i.e. takeovers of companies through intimidation or court decisions based on graft. This is how, within 8 years of his rule, Vladimir Voronin managed to effectively capture the state apparatus.

Communist rule broke down in April 2009. Although the party emerged from the parliamentary elections¹² with an absolute majority of seats in the parliament (60 out of 101), the number of mandates was insufficient to independently nominate a head of state (the appointment of president requires 61 votes). Vo-

¹² Even though PCRM controlled the entire state apparatus in the late 2000, it was not strong enough to be able to rig the results of the parliamentary elections on a large scale and therefore could not ensure that it would stay in power. Major tampering with the elections, including court injunctions preventing main competitors from running in the elections, started only in the following years (see below).

ronin had reached the end of his second term, and because the constitution did not permit him to run for president for a third time, he decided to take the position of parliament speaker and designate Zinaida Greceanîi, who was fully loyal to him and had hitherto been prime minister, as president. On 12 May 2009 the Communist-controlled parliament appointed the president, who was still in office, as the speaker of parliament in violation of the constitution. However, the Communists did not manage to have Greceanîi nominated as president. Contrary to Voronin's expectations, the opposition had remained united and the Communists did not get the single extra vote they needed to appoint the head of state. After two such attempts, Voronin had no choice but to dissolve parliament and call a snap election. The election took part in July 2009; the winners were four pro-European opposition groups which together garnered 53 votes and formed a coalition government called the Alliance for European Integration (AIE).

The rise to power of pro-Western opposition inspired hopes that the system created by the Communists would be democratised and that Moldova would undergo a structural reconstruction. Unfortunately, with every successive year of the new coalition's rule it became clearer that the leaders of its member parties were not interested in dismantling the old system, but rather in taking it over and using it to their own benefit. Even the coalition agreement signed on 8 August 2009 included a confidential protocol creating a mechanism according to which the coalition parties would divide the most important positions in the state among themselves.¹³ Importantly, this was not limited to the positions of prime minister, parliament speaker or specific ministries, but also included positions which should never be politicised, such as prosecutor general, chief of the fiscal service, governor of the National Bank of Moldova or the chief of the Central Electoral Commission.¹⁴

The two people who were most keenly interested in sharing influence in the state apparatus and using it to safeguard their own political and business interests were the leaders of the two largest coalition member groups, i.e. Vlad Filat, the prime minister of Moldova in 2009-2013 and leader of the Liberal

¹³ <http://moldnews.md/rus/news/41944>

¹⁴ For more information on the process of the state apparatus capture in Moldova by the leaders of the Alliance for European Integration see: K. Calus, A captured state? Moldova's uncertain prospects for modernisation, *OSW Commentary*, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2015-04-22/appropriated-state-moldovas-uncertain-prospects-modernisation>

Democratic Party (PLDM), and the oligarch Vlad Plahotniuc, the deputy parliament speaker in the years 2010-2013, who formally served as the deputy leader of the Democratic Party (PDM) but in reality financed and fully controlled the party. Thus, in the end no crucial reforms were implemented, a failure which the government explained away by quoting human resource shortages, financial problems or political instability. After three years of the coalition's rule no reforms had been implemented at the Ministry of the Interior, the police or the administration of justice, no decentralisation had been carried out (which could have made the local governments more independent of the centre), and no progress had been made in eradicating corruption. The reconstruction of the country's financial institutions also ended in a fiasco. Progressive changes were made only in those areas where they did not directly undermine the ruling elite's interests or were really necessary to boost the government's approval ratings. The coalition did make progress on civil liberties and human rights, reform of the electoral laws and implementation of the regulations required for the signature of the Association Agreement with the EU (along with the Deep and Comprehensive Free Trade Area [DCFTA] and liberalisation of the visa regime with the EU).

It became increasingly clear that a new consolidation of power was underway and that interest groups gathered around Filat and Plahotniuc were again striving to capture the state. At the same time, a struggle for influence was gradually unfolding between the two leaders. In the years 2009-2012 those processes were still relatively inconspicuous as the government made a conscious effort to keep up appearances *vis-à-vis* its Western partners and civic society. It did so for two reasons. Firstly, the coalition badly wanted to succeed on matters related to the ongoing negotiations concerning the Association Agreement and the liberalisation of the visa regime with the EU (which ultimately happened in mid-2014).¹⁵ Secondly, the Moldovan political scene was very unstable during the first three years after the AIE came to power. The Alliance did not have a sufficient majority to nominate the president, which created the persistent risk of an early election and thus forced the coalition members to maintain the best possible image *vis-à-vis* the voters. Even though tensions mounted between Filat and Plahotniuc, they avoided an open confrontation that could harm popularity of them or their parties. Likewise, both formations tried to be as discreet as possible in exercising their control of the state apparatus.

¹⁵ The Association Agreement between Moldova and the EU was signed on 27 June 2014, and the European Council decision to abolish the visa obligation for Moldovan nationals holding biometric passports and travelling to the Schengen zone entered into force on 28 April 2014.

The situation started to change after Nicolae Timofti was elected as president in March 2012. Once the political scene became stabilised, the conflict between Filat and Plahotniuc erupted with renewed force. In January 2013, in the aftermath of the so-called “Pădurea Domnească” scandal,¹⁶ Vlad Filat made an unsuccessful attempt at reclaiming the control of the General Prosecutor’s Office from Plahotniuc. Later on, in March 2013, Filat lost his position as prime minister. Since then, Plahotniuc’s influence has only been expanding. He stepped down as deputy speaker of the parliament only to appoint his godson Andrian Candu as the speaker of parliament. After Brussels decided to abolish the visa obligation for Moldovan nationals travelling to the Schengen zone (in April 2014) and the Association Agreement with the EU was signed (in May 2014) the coalition members lost their primary motivation for mitigating their behaviour.

In November 2014 it turned out that the country’s leading politicians knew about and most likely had been involved in the siphoning of around US\$ 1 billion (corresponding to around 15% of Moldova’s GDP) from the country’s banking system. Meanwhile, immediately after the general election held on 30 November 2014, the rivalry for control of the state apparatus between Filat and Plahotniuc entered a decisive phase. As a result, Moldova found itself in a new political crisis which lasted for a year, during which time the country had five different prime ministers (including two acting prime ministers). Ultimately, in October 2015 Plahotniuc used the General Prosecutor’s Office, which he controlled, and his growing influence in parliament to successfully strip Filat of his immunity and get him accused of passive corruption and involvement in the banking scandal mentioned above. As a consequence Filat was arrested. During the four months that followed the former prime minister’s party split into two groups, one loyal to Filat, the other willing to co-operate with Plahotniuc, and shortly became marginalised. The Party of Communists, which was in opposition but still constituted a major political power (with 21 deputies in the 101-strong parliament), also split and the majority (14) of its MPs declared that they would co-operate with the Democratic Party. At the same time it became clear that the pro-Romanian, right-wing Liberal Party led by Mihai Ghimpu was also on Plahotniuc’s side. In this way, Plahotniuc managed to gain control of a parliamentary majority which he then used to get his close aide Pavel Filip appointed as prime minister in January 2016. The final chapter which sealed

¹⁶ In late December 2012 during an illegal hunt in the Pădurea Domnească nature reserve, a close aide of Plahotniuc’s and chief of the Plahotniuc-controlled Prosecutor General Office, allegedly shot dead the Moldovan entrepreneur Sorin Paciu (probably accidentally). Filat tried to use the scandal to discredit Plahotniuc and take over control of the prosecution authorities.

Plahotniuc's victory over Filat came with the conviction of the former prime minister to 9 years in prison in late June 2016.¹⁷

Who is Vlad Plahotniuc?

Born in 1966, Vlad Plahotniuc is a billionaire and the wealthiest man in Moldova, with an estate estimated to be worth more than US\$ 2 billion. He is also the key actor in Moldova's political life. Plahotniuc started to build his business position in the mid-1990s. In the early 2000s he took a managerial position in Petrom Moldova, a daughter company of the Romanian fuels giant, and in this way he established a close relationship with Vladimir Voronin, the then president of Moldova and leader of the Party of Communists (which exercised full power in the country in the years 2001-2009), and his son Oleg, one of Moldova's leading entrepreneurs. According to Plahotniuc's opponents, he has used blackmail and his influence in the state structures (including the police, the fiscal services and the administration of justice), which he owed to his ties with Voronin, to take over profitable private companies and destroy the competitors of his businesses, while building up his wealth thanks to opaque privatisations of state-owned assets.

When Moldova's Communists started losing power in 2009, Plahotniuc moved on to financially support the Democratic Party, then a marginal pro-European group, in order to avoid losing his political influence. Thanks to his money the party managed to become the second largest power in the governing coalition of the Alliance for European Integration established in the same year.

Thus, seven years after the Communists were removed from power and nominal democratisation began in Moldova, the country has reverted to the pattern, known from the time of Voronin's rule, of one centre of power capturing the entire state apparatus.¹⁸ This is a classic post-Soviet oligarchic model in which the wealthiest and most powerful persons in the state do not so much try to interfere with the state's policy by using their economic influence as seek to take power directly in order to safeguard their interests. If they are unwilling

¹⁷ <https://point.md/ro/noutati/politika/vlad-filat-condamnat-la-9-ani-de-pushcarie>

¹⁸ For more information on the consolidation of Plahotniuc's grip on power, see: K. Całus, *Moldova: from oligarchic pluralism to Plahotniuc's hegemony*, *OSW Commentary*, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2016-04-11/moldova-oligarchic-pluralism-to-plahotniucs-hegemony>

or unable to hold the highest state positions themselves for any reasons, they appoint completely dependent persons with no political backing (such as the current prime minister of Moldova Pavel Filip). If this model lasts, it will lead to the re-creation in Moldova of the soft authoritarianism known from the era when the Communists were in power. This time, however, at least in the short term, the authoritarianism will be nominally pro-European. Plahotniuc has much larger financial resources at his disposal than Voronin did (and they are set to grow further as he takes over control of institutions previously under Filat's influence), and a much more effective and larger media apparatus (see below for details). He also has more room for political manoeuvre because, while he controls the Democratic Party, he does not need to rely on that one formation only. Having subordinated some former deputies of the Party of Communists on the one hand, and the Liberal Party and sections of the PLDM on the other, Plahotniuc is able to appeal to very wide sections of the electorate and play different groups according to his current needs. It is clearly in his interest to keep the control he has of the state apparatus, which means that he will not be interested in any genuine reforms that could undermine that control.

2. Moldova's political scene: disputes over identity and geopolitics

Even though Moldova's multi-party system has been developing for 25 years already, the country has no parties with a classically left-wing or right-wing profile. The divisions in the country's political scene do not reflect differences of ideology or economic views, but rather different attitudes towards geopolitical and historical issues. The 'right wing' is understood in Moldova to include all the parties which advocate close co-operation with Romania, promote (or at least refrain from challenging) the idea of close affinity between, or indeed the unity of, the Romanian and Moldovan nations, and opt for as close as possible co-operation with the West (including integration with the European Union's structures). These parties hold rather negative views of the Soviet times and some of them like to openly remind a wider public of how the Moldovans suffered at the hands of the USSR, for example in connection with the persecution in the 1940s and 1950s, the great post-war famine or the deportations. Their attitudes towards Russia range from distrust to open aversion. They are often (but not always) distrustful of the ethnic minorities living in Moldova, and assume that the ethnic majority should play the main role in the country. They also tend to stress the role of the Romanian language, which they argue should be promoted, and which they do not want to see referred to as 'Moldovan'. The more a party preaches the "Romanianness" of Moldova and the more it calls for deeper co-operation with Romania (and more broadly with the West), the

closer it will locate itself to the right. In this context, the PLDM, which in its best period (2009-2014) enjoyed the support of 20-25% of the electorate, is an example of a moderate right party. The opposition groups which have emerged on the political scene in the course of last year, such as the Dignity and Truth Platform Party (PDA) and the Party of Action and Solidarity (PAS) also have a moderate right profile. These two groups have taken over a decisive majority of the PLDM's electorate and today boast approval ratings of around 20%. The Liberal Party, led by the openly pro-Romanian Mihai Ghimpu (who considers himself to be Romanian) remains the most right-wing formation among Moldova's mainstream parties. Until 2015 the party enjoyed the stable support of the pro-Romanian section of Moldova's society, with approval ratings of 8-10%. Despite their clear leanings towards Romania, the Liberals had refrained from directly promoting the idea of Moldova's reunification with Romania in recent years. However, the situation changed when the party's popularity declined (after 2015). Since then, Ghimpu has been vocally making the case for a union of the two states.

Moldova's left, on the other hand, comprises the parties whose roots are in the Moldovanist ideology. Those parties make no secret about their nostalgia for the Soviet era, firmly advocate close co-operation with Moscow and openly support accession to the Moscow-sponsored Eurasian Economic Union (previously the Customs Union). They perceive Russia as the guarantor of Moldova's independence, to which, in their view, Bucharest poses the greatest threat as it aspires to incorporate Moldova into Romania. Those parties are very open towards the Russian-speaking minorities living in Moldova and champion broad rights for those groups (some sections of the left even call for Russian to be proclaimed the second state language). At the same time the Moldovan left rejects the pan-Romanian idea, emphasising the separateness of the Moldovan nation (and language). Paradoxically, Moldova's left-wing groups are very conservative. They firmly oppose the rights of sexual minorities and closely co-operate with the Orthodox Church in defending traditional values. The left-wing of Moldova's political scene is currently dominated by three groups. The most important one is the Party of Socialists led by Igor Dodon. In the 2014 general elections the Socialists got 20% of the vote, becoming the largest force in the Moldovan parliament. The Party of Communists is the second largest left-wing party in Moldova. For nearly a decade in the 2000s, the group enjoyed sufficient popularity to rule on its own (see the previous chapter for more information). While its popularity dropped sharply in recent years, in the 2014 elections the party's share of the vote was still only slightly smaller (around 17%) than the showing of the Socialists. However, in late 2015 the party broke up in the aftermath of

a political crisis in Moldova. As a result, it has become increasingly marginalised and today is effectively fully controlled (politically and financially) by Vlad Plahotniuc. Our Party, led by Renato Usatii, the mayor of Moldova's second largest city Bălți, is the third most important left-wing group in Moldova, even if it is not represented in parliament. It has the support of around 11% of voters.

Thus divided, the Moldovan political scene also has a kind of a 'centre', represented by the Democratic Party (PDM). The party, controlled and financed by the oligarch Vlad Plahotniuc, is formally led by a former member of the Party of Communists, Marian Lupu. While the PDM supports the idea of European integration (and has been part of the pro-European coalition since 2009), ideologically it owes quite a lot to the Moldovanist idea. It is open towards the Russian-speaking minorities and has avoided raising sensitive historical topics. While it does not deny the cultural affinity between the Moldovans and the Romanians, it believes these are two separate nations, and further reinforces this stance by arguing that Moldovan is a separate language independent of Romanian.

The divisions in Moldova's political scene have in fact been construed in this way since the beginnings of the new republic. New political parties in Moldova have never competed by offering attractive economic or social programmes but have primarily striven to credibly inscribe themselves into the specifically understood notions of 'left-wing' and 'right-wing', as described above. Such divisions are very convenient for the political elite because they enable it to easily take hold of particular sections of the electorate. The Russian speaking minorities vote, for the most part, for left-wing groups, which they see as defenders of their interest (such as the right to use the Russian language) and the main bulwark against the dreaded prospect of reunification of Moldova and Romania. The Russian-speaking minorities naturally tend to favour developing closer relations with Russia (because of the ethnic and cultural ties and the influence of the Russian media, which are widely available in Moldova and are followed by the minorities there), which gives them an extra stimulus to support the ideologically pro-Russian groups. Of course the electorates of those parties also include ethnic Moldovans who are reserved about the idea of European integration and rapprochement with Romania, and who often feel nostalgia for the USSR. On the other hand, people who identify as Romanians or for whom the cultural and historical ties between the Moldovans and the Romanians are important, and those who support the pro-Western orientation of the country, constitute the traditional electorate of the right. It should be noted that while the voters of the left constitute a relatively uniform group, there are some differences among those who vote for the right. This group includes the extreme pan-Romanians

and unionists, who account for around 15% of the population and who advocate as deep as possible integration with Romania, up to the incorporation of Moldova into Romania. However, a majority of the right's electorate is not interested in dismantling Moldovan statehood, even if they feel close to Romanian culture. Because of these differences, the supporters of rapprochement with the West are usually represented by several parties in Moldova's political scene (each representing the view of a slightly different part of this electorate), while the left is usually dominated by one big party.

The persistence of those divisions has effectively impeded debate on a wider political programme among Moldova's different political formations. Indeed, the electorate does not seem to expect the political class to engage in any serious debate on economic, social or security issues and has so far satisfied itself with the particular party's geopolitical/historical positioning, as such divisions are more understandable. As a result, Moldova's political parties are very populist, and this in a way corresponds to the electorate's needs. They are focused on highlighting their 'left' or 'right' profile (in the Moldovan sense of these terms), which they demonstrate, for instance, by ostentatiously maintaining good relations with Russian politicians (in the case of the left), or EU politicians, especially those from Romania (in the case of the right), and displaying their feelings about particular historical events such as the incorporation of Bessarabia into Romania in 1918 (seen as the beginning of an occupation by one side, and as return to the motherland by the other), or the 9 May Victory Day celebrations.

3. Parties in the service of their sponsors

A great majority of Moldovan political formations are strongman parties organised around charismatic leaders. Such parties naturally turn into instruments serving the political and business interests of their leaders and sponsors, instead of understanding and articulating the interests of particular sections of society. Attempts at building bottom-up parties based on broad self-governing structures capable of influencing the party leadership's policy have been undertaken only recently and so far have not produced any tangible results.¹⁹ Moreover, it is a fairly common practice in Moldova for members of the political-business

¹⁹ The formations built based on a horizontal rather than vertical model are mainly pro-European parties established as opposition to the ruling coalition, such as the Party of Action and Solidarity (PAS) founded by the former education minister Maia Sandu and the European People's Party of Moldova (PPEM) led by the former prime minister and ex member of Filat's party Iurie Leancă.

establishment to take over new political parties. Such people invest considerable sums of money in their chosen parties, thus enabling them, for instance, to win seats in parliament, where they subsequently become an instrument for protecting the interests of their patron. The takeover of the PDM by Vlad Plahotniuc in late 2009 and early 2010 is a case in point – the party, originally an insignificant group without parliamentary representation, grew to become the second largest force in the pro-European coalition and, at the same time, the foundation of Plahotniuc’s formal presence on the Moldovan political scene.

There are reasons to believe that similar processes are affecting the nascent forces of pro-European opposition in Moldova, which have been developing on a bottom-up basis since late 2014. In particular, this concerns the Dignity and Truth Platform party, which emerged several months ago from the social movement called Dignity and Truth Civic Platform, first initiated in early 2015. The Dignity and Truth Civic Platform was a pro-European informal initiative launched by a group of noted Moldovan social activists, journalists and lawyers, which at the onset was not linked to any political formation. As such, it did not have clear-cut structures or one leader. The movement called for broad reforms and de-oligarchisation of the state, and for those responsible for the banking scandal, including Vlad Plahotniuc, to be brought to account. As the movement developed, some of its participants, most notably the attorney Andrei Năstase, increasingly started to argue that the Platform should create a political party which could take part in the next election or designate its candidate for president. However, a considerable group of the movement’s members did not want it to become politicised. They feared, *inter alia*, that the move to create a party led by Năstase would be an attempt by Victor Țopa and Viorel Țopa, Plahotniuc’s business rivals living in Germany, to capture the movement and take advantage of its popularity. Those fears were not unfounded. Andrei Năstase had been the lawyer of Victor and Viorel Țopa at the time of their conflict with Plahotniuc in 2011, and the Jurnal TV station owned by the two entrepreneurs was openly supporting the movement’s activities and promoting the idea of creating a political party. As a result, the movement underwent a split. The Dignity and Truth Platform party, which was ultimately established in December 2015 and has been led by Năstase, has links to the Civic Platform but is formally independent of it. There are also serious reasons to believe that the party has been receiving financing from abroad, most probably from Victor and Viorel Țopa. In this context it is worth noting another problem, i.e. the continuing financial and political dependence of the Moldovan left on Russia. Moldova’s main left-wing forces (formerly the Party of Communists and currently Igor Dodon’s Party of Socialists and Renato Usatii’s Our Party) receive financial, political and media

backing from Moscow, which perceives them as instruments of its policy towards Moldova.²⁰ As a result, they too focus more on representing the interests of their patron, in this case the Kremlin.

Because of this instrumentalisation of political parties in Moldova and the regular political crises it has engendered (stemming from the conflicting interests of the different party leaders-owners), combined with the generally poor quality of the country's ruling elites and the absence of genuine dialogue with the voters, the people in Moldova not only distrust their political class but also harbour an open aversion towards it. This is visible in the polls in which more than 92% of Moldovans are dissatisfied with the quality of political life in their country. Nearly 90% also believe that the republic is not being governed in accordance with the nation's will. The state institutions occupy the lowest positions in credibility rankings. In April 2016, the president, the parliament, the government and the political parties were trusted by 5.9%, 6.8%, 7.4% and 7.9% of respondents, respectively.²¹ In the same poll, every second person in Moldova distrusted all key political figures. It is symptomatic of the scale of the Moldovans' disillusionment with their political elite that foreign politicians rank much higher in credibility rankings. While Igor Dodon, who tops the credibility ranking for Moldovan politicians, reported a showing of 8.2% in 2016, Vladimir Putin was trusted by 63% of respondents in the same poll, the Romanian president Klaus Iohannis reported a showing of 33.2%, and Angela Merkel and Barack Obama were trusted by 25 to 30% of respondents.²²

4. The legal system and the administration of justice: politicised and riddled by contradictions

The weakness of the legal system is a very serious structural problem of the Moldovan state, which could not be resolved over the last twenty-five years. Adopted in 1994 and amended on several occasions, the constitution of Moldova is imprecise and open to broad interpretations. New laws adopted by the Moldovan parliament are often incompatible with the constitution, and amendments

²⁰ A typical way for the Kremlin to show political support for the left-wing groups consists in meetings of the leaders of those parties with top-ranking Russian politicians, most notably with Vladimir Putin. The leader of the Socialists, Igor Dodon, held such a meeting less than a month before the parliamentary elections in November 2014. A photograph showing Dodon conversing with Putin was then used as the main element in all campaign billboards of the socialists.

²¹ http://www.ipp.md/public/files/Barometru/BOP_04.2016_prima_parte_finale-r.pdf

²² *Ibidem.*

made to the constitution are frequently not followed by corresponding modifications to lower-level legislation. As a result, the Moldovan legal system is incoherent and riddled by internal contradictions, and thus conducive to constitutional and political crises. In one example, there is a contradiction between the constitution and the bill on the special status of Gagauzia, i.e. the ‘constitution’ of the Gagauz autonomy. Before 2003, in keeping with the region’s statutes and the bill on the special status of Gagauzia, the Autonomy’s authorities had the right to declare independence, should Moldova lose its independence (for instance as a result of reunification with Romania). However, Gagauzia was effectively stripped of that right when the constitution was amended in 2003. The new wording of the constitution referred to Gagauzia as an “inseparable constituent part” of Moldova and referred to its territories and resources as assets of the Moldovan nation. However, the bill regulating the status and prerogatives of Gagauzia has not been amended correspondingly, which has led to regular tensions between Chisinau and the local authorities of the Autonomy. In another example, the constitution’s provisions on a citizens’ referendum have not been adjusted following the 2003 administrative reform, which has effectively blocked the possibility of calling such a referendum in Moldova (for more information, see the section on the judiciary in Moldova). Another problem concerns the very structure of the constitution, which is imperfect and likely to generate protracted political crisis. For instance, because of the constitutional provisions Moldova experienced a political crisis lasting two and a half years when its parliament could not elect a new head of state between September 2009 and March 2012.

With such an erratic legal system, the Constitutional Court has come to play a special role in Moldova, as it has frequently been called upon to resolve disputes stemming from the system’s internal contradictions. However, in the context of a state apparatus captured by political-business groups (currently Vlad Plahotniuc’s camp), the Constitutional Court could not remain independent either. Control of the Court, which has the power to lay down irrevocable interpretations of the constitution, is one of the key instruments in the exercise of power in Moldova, enabling those who hold it to effectively pass laws even without a parliamentary majority. A number of verdicts meted out by the Constitutional Court over the last three years demonstrate that the court has indeed been used by Plahotniuc to serve his own purposes. For instance, the Court issued a verdict which blocked Vlad Filat’s return to the position of prime minister in 2013, made it possible for the appointment of Pavel Filip as prime minister to be imposed on the president in January 2016, and effected a change in the method of electing the president by replacing indirect elections (through

parliament) with general elections (a decision in which parliament had no say).²³ Thus, the institution which could potentially mitigate the problems stemming from the flaws in Moldova's constitutional foundations, if it upheld the standards of professionalism and independence, has been deeply politicised. This situation constitutes a major obstacle to Moldova's development as a modern lawful state.

The administration of justice in Moldova has been prone to corruption and has demonstrated servile attitudes towards political and business groups since the beginning of independence. This is due, in equal degrees, to the country's deteriorating economic situation and to the tradition, dating back to Soviet times, of the courts' obedience to the government. However, in the early years of the Republic of Moldova, control of the judiciary was not concentrated in the hands of one single political camp. That changed in the early 2000s, when the judiciary became largely subordinated to the political elite forming president Voronin's circle and started to serve as a means of intimidating Voronin's political and business rivals and facilitating asset grabs targeting profitable enterprises. After the Communists were removed from power in 2009 the judiciary became partly de-politicised but then it again became subordinated to Vlad Plahotniuc. Plahotniuc now has a decisive influence on the General Prosecutor's Office, the Supreme Court of Justice, the Supreme Judiciary Council (SCM), anti-corruption bodies (including the National Anti-Corruption Centre) and – indirectly – most judges throughout Moldova. After Filat was removed from the political scene, Plahotniuc continued to consolidate his grip on the judiciary, despite social protests. For instance, on 9 February 2016 his trusted judge Mihai Poalelungi was re-appointed as president of the Supreme Court of Justice.²⁴ The judiciary's obedience to the government has been enforced using corrupt practices, business and clan ties, and intimidation. The case of judge Dominica Manole is a glaring example of how politicians subordinate judges: after Manole had issued a verdict favourable to anti-Plahotniuc opposition in early 2016, she had to face an investigation initiated against her by the prosecution authorities (see below).

²³ K. Gałus, Mołdawia: Sąd Konstytucyjny zmienia tryb wyboru prezydenta, *Analizy OSW*, 9.09.2016, <http://www.osw.waw.pl/pl/publikacje/analizy/2016-03-09/moldawia-sad-konstytucyjny-zmienia-tryb-wyboru-prezydenta>

²⁴ It is worth noting that Poalelungi was the only candidate for president of the Supreme Court of Justice. The decision of the Supreme Judiciary Council appointing Poalelungi as president, taken on 9 February 2016 was approved on 27 April 2016 by the Moldovan parliament. http://www.realitatea.md/mihai-poalelungi--sustinut-de-parlament-la-functia-de-presedinte-csj--deputatii-au-mai-numit-alti-patru-judecatori_38337.html

The case of judge Dominica Manole

On 30 March 2016 the Central Electoral Commission of Moldova rejected a petition, signed by more than 400,000 people, for a referendum to change the manner of electing the president and the number of members of parliament, which would have been inconvenient for the Moldovan leadership. In its justification, the Commission argued that even though the petition had been signed by twice the required number of people (the constitution required 200,000 signatures), the opposition had not met the second condition required for the petition to be valid, according to which the collected signatures needed to represent at least half of the second-tier administrative units of Moldova, with not less than 20,000 signatures collected in each of the units. While the constitution does indeed include such a requirement, meeting it in the present conditions is extremely difficult or even impossible in some administrative units. The constitution was written at a time when Moldova's administrative divisions were different, with only eleven second-tier administrative units (the so-called *judet*). As a result of the administrative reform, the number of units, now renamed as *raion*, increased three-fold, and the new units had much smaller populations. Consequently, in many *raions* the number of eligible voters is under or barely above 20,000 people.

In this connection, the opposition decided to appeal the Central Electoral Commission's decision at the Appellate Court, where judge Dominica Manole overturned the Commission's decision on 14 April 2016. Her verdict, however, was appealed at the Supreme Court, which upheld the Central Electoral Commission's decision. At the same time measures were undertaken against the insubordinate judge. The Central Electoral Commission filed a complaint against Manole's verdict at the SCM, arguing that it had been "blatantly incompatible with the law" and "deliberately generated a negative public reaction". Acting general prosecutor Eduard Harunjen then requested the SCM to authorise an investigation into suspected "abuse of power" by Dominica Manole, allegedly consisting of the usurpation of the right to interpret the constitution. On 31 May 2016 the SCM granted Harunjen's request. At the time this paper was completed, judge Manole was facing loss of her judge's immunity, a fine, up to five years in prison and loss of the right to serve as a judge.

The subordination of the Moldovan administration of justice to Plahotniuc means that the system is extremely politicised and regularly used in

Plahotniuc's political jockeying with his rivals. His political competitors risk being blackmailed with threats of criminal proceedings (based on genuine or fabricated evidence), or encouraged to collaborate with promises of immunity for themselves or their business with bribes on top of that. The detention of Vlad Filat, as mentioned before, is one of the most glaring examples of the judiciary being used for political purposes. Another example concerns the case of the Taraclia mayor Serghei Filipov, who in April 2016 was sentenced by the appellate court for "abuse of power" and for causing "considerable damage to the public interest". His offence reportedly consisted in illegally cutting down around a dozen trees in the city. The court sentenced him for a fine of EUR 7,500 and removed him from office for two years. The case was interpreted as clearly political and triggered protests (Pirkka Tapiola, the head of the EU delegation in Chisinau, and the ambassadors of the United States and several EU countries raised serious concern about the verdict). According to Filipov, the ruling had been punishment for his unwillingness to co-operate with representatives of the Democratic Party. Filipov had also been the main rival of the Democrats' candidate for the mayor of Taraclia in the most recent local elections. Under internal pressure (and because Plahotniuc did not want too much damage to his image), the Supreme Court overturned the Appellate Court's verdict on 9 August 2016 and restored Filipov to his position.²⁵

Control of the administration of justice has also enabled the ruling groups (i.e. Plahotniuc's camp at present) to hold on to power by restraining the activities of the opposition. Apart from the previously mentioned case where an inconvenient referendum was suppressed, the ruling parties have also been able to eliminate one of their main political rivals, Renato Usatii, from the 2014 parliamentary elections just three days before the vote in 2014 thanks to their control of the Central Electoral Commission and the judiciary. Their grip on the judiciary has also made it possible to intimidate opposition political activists, of which the case of Grigore Petrenco is an example. Petrenco, an openly anti-Plahotniuc politician associated with the Party of Communists before 2014, was detained during anti-government protests in September 2015.²⁶ The investigation against him dragged on for several months, during which time Petrenco was kept in solitary confinement, which led to protests on the part of the Council of Europe, the United States and some EU states, among others. It seems quite certain that

²⁵ <http://newsmaker.md/rus/novosti/ko-vsem-tuyam-vsp-otmenila-prigovor-po-skandal-nomu-delu-mera-taralkii-26645>

²⁶ <http://protv.md/stiri/actualitate/cate-30-de-zile-de-arest-pentru-petrenco-si-amerberg---1128151.html>

while Petrenco himself did not pose any real threat to Plahotniuc, he was targeted because he could set an example for other opposition leaders.

There is little indication that the Moldovan administration of justice could be genuinely reformed or depoliticised in the near future. In its current shape, it is too powerful an instrument for the political elites, and they will not voluntarily give up control of it or risk its takeover by their political rivals. The current Plahotniuc-controlled government has undertaken some ersatz measures to demonstrate its commitment to thoroughly rebuilding the system. To this end, the parliament passed a new bill on the reform of the prosecution authorities in February 2016.²⁷ However, its implementation will require a constitutional amendment, and Plahotniuc does not have the two-thirds majority needed to amend the constitution. It is therefore almost certain that the bill will not go through, and the Moldovan leadership will be able to blame its failure on the opposition's resistance. On its part, the judicial system does not seem to be capable of effectively fighting for its political independence. As the example of judge Manole demonstrates, any struggles for independence launched from within are severely punished.

5. The media: edging closer to a monopoly

After the brief period of freedom which followed the removal from power of the Communists in 2009, Moldova's media scene has become largely subordinated to the country's major political and business groups in recent years. While the relatively numerous television channels (of which there are around 70 in Moldova), radio stations, newspapers and news portals represent different points of view, in practice their line is always determined by their owners' interests. Consequently, a decisive majority of the mainstream media in Moldova are not objective. Yet they possess substantial financial resources and are dominant in Moldova's information space, as a result of which it has not been possible for independent journalism to reach wider audiences. Another problem concerns the monopolisation of the media by the oligarch Vlad Plahotniuc, which has been progressing for at least six years. Plahotniuc currently owns four out of the five national TV stations (and a number of cable television channels, whose reach is limited to the large cities) as well as three radio stations. He also directly or indirectly controls a number of newspapers and news portals. The share of

²⁷ http://ru.publika.md/zakon-o-reforme-prokuratury-prinyat-v-finalnom-chtenii_1804251.html

Plahotniuc's media in Moldova's total media market is estimated at 60-70%.²⁸ In addition to constantly expanding his media portfolio, Plahotniuc has also been combatting independent mass media using his influence in the Radio and Television Coordination Council (the state media regulator) and at the cable operators. At the same time, Plahotniuc's holding has monopolised a large part of the advertising sector (around 60-80% of the market), gaining an additional tool to influence his competitors, who largely depend on advertising revenue.

Combatting rival media - the case of TV7

The series of steps taken against TV7, one of Moldova's large television stations controlled by Chiril Lucinschi (son of Petru Lucinschi, the former president and high ranking PLDM politician with links to Vlad Filat) is an example of how the media independent of Plahotniuc are being targeted in Moldova. In February 2016 Moldtelecom (Moldova's state-owned telecoms operator controlled by Vlad Plahotniuc) changed the matrix of cable channels, as a result of which stations owned by Plahotniuc's holding were assigned positions in the top ten channels, while other televisions, including TV7, were moved to positions between 10 and 20. Several weeks later a similar decision was taken by Moldova's largest cable operator, SunCommunications. Moreover, Plahotniuc's holding took steps to limit TV7's share in the advertising market under its control. As a result, TV7, which used to be Moldova's second most viewed channel just a few years ago, started to rapidly lose its audience share. By December 2015 it had dropped to 5th position, and by April 2016 to 13th.

Thanks to his control of the cable operators, Plahotniuc has also been able to block inconvenient content. For instance, on 20 January 2016 Moldtelecom blocked the signal of all the TV stations which were covering a protest taking place in Chisinau against the formation of the government led by Pavel Filip, Plahotniuc's close aide (officially for technical reasons). Previously, in January 2014, Moldtelecom unexpectedly temporarily stopped transmitting the signal of two openly anti-Plahotniuc channels, Jurnal TV and Accent TV. As Plahotniuc consolidated his grip on power, he has also taken over control of public broadcasters, including Moldova 1, the premier channel of Moldovan public television, which until recently had been the last national channel independent of Plahotniuc. The oligarch's growing influence on Moldova 1 is visible in the

²⁸ http://media-azi.md/sites/default/files/Raportul%20situatia%20preseii%202015%20rusa_3.pdf

fact that the television stopped its live coverage of the celebrations of the 25th anniversary of independence (on 27 August 2016) as soon as anti-government protesters showed up.²⁹

The deteriorating situation of Moldova's media is also reflected in the annual rankings compiled by Reporters Without Borders. In 2009 (the last year of the Communists' rule) Moldova's media freedom score was 33.75 points. When the Alliance for European Integration came to power, the situation changed radically. In 2010 and 2011 Moldova scored 19 and 16 points, respectively (the score is inversely proportional to the degree of media freedom). In the years that followed, however, Moldova's scores deteriorated gradually. In 2016 the country scored 28.83 points, a showing worse than at any time during the Communist's eight-year rule except for the year 2009.

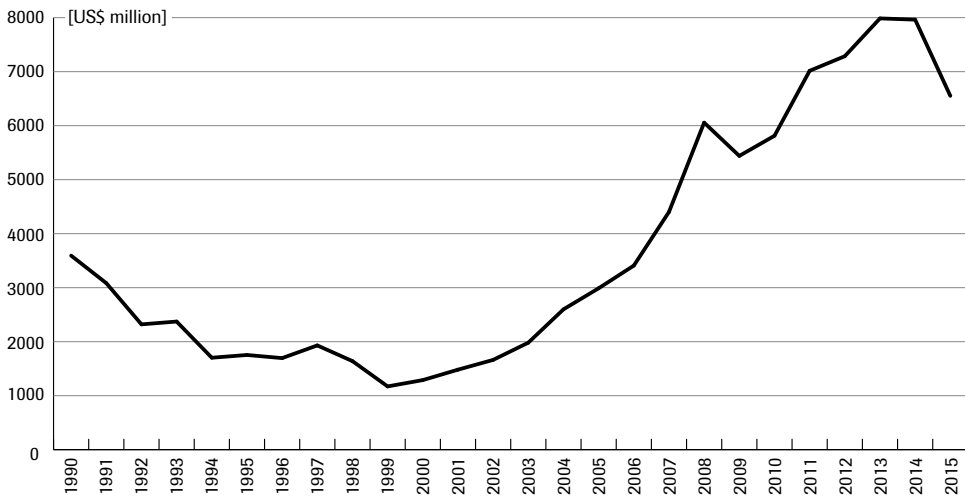
²⁹ <http://newsmaker.md/rus/novosti/slezotochivyy-prazdnik-kak-vlasti-otmetili-25-letie-nezavisimosti-moldovy-26985>

III. THE ECONOMY: FROM COLLAPSE TO FRAGILE STABILITY

1. Struggling for stability

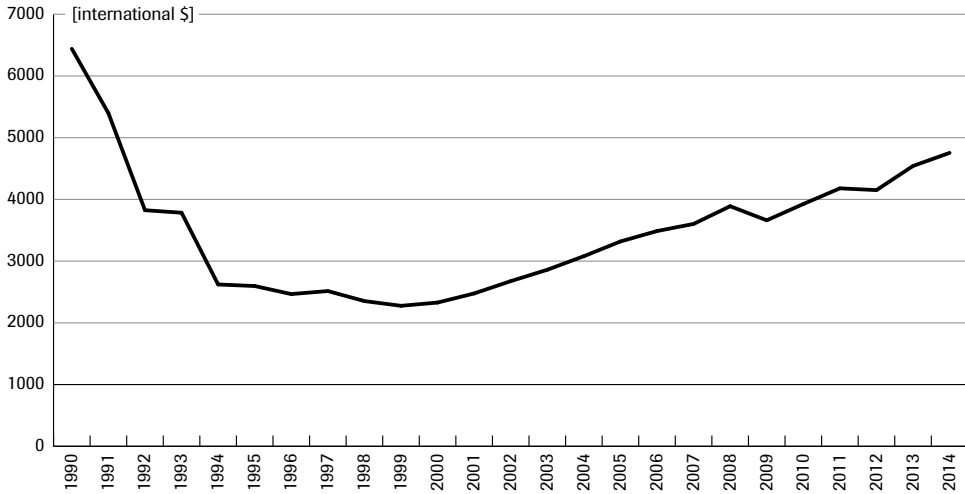
The disintegration of the Soviet Union delivered a severe blow to Moldova’s small economy, which was totally dependent on the Soviet Union market. Another blow came with the secession of the highly industrialised Transnistria, which had accounted for 40% of Moldavian SSR’s GDP, 33% of its industrial output and 90% of its electricity production. In the aftermath of those two developments, between 1990 and 1992 the GDP of the young Republic of Moldova shrank by as much as 35% (see Chart 1). As the political situation stabilised in the following years, the shrinking of Moldova’s economy slowed down, but the downward trend could not be reversed. In fact the Moldovan elites remained unable to effectively restore growth until the early 2000s. The financial crisis in Russia in 1998 made matters even worse, causing Moldova’s economy to shrink again by 15%. The country’s GDP continued to decline rapidly (with two relatively small rises in 1995 and 1997) until 1999, at which point it corresponded to a mere 33% of the 1990 figure. Moldova was also struggling with a serious inflation problem, which in 1999 climbed to the highest levels since the end of the Transnistria war (39.3%).

Chart 1. Moldova’s GDP dynamics in 1990-2015 - current prices (US\$ million)



Source: the World Bank

Chart 2. Moldova’s GDP *per capita* dynamics in 1990-2014 - purchasing power parity (2011 constant prices in international dollars)

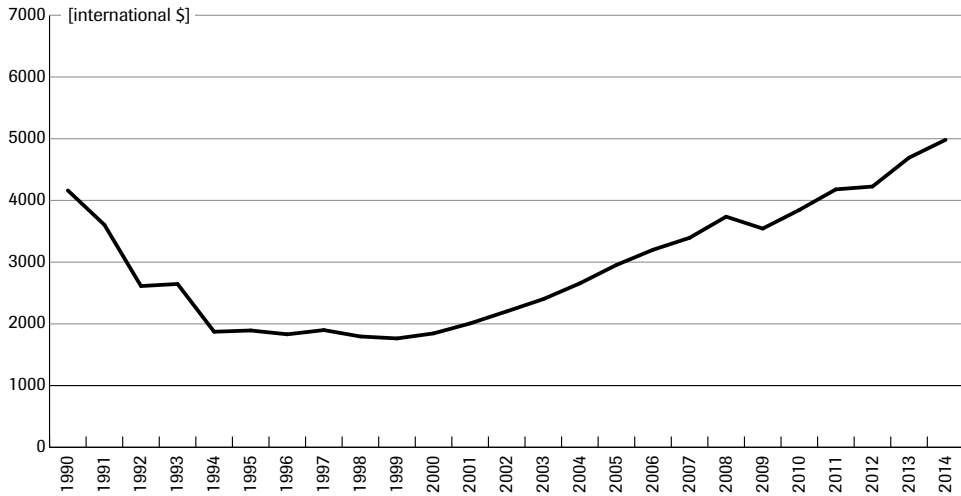


Source: the World Bank

After the government of prime minister Ion Sturza took office in 1999 and initiated the necessary reforms, and as the situation gradually improved in the Russian market, Moldova’s economy started to develop, although its growth was relatively slow. The Communists who took full power in Moldova in 2001 were interested mainly in stabilising the social and economic situation in order to win the support of an electorate made weary by a decade of raging crisis, and did not intend to aim for widescale liberalisation of economy. In addition, the new leadership’s main focus was on subjugating the state apparatus, consolidating its grip on power and taking over profitable companies (both state-owned and private). Another factor which undercut the government’s motivation to implement deep economic reforms concerned the constantly growing volume of remittances from the ever larger group of Moldovan emigrants living abroad. Their remittances contributed to a visible improvement in the standards of living, as they were (and still remain today) the main source of financing for domestic consumption. In 2014, Moldova ranked 4th in terms of the proportion of remittances to GDP globally.³⁰

³⁰ http://monitorul.fisc.md/editorial/moldova_zanimaet_4-e_mesto_v_mire_po_sootnosheniyu_obema_denezhnyh_perevodov_trudovyh_migrantov__k_vvp_s_pokazatelem_v__25.html

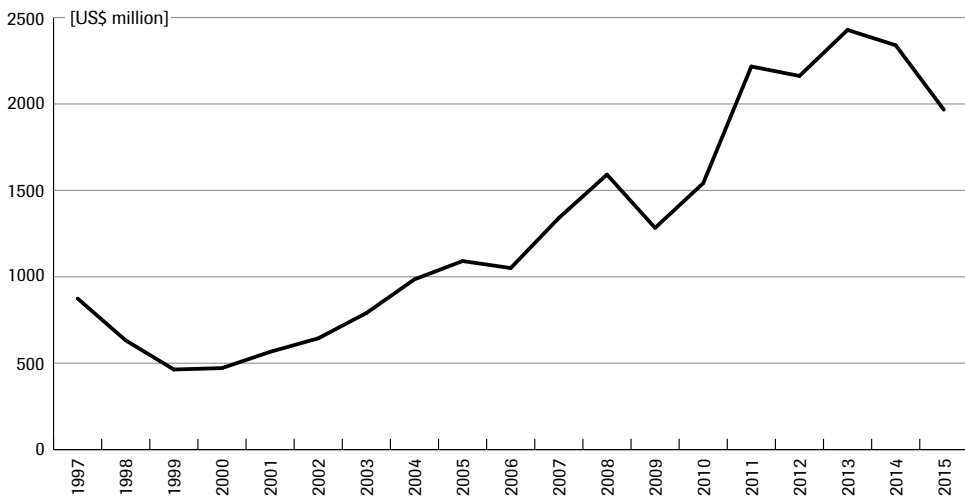
Chart 3. Moldova's GDP *per capita* dynamics in 1990-2014 - purchasing power parity (current constant prices in international dollars)



Source: the World Bank

Despite the absence of thorough reforms, the times when the Communists were in power were nonetheless a period of relative stability, during which Moldova's economy developed. Between 2001 and 2008 Moldova's GDP increased fourfold, exceeding US\$ 6 billion (see Chart 1). At the same time, while Moldova's economy remained dependent on foreign trade, the shares of the EU and post-Soviet markets in its export balance reached parity between the years 2005 and 2006 (see Chart 5).

Chart 4. Moldova's export dynamics in 1997-2015 (US\$ million)

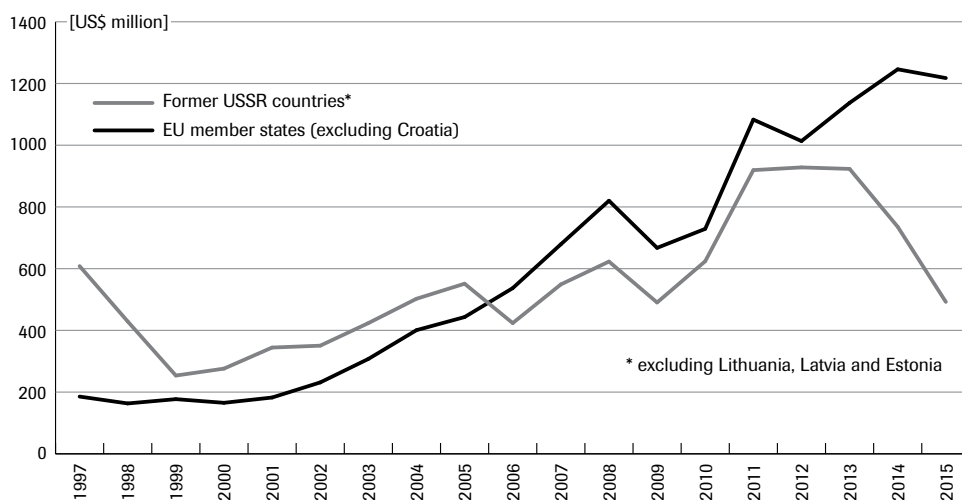


Source: National Bureau of Statistics of the Republic of Moldova

2. Structural weaknesses of the Moldovan economy

The years during which Moldova has been under the rule of the pro-European groups, which came to power in 2009 and still hold power today (albeit in a changed configuration), have shown how the Moldovan economy is fragile and susceptible to external impacts and political changes. Exports play a huge role in Moldova's economy. The domestic market is very small and internal demand largely determined by the level of remittances. As a result, Moldova's economy in its present shape depends on access to external markets for its goods (exports in the 2010s have accounted for 30% of the country's GDP) and external labour markets. Any restrictions on access to those markets quickly generate crises, of which Moldova's deteriorating economic performance in the last two years is the latest example.

Chart 5. Dynamics of Moldova's exports to countries of the former USSR and to the EU in 1997-2015 (US\$ million)



Source: National Bureau of Statistics of the Republic of Moldova

In the years 2014-2015 Moldova experienced a deep decline of its exports to post-Soviet states (down by 33%), especially to Russia, which had been the main recipient of Moldovan exports before 2014, (down by 43.2%) and to Ukraine (down by 58%). The most affected sectors in terms of trade with post-Soviet states in 2015 included animal products (down by 71%, i.e. US\$ 30.7 million), plant products (down by 26%, at US\$ 36 million), as well as alcohol and tobacco products (down by 34%, or US\$ 62.5 million). External factors were responsible for this deep decline. Firstly, Russia imposed an embargo on Moldovan agricultural products (fruit, vegetables and meat) and alcoholic products in response

to the initialling (in November 2013) and signature (in June 2014) of the Association Agreement and the Deep and Comprehensive Free Trade Area (DCFTA) with the EU. Secondly, the crisis was exacerbated by the deteriorating political and economic situation in the region and its consequences such as the deep depreciation of the Russian rouble and the Ukrainian hryvnia, and the deep adverse impact that had on the capacity of the Russian and Ukrainian markets to absorb imports (in the case of Ukraine, demand was further suppressed by the ongoing conflict in Donbas). Because of those factors, Moldova's exports dropped to the lowest level in five years in 2015. The total volume of commodity exports in 2015 was US\$ 1,966 million and was 15.9% lower than in 2014. Such a deep slump in exports had an impact on the condition of the entire economy. In 2015 Moldova's GDP (US\$, current prices) decreased in comparison to 2014 by 18%. This was not by any means helped by the dwindling remittances from Moldovan emigrants working in Russia that were caused, on the one hand, by the depreciation of the rouble and, on the other, by the stricter immigration rules adopted by Russia, as a result of which fewer Moldovan nationals could work in its territory. In 2015, total remittances decreased by nearly one-third from US\$ 1.6 billion to US\$ 1.1 billion.³¹

It should also be noted that even though exports are hugely important for Moldova, the governments' efforts to gain wider access to external markets have been constantly stumbling over various difficulties. Moldova's exports to the European Union did not increase considerably after the EU granted Moldova Autonomous Trade Preference in 2008.³² Today the situation is similar. Even though the Deep and Comprehensive Free Trade Area (DCFTA) deal with the EU entered into force on 1 September 2014, granting wider access to the EU market for Moldovan exports, the volume of those exports in fact decreased (by 2.3%) in 2015. Even though the EU's share of Moldova's exports increased by 8.6 percentage points in 2015 to 61.9%, compared to 25% for the CIS countries (exports to which dropped by 8.1 percentage points), this change had actually been caused solely by the previously mentioned dramatic decline of exports to the CIS. One of the most important factors holding back an increase in Moldovan agricultural and food exports to the EU despite the existence of the DCFTA concerns the problems that Moldova has been experiencing in implementing the phytosanitary norms

³¹ <http://newsmaker.md/rus/novosti/denezhnye-perevody-moldavskih-migrantov-sokratilis-na-tret-22047>

³² The Autonomous Trade Preferences regime, which was in place between 2008 and end of 2015, enabled Moldovan producers to export their products (excluding some agricultural products) to the EU market on a duty-free and quota-free basis.

provided for in the Association Agreement.³³ The country has also faced problems implementing the standardisation norms required by the EU.

Another very serious weakness of the Moldovan economy concerns the lack of transparency in its financial sector, including the politicisation of the National Bank of Moldova (NBM). The weight of this problem is best illustrated by the financial scandal, one of the biggest of its kind in the entire post-Soviet area, which was uncovered in November 2014. At that point it became clear that a sum of around US\$ 1 billion had been siphoned off from three major Moldovan banks: Banca di Economii, Banca Socială and Unibank. The banks had previously granted multi-million loans to companies associated with Ilan Shor (a Moldovan-Israeli entrepreneur), Vlad Filat and probably also Vlad Plahotniuc. A great majority of those loans were from the start rated as 'unpayable'. The loans could not be recovered because the borrowers had transferred their debt to other companies, usually registered outside Moldova in tax havens, had filed for bankruptcy or had turned out to be shell companies. The banks involved were unable to enforce repayment and soon started losing financial liquidity as a result. In order to save them, in November and December 2014 the National Bank of Moldova (NBM) put the three banks under state supervision and decided to provide them with hundreds of millions of euros in assistance funding from the state's currency reserves. It is clear that the banks' machinations would not have been possible without the involvement of high-ranking coalition politicians. Also the NBM, which controls financial flows in Moldova's banking sector, must have been aware of the dubious operations conducted by the three banks. Its failure to stop those practices and preserve the banks' financial liquidity was most probably due to political pressure from the ruling elite. The Moldovan authorities have now launched a formal inquiry into the banking scandal and have hired the US Kroll company to audit the banking sector, but because of the involvement of members of the elite in the scandal it does not seem likely that these measures will help the banks recover the money. Meanwhile the government, in its capacity as the guarantor of banking loans, has had to issue treasury bonds worth around US\$ 700 million (with an annual interest rate of 5% and twenty-five-year maturity periods) in order to bail out the NBM after it had to pump

³³ The decline of Moldova's total exports to the EU was also partly due to the drop in exports of industrial products and raw materials (textiles, clothes, chemical products, products of the timber and machine-building industries, metals) to the EU states by around 10% from US\$ 804,652,600 in 2014 to 729,311,800 in 2015. The underlying causes also included the worsening situation in those sectors and the absence of any significant investments in the Moldovan economy in 2015 (which otherwise could have stimulated the growth of production and exports).

such huge sums into the banking sector to preserve its liquidity.³⁴ As a result, according to the government's forecasts, Moldova's internal debt will increase nearly three-fold in 2016, from MDL 7.075 billion in late 2014 to MDL 21 billion. In addition, the twenty-five-year maturity periods and the interest rate mean that the Moldovan government, i.e. effectively Moldovan taxpayers, will have to repay more than twice the amount borrowed. The banking scandal, combined with the region's general geopolitical situation, has also rapidly driven down the exchange rate of the Moldovan currency. The Moldovan leu lost more than 20% to the US dollar in 2014 and another 26% in 2015.

In this context it should be emphasised that Moldova is also deeply dependent on direct external financial assistance. And yet, because of the lack of transparency and instability of the financial system (brought to the fore by the banking scandal), in early June 2015 the International Monetary Fund notified Chisinau that it was suspending the negotiations concerning a new loan programme. In mid-June 2015, the World Bank announced that it was withholding the payment of a US\$ 45 million loan to Moldova, and on 5 July 2015 the EU decided to freeze its programme of financial assistance to Moldova worth EUR 40–50 million. In all three cases, the justifications were the same, pointing to Chisinau's failure to take effective action to restore the health of the national banking system. Because of the freeze on lending, Chisinau did not receive a total of around US\$ 230 million, which corresponded to more than 10% of the planned public spending in 2015. The banking scandal in conjunction with the Russian embargo on Moldovan agricultural and food products, the depreciation of the country's currency and the drop in external financing caused a reversal of the continuous upward trend in Moldova's economy observed since 2000. The country's GDP (in US\$) decreased by as much as 18% in 2015 compared to the previous year, falling back to the levels observed between 2010 and 2011.

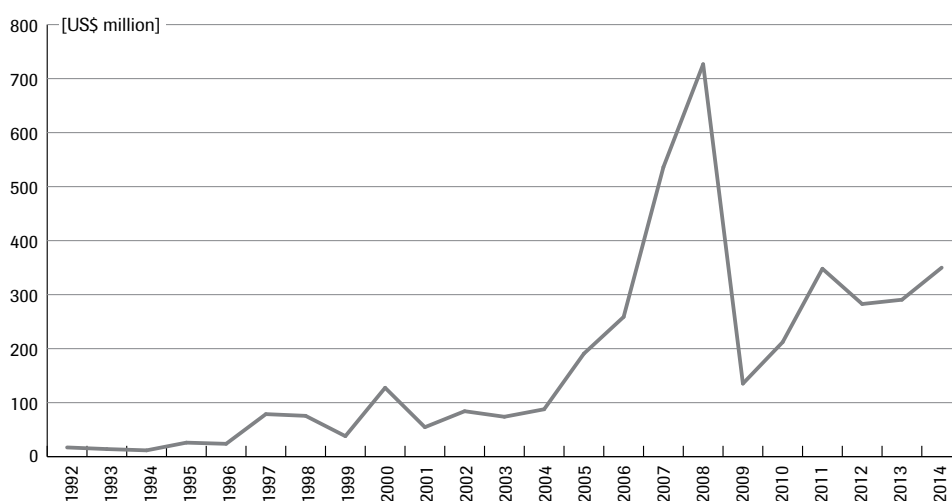
Access to foreign investments has also been a persistent problem for the Moldovan economy, exacerbated in recent years by the unstable political situation and doubts concerning the stability of the Moldovan financial system. In theory, some steps have been taken over the last six years to improve Moldova's investment climate. For example, six special economic zones have been established, which offer preferential conditions for doing business (including VAT and custom duty breaks) and three industrial parks have been created. Foreign companies registered in Moldova are entitled to preferential tax rates linked to the

³⁴ https://monitorul.fisc.md/editorial/pravitelstvo_napravilo_v_parlament_proekt_zakona_o_vypuske_gosobligacij_na_135_mlrd_leev.html

scale of their investments. Thanks to those measures, Moldova climbed to 83rd position in the Doing Business ranking after three years of the pro-European coalition’s rule (up by 11 positions from where it was in June 2009). It also made it to the top ten in the Most Improved in Doing Business ranking. In 2016 Moldova improved further, reaching 52nd position.

While those results would in theory point to an improvement of the investment climate in Moldova, the actual volume of investments coming to the country does not bear this out. Moldova reports the lowest total foreign direct investments per capita in the entire region (around US\$ 1,010 in 2015).³⁵ For comparison, this value is nearly twice as high in Albania and Belarus, nearly four times as high in Romania, and ten times as high in Hungary.³⁶ Figures suggest that after the reforms initiated in 2009, foreign investors did start to show more interest in Moldova, but the growth was disproportionately lower than in the last years of the Communists’ rule (see Chart 6).

Chart 6. Moldova: net inflow of foreign direct investments (FDI) in 1992-2014



Source: the World Bank

Thus, while some attempts have been made to improve things, the economic reforms implemented in recent years in Moldova should largely be regarded as fruitless. Issues of investment regulations and property rights protection continue to be a problem. As a result, Moldova has seen an outflow of foreign

³⁵ http://unctad.org/sections/dite_dir/docs/wir2016/wir16_fs_md_en.pdf

³⁶ <https://www.bnm.md/en/content/foreign-direct-investments-regional-competitiveness-republic-moldova-0>

investments, with the investors complaining about problems with the fiscal authorities, corruption, the customs services or the prosecution authorities. Examples include the US Lear Corporation, Germany's Draexlmaier and Australia's Shan Lian Group. In late 2012 and early 2013 those companies abandoned their plans to invest in Moldova, citing serious problems with the Moldovan tax authorities and customs services. Moldova's investment climate also suffers as a result of the acts of so-called 'reiderstvo', i.e. illegal takeovers of companies based on corrupt court decisions. Reiderstvo is possible thanks to loopholes in Moldova's laws and corruption among its judges. Its persistence means that Moldova has seen no significant change in terms of property rights and the fight against corruption. It also demonstrates yet again that the success of economic reforms in Moldova depends directly on the effectiveness of reforms in the judiciary.

Moldova's labour market has also been a problem for the Moldovan economy. While statistics show that unemployment is relatively low in Moldova (around 5%), this does not mean that Moldovans face no problems finding work. The low unemployment figure is due to two factors. The first one is crucial and concerns the mass migration which, on the one hand, suppresses the number of people looking for jobs in Moldova, and, on the other, boosts the purchasing power of those who stay in Moldova thanks to remittances, thus stimulating growth and generating jobs in the services and commerce sectors (in which 50% of working Moldovans are employed). The second factor concerns the fact that a large part of the population of Moldova, i.e. around 30% of people, are still employed in the agricultural sector or run independent farms. This is one of the highest figures in Europe (for comparison, in Romania the number is 26%, in Ukraine – 20%, and in Poland – 12%).³⁷ In the case of the independent farms, their owners are seen as independent entrepreneurs even if the farms are unprofitable or generate losses, and are not taken into account in unemployment statistics. At the same time Moldova's society is ageing very rapidly, with the number of working age people decreasing dramatically. In 2000 working-age people accounted for nearly 50% of the population of Moldova but by 2015 this percentage had dropped to around 35%. This situation has not only been a drag on Moldova's development potential but has also been a burden on the Moldovan pensions fund, which has been running a deficit since 2009.

³⁷ World Bank figures for 2013.

3. Permanent energy dependence on Russia

Since the beginning of its independence, Moldova has been practically entirely dependent (97%) on imports of energy and energy resources. Russia's Gazprom has been the only provider of natural gas to Moldova for the last 25 years (gas accounts for nearly 40% in Moldova's energy mix).³⁸ The country's electricity is 80% imported, mainly from Russian sources. All of Moldova's liquid fuels are imported from a number of states (Romania, Russia, Belarus, Austria and others), with 70-80% of petroleum and diesel fuel imports coming from Romania. Energy resources and electricity account for around a 20-25% of Moldovan imports.³⁹

The successive governments in Chisinau have not been able to ensure energy security for Moldova, either in terms of gas supplies or in terms of electricity. Serious steps to limit the dependence on Russian sources were taken only after the Alliance for European Integration came to power in 2009, and while the successive coalitions have continued to work in this direction, the measures taken have been very ineffective and will not undermine the Russian monopoly in the coming years. A prime example of such ineffective action concerns the construction of the Iași-Ungheni interconnector in order to enable imports of gas from Romania. While the interconnector itself was put into operation in August 2014 (two years later than planned), its current capacity is merely symbolic (it carried around 1 million cubic metres of gas in 2015, corresponding to 0.1% of the country's needs).⁴⁰ In order to enable supplies of Romanian gas in quantities that would cover Moldova's needs, a gas pipeline would have to be built from Ungheni to Chisinau (where most of the gas consumption takes place), and the compression infrastructure would have to be expanded on the Romanian side (the pressure in gas pipelines in Romania is lower than in Moldova). An additional problem concerns the fact that Russia's Gazprom still holds a controlling block of shares (50% plus 1 share) in MoldovaGaz, the main gas operator in Moldova and the owner of the transmission network. Gazprom also administers an additional 13.44% stake in MoldovaGaz, formally owned by Transnistria. This means that even if the gas pipeline were extended

³⁸ https://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Overview

³⁹ http://www.moldovagaz.md/userfiles/file/presa-2014/presa_06-10-2014_business-class.pdf

⁴⁰ http://www.economica.net/gaze-romania-moldova-conducta-iasi-ungheni-export-gaze-moldova_109936.html

to Chisinau, MoldovaGaz would probably not agree to distribute gas coming from sources other than Russia.⁴¹

Moscow has repeatedly used Moldova's energy dependence to exert political pressure on Chisinau. Since 2011, when the multi-year contract for gas supplies to Moldova expired, the country has been buying the fuel on the basis of short term annexes signed each year. The Russian side has consistently refused to sign a new long-term agreement, saying it would do so if Moldova decided not to implement the EU's third energy package, which Chisinau committed itself to implementing as it joined the Energy Community in May 2010. Under the provisions of the package, the distribution, sale and extraction of gas should be performed by separate and independent companies. Thus, its implementation would have to entail a division of MoldovaGaz into two separate companies or the establishment of a transmission system operator independent of Gazprom, as a result of which the Russian monopoly would lose its control of transit gas pipelines. The dependence on Russian gas supplies also contributes to the growth of Transnistria's gas debt, which currently amounts to around US\$ 4-5 billion. That debt was created as a result of deliberate and *de facto* Russian-approved actions by the Transnistrian authorities, which for years have failed to pay for the gas consumed in the separatist region but supplied under the contract with Moldova. Even though the debt is not formally Moldova's, it is suspected that the protocol signed by the Moldovan government with Gazprom in December 2006 most probably includes provisions on government guarantees covering MoldovaGaz's debt.⁴² If that is the case, Russia may use this liability at any convenient moment, as it has reminded Moldova on several occasions.⁴³

The situation of Moldova's electricity sector is only marginally better. In the territory it controls, Moldova does not have a single power plant. The only local sources of electricity are the three obsolete and ineffective heat and power

⁴¹ For more information on the problems concerning the operation of the Moldovan-Romanian interconnector, see: K. Całus, The Iasi-Ungheni pipeline: a means of achieving energy independence from Russia? Moldova's attempts at gas supply diversification, *OSW Commentary*, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2013-10-11/iasi-ungheni-pipeline-a-means-achieving-energy-independence>

⁴² W. Rodkiewicz, Moldova signals that it may withdraw from implementing the third energy package, *Analyses OSW*, 11.07.2012, <http://www.osw.waw.pl/en/publikacje/analyses/2012-07-11/moldova-signals-it-may-withdraw-implementing-third-energy-package>

⁴³ The declaration made in April 2012 by Dmitry Rogozin, Russia's deputy prime minister and special representative for Transnistria, who said: "Chisinau does not recognise Transnistria as an equal partner, therefore Transnistria's gas debt is in fact Moldova's debt". See: <http://www.rbc.ru/rbcfreenews/20120418060404.shtml>

plants which only cover around 20% of the country's needs (excluding Transnistria). Because they are gas-fired, their operation also depends on supplies from Russia. In the absence of its own sources of electricity that could cover the country's needs, Moldova has to import electricity. The existing grids enable supplies from two sources. One is the Moldavskaya GRES power plant located in separatist Transnistria and owned by Russian state energy holding Inter RAO UES. However, buying electricity from that plant is problematic for Chisinau for political and economic reasons. Moldavskaya GRES, for whom Moldova is the only customer, is one of the biggest taxpayers in Transnistria. By buying electricity from it, Chisinau effectively helps to support the separatist government in Tiraspol. Moreover, the power plant uses natural gas supplied by a Transnistrian intermediary, the Energokapital company, which re-sells the unpaid gas obtained from Gazprom. As a result, Moldova contributes to the growth of the Transnistrian gas debt it has reportedly underwritten, and in practice pays twice – for the electricity purchased from the Transnistrian power plant and (in the form of mounting debt) for the gas consumed by the power plant.

The other potential source of electricity is Ukraine, and specifically the DTEK Power Trade, a company owned by Rinat Akhmetov. Because of the ongoing conflict in eastern Ukraine, in 2014 DTEK discontinued electricity supplies to Moldova, making the country completely dependent on supplies from Transnistria and contributing to the development of a particular pattern of corruption between the governments in Tiraspol and Chisinau, which now poses a major political and economic problem for Moldova (see the section on the Transnistrian conflict for more information). Consequently, even though energy supplies from Ukraine are again possible, Moldavskaya GRES remains the sole provider of electricity to Moldova.

Moldova has been making efforts for many years to develop electrical grid connections with Romania, which could end its dependence on the politically uncertain sources in Transnistria and make the market more competitive. However, those efforts have never led to any tangible results, and it seems that one of the key reasons concerns the fact that some sections of the Moldovan political and business elite derive concrete financial benefits from the corrupt arrangement of co-operation with the leadership of Transnistria, Moldova's energy provider.

IV. MOLDOVAN SOCIETY

The low standards of living in Moldova, which has been Europe's poorest state since the 1990s, are a key problem. Moldova has not been able to attain the relative standards of living it enjoyed at the time of the Soviet Union's break-up. While its GDP (in real market prices) has increased more than two-fold since 1990 (see Chart 1), GDP *per capita* based on purchasing power parity in constant prices (which gives an estimation of the evolution of real purchasing power over the last 25 years) was only 74% of its 1990 value in 2014 (see Chart 2).

Consequently, 92% of Moldovans are dissatisfied with their government's economic policy, 96% are unhappy with the level of wages, and 94% are dissatisfied with the labour market situation and the level of pensions.⁴⁴ In 2015, the average wage in Moldova was just over MLD 4.6 thousand (around EUR 200) and was the lowest in Europe (except for Ukraine which, nonetheless, had reported average wages nearly twice as high as in Moldova before the outbreak of the conflict in the eastern part of the country).⁴⁵ The average pension in Moldova is just MLD 1,100 (around EUR 50).⁴⁶ Those low incomes are not matched by equally low prices of consumer goods. Even though Moldova is a predominantly agricultural country, due to the weakness of its food processing sector it has to import most of its processed foods, which are relatively expensive as a result. More than 37% of Moldovans declare that their earnings are insufficient to cover even the most basic needs, and 41.4% admit that they can cover their basic needs but not more. Only 0.5% declare that they can afford everything they want and have no need to restrain their spending.⁴⁷ In the UNDP's studies on the HDI (Human Development Index), Moldova has scored roughly the same number of points since the beginning of its independence (0.652 in 1990, 0.693 in 2015), which in practice means that its standards of living have not improved in any significant way during that period.⁴⁸ As a result the country, which ranked 61st in 1990 in terms of HDI, found itself in 107th position in 2015 (alongside countries such as Egypt, Botswana or Turkmenistan). For comparison, other post-Soviet countries

⁴⁴ http://www.ipp.md/public/files/Barometru/BOP_04.2016_prima_parte_finale-r.pdf

⁴⁵ http://statbank.statistica.md/pxweb/pxweb/en/30%20Statistica%20sociala/30%20Statistica%20sociala__03%20FM__SAL010__serii%20lunare/SAL015000.px/table/tableViewLayout1/?rxid=d1dbf033-34ac-49e2-9ef9-947abe5b19e2

⁴⁶ <https://point.md/ru/novosti/ekonomika/v-moldove-minimaljnaya-pensiya-odna-iz-samih-nizkih-v-evrope>

⁴⁷ http://www.ipp.md/public/files/Barometru/BOP_04.2016_prima_parte_finale-r.pdf

⁴⁸ http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MDA.pdf

in the region ranked 50th (Belarus), 76th (Georgia) and 81st (Ukraine torn by the conflict with Russia). Opinion polls reveal that the people in Moldova have no hope that their material situation will improve. As many as 69% of Moldovans declare that they do not expect the economic situation to improve in the coming year, or indeed they expect it to worsen. The people blame the bad situation on the government (70% believe that a change of leadership would improve things), or on the endemic corruption (66% declare that the social and economic situation would improve if corruption were eradicated).⁴⁹

The disastrous economic situation which has persisted in Moldova since the beginning of independence has engendered a number of other social problems, of which the most important ones, with the deepest impact on the functioning of the state and the lives of its citizens, concern the demographic crisis, mass emigration, brain drain, the rise of human trafficking and rampant corruption.

1. The demographic crisis and mass emigration

Since 1991, Moldova has been rapidly depopulating. In 1993, i.e. after the end of the Moldovan-Transnistrian war, the Chisinau-controlled, right-bank part of the country had a population of around 3,650,000 people, but according to the partly disclosed results of the 2014 census its population has now shrunk by as much as 20% to around 2,900,000.⁵⁰ In tandem with this, Moldova's fertility rate has decreased dramatically. While in 1989 the average fertility rate was 2.5, by 2014 it had dropped to just 1.28. In the year Moldova gained its independence, the number of births was nearly twice as high as the number of deaths (72,000 to 45,000), but this ratio started to shift very rapidly soon afterwards. Since 1998, the number of deaths per year has consistently and significantly exceeded the number of births in every single year. Consequently, today Moldova is the world's third country in terms of the rate of population decline (after war-torn Syria and the Cook Islands).⁵¹

The demographic problem has been exacerbated by the emigration of workers from Moldova. It is a phenomenon which started to gain momentum in the second half of the 1990s, stimulated by the sudden worsening of the economic situation in a small country without natural resources or an industrial

⁴⁹ http://www.ipp.md/public/files/Barometru/BOP_04.2016_prima_parte_finale-r.pdf

⁵⁰ www.statistica.md/public/files/Recensamint/Recensamint_pop_2014/Nota_informativa_Preliminare_Recensamint_2014.pdf

⁵¹ <http://www.worldatlas.com/articles/countries-with-the-biggest-population-decline.html>

base. According to various sources, as many as 15-25% of Moldovans (i.e. up to 800,000 people)⁵² currently work abroad. This means that the country's working age population has been reduced by up to 40%.⁵³ One in three families in Moldova admits to having at least one relative who has had to emigrate to find work because of the economic situation. Most Moldovans emigrate to Russia (more than 50%) or the EU, especially Italy (around 25%), as well as France, Portugal, the UK, Greece or Romania (each of those countries accounting for between 1% and 3% of the total number of migrants).⁵⁴ Some Moldovans go to work in Turkey, the US, Israel or the United Arab Emirates. Because of the very low wages and the relatively high cost of living, the migrants' remittances are a crucial contribution to household budgets, without which many families would find it hard to support themselves.

Romania's policy, pursued since 1991, of granting (or restoring, according to the Romanian terminology) Romanian citizenship to Romanians who lost it against their will, and their descendants, has been facilitating economic migration from Moldova. The policy is addressed to the inhabitants of territories which belonged to Romania before 1940, i.e. Moldova (excluding Transnistria) and northern Bukovina and Budjak in present-day Ukraine. From the point of view of the Romanian government, the intention of this policy is to redress the 'historical injustice' which forcefully stripped the inhabitants of Bessarabia of Romanian citizenship after the region was annexed by the USSR. As a result of this policy, between 1991 and 2013 the number of Moldovans holding Romanian passports increased to around 400,000-500,000.⁵⁵ Importantly, the regulations governing the restoration of Romanian citizenship do not require the applicants to renounce their current citizenship or move to Romania. The Moldovan holders of Romanian passports can legally work in the entire EU on the same footing as Romanian citizens.

While the mass migration has had some positive impact on the standards of living in Moldova in the short term, it entails very negative consequences for

⁵² According to figures of the Moldovan Ministry of Foreign Affairs, in August 2016 around 805,000 Moldovan citizens were living abroad. It is estimated that seasonal migrants account for around half of this number. Source: http://www.noi.md/md/news_id/89997

⁵³ Author's own calculations based on figures of the National Bureau of Statistics of the Republic of Moldova "Structura populației stabile a Republicii Moldova pe sexe și vârste la 1 ianuarie 2016", <http://www.statistica.md/newsview.php?l=ro&idc=168&id=5210>

⁵⁴ http://www.iom.md/attachments/110_faqiomeng2014.pdf

⁵⁵ The number comes from research conducted in 2013 by the Soros Foundation, <http://www.fundatia.ro/o-politic%C4%83-ce-cap%C4%83t%C4%83-viziune-redob%C3%A2ndireacet%C4%83%C8%9Beniei-rom%C3%A2ne-0>

both Moldovan society and the economy over the longer term. It has created a growing number of so-called emigration orphans, i.e. children in the care of more distant relatives, whose parents have had to find employment abroad, has undermined family ties and led to the breakup of families, and has reduced the number of workers available in the local labour market, depriving Moldova of one of the foundations of economic development. Its negative consequences also include brain drain as a result of the emigration of the best-educated and most experienced specialists.

Impact of mass emigration on the situation of families in Moldova

The number of emigration orphans and half-orphans in Moldova is estimated at 140,000 (around 25% of all children in the country). While UNICEF research suggests that children whose parent or parents work abroad have better access to quality healthcare and education, at the same time such children are much more prone to experience behavioural issues related to socialisation and internalisation of social norms. This is visible, for instance, in police statistics showing that one in four juvenile delinquents comes from a family in which at least one parent is working abroad.

Job-related emigration also often leads to divorce, with further adverse impacts on the situation of the children. According to figures of the National Bureau of Statistics, since the early 2000s, every second marriage in Moldova has broken up. If a mother working abroad divorces her husband, custody of the children is often awarded to the father, thus forcing him to emigrate for work to support the family. As a result, children are put in the care of more distant relatives. Meanwhile, it is known that children raised by relatives other than parents or by single parents are more likely to become victims of human trafficking than children from two-parent families.

The mass migration, combined with the deepening demographic crisis, has had a very negative impact on the economy of Moldova. The human resources into which the local labour market can tap have been shrinking rapidly. In the years 2003-2013, the proportion of working-age people in the population of Moldova decreased from 45% to 33%.⁵⁶ As a consequence, private employers, the public sector and the state administration started experiencing mounting problems with the recruitment of young people. The situation is expected to worsen further in the

⁵⁶ Unless indicated otherwise, all demographic figures are taken from the National Bureau of Statistics of the Republic of Moldova.

coming years according to forecasts. That, in turn, will adversely affect Moldova's economic development indices, hold back foreign investment (which largely relies on Moldova's cheap qualified labour) and may paralyse the state apparatus which will not be able to function effectively without an influx of new people. Another problem concerns the growing burden on Moldova's pensions system. In 2015 Moldova had 1.8 working persons for every pensioner, but, according to an IMF estimate, over the next 15 years the proportion of working age people in the population will decrease by 1% every year.⁵⁷ At the same time the proportion of people over 60 will increase from 15% currently to more than 30% in 2050. The changes will pose a very serious challenge to the state budget, which even today is incapable of providing adequate pensions to Moldova's retirees. As mentioned previously, in 2015 the average pension in Moldova was a mere US\$ 50 USD (the retirement age in Moldova is 57 years for women and 62 years for men).

2. Brain drain

The emigration of workers is accompanied by a brain drain, a very unfavourable phenomenon from the point of view of the economy and the state apparatus. The problem concerns two categories of people: highly qualified specialists (doctors, engineers, IT specialists, etc.) and university students. The mass emigration of specialists has stymied Moldova's potential to develop high-technology sectors and, what is even worse, has had a highly detrimental impact on the operation of some public sectors, especially healthcare. According to Mihail Ciocanu, Moldova's minister for health, around 40% of the country's doctors have given up their jobs since Moldova gained independence, and most of them have gone abroad. Because of this outflow of specialists, combined with the persistently insufficient financing of healthcare and the shortages of modern equipment and medicines, Moldova today is struggling with problems such as growing mortality rates, growing incidence of tuberculosis and relatively high maternal mortality rates. Research by the Moldovan Academy of Sciences shows that the mortality rate of Moldova in 2014 was 44% higher than in 1990 for men, and 30% higher for women. The incidence of tuberculosis has increased two-fold since 1990 to 182 cases per 100,000 inhabitants (for comparison, TB incidence in Ukraine is below 100 cases per 100,000 inhabitants, and in Poland it is a mere 20 cases per 100,000 inhabitants). Maternal mortality in Moldova is 44.5 cases per 100,000 childbirths and is more than twice as high as the average in the CIS, and more than seven times as high as in the EU.

⁵⁷ <http://omg.md/index.php?newsid=12186>

University students are the second category of emigrants. Currently around 20% of them study abroad. A decisive majority of that group (around 90%) study at universities in Romania, which is due, on the one hand, to the cultural and linguistic proximity of the two nations, and, on the other, to the extensive scholarship programmes offered by Bucharest to young Moldovans. While there are no credible statistics, it is safe to assume that most of those who study abroad will decide to stay abroad or emigrate further, given the prospect of low wages and low living standards in Moldova.

The Moldovan authorities have been totally unable to limit emigration. While some measures have been taken to bring the emigrants back to Moldova or at least preserve their ties to the homeland, in the absence of economic incentives the efficacy of those actions has been and will remain very low. The government has offered young, Western-educated Moldovans jobs in the administration, albeit with standard salaries of around MLD 2000 (US\$ 100-150), plus a monthly motivation allowance of EUR 100, paid for a period of six months. Meanwhile, an average Moldovan emigre working in the West can expect to earn around EUR 1000 a month. The weakness of the national sense of identity and the loose attachment to the Moldovan state are also hardly helpful in encouraging the emigres to come back. On top of that, it seems that from the point of view of the Moldovan leadership, emigration is a good thing as it helps vent the social frustration caused by the poor economic situation, keeps unemployment down and provides extra income to families in Moldova, thus boosting domestic consumption. Also, while the fact that it is predominantly the young and active who decide to emigrate which has an extremely adverse social impact, at the same time it lowers the risk of a major anti-government protest or upheaval.

Since the 1990s, the Moldovan authorities have also been unable to tap into the economic potential of the emigres which, if properly managed, could boost the country's economic development. Remittances amount to US\$ 1.3 billion a year on average (these are official figures for the last 5 years, according to unofficial estimates the figure may be twice as high), i.e. account for more than 20% of Moldova's GDP, but they are used almost entirely to finance current consumption rather than investment. As a result, while remittances do stimulate domestic consumption and help improve the standards of living, they do not create the foundations for Moldova's stable economic development.

Meanwhile, there is a large group of Moldovan long-term emigres, especially in the EU, who have founded successful companies in recent years and have

gained business knowledge and experience which they could put to good use in their homeland, if only adequate incentives and legal-administrative conditions were found there. In this way they could contribute to the country's economic development and create jobs, while also introducing Western standards of doing business to Moldova. That prospect seems even more interesting if one takes into account the fact that, according to 2013 figures, emigrants save as much as 37% of their earnings outside Moldova (usually in the countries where they live and work). The total value of those savings is currently estimated at EUR 6 billion or more.⁵⁸ If these emigrants could be effectively encouraged to invest in the Moldovan economy, they would provide a very significant stimulus, boosting its development.

The Moldovan government has taken some measures in recent years to encourage Moldovan economic migrants to invest in their home country. The flagship initiative was the PARE 1+1 programme launched in 2010, under which the state budget offered to support migrants' investments in Moldova with payments equal to the value of the original investment. However, the programme imposed some major restrictions and a ceiling on the value of the subsidy, which could not be higher than MLD 200,000 (around US\$ 10,000). The programme has already been extended twice (most recently to 2018), but its effects have been negligible. During the five years of its operation, 581 contracts for business subsidies have been signed, which is a paltry amount, considering the fact that Moldovan emigrants have started nearly 4,000 companies in Italy alone between 2010 and 2013 (according to figures of the Italian immigration services), and did so without any additional support from the state. Since its launch, the programme managed to attract around US\$ 10 million of investments to Moldova (around US\$ 2 million a year), which is clearly an underwhelming result.⁵⁹

It seems that liberalising and depoliticising the economy, making it more competitive, radically cracking down on corruption (especially in the tax and inspection bodies) and radically reforming the judiciary would be much more effective as a way to encourage Moldovan migrants (as well as other foreign investors) to invest in Moldova. Without such measures the prospects of encouraging Moldovans living abroad to invest in their home country look dim.

⁵⁸ <http://www.ipn.md/ru/arhiva/64135>

⁵⁹ <https://point.md/ru/novosti/obschestvo/praviteljestvo-prodlilo-programmu-pare-quot-11quot>

3. Human trafficking

Human trafficking is a phenomenon directly related to mass migration and with similar underlying causes (the low standards of living). In the case of Moldova, it has escalated to become one of the most serious social problems. Its scale is best illustrated by the fact that in the years 2001-2012 La Strada, the most important non-governmental organisation dealing with human trafficking, received nearly 6000 reports from trafficking victims or people believing that their relatives may have been trafficked.⁶⁰ For many years, the victims used to be mostly young women under 25, coming from small towns and villages. They would be sold to Turkey, the United Arab Emirates or the Republic of Northern Cyprus, and forced into prostitution. Over the last two years, following the abolition of the visa obligation for Moldovan nationals entering the Schengen area, new destinations started gaining prominence, including the Czech Republic, France, Germany and Greece. The proportion of children in the total number of trafficking victims has also grown recently, rising from 10% in the years 1999-2004 to 20% in the years 2005-2009. As many as 80% of trafficked children end up forced into prostitution, 15% do physical work, and 5% are forced to beg. The phenomenon of workers' emigration is conducive to the trafficking of children because children in the care of relatives other than parents or raised by single parents are much more likely to be affected. People exploited for slave physical labour also account for a growing proportion of all trafficking victims (44% of all victims currently, compared to 29% in 2011).⁶¹ Most of them are men who end up doing forced labour in agriculture and the construction sector, mainly in the Russian Federation.

During the first decade of independence, the government of Moldova took hardly any action to combat human trafficking. When some institutional measures were finally taken to address the issue, it turned out that some of the police structures, parts of the administration of justice and sections of the political elite had been directly implicated in human trafficking, and had derived financial gains from it.⁶² Thus, political pressure had effectively hindered the operation of the institutions established to combat modern slavery. While the situation has

⁶⁰ V. Ganta, Carim East, Human trafficking in Moldova, CARIM East, 2013, http://www.carim-east.eu/media/exno/Explanatory%20Notes_2013-56.pdf

⁶¹ Report concerning the implementation of the Council of Europe Convention on Action against Trafficking in Human Beings by the Republic of Moldova, <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016-80665339>

⁶² According to some sources, Vladimir Plahotniuc was actively involved in human trafficking as far back as the 1990s. See: <http://moldnews.md/rus/news/78571> and <http://www.jurnal.>

improved to some extent (especially since 2009), it is still far from satisfactory. State officials, judges or public functionaries accused of involvement in human trafficking schemes still seldom face trials and if they do, they often get acquitted or get lenient suspended sentences.

The ineffective operation of the public system of assistance to victims of human trafficking also remains a problem, partly because of the sluggishness of the Moldovan authorities and bureaucratic apparatus, and partly because of the chronic underfinancing. There are seven public institutions providing assistance to victims in Moldova, which together can offer only around 150 places. Given the scale of the problem, that number cannot cover the existing needs even partly. Moreover, the institutions are underfinanced, which considerably lowers the efficacy of their interventions. The pan-European hotline to report unaccounted for missing children has yet to be put into operation in Moldova. Because of the lethargy of the Moldovan state institutions, the government has delegated some of the tasks concerning assistance to human trafficking victims to non-governmental organisations but they, too, have been facing problems. For example, in 2015 La Strada complained about long delays in the disbursement of state-budget funds with which it finances its activities.

4. Endemic corruption

Corruption is also a key problem for Moldova. Its main underlying cause, apart from the continuous tradition of corruption dating back to the times of the Russian Empire and perfected in Soviet times, concerns the low standards of living. Corruption is endemic in Moldova, affecting all spheres of life and all social groups. It is rife in healthcare, education (where buying grades is a common practice) and in the highest echelons of the administration, of which the banking scandal is a prime example. Both the poverty-affected general population and the political elites detached from the state and uncertain about its existence in the longer term, are extremely susceptible to becoming mired in corruption schemes.

Moldova ranked 103rd (out of 168 states) in the Transparency International corruption perceptions index in 2015. In 2016, 55% of the country's inhabitants pointed to corruption as one of the country's three most urgent problems (after low living standards and the economic situation).⁶³ In 2012, 37% of Moldovans

md/ru/politic/2016/2/3/spektakl-kuklovoda-ili-podcinenie-politiceskoj-elity-moldovy-byvsemu-suteneru-i-rabotorgovcu/

⁶³ http://www.ipp.md/public/files/Barometru/BOP_04.2016_prima_parte_finale-r.pdf

declared that they had experienced corruption personally. It is estimated that each year, Moldovans spend around MLD 730 million on bribes, which corresponds to around US\$ 20 per person.⁶⁴ In 2016, 93% of Moldovans declared that they were not satisfied with the government's anti-corruption measures. Those results are hardly surprising. The actions which the successive governments pledged to take over the last 25 years, purportedly to eradicate corruption, have not produced any noticeable results. The main obstacles have been the lack of political will on the one hand, and the politicisation of state institutions on the other. As a result, the organisations formally established to fight corruption have been and continue to be used in political games, to undermine political rivals, etc. The Moldovan leadership is well aware that by genuinely curbing corruption it would lose some of its influence on the state apparatus (including the administration of justice), and that would be extremely dangerous for those in power.

Meanwhile the general public holds an unequivocally negative view of corruption, but at the same time treats the phenomenon as 'part of life'. This is the reason why in around 50% of cases the proposal to take a bribe comes from the one who will pay it. This is probably also why people usually do not report corruption to the authorities. In 2012 the National Anti-corruption Centre received only 197 calls from people wishing to report a case of corruption. At the social level, the phenomenon is driven mainly by the low level of incomes, for which people try to compensate with proceeds from corruption. Another factor driving corruption concerns the limited access to social services (including healthcare), which forces people to pay bribes. Consequently, bribes are paid most frequently in connection with public healthcare services (27%), followed by education (23%) and, as mentioned before, the administration of justice (21%).⁶⁵

5. Prospects

The independent Moldovan state has demonstrated its inability to solve, or at least mitigate, its most urgent social problems. It has been unable to improve the economic situation and the people's standards of living, or even mitigate the scale of the problems resulting from economic difficulties, some of which have been discussed above. There is nothing to suggest that the economic conditions in Moldova could improve significantly, and that the negative phenomena could

⁶⁴ <http://www.kp.ru/daily/26030/2947829/>

⁶⁵ *Ibidem.*

abate as a result. Consequently, in the coming decades Moldova's demographic crisis is likely to worsen dramatically. According to available research, the country's population will decline to around 2.5 million by 2050 (excluding seasonal migrants).⁶⁶ The brain drain observed currently will continue and its impact upon society will become increasingly severe as the country's remaining specialists (i.e. mostly people educated back in Soviet times, who have been much less likely to emigrate than young educated Moldovans) will start to retire.

⁶⁶ <https://point.md/ru/novosti/obschestvo/k-2050-godu-moldova-poteryaet-million-zhitelej>

V. FOREIGN POLICY

Moldova's foreign policy during the first two decades of independence was characterised by constant instability and absence of a distinct long-term vision. Chisinau's international activities were determined, on the one hand, by the need to find a balance between Russia and the West, which involved periodically intensifying or loosening ties with one or the other side according to needs, and on the other hand, by internal factors, notably the desire of those in power at any given moment to win the support of a particular section of the electorate (the supporters of a particular foreign policy orientation). Because of these determining factors, Moldova's foreign policy before 2009 was extremely dynamic and unpredictable.

1. Two decades of geopolitical drift

During the first years of independence, the Moldovan elites still believed that a rapid reunification with Romania was possible. Consequently, Chisinau was not actively involved in international co-operation (especially with Russia) and firmly refused to participate in the integration projects emerging in the post-Soviet space (such as the Commonwealth of Independent States). When in 1994 it became clear that the reunification project was unrealistic, the Moldovan elite had to define some fixed foreign policy objectives and choose its foreign policy orientation, a task which proved too big. In the absence of a clearly defined policy vision, foreign policy slogans started to be used for short-term political ends. In 2001 the Party of Communists of the Republic of Moldova won full power in the country thanks to its unequivocally pro-Russian rhetoric (which also included calls for Moldova to join the Union State of Belarus and Russia) which appealed to the Russian-speaking minorities and those voters feeling nostalgia for the Soviet Union and disappointed with a decade of stagnation. The same party then made a pro-Western turn in the years 2003-2004, after Moldova's relations with Russia deteriorated suddenly in the aftermath of Chisinau's rejection of the Russian proposal to resolve the Transnistrian conflict along the lines laid down in the so-called Kozak Memorandum.⁶⁷ In the following years, the Party of Communists strove to simultaneously build better relations with Russia and develop ties with the European Union. However, in both cases it was clear that Chisinau was unwilling to fully commit to genuine co-operation that would go beyond declarations. The traditional electorate of the Communists welcomed the maintenance of good relations with Russia. At the same time, many voters believed that

⁶⁷ See the section on the Transnistrian conflict for more information on the Kozak Memorandum.

rapprochement with the European Union offered Moldova a chance to improve the people's standards of living (with higher wages or the possibility to work in the EU), curb the rampant corruption and generally improve the functioning of the state. Those expectations were largely a product of an idealised image of the EU created by sections of the political elite and by the 300,000 or so Moldovan economic migrants working on a permanent basis in the EU, who shared their point of view with relatives and friends at home. Nonetheless, the result was that in 2007 up to three-quarters of Moldovans supported European integration.

2. The pro-European course: frustrated hopes

In 2009 a coalition of four parities unequivocally supporting integration with the EU came to power in Moldova. The parties were driven to victory by the massive popularity of the European idea (supported by 65% of Moldovans in 2009), as well as the voters' fatigue with the eight-year rule of the Communists, who, despite their pro-European rhetoric, had lost the trust of many voters who wanted real change in the country and expected the leadership to define a stable direction for Moldova. The massive social support for rapprochement with the EU and the committed, pro-Western, new governing majority offered some hope that Moldova's foreign policy could become stabilised and genuinely anchored in the idea of European integration, instead of that idea being a mere pretence used for internal political objectives. On 8 August the leaders of the victorious parties signed a declaration establishing a majority coalition named Alliance for European Integration (AIE). The document stated that Moldova's integration with Europe, and first of all signature of the Association Agreement, were the new government's foreign policy priorities. As soon as the 1st of December, the coalition adopted a new, four-year action plan for the government, entitled "European Integration: Freedom, Democracy, Prosperity 2009-2013". Its introduction and successive chapters included even more unequivocal and broader provisions than the coalition's declaration, stating that Moldova's integration with Europe was the "fundamental guiding objective of the country's internal and external policy". The document pointed at the European integration as the most effective way to modernise the Moldovan state politically, economically and socially. It also indirectly declared a wish to join the Community in the foreseeable future.

There were a couple of reasons why the new Moldovan leadership adopted European integration as its ideological foundation.⁶⁸ The first important motivation,

⁶⁸ More details concerning the reasons why the successive Moldovan governments decided to promote European integration as its ideological foundation in the chapter dedicated to

concerned the fact that backing European integration was a traditional way to win the favours of the pro-European electorate, which comprised a sizeable portion of the Moldovan society at that time. Also, the group which came to power in 2009 saw European integration as a way to end the economic stagnation which Moldova had been experiencing for the last couple of years. Another important reason why the coalition made European integration the main objective of its policy concerned the need to curb Russia's political, cultural and economic influence on Moldova. The last reason for the pro-European turn in 2009 concerned the hope that integration with the EU would help Moldova resolve the problem of Transnistrian separatism. In the first years of the coalition's rule in particular, a lot of effort was invested in promoting the view that an increasingly prosperous Moldova modernising according to European models would, in the foreseeable future, become attractive to the people in Transnistria (and in a certain way also to the Transnistrian elites), who would then become interested in building closer economic and political ties with Chisinau and, ultimately, also opt for formal reunification. That idea, however, gradually lost its appeal as Moldova remained relatively poorer than Transnistria, which was getting economic support from Russia, and hardly appeared like an attractive development model. In the end, the hopes that such a scenario could materialise were abandoned altogether as Tiraspol became increasingly interested in integration with the Russian-promoted projects of the Customs Union and the Eurasian Economic Union.

Ironically, after the change of government in Chisinau the popularity of the European idea started eroding. After six years of the pro-European alliance's rule, in April 2015, support for European integration reached a historic low of 32%. That was due to four basic reasons: firstly, the fact that the nominally pro-European elites had become compromised and the people were increasingly aware of how corrupt they were; secondly, the emergence of an alternative integration project, i.e. the Customs Union; thirdly, the intensive media offensive against European integration, conducted by Russia and Moldova's pro-Russian groupings; and finally, the implementation of legal changes perceived as controversial by the conservative Moldovan society.

The key reason why the popularity of European integration waned concerned the Moldovans' growing disappointment with the coalition which had been in

EU-Moldovan relations by K. Całus, M. Kosienkowski in P. Flenley, M. Mannin (ed.), *The European Union and its Eastern neighbourhood. Europeanisation and its 21st century contradictions*, Manchester University Press, 2016 (book in preparation).

power since 2009, and which, despite its pro-European and pro-reform rhetoric, had not been able to structurally rebuild the Moldovan state, still largely based on Soviet models, eradicate the endemic corruption affecting all spheres of life, or achieve a tangible improvement in the economic situation. The Moldovans not only saw how ineffective the government was in implementing reforms but also increasingly realised the scale of corruption within the nominally pro-European elite in the aftermath of the ever more frequent corruption scandals and opaque takeovers of state assets by leaders of the ruling parties. Over time it became evident that the ruling parties were interested primarily in protecting the political and business interests of their leaders and their inner circles, rather than aiming at genuine transformation.

The financial scandal in late 2014, as a result of which around US\$ 1 billion disappeared from the Moldovan banking system, delivered a particularly heavy blow to the image of Moldova's pro-European elites. As people ceased to trust the pro-European government and its approval ratings declined, the image of European integration as such also suffered. Its perceptions were also adversely affected by the stance of Brussels and by many politicians from EU member states, who continued to officially back the Moldovan government, meet with its representatives and emphasise that Moldova was on the right path of reforms and development, all despite the Moldovans' eroding trust in their leadership and the fact that the country's elites were increasingly seen as discredited. Many representatives of the traditionally pro-European electorate were disappointed with this stance of the EU. Some journalists and analysts, as well as members of the general public, started to accuse the European Union of failing to voice justified criticism of the Moldovan government's policy and in this way contributing to the slow pace of reforms and encouraging corruption. An additional problem concerned the fact that a decisive majority of people in Moldova did not see the effects of the financial assistance coming from the EU, while at the same time being regularly exposed to reports about the unprecedented scale of EU support. Moldova received around EUR 550 million in EU assistance in the years 2010-2013 alone, which was the highest per capita rate in the entire Eastern Partnership and one of the highest in general.⁶⁹ As a result, it became a widespread belief in Moldova that the ruling elites were appropriating most of the EU funds coming to Moldova, and that Brussels was not reacting to it (or even that it was approving of the practice).

⁶⁹ <http://www.cepolicy.org/publications/2nd-moldova-reality-check-success-story-storm>

The second reason why support for European integration declined in 2010 concerned the emergence of an alternative, i.e. the Russian-promoted Customs Union. The idea to join the organisation, formally established in January 2010, appealed to the pro-Russian electorate and voters who felt nostalgic about the USSR. The popularity of the Customs Union was further boosted by the fact that both the pro-Russian political parties in Moldova⁷⁰ and Russia started to intensively promote the idea of integration with the organisation. The campaign in favour of integration with the Customs Union pointed mainly to measurable and immediate economic benefits, such as the right of Moldovan migrants to work in Russia, the supply of cheap gas from Russia, guaranteed access to the Russian market for Moldovan exports, etc. Moreover, the Customs Union was depicted as an organisation based on the European model of integration but at the same time, in contrast to the European Union, closer to Moldova culturally and religiously, more modern and less susceptible to economic shocks. In consequence, the very fact that the Customs Union had been established and the intensive promotion it received led to a noticeable decline in the popularity of European integration within just over a year: from 62% in 2010 to just 47% a year later.⁷¹ In the following years, the image of the European Union as ephemeral and committed to abstract principles increasingly took hold in Moldova, while the Customs Union came to be seen as offering practical and immediate economic benefits.

The third reason for the decline in the popularity of the idea of European integration (directly linked to the second reason) was that false stereotypes about the European Union became increasingly widespread and took root in people's minds. In recent years many Moldovans came to believe that rapprochement with the EU was equivalent to losing independence or was merely a cover for the reunification with Romania. It has been a common concern that integration with the European Union would lead to a decline of domestic agricultural and industrial production, that Moldova's food market would be flooded with genetically-modified products, etc. Some of the traditionally conservative and religious Moldovans have also come to see the EU as a threat to moral and family values, fearing that the Union would promote homosexuality and Catholicism in Moldova. The rise of those stereotypes had three sources. Firstly, they were the result of the previously mentioned intensive campaign to promote the Customs Union, conducted

⁷⁰ The Party of Communists, whose slogan before the 2009 parliamentary elections read "For a European Moldova!" made integration with the Customs Union the foundation of its political programme in 2011.

⁷¹ http://www.ipp.md/public/files/Barometru/2011/BOP_11.2011-nou.pdf

by Russia (mainly via the Russian media which are very popular in Moldova) and by pro-Russian groups in Moldova, combined with a campaign to discredit the European Union. Those involved in these campaigns often resorted to lies and half-truths when making their case, but many Moldovans accepted those claims as truth, largely because they had little knowledge about either the European Union or about the Customs Union, and because of the absence of a coherent and broad campaign to counter the disinformation, which could have been conducted by the government or by the EU delegation in Moldova. Finally, the local Orthodox Church also played a role in instigating fear of the EU.

The fourth factor behind the decline of the popularity of European integration in Moldova concerns the fact that the EU had consistently promoted a certain worldview and pushed for cultural changes that were perceived as controversial in Moldova.⁷² The equal opportunities bill adopted in May 2012 is a case in point. It ensured equal legal status to minorities, including sexual minorities and the Roma minority. The EU had insisted that such a bill should be enacted in Moldova and had made its decision to abolish the visa obligation for Moldovans entering the Schengen area conditional on its adoption. The traditionally conservative Moldovans were firmly opposed to the bill, seeing it as a first step towards the legalisation of same-sex marriage. The Moldovan government did hardly anything to change the public perception of the bill or explain the real intentions behind it. As a result, the image of the EU suffered.

3. Prospects

While the popularity of the idea of European integration reached a historical low in 2015, in the following months it started to gain traction again to reach 43% in 2016 – a level comparable with the popularity of integration with the Eurasian Union (44%).⁷³ The reason for that concerns the deep polarisation of the public in Moldova over the choice of geopolitical orientation. Even people disillusioned with the actions of the EU and the policies of the nominally pro-European government of Moldova tend to support the idea of integration with the West, fearing that if they remain passive, the advocates of integration with structures endorsed by Russia will prevail. That polarisation is likely to continue in the coming years, making it difficult to persuade one or the other side of the debate to change their opinion.

⁷² P. Flenley, M. Mannin (ed.), *op. cit.*

⁷³ http://www.iri.org/sites/default/files/wysiwyg/iri_poll_presentation-moldova-march_2016.pdf

Meanwhile Brussels, which has by now realised that supporting discredited political groups and staying silent about the scandals in which they are involved does significant harm to the EU's image and the level of public support for integration, has adopted a more assertive stance *vis-à-vis* Chisinau. Currently, EU officially supports a broadly understood 'pro-European course' but not any particular political group. It has been moving awkwardly though. On the one hand, it has been cautious not to declare unequivocal support for the current government and has focused instead on highlighting the importance of reforms and of constant monitoring of the government's activities, yet on the other, it has been very restrained in showing support for the fledgling pro-European opposition (fearing it might repeat its previous mistakes). In addition to this, Romania, an EU member, wants to avoid a scenario in which pro-Russian groups in Moldova come to power and therefore has been openly co-operating with the current government and almost expressly declaring support for them. As a result, many pro-European Moldovans have become even more deeply convinced that the EU policy is cynical and is all about a geopolitical game with Russia over influence in Moldova, rather than democratisation and genuine reforms. That has exacerbated the disillusionment with the European Union, given propaganda fuel to the advocates of Russian integration projects and caused growing apathy within the pro-Western electorate.

The rigid geopolitical divisions within Moldovan society will probably persist in the foreseeable future. While public support for integration with the Eurasian Union is unlikely to increase radically, there is a serious risk that those who have been advocates of the EU will lose faith in the feasibility of Moldova's integration with Europe and its deep transformation in a European spirit, even if they will remain Russia-sceptic and pro-Western in their views. Consequently, this section of the electorate may become apathetic (resulting in weaker social pressure on the government), and more likely to seek a better life outside Moldova.

As the Plahotniuc clan has consolidated its grip on power, Moldova has visibly returned to the policy of balancing between Russia and the West, familiar from the times of president Voronin. While Chisinau remains firmly pro-European at the level of declarations, in practice it will presumably refrain from overly close co-operation with the EU, which could undermine the current political and business arrangement. It seems that Plahotniuc will strive to maintain sufficiently good relations with the European Union and the United States to be sure that Moldova continues to receive external financing (including via the IMF or the World Bank), while at the same time working to rebuild relations

with Russia (and have the Russian embargo lifted). One of the basic methods which Chisinau will use to keep the West's support will consist in constantly highlighting the 'Russian threat' hanging over Moldova.⁷⁴ This strategy will offer Plahotniuc a chance to keep power while preserving the oligarchic system and will provide a foundation to gradually build up the electorate's support (starting from a modest level for the time being) by simultaneously appealing to the supporters of integration with the EU and the sections of the public interested in maintaining good relations with Russia.

⁷⁴ As part of this strategy, prime minister Pavel Filip published an op-ed in the US daily *The Hill*, in which he called on the United States to help Moldova counter Russian propaganda. <http://infoprut.ro/44978-pavel-filip-editorial-in-the-hill-rep-moldova-are-nevoie-ca-sua-sa-contracareze-propaganda-rusa.html>

VI. THE CONFLICT IN TRANSNISTRIA: NO PROGRESS AND NO PROSPECTS

During the last quarter of a century or, to be more precise, during the last 26 years, (Transnistria 'declared independence' from Moldova in September 1990) no real progress has been made towards resolving the frozen Transnistrian conflict. On the contrary, Transnistria has effectively consolidated its unrecognised statehood, for instance by acquiring the status of a party (on an equal footing with Chisinau, Moscow and Kyiv) in the multi-party negotiations. Over the years all the actors involved in the negotiation processes took various actions (usually limited to the level of declarations) to resolve the Transnistrian issue and came up with various proposals to that end. Those efforts, however, lacked the political will necessary for them to be effective, and moreover, they were often intended to serve the political interests of the parties rather than resolve the conflict. Paradoxically, the relatively mild, non-violent nature of the frozen conflict has not aided the efforts to solve it. Apart from the recurrent rhetorical tensions and legal and commercial battles between Chisinau and Tiraspol, no major acts of violence have taken place between the two sides since the end of the Transnistrian war in 1993. Because of that fact and due to the general lack of interest in Moldova on the part of Western public opinion, the Western participants of the negotiations process have been quite indifferent towards the Transnistrian problem. As a result of the West's political impotence, combined with the contradictory interests of Moscow and Chisinau and the increasingly consolidated corruption patterns formed thanks to the existence of Transnistria (benefitting the political elites on both sides of the Dniester), the resolution of the Transnistrian problem seems as distant today as it was in 1990.⁷⁵

1. Contradictory interests and growing profits

Russia undoubtedly has the greatest influence on the situation surrounding the frozen Transnistrian conflict and is the key political actor in this regard. While the tensions mounting since the 1990s and the civil war between Chisinau and Tiraspol (1992) were largely the result of the resistance of the Transnistrian elite and society to the expected incorporation of Moldova into Romania, Russia had deliberately stoked up those fears among the inhabitants of Transnistria from the very beginning and had politically and militarily backed the aspirations of

⁷⁵ For extensive information on the situation surrounding the Transnistrian conflict 20 years since its onset, see W. Rodkiewicz: <http://www.osw.waw.pl/en/publikacje/osw-report/2011-10-07/transnistrian-conflict-after-20-years>

the separatists who sought to gain independence from the right-bank part of Moldova. The emergence of a breakaway region under Russia's patronage and not controlled by Chisinau brought various benefits to Moscow. Most notably, it allowed Russia to keep a constant military presence in the unrecognised republic (represented as a peacekeeping force), undermined the newly established independent Moldovan state, made it dependent on dialogue with Russia, with whom Chisinau had to maintain ties with a view to resolving the Transnistrian problem, and offered Moscow an additional instrument for exerting pressure on Kyiv. At the same time, the existence of a para-state within the territory of Moldova and the presence of Russian troops there created a hindrance for Moldova's potential accession to NATO (or indeed rendered such accession impossible).

The existence of Transnistria in the present form has engendered various benefits for Russia, as mentioned above, but it has also been very costly. It is estimated that Moscow spends around US\$ 1 billion each year to sustain the para-state (in the form of direct subsidies and free supplies of resources). For this reason, Russia's intention in the longer term is to "determine the ultimate status of Transnistria within a unified, indivisible and neutral Moldova" in the words of the Russian foreign minister Sergei Lavrov.⁷⁶ Russia seeks to push through a federative variant in which right-bank Moldova, Transnistria and, optionally, Gagauzia (the autonomous region in southern Moldova, inhabited by a pro-Russian, Turkish-speaking but Orthodox Gagauz minority) would form a joint state. Such a solution would have a number of advantages from Moscow's point of view. In the federal state, the deeply pro-Russian Transnistria and Gagauzia would have a significant influence on the activities of the central government in Chisinau, and especially its foreign policy. The inhabitants of both regions, as well as their leaderships, are firmly opposed to the idea of Moldova's integration with Western structures such as the EU or especially NATO. They also advocate as close as possible co-operation with Russia, including the accession to the Eurasian Economic Union,⁷⁷ or, in the case of Transnistria, accession to the Russian Federation.⁷⁸ The so-called 'Kozak Memorandum' proposed by Russia in 2003 revealed the Kremlin's vision of how the Transnistrian problem should be resolved. The document not only awarded Transnistria the right to

⁷⁶ <http://actualitati.md/ru/sng/lavrov-rf-vystupaet-za-sohranenie-pridnestrovy-a-v-sostave-rm>

⁷⁷ In a referendum held on 2 February 2014 in Gagauzia (which was illegal from Chisinau's point of view) 98.5% of voters were in favour of Moldova's integration with the Russian-endorsed Customs Union (transformed into the Eurasian Union on 29 May 2014).

⁷⁸ On 17 September 2006 a referendum was held in Transnistria, in which 98% of voters were in favour of the region's accession to the Russian Federation.

veto Chisinau's foreign policy decisions, but also legalised the presence of Russian peacekeepers in the unified state for at least twenty years (as guarantors of the new agreement). From the Kremlin's perspective, a federalisation of Moldova conducted along such lines would be a guarantee that the country remains neutral, and would effectively block any attempts on the part of Moldova to integrate with Western structures (whether European or Euro-Atlantic). It would also radically increase Russia's influence on Moldova's internal situation, most importantly by sanctioning the presence of Russian armed forces in Moldova's territory. This take on the Transnistrian problem explains why Russia has never decided to recognise its independence - because federalisation remains a feasible option only as long as Transnistria legally forms part of the Moldovan state.

The Moldovan stance on the Transnistrian problem is more complex and has undergone some evolution over the years. During the first decade of independence, or more precisely up until 2003, Chisinau undertook a number of steps which effectively conserved the status quo, while officially advocating a reunification of the country. In an effort to maintain positive and dialogue-enabling relations with Transnistria, the Moldovan authorities effectively strengthened Transnistria's unrecognised statehood. It was then that Tiraspol was admitted as a party to the international negotiations, which constituted a form of recognition. As a result of the signing, in 1997, of the *Memorandum on the principles of normalization of relations between the Republic of Moldova and Transnistria* by the Moldovan president Petru Lucinschi and the Transnistrian leader Igor Smirnov, the two governments were put on an equal footing and the leadership of Transnistria became a party in the international multilateral negotiations format, thus effectively gaining recognition as a legitimate actor. Moreover, the Moldovan side even agreed to recognise the documents issued by the separatist government. At the same time, the Moldovan leadership tried hard to build better relations with Moscow, seeing it as the main force that could pressure Tiraspol and push it towards a resolution of the Transnistrian problem. This was one of the objectives of the signature, in 1994, of an agreement between Moldova and Russia, under which the withdrawal of Russian troops from Transnistria was made conditional on a political resolution of the Transnistrian issue.

Around the year 2003, the then president Voronin gave up on the talks with Tiraspol, which had proven futile, and started direct negotiations with Moscow. The process ended with the drafting of the previously mentioned document known as the Kozak Memorandum (named after the Russian negotiator). Even though the Russian side managed to persuade Smirnov to sign it, as the Moldovan leadership had hoped, Voronin ultimately refused to sign the document

under pressure from protesters in Moldova and his Western partners who realised what the consequences of reunification on Russian terms would be. Consequently, in 2005 the Moldovan parliament adopted a law “on the special status of Transnistria” which in practice ruled out federalisation as a possible solution. Chisinau also started to pursue a much more assertive policy. The Moldovan authorities formally abandoned any attempts at appeasing Tiraspol and Moscow, and took measures to limit the separatist region’s political and economic freedom. Voronin managed to add Western partners (the EU and the United States) to the existing negotiations format (which until then included Russia, Ukraine and the OSCE in addition to Tiraspol and Chisinau), in order to counterbalance the hitherto immense influence of Moscow. This is how the 5+2 negotiations format came to be, which has functioned until the present day, with some interruptions at those times when relations between Moldova and Transnistria temporarily soured. The trading freedoms previously awarded to Transnistria were also curbed (since 2006, Transnistrian companies wishing to export their products need to be registered in Chisinau). Finally, the European Border Assistance Mission (EUBAM) was deployed on Ukraine’s border with Transnistria.

It seems that in the mid-2000s Chisinau lost hope that Moldova could realistically be reunited, despite formal declarations claiming otherwise, and the ruling elite in Moldova realised that reunification was not only unfeasible but would also threaten their various interests. As a consequence, they lost both their interest in genuine reunification and their political will to work towards it. There were several reasons behind this. Firstly, from the point of view of the current Moldovan leadership, the possible reunification of Moldova and Transnistria would generate huge costs economically and, especially in the short term, also politically. It is difficult to estimate the financial effort which Chisinau would have to make to effectively integrate Transnistria into the economic and administrative systems of Moldova. Because the economy of Transnistria in its current shape is in practice completely dependent (maintaining its competitiveness, low as it is, is only possible thanks to the various subsidies, including the supplies of *de facto* free gas), its reconstruction along market principles would cost millions if not billions of US\$ - a prohibitively high cost for Moldova, even if it received international assistance. Moreover, the incorporation of Transnistria, which still maintains the costly, post-Soviet welfare system, would entail a radical increase in Moldova’s budget spending. An additional burden on Moldova’s public finances would come from the inclusion into the country’s social security system of the more than 140,000 Transnistrian pensioners (whose number currently exceeds the number of working-age people in Transnistria

by 40,000). Finally, Moldova would also have to commit to repaying Transnistria's gas debt, which currently stands at around US\$ 4-5 billion.⁷⁹ For now it has been able to avoid delivering on that commitment because it does not control the territory of Transnistria.

The economic costs would directly translate into political costs. The need for Moldova to bear at least part of the financial burden of reunification would undoubtedly have an adverse impact on the standards of living in the country, and consequently dent the popularity of the government that carried out the reunification. From the point of view of the Moldovan political elite it is also important that the incorporation of Transnistria would entail the need to integrate around 220,000 Transnistrian voters into the country's political system. That would radically alter the structure of support for the existing political groups and considerably increase the number of pro-Russian voters averse to the idea of European integration. That does not mean, however, that those people would be willing to vote for the Moldovan pro-Russian parties, which they do not trust. It is feasible that with the incorporation of Transnistria, the political groups now represented in the Moldovan parliament would have to face new competition owing to its parliamentary representation among the Transnistrian electorate.

Another reason why the Moldovan elites have not been interested in resolving the Transnistrian problem concerns the absence of social pressure. Today, the people of Moldova are indifferent towards the Transnistrian issue. Historically, the region has never been part of the Principality of Moldova or, later, of Bessarabia, and has never been inhabited in any significant degree by ethnic Romanians/Moldovans. Consequently, it inspires no historical sentiments. The people in Moldova are therefore hardly interested in the negotiations process between Tiraspol and Chisinau. The only thing which stirs some emotion is the recurrent (and usually baseless) suggestions that the conflict could become unfrozen. On top of that, the already low level of interest in the Transnistrian issue has been waning. While in April 2014 16% of Moldovans considered the country's division to be one of the three key problems (although only 2% believed it was the most important issue),⁸⁰ by April 2016 that percentage had decreased to just over 6% (with 1.8% believing its resolution was a priority).⁸¹

⁷⁹ http://www.3dcftas.eu/sites/default/files/Iasi-Ungheni_pipeline_to_Chisinau.pdf

⁸⁰ <http://www.ipp.md/libview.php?l=ro&idc=156&id=681>

⁸¹ http://www.ipp.md/public/files/Barometru/BOP_04.2016_prima_parte_finale-r.pdf

Another important factor discouraging the Moldovan elite from taking action to resolve the Transnistrian problem concerns the web of corruption and business links that have formed over the last 25 years between the political and business elites of Moldova and Transnistria. From the point of view of those elites, the very fact that Transnistria exists outside the international legal order and beyond the control of external organisations, creates very favourable conditions for various forms of illicit activity, such as smuggling. Co-operation of this sort between Moldova and the breakaway region thrived under president Voronin (2001-2009), and there are many indications that it still continues today and constitutes a major source of profits for political decision makers (see below for more information on the patterns of corruption between Moldova and Transnistria).

The Moldovan elites are not interested in resolving the Transnistrian problem. However, neither can they afford to recognise Transnistria's independence, as that would create a number of political and technical problems (such as the need to delimit the still indefinite and disputed border), and would undermine the legitimacy of the Moldovan state, which would be seen as renouncing its title to an area which belongs to it under its constitution and the 200,000 Moldovan citizens living in it. Opposition to such a move from external actors would pose a separate problem. As discussed previously, Moldova's recognition of Transnistria's independence would be seen by Russia as the loss of an important instrument to pressure Chisinau with, and by the West – as another factor destabilising the region.

2. Consequences of the Transnistrian problem for the Moldovan state

Meanwhile, as the Transnistrian problem drags on, it has given rise to a number of threats for Moldovan statehood which have had and will continue to have a negative impact on the republic's still incomplete state-building processes, even if they are unlikely to lead to a complete collapse of the state. The existence of Transnistria in its present form means that Chisinau is effectively unable to control more than 30% of the total length of its borders (around 450 km). There are no Moldovan border service or customs service posts on the so-called administrative line separating the territories controlled by Chisinau and by Tiraspol (although Transnistrian posts have been deployed there). This means that the Moldovan government is unable to control the movement of people in its territory (which people are able to enter and exit without any checks), and this situation undermines the country's security. It also enables Transnistrian and Russian services to infiltrate and operate in Moldovan territory. Furthermore, it creates

ideal conditions for smuggling, which every year generates massive losses for the Moldovan budget. Smuggling also entails a security threat, not only for Moldova but for the international community, too: for instance, in 2010 and 2011 Moldovan authorities uncovered transports of uranium-238 (which could be used for nuclear weapons or dirty bombs). Moreover, the continuing presence of an unregulated administrative entity within Moldova's territory is also conducive to corruption within the Moldovan state apparatus and the country's political and business elite, whose members are keen to take advantage of the opportunities offered by the existence of the separatist region (below: The corrupt co-operation...).

Finally, the fact that Moldova has no control over a major section of its border and more than 10% of its constitutional territory is a substantial obstacle to the development of attachment and loyalty towards the state on the part of its citizens, who see Moldova, torn for 26 years by Transnistrian separatism, as an unfinished project. The Transnistrian problem and the resulting uncertainty of borders in the region also affect the perception of Moldova by its neighbours and create a favourable ground for revisionist debates (often incited politically by various forces) which stoke tensions in the region and reinforce the sense of the 'provisional' nature of Moldovan statehood.

The corrupt co-operation between the elites of Moldova and Transnistria

The newest example of such action concerns the purchase of energy from the Moldavskaya GRES power plant in Transnistria. Before 2014, Moldova, a country without any major power plants of its own, imported electricity from Transnistrian and Ukrainian suppliers in roughly equal proportions, which stimulated competition, kept prices down and guaranteed security of energy supplies. After Donbas effectively seceded from Ukraine in 2014, supplies from Ukraine ceased. At the same time, a new company called Energokapital started operating in the Transnistrian energy market as an intermediary trading electricity produced by Moldavskaya GRES. The company sold gas (which it was receiving for free from Russia) to the power plant and they bought electricity produced at a price of US\$ 0.016 per kw/h to be further resold to Moldova, the power plant's only customer other than energy consumers in Transnistria. However, the energy would not be bought directly by the Moldovan distributor, but instead by another intermediary, the Energocom company formally owned by the state. The transactions generated huge profits for the Transnistrian company because Energocom paid Energokapital four times the price the latter paid

to Moldavskaya GRES. It is estimated that in 2015 alone the Transnistrian intermediary made a profit of more than US\$ 20 million.

There are many indications that the beneficiaries of the scheme were members of Moldovan and Transnistrian political and business elites. At least two facts point toward this. Firstly, Energokapital is owned by a group of investors and companies registered in tax havens, some of which have links to the banking scandal described before, in the aftermath of which around US\$ 1 billion was siphoned off from the Moldovan banking sector in 2014. One of the owners is the Transnistrian-registered company Bas Market, in which Yuriy Dzetsul, close friend and aide of the Transnistrian 'president' Yevgeny Shevchuk, holds a considerable stake. The existence of an energy trade intermediary on the Moldovan side seems to have no economic justification and apparently only serves the above corruption model.

The second fact, which bears out the above hypothesis much more emphatically, is that in 2016, when Ukraine was ready to resume electricity supplies to Moldova, the government in Chisinau decided to extend its co-operation with Energokapital. Although the company did offer a lower price than before (US\$ 0.049 per kw/h), there was no economic or political justification for Chisinau's decision to preserve Transnistria's monopoly. The Ukrainian side had offered to supply electricity at prices similar to those proposed by Transnistria, yet it should be remembered that by using electricity supplies from Transnistria, Chisinau effectively pays twice: firstly by covering the price of the electricity purchased, and secondly by incurring the growing gas debt for which Moldova is liable from Moscow's point of view. At the same time it is clear that relying solely on supplies from Moldavskaya GRES, a company owned by the Russian state treasury, poses a major risk to Moldova's energy security. In this context it is difficult to find any explanation for the Moldovan government's decision other than the corruption schemes benefitting the Moldovan political elite implicated in the banking scandal.

Another consequence of the protracted Transnistrian problem consists in the permanent presence of Russian troops in the territory legally belonging to Moldova. According to various sources, the size of the Russian force ranges between 1,500 and 2,500 soldiers in two formations with different legal status. One comprises the Russian troops which form part of the multi-national, Moldovan-Russian-Transnistrian peacekeeping force, the presence of which has been authorised by Moldova under the Russian-Moldovan peace accord ending the Transnistrian war (signed on 21 July 1992). The other group is the

Operational Group of Russian Forces in Moldova – a remnant of the 14th Soviet (and subsequently Russian) Army, which has been actively involved in the Transnistrian war and which was stationed in Transnistria during the Cold War period. From the point of view of Chisinau, the presence of those troops is illegal. The Moldovan authorities have repeatedly called for the Group to be withdrawn from the territory of Transnistria but the Russian side has always refused, claiming that their task there was to protect one of the largest weapons and ammunition depots left by the said 14th Army in the town of Colbasna in northern Transnistria. According to Russia, the Group can be evacuated from Transnistria once the depot has been moved or liquidated, but Moscow has not taken any steps to that end.

The presence of Russian troops in Moldova undermines not only the sovereignty of the Moldovan state, which has not authorised the presence of the Operational Group in its territory, but also Moldova's constitutional neutrality. All of this serves to strengthen the impression of the incompleteness and provisional nature of Moldovan statehood. The Russian military presence also sometimes gets used as an argument against possible military co-operation between Moldova and Western partners, especially Romania and the US, such as joint exercises in Moldovan territory, which the Russian side invariably decries as provocations.

3. The problem of Transnistria: dim prospects

It seems certain that, in the foreseeable future, the Transnistrian problem will remain unresolved. The contradictory interests of the parties, the absence of internal pressure to resolve it and the lack of interest in the para-state on the part of all the actors involved will be conducive to a continuation of the status quo. The negotiations concerning the Transnistrian issue will continue, with varied intensity and undoubtedly with some pauses, but they will largely remain merely a foreign policy tool for Russia, the West and Moldova.⁸² Therefore, most likely they will not produce any tangible results. The 5+2 negotiations format which has been in place since 2005 will remain a platform for resolving

⁸² The behaviour of Germany in 2016, when it held the OSCE presidency, may serve as an example of such use of the Transnistrian negotiations to a country's own foreign policy ends. During its OSCE presidency, Berlin tried to pressure Moldova to make unilateral concessions to Tiraspol because that would enable Germany to present itself as an effective international player and would serve as a bargaining chip in Berlin's negotiations with Russia concerning Ukraine. See: <http://www.europalibera.org/a/27748098.html> and <http://news-maker.md/rus/novosti/na-berlin-kak-moldavskie-npo-splotilis-protiv-germanii-26907>

day-to-day bilateral problems, because Moscow and Tiraspol are firmly against using it to conduct talks on the political status of Transnistria.

Apart from the political issues, social and economic factors also undermine the prospects of reunification. Struggling with its crisis of self-identification and its conception of nationhood, Moldova is neither at present nor in the near future probably capable of offering the inhabitants of Transnistria a promising development path and an attractive and inclusive identity model that could compete with the Russian/Soviet identity dominant in Transnistria, and persuade them to become part of the Republic of Moldova. Struggling with an unending economic crisis, Moldova is and probably will remain unable to appeal to the inhabitants of Transnistria with improving standards of living, even in view of the economic decline which Transnistria has been experiencing since the beginning of the conflict in Ukraine. As a result, the persistence of the Transnistrian problem will undermine the legitimacy of the Moldovan state and consolidate the impression of its 'provisional' nature.

Nevertheless, if the current structure of power built around Vlad Plahotniuc were to collapse and pro-Russian forces (such as Igor Dodon's Party of Socialists) were to take power in Moldova, it is not inconceivable that a new attempt could be made at reuniting Moldova along the lines laid down in the Kozak Memorandum (i.e. in a variant extremely unfavourable to Moldova), with all of its key elements including the right for Tiraspol to block Chisinau's foreign policy decisions and the sanctioning of Russian military presence in the unified Moldovan state. While such a solution would likely meet with considerable public opposition, at this stage it appears to be much more probable than any other scenario concerning the Transnistrian issue.

VII. WHAT WILL THE NEXT 25 YEARS BRING (IF ANYTHING)?

After 25 years of independent existence, the social and political project that is the Republic of Moldova still remains unconsolidated and in some way 'provisional'. That is because today's Moldova is still searching for a vision of itself and a path to take. Because of the very serious crisis of its pro-European orientation and the deep divisions within its society between the advocates of integration with the West and those who prefer rapprochement with Russia, Moldova risks becoming a borderland country in a state of permanent social, political and economic malaise. In such shape, Moldova may continue to exist for years or even decades, while increasingly succumbing to internal disintegration. Meanwhile, its demographic situation will continue to deteriorate. The political scene (irrespective of its particular configuration) will remain dominated by self-serving political elites lacking a vision of the country's development and effectively interested only in the pursuit of their own political and business interests.

The situation could change if Moldova's new grassroots pro-European opposition came to power. However, there is a serious risk that those groups would then be taken over within a relatively short timeframe by representatives of the political and business establishment seeking to co-opt them. Thus, even if power in Moldova remains in the hands of nominally pro-European groups, the country governed in this way may nonetheless edge ever closer towards the Russian economic and cultural space. Most of the young ambitious people with pro-European views will take advantage of the possibility to leave (thanks to the visa liberalisation or Bucharest's policy of granting Romanian citizenship). The ephemeral and diffuse identity of Moldova's inhabitants, who feel no attachment to their state other than a sentiment for one's home town or village and its surroundings, will further contribute to that trend. That means, in turn, that the potential for protest within Moldovan society, already limited due to factors of culture and identity, will erode further, decreasing the likelihood of a social upheaval which could realistically hope to achieve a change of government. Despite its recurrent crises, the economy will probably continue to develop, though the rate of development will be too slow to offer the prospect of a noticeable improvement in living standards in the foreseeable future. The years will go by, but the factors outlined above will only conserve the impression of the 'transient' nature of the Moldovan state.

Today's Republic of Moldova shows many characteristics typical of failing states. Without an effective and responsible political class, an efficient political

and legal system, a coherent and generally acceptable state or idea of nationhood, and finally, without a stable economy, Moldova has been unable not only to complete the transformation process started a quarter of a century ago but also to effectively perform many of the basic tasks of states. On top of this, it has no control over parts of its territory and, despite its neutral status, has been struggling with the permanent presence of foreign troops within its territory.

Despite such pessimistic prospects for the development of Moldova – or more correctly its stagnation – there seems to be no risk that Moldova could lose its formal independence in the foreseeable future. The main international actors in the region, including Russia, are interested in the continued existence of the Moldovan state. From Moscow’s point of view, an imploding Moldova which chronically fails to reform is a perfectly acceptable option. Contrary to political declarations coming from sections of the Romanian elite, Bucharest is not genuinely interested in incorporating Moldova into Romania. While the Romanian leadership would certainly prefer Moldova to become a modern European state pursuing ever closer co-operation with the West, it seems that in order to ensure its own security and push Russian influence further away from its borders it would also accept a minimum variant in which Moldova, in its current political shape, remains a neutral state outside the sphere of the Kremlin’s direct influence. Nevertheless, the politically, economically and socially unstable Moldova as it is today does pose a serious challenge to both the European Union and Romania because, despite the huge scale of financial assistance provided to it and the unprecedented political effort on the part of the EU, the country is a showcase of the failure of the Union’s policies aimed at transforming and stabilising the former Soviet states in the EU’s neighbourhood.

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