

# A “Captured State”: Moldova Between Russia and the West

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### Summary

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- Moldova, perhaps more than any other successor state of the Soviet Union, has struggled with the challenges of post-Soviet transition. This transition has become vastly more challenging as a result of the breakdown of Europe’s post-Cold War security order in 2014. Like several countries in central and eastern Europe, it is now seemingly caught up in a geopolitical tug-of-war between Russia and the West.
- Over the course of Moldova’s independence, power in Chişinău has alternated between the Communist Party, which has traditionally sought stronger ties with Russia, and nominally pro-European coalitions, which have advocated membership of the European Union (EU). Since 2009, a series of such pro-European parties have held power, each of which has made progress its goal. Although the country has made significant progress over the past eight years – including signing an Association Agreement with the EU in 2014 – it still faces multiple challenges.
- The World Bank’s description, in 2000, of Moldova as a “captured state” – in which the democratic transition process was vulnerable to domestic and foreign vested interests – is highly relevant today. The country is characterised by an oligarchic power system in which state institutions have been subdued, independent decision-making has been paralysed, corruption is widespread, and civil society is weak. Governments of all leanings – pro-Russian and pro-European – have been implicated in various scandals and discredited. This poses a significant challenge to Moldova’s post-Soviet transition.
- Corruption is the most serious issue facing Moldova. In 2014, the Organized Crime and Corruption Reporting Project revealed that the country had played a key role in a vast money-laundering scheme called the ‘Russian Laundromat’, in which Russian criminals and politicians moved as much as US\$20 billion into Europe, the United States, and elsewhere. The same year, an estimated US\$1 billion – roughly equal to 12 per cent of Moldova’s total Gross Domestic Product – disappeared from three of the country’s banks.
- In the years since 2014, and with parliamentary elections scheduled for autumn 2018, many parliamentarians have been distracted with staying in power and have not given governance and reforms the attention that they deserve. At the local level, however, a number of progressive initiatives have been introduced in Orhei, Moldova’s seventh-largest city. Outside of politics, activists and journalists are working to seize the opportunity presented by the events of 2014 to investigate corruption and highlight Moldova’s democratic backsliding.
- In order to ensure that its post-Soviet transition does not remain stalled, Moldova needs to, *inter alia*, eliminate murky political interference from its judicial system; set its key anti-corruption agencies on an independent footing; and, introduce new rules to break up oligarchic control in the media. The West, for its part, should attach strict conditionality to the aid it provides to Moldova, and it should be willing to withdraw this aid if Moldova’s progress is not sufficient.

## 1. Introduction

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Moldova’s capital Chişinău on 14 November 2016, following a runoff in the country’s presidential election, was a city in turmoil. Thousands of mostly young Moldovans marched on the offices of the Central Election Committee, calling for officials to resign. The “fundamental freedoms” associated with democratic elections had been respected, according to the Organisation for Security and Cooperation in Europe (OSCE), which had deployed monitors to the country, but the protestors alleged that the vote had been badly organised.<sup>1</sup> Their anger and frustration was driven by the fact that the new president would be the pro-Russian Igor Dodon rather than their preferred candidate, the pro-Western Maia Sandu.<sup>2</sup>

Of all the vows Dodon made during his presidential-election campaign, none was as controversial as his promise to rule as a “dictatorial leader, the same as Putin”.<sup>3</sup> While his supporters were nonplussed by this, a great many Moldovans – after more than half a century of Soviet rule, between 1940 and 1991 – are wary of Russia’s influence. Dodon had also vowed to restore his country’s ties with Russia. Moscow had placed a trade embargo on Moldovan wine, fruit, and vegetables in 2014 – arguing that the products failed to meet health and safety standards – after Moldova signed an Association Agreement with the European Union (EU). Dodon’s campaign had denounced Moldova’s pro-Europe politicians and their “Western masters”, and vowed to revoke the “accursed free trade agreement”.<sup>4</sup>

Moldova’s post-Soviet history is often told as a story in which the country is torn between Europe’s east and west. To the east is Russia, with its kleptocratic system of governance, and the Eurasian Economic Union (EAEU), Moscow’s regional integration project that aims to unify the former Soviet republics into a single economic and political space. To the west is the EU. Such opposing geopolitical views are hardly abstract. According to a survey published in October 2016 by the Chişinău-based Barometer of Public Opinion, 44 per cent of Moldovans say they would vote in a referendum for their country to join the EAEU while 31 per cent would vote to join the EU.<sup>5</sup>

For much of the period since 1991, power in Chişinău alternated between parties seeking to pivot Moldova one way or the other. Governments of both ‘pro-Russian’ and ‘pro-European’ leanings have been implicated in various scandals and discredited, disappointing when it has come to the quality of their governance and reform, and leaving the country at a perennial crossroads in its geopolitical orientation. Since 2009, a succession of pro-European coalitions have held power, each making European integration their goal. While notable successes have been achieved, successive governments have failed to tackle the country’s endemic corruption. In 2009, Transparency International’s Corruption Perceptions Index rated Moldova 89<sup>th</sup> in the world, alongside Lesotho

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<sup>1</sup> ‘Moldovans Protest Election Of Pro-Russia President’, *Radio Free Europe/Radio Liberty*, 14 November 2016, available at: <https://www.rferl.org/a/moldova-presidential-election-dodon-sandu-russia-protests/28116385.html>, last visited: 16 September 2017.

<sup>2</sup> In Moldova, the labels “pro-Russian” and “pro-Western” (or “pro-European”) do not have the same meaning as elsewhere in eastern and central Europe, where they are often associated with clearly defined anti- and pro- reform agendas respectively. Instead, these labels better reflect how political figures and parties position themselves within Moldovan political space.

<sup>3</sup> Nemtsova, A., ‘Igor Dodon is Vladimir Putin’s Moldovan Mini-Me’, *Daily Beast*, 29 October 2016, available at: <http://www.thedailybeast.com/igor-dodon-is-vladimir-putins-moldovan-mini-me>, last visited: 16 September 2017.

<sup>4</sup> Socor, V., ‘Russia’s New Moldovan Favorite: Igor Dodon’s Socialist Party’, *The Jamestown Foundation*, 4 December 2014, available at: <https://jamestown.org/program/russias-new-moldovan-favorite-igor-dodons-socialist-party/>, last visited: 16 September 2017.

<sup>5</sup> ‘If you had to choose in a referendum between Moldova’s accession to the European Union and Moldova’s accession to the Customs Union (Russia-Belarus-Kazakhstan), which would you opt for? Period: 10.2016’, *Republic of Moldova Public Opinion Barometer*, available at: <http://www.bop.ipp.md/en/question>, last visited: 17 October 2017.

and Rwanda.<sup>6</sup> By last year, it had fallen to 123<sup>rd</sup>, while Lesotho had moved up to 83<sup>rd</sup> and Rwanda to 50<sup>th</sup>.<sup>7</sup>

Although it had been evident beforehand, in 2014 it became obvious that corruption had ceased to be a flaw in Moldova’s democratic transition and had become an obstacle to transition itself. In August, the Organized Crime and Corruption Reporting Project (OCCRP) revealed that Moldova’s banks and judiciary had played a key role in a vast money-laundering scheme, named the ‘Russian Laundromat’, in which Russian criminals and politicians had moved as much as US\$20 billion (possibly even more) into Europe, the United States, and elsewhere.<sup>8</sup> Later, in November, an estimated US\$1 billion – roughly equal to 12 per cent of Moldova’s total Gross Domestic Product (GDP) – disappeared from three of the country’s banks. Widespread public frustration with Moldova’s pro-European elite led to protests and the fall of the government, and laid the groundwork for Dodon’s election as president two years later.

This paper describes developments in Moldova over recent years, drawing particular attention to corruption, rule of law, and media freedom. It argues that Moldova serves as a case study of “state capture” – in the words of the World Bank – in which the democratic transition process has effectively halted because of domestic and foreign vested interests.<sup>9</sup> Russia’s actions are a part of the reason for this, but not all of it. Although Vladimir Putin has sought to obstruct Moldova’s integration into the Western orbit, Moldova’s elite – of both pro-Russian and pro-European persuasions – have done the most to prevent this. The entrenchment of an oligarchic power system and the persistence of endemic and systemic corruption has led to a situation in which state institutions are frequently subdued and independent decision-making has been paralysed.

It is, first and foremost, in Moldova’s interests to overcome these problems. The experience of young democracies in central and eastern Europe suggests that this is most effectively done by undertaking Western-style political and socio-economic reform. So long as Chişinău undertakes this reform, the West should maintain its financial assistance (with strict conditions) and political support. But it is also, of course, in the West’s interests that Moldova reforms itself. Were this to happen, illicit financial networks and organised crime groups that operate throughout the former Soviet Union would lose an important base.<sup>10</sup> The West could help Moldova by preventing the flow of criminal money into Western banks and prosecuting those who have facilitated it.

## 2. Moldova Since 1991: Success in Theory

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Since 1991, the Republic of Moldova – Europe’s poorest country, with a GDP per capita of US\$1,900<sup>11</sup> – has seen power alternate between the Communist Party, which has traditionally sought

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<sup>6</sup> ‘Corruption Perceptions Index 2009’, *Transparency International*, available at: [https://www.transparency.org/research/cpi/cpi\\_2009/0/](https://www.transparency.org/research/cpi/cpi_2009/0/)

<sup>7</sup> ‘Corruption Perceptions Index 2016’, *Transparency International*, available at: [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2016](https://www.transparency.org/news/feature/corruption_perceptions_index_2016)

<sup>8</sup> ‘The Russian Laundromat’, *Organized Crime and Corruption Reporting Project*, 22 August 2014, available at: <https://www.reportingproject.net/the-russian-laundromat/russian-laundromat.php>, last visited: 16 September 2017.

<sup>9</sup> *Anticorruption in Transition: A contribution to the policy debate* (Washington, D.C.: The World Bank, 2000).

<sup>10</sup> See, for example, Galeotti, M., ‘Crimintern: How the Kremlin uses Russia’s criminal networks in Europe’, *European Council on Foreign Relations*, 18 April 2017, available at: [http://www.ecfr.eu/publications/summary/crimintern\\_how\\_the\\_kremlin\\_uses\\_russias\\_criminal\\_networks\\_in\\_europe](http://www.ecfr.eu/publications/summary/crimintern_how_the_kremlin_uses_russias_criminal_networks_in_europe), last visited: 16 September 2017.

<sup>11</sup> ‘Moldova: GDP per capita (current US\$) 1995-2016’, *The World Bank*, available at:

<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2016&locations=MD&start=1990>, last visited: 16 September 2017.

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stronger ties with Russia, and pro-European parties that have staunchly advocated membership of the EU.

During the early years of Moldova’s post-Soviet existence, Chişinău experienced, in the words of the political analyst Eugene Rumer, “strong gravitational pulls” from Romania – from which it gained significant territory following the Molotov-Ribbentrop Pact and post-World War II Soviet-imposed arrangements in eastern Europe – and Russia.<sup>12</sup> But these years were overshadowed by events in Transnistria, the Russian-speaking province along the country’s eastern border which proclaimed independence in 1990. After a brief bloody war, the conflict was ‘frozen’ in 1992. Russia has supported Transnistria since then, and maintains an active military presence there of about 1,350 soldiers.<sup>13</sup>

Power in Chişinău, during this period and beyond, was held by a series of reform-oriented pro-European parties who made progress their goal. In 1994, Moldova became a member of NATO’s Partnership for Peace program and signed a Partnership and Cooperation Agreement (PCA) with the EU, which entered into force four years later. As a result of the PCA and other EU initiatives that prioritised reform, Russia’s influence over Moldova – which was largely due to Moldova’s dependence on Russian energy and its orientation towards the post-Soviet markets<sup>14</sup> – was weakened. The pace of reform, however, was inconsistent. Throughout the 1990s, the country suffered from a serious economic crisis, leaving most of the 3.5 million population below the poverty line and frustrated with the pro-European project. In 2001, Moldova became the first post-Soviet country to return the Communist Party to power. It went on to win three successive elections.<sup>15</sup>

Since 2009, a series of pro-European coalitions have held power, each seeking to deepen economic and political ties with Brussels. In 2010, Moldova and the EU began negotiating an Association Agreement, including a Deep and Comprehensive Free Trade Area (DCFTA), to replace the PCA. In the years since, the economy has grown by an average of 3.1 per cent (see Figure 1) and the EU has strengthened its position as Moldova’s biggest trade partner – around 65 per cent of its exports go to the EU, compared to 11 per cent to Russia (see Figure 2).<sup>16</sup> Moldovan citizens were granted visa-free travel into the EU in 2014 and, later the same year, the Association Agreement was signed. Over this period, EU representatives variously heralded Moldova as a “success story” and “poster child” for the Eastern Partnership.<sup>17</sup>

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<sup>12</sup> Rumer, E., ‘Moldova Between Russia and the West: A Delicate Balance’, *Carnegie Endowment for International Peace*, 23 May 2017, available at: <http://carnegieendowment.org/2017/05/23/moldova-between-russia-and-west-delicate-balance-pub-70056>, last visited: 11 October 2017.

<sup>13</sup> The soldiers are part of the so-called ‘Operational Group of Russian Forces in Moldova’, which is the remnants of the Soviet-era 14<sup>th</sup> Guards Army.

<sup>14</sup> Such was the continued importance of the post-Soviet markets to Moldova at this time that Moldova joined the Commonwealth of Independent States (CIS) in 1994.

<sup>15</sup> As part of the European Neighbourhood Project, launched in 2004, Moldova signed an Action Plan with the EU. See, ‘EU/Moldova Action Plan’, European Union External Action Service (2004), available at: [https://ec.europa.eu/sites/eeas/files/moldova\\_enp\\_ap\\_final\\_en.pdf](https://ec.europa.eu/sites/eeas/files/moldova_enp_ap_final_en.pdf), last visited: 16 September 2017.

<sup>16</sup> By means of comparison, 12 per cent of Moldova’s exports are now to Russia and 7 per cent to Belarus. See, ‘Moldova: Trade Picture’, *European Commission*, 14 March 2017, available at: [http://ec.europa.eu/trade/policy/countries-and-regions/countries/moldova/index\\_en.htm](http://ec.europa.eu/trade/policy/countries-and-regions/countries/moldova/index_en.htm), last visited: 16 September 2017. The 2013 figure was calculated from figures within: ‘External Trade of the Republic of Moldova, 2013-2016’, National Bureau of Statistics of the Republic of Moldova, available at: [http://www.statistica.md/public/files/serii\\_de\\_timp/comert\\_exterior/serii\\_anuale/eng/Com\\_ext\\_RM.xls](http://www.statistica.md/public/files/serii_de_timp/comert_exterior/serii_anuale/eng/Com_ext_RM.xls), last visited: 16 September 2017.

<sup>17</sup> Kostanyan, H., ‘Why Moldova’s European integration is failing’, *Centre for European Policy Studies*, 3 March 2016, available at: [https://www.ceps.eu/publications/why-moldova%E2%80%99s-european-integration-failing#\\_ftn5](https://www.ceps.eu/publications/why-moldova%E2%80%99s-european-integration-failing#_ftn5), last visited: 16 September 2017.

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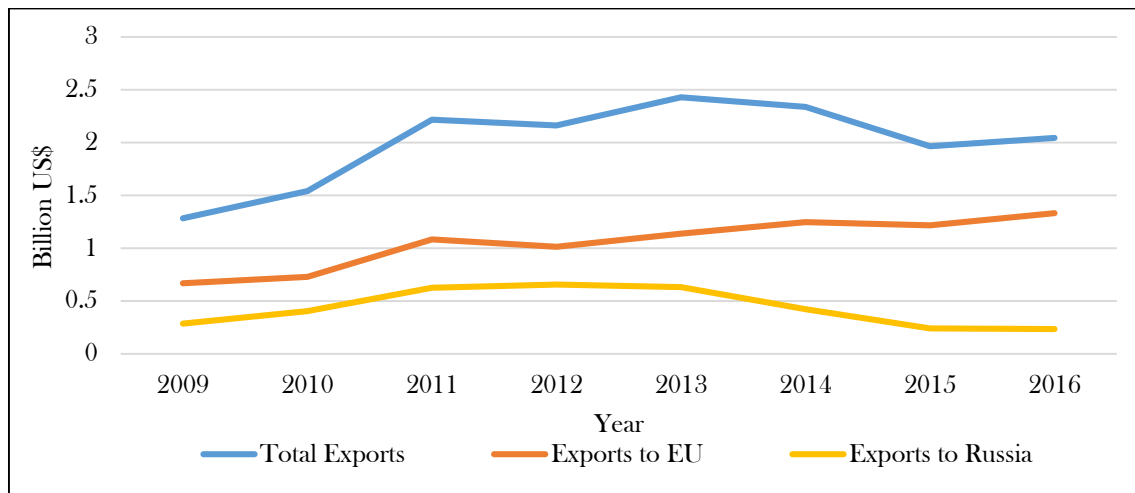
**Figure 1: GDP and GDP Annual Growth Rate for Moldova, 2009-2016**

Year	2009	2010	2011	2012	2013	2014	2015	2016
<b>GDP (US\$ billion)</b>	5.439	5.812	7.015	7.285	7.985	7.983	6.513	6.75
<b>GDP annual growth (per cent)</b>	-6	7.1	6.8	-0.7	9.4	4.8	-0.4	4.1

Figures are taken from: ‘Moldova: GDP (current US\$), 2009-2016’, *World Bank*, available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2016&locations=MD&start=2009> and ‘Moldova: GDP growth (annual %), 2009-2016’, *World Bank*, available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2016&locations=MD&start=2009>, both last visited: 16 September 2017.

Yet, a number of Moldova’s key achievements over the past decade are not quite what they seem. According to the World Bank, Chişinău’s much-heralded progress in reducing levels of poverty – from one in four of the population in 2007 to fewer than one in ten in 2016<sup>18</sup> – was accomplished not because of domestic economic initiatives but because of an increase in remittances<sup>19</sup>; from US\$1.4 billion in 2007 to a post-Soviet high of US\$2.2 billion in 2013. These have, however, fallen over recent years (see, Figure 3) as Russia, where some 500,000 Moldovan workers are – at least temporarily – based,<sup>20</sup> suffers from economic stagnation.<sup>21</sup> Beyond Tajikistan and Kyrgyzstan, Moldova is the third-largest recipient of foreign remittances in the world.<sup>22</sup>

**Figure 2: Moldova’s Total Exports and Exports to EU and Russia, 2009-2016**



Source: ‘Annual Data Series: Exports by countries (1997-2016)’, National Bureau of Statistics of the Republic of Moldova, available at: [http://www.statistica.md/public/files/serii\\_de\\_timp/comert\\_exterior/serii\\_anuale/eng/Export\\_tari.xls](http://www.statistica.md/public/files/serii_de_timp/comert_exterior/serii_anuale/eng/Export_tari.xls), last visited: 16 September 2017.

<sup>18</sup> ‘Moldova: Poverty headcount ratio at national poverty lines (% of population), 2003-2014’, *World Bank*, available at: <http://data.worldbank.org/indicator/SI.POV.NAHC?locations=MD>, last visited: 16 September 2017. This figure increases to one in five for the rural population, see: ‘Moldova: Rural poverty headcount ratio at national poverty lines (% of rural population), 2006-2013’, *World Bank*, available at: <http://data.worldbank.org/indicator/SI.POV.RUHC?locations=MD>, last visited: 16 September 2017.

<sup>19</sup> Kremer, A., ‘Moldova – What’s next?’, *The World Bank*, 11 April 2017, available at: <http://blogs.worldbank.org/europeandcentralasia/moldova-what-s-next>, last visited: 16 September 2017.

<sup>20</sup> ‘Economic woes abroad hit Moldova’s migrant workers’, *EURACTIV*, 28 October 2016, available at: <http://www.euractiv.com/section/economy-jobs/news/economic-woes-abroad-hit-moldovas-migrant-workers/>, last visited: 16 September 2017.

<sup>21</sup> ‘Migration and Remittances Data: Annual Remittances Data (updated as of Apr. 2017): Inflows’, *World Bank*, available at: <http://pubdocs.worldbank.org/en/818981492713050366/remittanceatainflowsapr2017.xls>, last visited: 16 September 2017.

<sup>22</sup> ‘Migration and Remittances: Recent Developments and Outlook’, *Migration and Development Brief 26*, World Bank Group (2016), available at: <http://pubdocs.worldbank.org/en/661301460400427908/MigrationandDevelopmentBrief26.pdf>, last visited: 16 September 2017.

## A “CAPTURED STATE”

Unlike other post-Soviet ‘frozen conflicts’, the effects of Transnistria on Moldova’s development has been – in relative terms – marginal. The crisis in Ukraine, beginning in 2014, however, sparked fears that the conflict might thaw. Days after the annexation of Crimea, Transnistria’s leaders appealed to Moscow to join the Russian Federation, but nothing came of it. Since then, a number of civic groups in the province – where about one-third of the estimated 500,000 population are Russian – have called on the Kremlin to protect them “in case of emergency”.<sup>23</sup> Transnistria has built up debts of around US\$6 billion with the Russian energy giant Gazprom for the supply of gas, and earlier this year Gazprom took Moldova’s state gas company *MoldovaGaz*, to the Moscow-based International Commercial Arbitration Court for debt repayment.<sup>24</sup>

Russia also exerts influence through money laundering, and financial and organised crime. As elsewhere, it uses various tactics to exacerbate pre-existing fractures in Moldovan society to support its own interests. This is particularly the case in Gagauzia, an autonomous state in the southeast of Moldova which claimed independence from Chişinău in 1991.<sup>25</sup> In a non-binding referendum held in February 2014, 97.2 per cent of voters in Gagauzia rejected closer integration with the EU and 98.4 per cent favoured closer relations with the Commonwealth of Independent States (CIS) Customs Union.

**Figure 3: Value of Remittances to Moldova, 2009-2016**

Year	2009	2010	2011	2012	2013	2014	2015	2016
<b>Value of Remittances (US\$ billion)</b>	1.199	1.351	1.813	1.986	2.192	2.084	1.540	1.444
<b>Total GDP (US\$ billion)</b>	5.439	5.812	7.015	7.285	7.985	7.983	6.513	6.750
<b>Remittances as per cent GDP</b>	22.0	23.2	25.8	27.3	27.5	26.1	23.6	21.4

Figures are taken from: ‘Migration and Remittances Data: Annual Remittances Data (updated as of Apr. 2017): Inflows’, *World Bank*, available at: <http://pubdocs.worldbank.org/en/818981492713050366/remittanceatainflowsapr2017.xls>, last visited: 16 September 2017, and ‘Moldova: GDP growth (annual %), 2009-2016’, *World Bank*, available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2016&locations=MD&start=2009>, last visited: 16 September 2017.

Despite progress being made since 2009, major issues remain. Endemic corruption has been largely overlooked, and the state has failed to make significant inroads in reducing the power of the oligarchs. In fact, the power of the oligarchy has arguably become more entrenched over this period rather than less. In spite of these – and other – regressive trends, Western financial assistance, which has totalled more than €1 billion (US\$1.4 billion) over the past decade from the EU alone, has flowed into Chişinău. Such assistance, the academic Cristina Gherasimov has argued, has

<sup>23</sup> Buckley, N., ‘Transnistria shapes up as next Ukraine-Russia flashpoint’, *Financial Times*, 3 June 2015, available at: <https://www.ft.com/content/166b39cd-ad97-399d-9e84-402dce5a1c0>, last visited: 16 September 2017.

<sup>24</sup> Socor, V., ‘Moldova’s President in the Kremlin: A Snapshot of Moldova-Russia Relations’, *The Jamestown Foundation*, 26 January 2017, available at: <https://jamestown.org/program/moldovas-president-kremlin-snapshot-moldova-russia-relations/>, last visited: 16 September 2017. Formed in 1999, *Moldovagaz* is owned by Gazprom (50 percent) in partnership with the Republic of Moldova (35.3 percent), Tiraspol administration (13.4 percent), and a number of unnamed small shareholders (1.5 percent).

<sup>25</sup> Lutsevych, O., ‘Agents of the Russian World: Proxy Groups in the Contested Neighbourhood’, Chatham House (2016), available at: <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2016-04-14-agents-russian-world-lutsevych.pdf>, last visited: 16 September 2017.

succeeded in “subsidizing a corrupt and barely legitimate government that is concerned solely with promoting narrow private interests”.<sup>26</sup>

For average Moldovans, there has been little change to their daily lives under either pro-Russian parties or pro-European coalitions. When the ‘Russian Laundromat’ scheme was revealed in 2014, followed shortly after by the banking scandal, Moldovans were – on the whole – angry but not terribly surprised. The immediate impacts of the scandals – a fall in the value of the Moldovan currency (the leu), an increase in interest rates, and a temporary recession – intensified popular disillusionment with the country’s elite and contributed, in October 2015, to the collapse of the government. In the years since, the economy has begun to recover – it grew from US\$6.5 billion in 2015 to US\$6.75 billion in 2016 (see Figure 1) – but public frustration remains.

### *2.1 Corruption*

Corruption is Moldova’s greatest threat and its greatest challenge. As in most post-Soviet states, the issue exploded after the Cold War ended and penetrated every aspect of life. National authorities were quick to recognise this, but slow to act. Today, as the Russian journalist Vladimir Soloviev writes, “corruption exists in every possible form – from bribery and fraud to embezzlement and nepotism”.<sup>27</sup>

According to a survey conducted by the World Bank in 2013, one-third of private sector firms operating in Moldova said that they had been requested to pay at least one bribe in order to do business there.<sup>28</sup> Broken down by sector, almost half of the firms surveyed reported being asked to pay a bribe to obtain a construction permit and a water connection. One-sixth of firms, meanwhile, said that they expected to give gifts to public officials in order “to get things done”. These percentages are thought to have risen during the past four years.

There have been efforts to combat corruption. In 2002, a law was passed on the disclosure of public officials’ assets and, later the same year, a Centre for Combating Economic Crimes and Corruption was established in Chişinău. Weak enforcement mechanisms, however, meant that the law was ineffective. The Centre, meanwhile, focused more on investigating small-scale corruption and exposing bribe-takers among low- to mid-level officials and less on questionable deals and schemes implemented by the country’s elite. During Vladimir Voronin’s eight-year presidency between 2001 and 2009, the academic Theodur Tudoroiu has written, his son Oleg is believed to have amassed a US\$2 billion fortune<sup>29</sup>. While there are reasons to question this figure – Moldova’s total GDP did not exceed US\$2 billion until 2004 – what is unquestionable is that a small group of individuals became fantastically rich during this period.

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<sup>26</sup> Gherasimov, C., ‘Moldova’s Proposed Electoral Change Is a Blow to Democracy. The EU Must Oppose It’, *Chatham House*, 10 May 2017, available at: <https://www.chathamhouse.org/expert/comment/moldova-s-proposed-electoral-change-blow-democracy-eu-must-oppose-it>, last visited: 16 September 2017.

<sup>27</sup> Soloviev, V., ‘Moldova: The Failing Champion of European Integration (translated and edited by Olga Khivostunova)’, Legatum Institute (2014), available at: <http://www.li.com/docs/default-source/publications/moldova-the-failing-champion-of-european-integration-a4.pdf>, last visited: 16 September 2017, p. 7.

<sup>28</sup> ‘Moldova (2013)’, *World Bank Group Enterprise Surveys: What Businesses Experience*, available at: <http://www.enterprisesurveys.org/data/exploreeconomies/2013/moldova>, last visited: 16 September 2017.

<sup>29</sup> Tudoroiu, T., ‘Democracy and state capture in Moldova’, *Democratization* 22:4 (2015), p. 655-678.

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Moldova passed its first anti-corruption policy paper – the National Strategy for Corruption Prevention and Fighting<sup>30</sup> – in 2004, and over the next five years several anti-corruption campaigns were launched. The Strategy, however, achieved little; Transparency International suggested that “insufficient political will, considerable delay in promoting change, and focusing mainly on legislation rather than effective enforcement” were the main reasons for this.<sup>31</sup> A subsequent paper – the National Anti-Corruption Strategy 2011-2015,<sup>32</sup> which was extended to 2016 – was adopted in 2011, but no special funds were allocated for its implementation. Like its predecessor, the paper was ineffective. A strategy for the period 2017 to 2020 was adopted in June.

One of the main forms of corruption in Moldova involves its banking system. In June 2012, lawyers acting for Hermitage Capital Management filed a complaint with Moldovan authorities alleging that US\$53 million of money stolen by Russian officials as part of a tax fraud – which was uncovered by Hermitage’s lawyer Sergei Magnitsky, who was subsequently killed – had passed through the offices of the Chişinău-based *Banca de Economii*. In an interview with Radio Free Europe/Radio Liberty, however, Viorel Chetaru, head of the National Anti-Corruption Center, said that Chişinău “had no motivation to track the money because Moldovan banks benefited from the fees the suspicious transactions generated”.<sup>33</sup>

The extent to which Moldovan authorities failed to deal with corruption in the country’s banking system was revealed in 2014. In November of that year, media reported that three Moldovan banks – *Banca Sociala*, *Unibank*, and *Banca de Economii* – collectively issued fraudulent loans worth nearly US\$1 billion, or one-fifth of the country’s GDP, to five newly formed Moldovan companies, who wired the funds to companies in the UK and Hong Kong. The loans left all three Moldovan banks insolvent, and the state – through the National Bank of Moldova – was forced to set aside US\$870 million to reassure savers.<sup>34</sup>

In response, both the International Monetary Fund and the World Bank froze financial aid to Moldova in early 2015, and they were soon followed by the EU. Only after Chişinău implemented a macro-economic stabilisation policy – which included the liquidation of the three banks involved in the fraud – did it resume; initially with a US\$179 million agreement from the IMF to reform the financial sector, in July 2016.

There is another example of corruption that is more egregious even than this, and it was revealed by the Organized Crime and Corruption Reporting Project (OCCRP) in 2014 (and later updated with more details in 2017). As part of a vast money-laundering scheme named the ‘Russian Laundromat’, between 2010 and 2014 Russian officials and insiders moved as much as US\$20 billion into Europe, the US, and other countries via *Moldindconbank*, based in Chişinău.

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<sup>30</sup> ‘Moldova: National Strategy for Corruption Prevention and Fighting (Adopted by Parliament in December 2004)’, Council of Europe, available at: [http://www.coe.int/t/dg1/legalcooperation/economiccrime/moneylaundering/projects/molico/AC/Output1.6/CCCEC%20risk%20assess%20methodology\\_draft\\_eng.pdf](http://www.coe.int/t/dg1/legalcooperation/economiccrime/moneylaundering/projects/molico/AC/Output1.6/CCCEC%20risk%20assess%20methodology_draft_eng.pdf), last visited: 16 September 2017.

<sup>31</sup> ‘Moldova National Integrity System Assessment 2014’, *Transparency International*, 3 July 2014, available at:

[https://www.transparency.org/whatwedo/publication/moldova\\_national\\_integrity\\_system\\_assessment\\_2014](https://www.transparency.org/whatwedo/publication/moldova_national_integrity_system_assessment_2014), last visited: 16 September 2017, p. 32.

<sup>32</sup> ‘ob utverzhenii Natsional’noy antikorruptsionnoy strategii na 2011-2016 godi’ [on the approval of the National Anti-Corruption Strategy for 2011-2016], *Respublika Moldova Parliament [Republic of Moldova Parliament]*, 21 July 2011, available at:

<http://lex.justice.md/viewdoc.php?action=view&view=doc&id=340429&lang=2>, last visited: 16 September 2017.

<sup>33</sup> Coalson, R. and Richard Solash, ‘The Magnitsky Money: From Russia...And Then What?’, *Radio Free Europe/Radio Liberty*, 11 March 2013, available at: <https://www.rferl.org/a/magnitsky-browder-missing-money-russia-moldova/24925098.html>, last visited: 16 September 2017.

<sup>34</sup> *Banca de Economii* had been in financial difficulty for some time beforehand, with the IMF observing in 2012 that it was in a “precarious situation” as a result of having “engaged in dubious lending practices”. See, ‘Aide-Mémoire of the IMF Mission to the Republic of Moldova’, *International Monetary Fund*, 28 November 2012, available at: <http://www.imf.org/en/News/Articles/2015/09/28/04/52/mcs112112>, last visited: 16 September 2017.

According to Hudson Institute’s Kleptocracy Initiative, the scheme worked as follows.<sup>35</sup> Two UK shell companies would sign a sham loan agreement with a Russian company directed by a Moldovan proxy, who served as guarantor. The ‘borrowing’ company would fail to repay the loan, and the ‘lending’ company would sue. The trial would be held in a Moldovan court, and the Moldovan judge would rule in the ‘lenders’ favour, forcing the guarantor to cover for the insolvent company. The Russian ‘borrowing’ company would repay its debt to the UK ‘lender’ using ill-gotten funds stored in Russian banks. These funds were wired to the Moldovan proxy’s bank account, and then into the ‘lender’s’ bank account in Latvia.

Representatives of *Moldindconbank* maintain that their bank did nothing wrong. The bank’s 2014 press release (which it continues to cite today) calls the OCCRP’s revelations “defamatory information” and “an organized informational attack that aims to damage the Bank’s image”.<sup>36</sup> In July 2016, however, Veaceslav Platon – a former Moldovan MP, shareholder in *Moldindconbank*, and the alleged architect of the Laundromat scheme – was arrested in Ukraine and extradited to Moldova. This April, he was sentenced to 18 years of imprisonment for fraud and money-laundering for his involvement in the banking scandal.

### ***2.2 Rule of Law***

To use Moldova as a hub to transform illicit money in Russia into legal money in Europe requires a willing judiciary. While there have been attempts to reform the judiciary since the early 2010s when the ‘Russian Laundromat’ scheme took place, a report published by the EU in March found that “Perceived political interference in the judiciary and law enforcement is a systemic impediment to social and economic development”.<sup>37</sup> Moldovans are aware of this. According to a survey published in April by the Chişinău-based Barometer of Public Opinion, 72.6 per cent of the population do not trust the judiciary.<sup>38</sup>

The Moldovan judiciary developed from a Soviet tradition in which the rule of law was politicised and subordinated to the executive. Following the adoption of the country’s first post-Soviet constitution in 1994, Moldova enacted a series of new laws which made clear the independence of the judiciary and the court system from the executive and political process. Moldova subsequently joined the Council of Europe in 1995 and became party to the European Convention on Human Rights in 1997.

What progress Moldova made during the 1990s was incrementally reversed between 2001 and 2009, when the Communist Party increased government control over the judiciary.<sup>39</sup> This was accompanied by an increase in instances of so-called ‘telephone justice’, in which instructions on cases were provided by the President’s office, Government, or Parliament to the judiciary,<sup>40</sup> and an

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<sup>35</sup> Hampton, R. and Alona Rusin, ‘Moldovan Kleptocracy: A Threat to Democracy in Eastern Europe’, *Kleptocracy Initiative*, 18 November 2016, available at: <http://kleptocracyinitiative.org/2016/11/moldovan-kleptocracy-a-threat-to-democracy-in-eastern-europe/>, last visited: 16 September 2017.

<sup>36</sup> ‘Moldindconbank – denies the accusations presented in its address’, *Moldindconbank*, 23 September 2014, available at: <http://www.micb.md/noutati-en/98143/>, last visited: 16 September 2017.

<sup>37</sup> ‘JOINT STAFF WORKING DOCUMENT: Association Implementation Report on the Republic of Moldova’, European Commission (2017), available at: [https://ceas.europa.eu/sites/ceas/files/association\\_implementation\\_report\\_on\\_the\\_republic\\_of\\_moldova\\_2017\\_03\\_10\\_final.pdf](https://ceas.europa.eu/sites/ceas/files/association_implementation_report_on_the_republic_of_moldova_2017_03_10_final.pdf), last visited: 16 September 2017.

<sup>38</sup> ‘How much do you trust the following institutions?: Justice: Period: 04.2017’, *Republic of Moldova Public Opinion Barometer*, available at: <http://www.bop.ipp.md/en/question>, last visited: 16 September 2017.

<sup>39</sup> ‘Moldova: The Rule of Law 2004’, International Commission of Jurists (2004), available at: <https://www.icj.org/wp-content/uploads/2004/11/Moldova-rule-of-law-factfinding-report-2004.pdf>, last visited: 16 September 2017.

<sup>40</sup> Susarenco, G. and Alexandru Tanase, ‘Monitoring the judicial independence in the Republic of Moldova’, National Report 2003, Open Society Justice Initiative and Freedom House Moldova.

increase in the number of corporate ‘raids’, or the court-sanctioned hostile (or illegal) take-over of a company. A confidential Moldovan police report, written in 2011, summarised that: “Our investigations and analysis indicate that an organized group specialized in ‘raider’ attacks against large companies operates on the territories of Moldova, Ukraine and Russia. Between 2005 and 2010, this group used decisions issued by courts in Moldova, Ukraine and Russia to get more than US\$100 million.”<sup>41</sup>

Judicial reform has been high on Moldova’s agenda since the pro-European coalition came to power in 2009. This has largely been driven by the EU, who have made some financial aid dependent on such reform, rather than being a domestic initiative.<sup>42</sup> A Justice Sector Reform Strategy was adopted for 2011-2016 that aimed at “strengthening independence, accountability, impartiality, efficiency and transparency of judiciary”, and broader measures were introduced to curb judicial immunity for crimes of corruption, to increase judges’ salaries in order to discourage bribe-taking, and to increase the number of court staff<sup>43</sup>. But serious issues persist.

The most dramatic example of this is the involvement of judges in the ‘Russian Laundromat’ scheme, revealed by Mihai Poalelungi, head of the Supreme Court of Justice, in 2014. Poalelungi studied dozens of judgements issued by various courts that concerned the recovery of large debts (ranging from US\$180 million to US\$800 million) from Russian firms by companies based in various jurisdictions. Of all the judgements he studied, he found that 33 were worded very similarly and nine were falsified. Judges based in district courts featured prominently in the scheme, with several court orders issued that each transferred US\$500 million abroad.

All of the materials reviewed by Poalelungi were sent to the Anti-Corruption Prosecutor’s Office, the National Anti-Corruption Centre, and the Supreme Council of Magistrates, and a criminal case was initiated for the embezzlement of US\$20 billion. In September 2016, 16 court judges and four court bailiffs were accused of being involved in the scheme.<sup>44</sup> In March, prosecutors launched criminal cases against 14 of the judges as well as the four bailiffs.<sup>45</sup>

Other issues with the rule of law are easier to see. The right to a public hearing – the cornerstone of a due process – is provided both by the Constitution and by legislation.<sup>46</sup> Yet, the case of Vladimir Filat, the former prime minister who was charged with corruption relating to the 2014 banking scandal, was examined entirely in closed hearings. Moreover, on 21 June 2016, just six days before Filat was sentenced to nine years’ imprisonment, the Supreme Council of Magistrates adopted a new Regulation which states that court decisions on cases examined behind closed doors are not to be published on its website.

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<sup>41</sup> Radu, P., Mihai Munteanu, and Iggy Ostanin, ‘Grand Theft Moldova’, *Organized Crime and Corruption Reporting Project*, 24 July 2015, available at: <https://www.occrp.org/en/investigations/4203-grand-theft-moldova>, last visited: 16 September 2017.

<sup>42</sup> Reuters, ‘EU Says Moldova Aid Depends On Judicial Reform’, *Radio Free Europe / Radio Liberty*, 22 February 2011, available at: [https://www.rferl.org/a/eu\\_moldova/2317649.html](https://www.rferl.org/a/eu_moldova/2317649.html), last visited: 17 October 2017.

<sup>43</sup> ‘STRATEGY FOR JUSTICE SECTOR REFORM 2011-2015’, Ministerstvo Yustitsii Respubliki Moldova [Ministry of Justice of the Republic of Moldova], available at: [http://www.justice.gov.md/public/files/file/reforma\\_sectorul\\_justitiei/srsj\\_pa\\_srsj/SRSJen.pdf](http://www.justice.gov.md/public/files/file/reforma_sectorul_justitiei/srsj_pa_srsj/SRSJen.pdf), last visited: 16 September 2017.

<sup>44</sup> ‘Moldova: 20 Judges, Court Officials Accused in Huge Money-Laundering Scheme’, *Organized Crime and Corruption Reporting Project*, 22 September 2016, available at: <https://www.occrp.org/en/daily/5667-moldova-20-judges-court-officials-accused-in-huge-money-laundering-scheme>, last visited: 16 September 2017.

<sup>45</sup> Williams, M., ‘Moldova sees Russian plot to derail money-laundering probe’, *Reuters*, 15 March 2017, available at: <http://www.reuters.com/article/us-moldova-russia-insight-idUSKBN16M1QQ>, last visited: 16 September 2017.

<sup>46</sup> Hriptievchi, N., ‘Independence and Accountability of Moldova’s Judiciary under Threat’, Legal Resources Centre from Moldova (2017), available at: <http://crjm.org/wp-content/uploads/2017/07/2017-04-Hriptievchi-judiciary.pdf>, last visited: 16 September 2017, p. 6.

Another issue relates to how judicial independence is punished. In March, the Constitutional Court ruled that Moldova’s president should be elected by popular vote, which had been the case until 1996 when the Constitution was amended to give parliament the power to choose the head of state. Dignity and Truth – a civic organisation founded in February 2015 by 14 individuals, including a blogger, a lawyer, and a former Moldovan ambassador to the United States – opposed this ruling and argued that such a decision should only be made by a referendum. The Constitutional Court initially ruled against Dignity and Truth’s request, even though it had collected more than twice as many signatures (upwards of 400,000) as the Constitution requires for referendum to be initiated (200,000).<sup>47</sup> The Court argued that the signatories were not sufficiently geographically distributed across the country.

On 14 April, Domnica Manole, a judge in the Chişinău Court of Appeals, approved Dignity and Truth’s request and cancelled the Constitutional Court’s earlier decision. In support of her decision, Manole argued that the administrative structure of the country had increased from 12 to 33 territorial units since the law regulating public referenda was enacted, thus making the requirements on the geographic distribution of the citizens supporting the referendum out-dated and no longer applicable.<sup>48</sup> On 22 April, however, the Supreme Court cancelled Manole’s decision and upheld Constitutional Court’s decision. A month later, the Supreme Council of Magistrates approved a request from the Interim Prosecutor General to initiate a criminal investigation into Manole for issuing a decision contrary to the law. In July 2017, Manole was dismissed from her position.<sup>49</sup>

### *2.3 Media Freedoms*

The media landscape in Moldova, as elsewhere in the post-Soviet space, is dominated by politicians, many of whom use their holdings to advance personal agendas rather than strengthen democracy. According to a study prepared by the NATO Strategic Communications Centre of Excellence in 2016, “Manipulation, disinformation, internal and external propaganda, the rush of sensationalism, public televised battles between media institutions – all these professional deficiencies can be found everywhere in the Moldovan media environment”.<sup>50</sup>

In Reporters Without Borders’ World Press Freedom Index 2017, Moldova was ranked 80<sup>th</sup> of 180 countries.<sup>51</sup> Eight years earlier, when the pro-European coalition returned to power, it had ranked 114<sup>th</sup> of 175 countries.<sup>52</sup> Despite this improvement, considerable issues remain. The World Press Freedom Index 2017 noted, for example, that the country’s “media are diversified but extremely polarized ... The editorial line of the leading media outlets correlates closely with the political and business interests of their owners. Journalistic independence and media ownership transparency are major challenges.”

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<sup>47</sup> Ernst, I., ‘Moldovan judges, prosecutors locked in dispute over referendum’, *BNE Intellinews*, 1 June 2016, available at: <http://www.intellinews.com/moldovan-judges-prosecutors-locked-in-dispute-over-referendum-98792/>, last visited: 16 September 2017.

<sup>48</sup> Hriptievski, N., ‘Independence and Accountability of Moldova’s Judiciary under Threat’, *Legal Resources Centre from Moldova* (2017), available at: <http://crjm.org/wp-content/uploads/2017/07/2017-04-Hriptievski-judiciary.pdf>, last visited: 16 September 2017.

<sup>49</sup> ‘Declaration: Decision of Superior Council of Magistracy – an act of selective justice’, *Transparency International Moldova*, 5 July 2017, available at: <http://www.transparency.md/2017/07/05/declaration-decision-of-superior-council-of-magistracy-an-act-of-selective-justice/>, last visited: 16 September 2017.

<sup>50</sup> ‘The Moldovan Information Environment, Hostile Narratives, and their Ramifications’, prepared by the NATO Strategic Communications Centre of Excellence (2016), available at: <https://www.google.co.uk/url?sa=t&ret=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwiv4IXPzu3VAhXCPFAKHUcoDWcQFggoMAA&url=http%3A%2F%2Fwww.stratcomcoe.org%2Fdownload%2Ffile%2Ffid%2F7000&usq=AFQjCNEPmNpQTuofJHGKQlnTd3QjzgHIVw>, last visited: 16 September 2017, p. 20.

<sup>51</sup> ‘Moldova: Media as weapons’, *Reporters Without Borders*, available at: <https://rsf.org/en/moldova>, last visited: 16 September 2017.

<sup>52</sup> ‘World Press Freedom Index 2009’, *Reporters Without Borders*, available at: <https://rsf.org/en/world-press-freedom-index-2009>, last visited: 16 September 2017.

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A major problem for Moldova is that oligarchs have excessive influence over the media. In 2015, the Moldovan parliament passed an amendment to the country’s media laws that required media companies to publically disclose the names of their owners. Vladimir Plahotniuc, the richest man in Moldova and leader of the Democratic Party, was revealed to have extensive media holdings, including four television networks (Publika TV, Prime TV, Canal 2 TV, Canal 3 TV) and three radio stations (Publika FM, MuzFM, and Maestro FM)<sup>53</sup>. The editorial content of these media outlets gave the impression that they were tightly controlled; Freedom House’s Freedom of the Press 2016 Report, for example, found that Plahotniuc’s television networks “exhibited strong bias in favor of the center-left Democratic Party of Moldova”.<sup>54</sup>

Plahotniuc’s four television networks accounted for four-fifths of the networks in Moldova that broadcast nationally, and at least one of these networks has demonstrated a willingness to frame its coverage in a way that is potentially damaging to its owner’s political opponents.<sup>55</sup> Recounting an incident on Publika TV, in 2012, at a time when Plahotniuc was jostling for influence with then-prime minister Filat, the Russian journalist Vladimir Soloviev writes:

Covering José Manuel Barroso’s first visit to Moldova, the network’s cameraman avoided filming Vladimir Filat who was meeting the European Commission President in the airport. As a result, the footage looked ridiculous: the two officials were walking together, but the camera was only showing Barroso. However, viewers could see Filat’s shoulder and arm next to Barroso.<sup>56</sup>

The 2015 legislation also revealed that the Party of Socialists controlled three TV stations (Accent TV, NTV Moldova, and TNT Exclusive) and Chiril Lucinschi owned two (TNT Bravo<sup>57</sup> and formerly owned TV 7).<sup>58</sup> Lucinschi, who is son of Moldova’s second post-Soviet president Petru Lucinschi and former president of the Basketball Federation of Moldova, entered parliament with Filat’s Liberal Democratic Party, in December 2010. He remained there until February of this year, when he stood down. In May, he was retained by prosecutors on suspicion of being involved in the 2014 banking scandal,<sup>59</sup> and in August his case was sent to trial.

It is not only through direct ownership of media outlets that oligarchs are able to exert influence. In 2015, Plahotniuc’s Democratic Party developed a draft law that would have introduced a new media code forcing Moldovan television stations to significantly increase the proportion of domestically produced content they transmit. Officially, this change was intended to reduce the scale of Russian propaganda in the media; and Plahotniuc himself would have been impacted, as his Prime TV rebroadcasts content from Russia’s *Pervii Kanal* (First Channel). In practice, as the political analysts

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<sup>53</sup> ‘Prime’ is the most watched television channel in the country.

<sup>54</sup> ‘Moldova: Freedom of the Press 2016’, *Freedom House*, available at: <https://freedomhouse.org/report/freedom-press/2016/moldova>, last visited: 16 September 2017.

<sup>55</sup> ‘Who really rules the airwaves in Moldova?’, *StokeFake.org*, 2 April 2016, available at: <http://www.stopfake.org/en/who-really-rules-the-airwaves-in-moldova/>, last visited: 16 September 2017.

<sup>56</sup> Soloviev, V., ‘Moldova: The Failing Champion of European Integration (translated and edited by Olga Khvostumova)’, Legatum Institute, 2014, available at: <http://www.li.com/docs/default-source/publications/moldova-the-failing-champion-of-european-integration-a4.pdf>, last visited: 16 September 2017, pg. 13.

<sup>57</sup> ‘Who really rules the airwaves in Moldova?’, *StokeFake.org*, 2 April 2016, available at: <http://www.stopfake.org/en/who-really-rules-the-airwaves-in-moldova/>, last visited: 16 September 2017.

<sup>58</sup> Lucinschi has since passed control of the network, which is now called TV8, to a group of independent journalists led by Natalia Morari, his longterm partner.

<sup>59</sup> Vlas, C., ‘Ex-MP Chiril Lucinschi, son of former President, arrested in the banking frauds case’, *Moldova.org*, 27 May 2017, available at: <http://www.moldova.org/en/ex-mp-chiril-lucinschi-son-former-president-arrested-banking-frauds-case/>, last visited: 16 September 2017.

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Kamil Calus and Wojciech Konończuk explain, the new regulations would have the potential to lead to the liquidation of smaller TV stations and the entrenchment of existing networks of power.<sup>60</sup>

In March 2017, new regulations were passed by the Moldovan parliament which limit to two the number of broadcasting licenses a person can hold for TV channels and radio stations. Not only do they try to break the elite’s monopoly on media ownership, they also encourage greater competition between media outlets. The regulations, for example, prohibit a person from holding more than two licenses in the same region unless an additional person holds a license there. Yet, oligarchs have found a way around the new regulations. Plahotniuc’s company, General Media Group, responded to the new law by transferring the rights for two of its channels (Canal 2 TV and Canal 3 TV) to one of Plahotniuc’s top advisors, Oleg Cristal, and to a newly created company, Telestar Media.<sup>61</sup>

Because of oligarchic control over the media and those figures’ use of media resources to damage their opponents’ agendas (and advance their own), public distrust in the media is high. According to the Barometer of Public Opinion, this year just 40 per cent of Moldovans say that television is the source of information they trust the most, down from 55 per cent a decade earlier<sup>62</sup>. In contrast, the share of Moldovans who say they trust the internet most increased from 4 per cent to 22 per cent over the same period. One impact of the growing popularity of the internet, notes *The Economist*, is “the proliferation of conspiracy theories” in Moldovan politics, including speculation about collusion between Dodon and Plahotniuc<sup>63</sup> as well as the latter’s alleged attempts to turn the country into an autocracy by consolidating all economic and political power in his hands.<sup>64</sup>

### 3. What is Moldova doing about it?

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Moldovan officials have, since the collapse of the government in October 2015, been distracted with returning to and staying in power, and thus have not given reforms the attention that they deserve. With parliamentary elections scheduled for autumn 2018, the ruling Democratic Party – which currently controls 42 of the 101 seats in parliament – oversaw a change to the country’s electoral system, in May, from proportional representation to a mixed system in which some lawmakers will continue to be elected on party lists while others will run in first-past-the-post constituency races. According to the Venice Commission, the Council of Europe’s constitutional law experts, the changes could lead to “undue influence” by political or business interests.<sup>65</sup>

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<sup>60</sup> Calus, K. and Wojciech Konończuk, ‘Explaining Oligarchic Moldova’, *Carnegie Europe*, 4 May 2017, available at: <http://carnegieeurope.eu/strategieurope/69856>, last visited: 16 September 2017.

<sup>61</sup> Rosca, A. ‘Media in Moldova: Between Freedom and Monopoly’, *Foreign Policy Research Institute*, 13 September 2017, available at: <https://www.fpri.org/article/2017/09/media-moldova-freedom-monopoly/>, last visited: 17 October 2017.

<sup>62</sup> “What is the source of information you trust the most? Period: 05.2007-04.2017”, *Republic of Moldova Public Opinion Barometer*, available at: <http://www.bop.ipp.md/en/question>, last visited: 16 September 2017.

<sup>63</sup> ‘The new presidents of Bulgaria and Moldova are less pro-Russian than advertised’, *The Economist*, 14 November 2016, available at: <https://www.economist.com/news/europe/21710168-both-countries-are-continuing-long-standing-game-playing-russia-and-west-against-each>, last visited: 16 September 2017.

<sup>64</sup> Calus, K., ‘Moldova: from oligarchic pluralism to Plahotniuc’s hegemony’, *OSW*, 4 November 2016, available at: <https://www.osw.waw.pl/en/publikacje/osw-commentary/2016-04-11/moldova-oligarchic-pluralism-to-plahotniucs-hegemony>, last visited: 16 September 2017.

<sup>65</sup> ‘EUROPEAN COMMISSION FOR DEMOCRACY THROUGH LAW (VENICE COMMISSION), OSCE OFFICE FOR DEMOCRATIC INSTITUTIONS AND HUMAN RIGHTS (OSCE/ODIHR), REPUBLIC OF MOLDOVA, JOINT OPINION ON THE DRAFT LAWS ON AMENDING AND COMPLETING CERTAIN LEGISLATIVE ACTS (ELECTORAL SYSTEM FOR THE ELECTION OF THE PARLIAMENT)’, 19 June 2017, available at: [http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2017\)012-e](http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2017)012-e), last visited: 16 September 2017, p. 10.

Many of the reform-minded civil society activists who moved into politics after the pro-European coalition took power in 2009 were, over time, co-opted by various centre-right political parties. While in the short term this gave some credibility to the coalition’s promise of better and more transparent governance, in the long term it left many civil society organisations weaker and more lenient towards the government. By the time the coalition government collapsed in 2015, most of Moldova’s civic-leaders-turned-politicians had already been discarded by the system or chosen to return to civil society deeply disillusioned with public office.

Nonetheless, as the political analyst Mihai Popsoi has noted, the remnants of the parliamentary opposition, together with members of civil society, have organised against so-called ‘reforms’ that attack democracy, freedoms, and human rights. Their cooperation, for example, has thus far stymied the Democratic Party’s ability to gain ground in the polls; the party is currently stuck under the six per cent parliamentary threshold, despite its enormous financial and administrative resources.<sup>66</sup> And their calls for the state to adopt full fiscal transparency were heeded by the EU when it declared that a pre-condition for up to €100 million of financial assistance to Moldova, announced in July 2017, was the “transparency and accountability of public finance management”.<sup>67</sup>

At the local level, a number of progressive initiatives have been introduced in Orhei, Moldova’s seventh-largest city. Since being elected mayor in June 2015, Ilan Shor – who was sentenced (subject to appeal) to seven and a half years in jail in June 2017 for his alleged role in the 2014 ‘banking scandal’ – has circumvented the stalled transition process in Chişinău by taking matters into his own hands. OpenDemocracy’s Maxim Edwards has described Shor’s strategy – which has included repairing the city’s roads, installing a new public lighting system, opening a network of social stores that provide food at subsidised prices for pensioners, and introducing a generous childbirth grant – as “instead of talking of Europe, he would simply build it. In Orhei”.<sup>68</sup>

Shor has also cracked down on corruption. In August, he withdrew Orhei from the Congress of Local Authorities – a cross-partisan organisation, created in 2010, to represent the interests of all local authorities in Moldova in line with the European Charter of Local Self-Government<sup>69</sup> – after suggesting that it had become overly politicised. “Instead of working hard for the development of their settlements”, Shor said, “the leadership of the Congress of Local Authorities continually comes forward with political declarations, engaged in empty demagoguery and cheap populism”.<sup>70</sup> Shor also gave notice that Orhei would cease with its mandatory annual fees – 10,000 leu (c. US\$564 or €474), or equal to one-sixth of the average annual salary in Moldova<sup>71</sup> – to the Congress.

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<sup>66</sup> Popsoi, M., ‘Moldova’s civil society braces for another attack’, *OpenDemocracy*, 22 August 2017, available at: <https://www.opendemocracy.net/od-russia/mihai-popsoi/moldova-s-civil-society-braces-for-another-attack>, last visited: 16 September 2017.

<sup>67</sup> ‘Proposal for a Decision of the European Parliament and of the Council providing macro-financial assistance to the Republic of Moldova (first reading) - Confirmation of the final compromise text with a view to agreement’, Council of Europe (2017), available at: <http://data.consilium.europa.eu/doc/document/ST-10158-2017-INIT/en/pdf>, last visited: 16 September 2017, p. 4.

<sup>68</sup> Edwards, M., ‘Make Moldova great again’, *OpenDemocracy*, 10 November 2016, available at: <https://www.opendemocracy.net/od-russia/maxim-edwards/make-moldova-great-again>, last visited: 16 September 2017.

<sup>69</sup> ‘Kongress Mestnikh Vlastei Moldovi (KALM)’ [Congress of Local Authorities of Moldova], available at: <http://www.calm.md/taboneview.php?l=ru&idc=24>, last visited: 16 September 2017.

<sup>70</sup> ‘Bespresedentnoe reshenie: Munitsipoo Orgeev vixodit iz Kongressa mestnikh vlastei (CALM)’ [An unprecedented decision: The municipality of Orhei withdraws from the Congress of Local Authorities (CALM)], *Meriya Goroda Orgeev* [Orhei City Hall], 11 August 2017, available at: <http://orhei.md/index.php?pag=news&id=816&krid=2010&l=ru>, last visited: 16 September 2017.

<sup>71</sup> ‘Average earnings by economic activities, by months, 2014-2016’, Statistica Moldovei Statistical Databank, available at: [http://statbank.statistica.md/pxweb/pxweb/en/30%20Statistica%20sociala/30%20Statistica%20sociala\\_\\_03%20FM\\_\\_SAL010\\_\\_serii%20lunare/SAL015100.px/table/tableViewLayout1/?txid=28762965-e349-4ceb-971d-0d09de2b3466](http://statbank.statistica.md/pxweb/pxweb/en/30%20Statistica%20sociala/30%20Statistica%20sociala__03%20FM__SAL010__serii%20lunare/SAL015100.px/table/tableViewLayout1/?txid=28762965-e349-4ceb-971d-0d09de2b3466), last visited: 16 September 2017.

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Outside of politics, activists and journalists are working to seize the opportunity presented by the events of 2014 to investigate corruption. Throughout 2015 and 2016, Dignity and Truth organised a series of major anti-corruption protests in Chişinău, attended by tens of thousands of people. Based on their ability to galvanise the electorate with a focused condemnation of corruption, the movement has since become a political party.

One of the leaders of Dignity and Truth, Cornelia Cozonac, is an investigative journalist and director of the Center for Investigative Journalism. The Centre’s website<sup>72</sup> aggregates the best reporting on corruption in Moldova. One of its recent campaigns, “Public Money is My Money”, was undertaken in partnership with the Association for Efficient and Responsive Governance and analysed the levels of transparency of public procurement procedures across 30 local authorities. Most of the activists involved in the project, however, found that authorities refused to provide them with the documents necessary to complete the project.<sup>73</sup>

Another initiative, supported by the UN Development Program and Norwegian Ministry of Foreign Affairs, saw a ‘hackathon’ take place in Chişinău in July 2016, in which individuals and teams worked over two days to develop applications or web platforms to support the fight against corruption.<sup>74</sup> The winner, ‘Open Money’, was a platform that shows who are the end beneficiaries of public tenders by using open data to connect data on public procurement and founders or directors of businesses. One of the runners-up, ‘COBOT’, was a platform that teaches users how to behave when encountering cases of corruption.

Through such initiatives, activists and journalists are attempting to highlight their country’s pervasive corruption to their fellow citizens, to argue for greater transparency, and to gather evidence of crimes that can be passed to prosecutors. Yet, given that powerful business and political interests exert significant influence over the judiciary, it remains to be seen whether their efforts can be successful in holding individuals to account.

## 4. Conclusions

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Moldova has struggled with the challenges of post-Soviet transition. It is characterised by an elite that uses corruption to shape the country’s economic, legal, and political systems. The interplay of these, combined with a media landscape dominated by the same elite and an underdeveloped civil society, has impeded both the functioning of the government and the development of the country’s private sector and investment. Moldova’s state has been ‘captured’ by domestic and foreign vested interests, and its democratic transition process has stalled. This transition process has become vastly more challenging as a result of the breakdown of Europe’s post-Cold War security order in 2014.

Moldova is – and will likely remain – on the periphery of the Western economic and political system, with no immediate prospects of becoming an EU member. Nevertheless, the West is looked upon positively by many Moldovans, in no small part because of the financial and rhetorical

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<sup>72</sup> <http://www.investigatii.md/ro/>

<sup>73</sup> ‘Presentation of the First Public Procurement Monitoring Report within the Project “Public Money is My Money Too!”’, *Association for Efficient and Responsible Governance*, 20 January 2016, available at: <http://www.ager.md/en/pagini/presentation-first-public-procurement-monitoring-report-within-project-public-money-my-money>, last visited: 16 September 2017.

<sup>74</sup> ‘HACK.CORRUPTION – Winners of the first anticorruption Hackathon in Moldova were awarded’, *United Nations in Moldova*, available at: <http://md.one.un.org/content/unct/moldova/en/home/presscenter/press-releases/hack-corruption-au-fost-desemnai-catigorii-primului-hackathon.html>

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support it has provided since 1991. This pro-Western sentiment has largely been taken for granted by successive governments, who have failed to reform the country. The West, for its part, has failed to keep the pressure on Chişinău, and this allowed the country’s leaders to get away with paying lip service to European values of good governance.

Moldovans are aware of their country’s self-serving elite, of both pro-Russian and pro-European leanings, and of their country’s oligarchic power system. They are also aware that Western countries facilitated the most significant crises in the country’s post-Soviet history – the ‘Russian Laundromat’ and 2014 banking scandal – and that Western funds have, on occasions, damaged, rather than encouraged, their country’s fledgling democracy. If Western countries and institutions do not clamp down on the systems that allowed this to happen, then Moldovans may conclude that the West and Russia are as bad as each other and Moldova’s democratic transition will remain stalled or begin to regress.

If Moldova is to continue on its Western path, rather than slide back into Russia’s embrace, it must increase its resilience to vested interests – domestic and foreign – and break its post-Soviet habits: including, oligarchic control over the media, parliamentary vote-buying, the sale of judicial decisions, mishandling of public funds, and non-transparent party financing. The most effective form of help would be for Western countries and institutions to apply and enforce strict conditions to aid that is given to Chişinău. Such is the scale of this aid that it gives the West significant leverage over Moldova; the academic Cristina Gerasimov goes as far as to argue that, “The Moldovan state would not survive without Western donors’ assistance”.<sup>75</sup> Were this to happen it would force Moldovan elites to reconsider the tenets of Moldova’s statehood, its institutions, and state-citizen relations.

This is not to suggest that Moldova should pursue reform at the expense of developing close relations with Russia. But these relations should be mutually beneficial and based on respect for each other’s sovereignty, rather than on economic and military coercion. Russia is already an important destination for Moldovan exports and a source of energy at competitive prices (particularly in the case of Transnistria), and it will likely continue to be so. But Moldova’s reforms are more likely to succeed if it avoids being dependent on Russia’s good will. As the political scientist Agnia Grigas has noted: “there is a thin line between Russia’s soft power, partnership and alliance on one hand and its coercion and blackmail on the other”.<sup>76</sup>

## 5. Policy Recommendations

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There are a number of policy recommendations that follow on from the conclusions that this paper draws, all of which relate to what the West should do:

- **Comprehend the Challenge in Moldova.** In order for the West to form effective policies towards Moldova, it is necessary for the West to understand the challenges facing the country. Yet, Moldova’s Western partners have, for the most part, done their best to

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<sup>75</sup> Gherasimov, C., ‘Moldova’s Proposed Electoral Change Is a Blow to Democracy. The EU Must Oppose It’, *Chatham House*, 10 May 2017, available at: <https://www.chathamhouse.org/expert/comment/moldova-s-proposed-electoral-change-blow-democracy-eu-must-oppose-it>, last visited: 16 September 2017.

<sup>76</sup> Grigas, A., *Beyond Crimea: The new Russian Empire* (Yale University Press: New Haven and London, 2016), p. 240.

overlook what is happening in the country. For half a decade before Moldova signed its Association Agreement in 2014, the EU variously heralded Moldova as a “success story” and “poster child” for the Eastern Partnership all the while the country was transitioning towards a becoming a captured state. In the years since, Moldova has gladly accepted money from Brussels without committing to European standards of good governance.

- **Attach Strict Conditionality to Financial Assistance and Enforce it.** In the absence of meaningful reform in Moldova, the EU must be prepared to suspend financial assistance to the country. Such a tactic of brinkmanship is necessarily fraught with risks. Moldova is dependent on Western finance, and cutting this could lead the country to crisis, potentially creating a ‘power vacuum’ into which Russia moves. Nevertheless, cutting finance would force Moldova’s leaders to consider the tenets of the country’s statehood. And the decision they take would reveal whether they are happy to risk the country’s future in order to talk the talk but not walk the walk on reforms. The West has economic clout, and it should use this to leverage change.
- **Exert Pressure on Moldova’s Authorities to Implement Necessary Anti-corruption Reforms.** Western countries should use bilateral and multilateral forums to press Moldova to implement reforms that ensure the independence of the country’s law enforcement and judicial systems. Unless Moldova improves its governance, modernises its economy, and makes itself a more attractive investment destination, it will likely remain economically and politically peripheral. Such improvements and modernisation are not possible at a time when massive corruption is tolerated and facilitated by law enforcement officials. It is obvious that Moldova’s authorities lack the capacity and independence to effectively deal with these matters on their own, so the West should focus its support in these key areas.
- **Focus on the Role it Plays in Facilitating Moldovan Corruption.** In combatting corruption in Moldova, the EU has tended to focus on supporting civil society organisations investigating the issue, rather than pressuring those involved in corruption, whose money often passes through EU member-states in the process of being laundered. UK-registered companies, for example, were used to hide the beneficiaries of the ‘Russian Laundromat’ scheme. Forcing entities involved in this process to clean up their acts would give an example of best practice and put pressure on the Moldovan government to enforce its own laws properly.
- **Continue to Help Manage the Relationship between Moldova and Transnistria.** The relatively benign and stable relationship between Chişinău and Tiraspol suggests that the status quo should be maintained so long as both Moldova and Transnistria want this. Tiraspol’s decision to sign onto the DCFTA agreement, in 2013, is evidence of the close relationship between the two entities. The Organisation for Security and Cooperation in Europe has played a key role managing this relationship since 1993, and this should continue. Various attempts have been made to seek a formal resolution to the conflict – including the 2003 Kozak Memorandum and, since 2006, through the ‘5+2 format’ – but there is a risk that a vigorous attempt by either side could prove destabilising.

### About the Author

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