

Moldova – The Falling Star of the Eastern Partnership (EaP)

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Summary

In the wake of the EaP Summit in Vilnius that took place on 28-29 November 2013, Moldova was considered the brightest star of the EaP. Its merits were evident. It initialed the Association Agreement (AA) including the Deep and Comprehensive Free Trade Area (DCFTA) with the EU, concluded successfully the visa liberalization dialogue with the EU and the European Commission recommended to the EU Council the lifting of visa requirements for Moldovan citizens who hold biometric passports. Five months later, on 28 April 2014, the EU has liberalized visa regime with Moldova, then, on 27 June 2014, Moldova signed the AA and started its provisional implementation on 1 September 2014. The prospects of Moldova's partnership with the EU were much more promising than ever before.

Eighteen months later, on the eve of the EaP Summit in Riga, Moldova is increasingly viewed as another falling star of the EaP. The parliamentary elections, which took place on 30 November 2014, were very much expected to provide Moldova with a solid pro-European parliamentary majority and a stable Government with a convincing reform mandate essential for implementing the Association Agenda with the EU. Unfortunately, contrary to all expectations, Moldova has entered into a period of political uncertainty that could jeopardize its European integration perspectives.

Moldova entered a period of political uncertainty

Despite the mediation provided by the European Parliament and the Office of the German Chancellor, the pro-European parties (Democratic, Liberal-Democratic and Liberal Parties) that won the elections failed to form a majority coalition in the newly elected Parliament. They fell short of setting-up a new governmental alliance not because of policy differences, but above all because of the disagreements over who shall control the most profitable economic sectors and the financial assistance provided to Moldova by the EU and the international finance institutions. Instead, Democratic and Liberal-Democratic Parties formed a weak minority alliance that controls 40 parliamentary seats out of 101. The coalition is supported unofficially by the opposition Party of Communists (21 seats), which considers that the AA was negotiated too hastily and pleads for renegotiation of the DCFTA. Being challenged by the Party of Socialists supported openly by Kremlin, the Communists Party decided to play the role of "constructive opposition" for the time being, yet not unconditionally. On its request, the Liberal-Democratic Party was forced to give up its nomination of Mr. Iurie Leanca, former Prime-Minister and the most successful Moldova's ex-Foreign Minister who negotiated and signed the AA with the EU, for the Prime-minister office. The Communists have also demanded the approval of a special Law on strengthening Moldova's permanent neutrality status, the removal of four undesirable ministers, as well as the control over a range of key institutions such as: Court of Audits,

Audiovisual Coordination Council, Observers Council of the National Public TV Company “Teleradio-Moldova”, National Integrity Commission and Public Prosecution Office. So far, none of these demands have been fulfilled. It is highly likely that after upcoming local elections, the Party of Communists will claim the full price for further supporting a condemned minority coalition.

Moldova has been plunged into a severe banking crisis

Society is increasingly frustrated with the governance record of the pro-European authorities and political parties. The next day after parliamentary elections, Moldova has been plunged into a severe banking crisis that was triggered by a mega-theft of one billion USD from three key banks, Banca de Economii, Unibank and Banca Sociala. The banking crisis has gravely affected Moldova’s macroeconomic and budgetary framework¹ and could wreak havoc on the pro-European minority government and parliamentary coalition. The crisis has seriously depreciated Moldovan national currency MDL reducing significantly the value of people savings, wages and pensions. Thus, only in five months, from 14 September 2014 to 14 February 2015, Moldovan Lei (MDL) lost almost a quarter of its value comparing to USD. As a result, for the first time in the last three years the Consumer Price Index has increased to 7,1%. It is expected that in 2015 the Gross Domestic Product would decline by about 0.2% according to the baseline scenario and by 1.8% according to the pessimistic scenario². According to the Barometer of Public Opinion April 2015 published by the Institute of Public Policies (IPP)³, around 60,2% of Moldovans consider that the devaluation of Moldovan Lei was caused by the financial dirty games of certain persons who are behind the pro-European government.

Justice reform has slowed down

According to the community of development partners in the Republic of Moldova, in the second half of 2014 the implementation of the Justice Sector Reform Strategy has noticeably slowed down. Despite that some important parts of the benchmarks for the 2011-16 Justice Sector Reform Strategy had been implemented, the qualitative results of undertaken reforms are not yet visible⁴. For instance, a new system for appointing, promoting and periodically assessing the performance of judges, based on a transparent procedure and a balance of quantitative and qualitative criteria has been introduced. However, its procedure and outcome of assessment process remain questionable. Also, the electronic system of random distribution of judicial cases in the courts installed with US assistance has been frequently manipulated by judges. Even though, in 2013 and 2014, Parliament adopted the package of laws on corruption prevention in the judiciary, corruption in the Moldovan justice system continues to be a major concern. Moreover, the reform of the Public Prosecutor’s office has been unjustifiably delayed. Finally,

¹ Expert Grup, “MEGA XII: The year of a looming crisis, Q1-2015”, <http://www.expert-grup.org/en/biblioteca/item/1109-megaxii-2015&category=7>

² Ibidem;

³ IPP, Barometer Public Opinion April 2015, http://www.ipp.md/public/files/Barometru/BOP_04.2015_prima_parte_finale.pdf;

⁴ Joint Communication to the European Parliament, the Council, the European Economic And Social Committee and the Committee of the Regions, Implementation of the European Neighbourhood Policy in 2014, Brussels, 25.3.2015, page 6, http://eeas.europa.eu/enp/pdf/2015/republic-of-moldova-enp-report-2015_en.pdf;

after two years of setbacks, on 8 May 2015, the Government approved the new Law on Public Prosecutor's Office⁵ but there is no certainty that the Parliament will vote it very soon. According to the new Law, the General Public Prosecutor will be elected by the Superior Council of Public Prosecutors and approved by the President of the Republic of Moldova and not by the Speaker of the Parliament. The Superior Council of Public Prosecutors will be an institution of self-administration of Public Prosecutor's Office. Also, a new structure is to be set-up - Inspection of public prosecutors, which will be in charge with collecting information about its prosecutors or deviations they have admitted and will be subordinated to the General Public Prosecutor.

Corruption is endemic and systemic

Corruption has become endemic and systemic in Moldova, “*entrenched in the full range of government institutions and at every level and includes state capture of key institutions to benefit private interests*”⁶. The IPP's Barometer of Public Opinion April 2015 shows that 40,7% of Moldovans believe that corruption has increased since the minority pro-European government is in power, other 40,7% consider that the level of corruption remained the same and only 6,6% think that corruption has decreased⁷. In 2014, Transparency International⁷ ranked Moldova 103th out of 175 countries on its Corruption Perception Index (in 2013 Moldova ranked 102nd out of 177 countries). The *Cost of Doing Business Survey 2014* shows that despite a series of improvements for Moldova, management of Moldovan companies is spending even more time dealing with public agencies than in recent years – 11.3% of their time in 2014, compared to 10% from 2010 through 2012 and 10.7% in 2013. The report also shows a worsening of the situation in the areas of construction permits and other authorization documents necessary for starting and operating a business; procedures for imports and exports; inspections and tax administration. Thus in the view of Mr. Alexander Kremer, World Bank Country Manager for Moldova, “*It is easier to do business in Moldova today than it was five years ago*”, nevertheless, “*the improvement in some areas has made more conspicuous the lack of progress on political stability and corruption. It is striking that percentage of businesses, who think that bribery is important, was 4 times higher in 2014 than in 2005*”⁸.

Attempts to tighten political and business control over local media have increased

In 2014, no real progress was made, especially on ensuring transparency in mass media financing and ownership. The Moldovan media is increasingly controlled by a handful of political and business interest groups. Furthermore, there are serious concerns that it is not

⁵ TRM, “Law on Prosecution , approved by the Government”, 8mai 2015, <http://www.trm.md/ro/politic/legea-cu-privire-la-procuratura-aprobata-de-guvern/>;

⁶ BRIEFING BOOK from Development Partners of Moldova, January 2015, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/03/25/000333037_20150326093947/Rendred/PDF/952500WP00PUBL0BriefingBook0english.pdf;

⁷ IPP, Barometer Public Opinion April 2015, http://www.ipp.md/public/files/Barometru/BOP_04.2015_prima_parte_finale.pdf;

⁸ World Bank Country Office Moldova, “Investment Climate in Moldova: Uneven Achievements Hinder Development”, 9 April 2015, <http://www.worldbank.org/en/news/press-release/2015/04/09/investment-climate-in-moldova-uneven-achievements-hinder-development>;

sufficiently transparent or pluralistic. In 2015, attempts to tighten further political and business control over local media have taken place. Thus, under the pretext of defending media space from foreign political propaganda, mainly Russian, a group of parliamentarians representing pro-European Democratic and Liberal-Democratic Parties drafted a series of amendments to the Audiovisual Code without any consultation with the civil society. If approved, some of the amendments could have had negative impact on the freedom of speech and freedom of media, such as: 1) Moderators of the talk-show programs would have been obliged to request the invited persons to prove their potential allegations, as well as to request the right of reply; 2) Information about the work/activity of public institutions would have been broadcasted only with an compulsory comment made by the concerned public authority; 3) Public broadcasters would not have been allowed to broadcast commercial advertising and charge revenue from the provision of this service, which have reduced the public companies' revenues redirecting them to other private broadcasters mainly owned/controlled by vested political and business interests behind Democratic and Liberal-Democratic Parties; 4) Media companies would have been obliged to broadcast their domestic production in the range 6.00 - 24.00, including six hours of prime time and five hours of broadcasting in the state language. In the view of media experts, this change would have been a clear interference in the broadcasters' editorial independence, as well as in their program airing schedule. In the end, under the strong pressure of civil society, the authors of the afore-mentioned amendments have agreed to exclude the most controversial proposals and to start an open public debate on amending the Audiovisual Code. On 5 March 2015, the Parliament has voted the draft law amending and supplementing the Broadcasting Code of Moldova, which includes provisions meant to ensure transparency of media ownership, yet, the law failed to include also a crucial amendment that would have forbidden the off-shore firms to own the media outlets.

Public confidence in Pro-European parties and key state institutions has tumbled

As a result of the aforementioned political, economic and social negative trends, the confidence of Moldovan citizens in the key state institutions and the pro-European parties has tumbled at the lowest level in the last 6 years. According to the latest Barometer of Public Opinion, only 11,4% of Moldovans have trust in their President, only 11,3% trust the Parliament, only 12,8% trust the Government, and only 14,6% trust the judiciary. The public support for pro-European parties, Democratic Party and Liberal-Democratic Party, that formed the minority government has fell down from 18% and 21% in November 2014 to 5,7% and, respectively, 7,1% in April 2015⁹.

Society support for European integration continues to decrease

Being increasingly disappointed with the path and quality of reforms implemented by the pro-European parties, the society is less optimistic about Moldova's European integration prospects. During the 6 years rule of pro-European governments, Moldovans' support for European integration has decreased from 63% in 2009 to 32% in April 2015. Concurrently, the public support for Moldova joining Customs Union with Russia-Belarus-Kazakhstan has reached 50%

⁹ IPP, Barometer of Public Opinion, November 2014 & April 2015, http://www.ipp.md/public/files/Barometru/Brosura_BOP_11.2014_prima_parte-r.pdf & http://www.ipp.md/public/files/Barometru/BOP_04.2015_prima_parte_finale.pdf ;

in April 2015. The staunchest opponents of Moldova's European integration policy are Russian speaking minorities: Ukrainians – 81,5%, Russians – 74,9%, Gagauz & Bulgarians 79,8%. This is a clear failure of Moldovan pro-European authorities and political parties to win the hearts and minds of the Russian speaking minorities that represent a quarter of country's population for supporting their European integration reform agenda.

Social discontent and radicalization of the society are on the rise

The banking crisis and high level corruption have increased the social discontent and risk to trigger the radicalization of the society. According to the Barometer of Public Opinion April 2015, more than 80% of Moldovans are discontented with the current economic situation in their country. On 3 May 2015, more than 40 thousands Moldovans rallied in Chisinau, before the Government headquarters, to protest against the oligarchic regime that has been entrenched in Moldova in the past six years of Pro-European governments, as well as to demand the full investigation of the mega-theft of one billion USD and the prosecution of all officials that perpetrated this banking fraud¹⁰. The rally was initiated by a Civic Platform "Truth & Justice" (Dreptate și Adevăr) that aims to 1) bring back the State to its citizens; 2) stop demagoguery about fighting corruption and mimicking reforms; 3) contribute to the remove from the law institutions & financial institutions from the captivity of oligarchic interests. Two weeks later, on 16 May 2015, 25 thousands Moldovans rallied in Chisinau at a pro-Union with Romania march organized by unionist civic organizations to commemorate the annexation of Bessarabia by the Russian Empire in May 1812¹¹. The organizers at the rally decided to form a Bloc of National Unity that will promote the idea of unification with Romania as a solution for all the problems that Moldovans are facing now. It can be expected that the pro-unionist march will be exploited by the pro-Russian political forces that promote the federalization of Moldova as a way to prevent Moldova's Union with Romania.

Moldova failed to become a pole of attraction for its separatist Transnistrian region

The uneven and superficial reform process has hindered Moldova's efforts to become a credible development alternative for its separatist Transnistrian region. According to the sociological research conducted in Transnistria in July 2014 at the request of Ecorys UK¹², majority of respondents who participated in focus groups disregarded the idea of Transnistria's reintegration with Moldova. Instead they prefer the recognition of Transnistria's independence or Transnistria's incorporation within the Russian Federation. The space for a potential negotiated compromise between Moldova and Transnistrian region has dangerously narrowed, both parties pleading for diametrically opposed political solutions. The situation is further complicated by yawning geopolitical gap between them. While Moldova is building a political association and economic integration partnership with the EU, Transnistrian region has stated the integration

¹⁰ Jurnal TV, Platforma Civică pentru Dreptate și Adevăr: Vrem să fim un nucleu al societății pe care-i va uni singur scop, <http://jurnal.md/ro/social/2015/2/24/platforma-civica-pentru-dreptate-si-adevar-vrem-sa-fim-un-nucleu-al-societatii-pe-care-i-va-uni-singur-scop/>;

¹¹ Radio Europa Libera, Marș unionist în centrul Chișinăului, <http://www.europalibera.org/content/article/27020166.html>;

¹² Ecorys UK, „Quality Sociological Survey on the Dialogue Between Two Banks of Dniester River”, Tiraspol, July 2014 31.07.2014, <http://www.ape.md/lib.php?l=ro&idc=173&year=2014>

with the Eurasian Union as its key strategic objective. Moldovan pro-European authorities and political parties have failed to put in place a credible reintegration policy. Moldova misses well defined policy tools, financial resources and a continuous & coherent public information campaign. Yet, most importantly it lacks a medium & long-term strategic vision on how to resolve Transnistrian problem that would be backed by most important political parties.

Russian influence on Moldova's domestic policies is steadily increasing

In the last 6 years, the Russian Federation has succeeded to increase its soft power and political clout in Moldova. The Russian media continues to dominate Moldovan informational space. It interferes into Moldova's political processes and challenges bluntly its information security¹³. The idea of Moldova joining Customs Union with Russia-Belarus-Kazakhstan has become more popular than the option of joining the EU. At the last parliamentary elections, Russia managed through its propaganda to propel the Party of Socialists in the Moldovan Parliament. It controls 25 legislative mandates out of 101 and is openly pleading for rejecting Association Agreement with the EU and, instead, is calling for joining the Customs Union with Russia-Belarus-Kazakhstan. By portraying themselves as anti-system, anti-oligarchic, anti-corruption and pro-Russian Party, the Socialists are exploiting successfully the current social discontent of Moldovan citizens. It is largely expected that after the upcoming local elections scheduled on 14 June, the staunchest pro-Russian parties, the Party of Socialists and the Our Party, would strengthen significantly their political representation at the regional and local levels. Already, in March 2015, the Party of Socialists with the assistance of Russian propaganda managed to reinforce its influence in the Gagauz Autonomy by electing its candidate, Ms. Irina Vlah, as Governor of the Gagauz-Yeri. Currently, the Socialists have great hopes that their candidate for the office of Mayor of Chisinau, Ms. Zinaida Greceanai, ex-Prime-minister of Moldova, would win the election contest. On its turn, the Our Party (Partidul Nostru) has high chances to win the office of Mayor of Balti, which is the second biggest city of Moldova, called also Moldova's Northern Capital. If pro-Russian parties will succeed to win also the local elections in Chisinau and Balti, this could change considerably the national political landscape in the coming years, with catastrophic consequences for Moldova's European integration prospects.

Conclusions

After last parliamentary elections Moldova is sliding steadily towards a deep political crisis that could reach its climax soon after upcoming local elections or later next year when the Parliament has to elect the new President of Moldova. Failure to form a stable pro-European Government with a strong reform mandate, slow down of judicial reform, rampant systemic corruption and mega-theft of one billion USD from the banking system have irremediably discredited the current pro-European governmental coalition set-up by Democratic and Liberal-Democratic Parties. Both these parties have lost the trust and support of their electorate and are seriously challenged by rising pro-Russian parties, the Party of Socialists and the Our Party. Given the lack of a credible pro-western political alternative to the current pro-European minority coalition, there is a high degree of probability that in the coming years Moldova could be governed by the

¹³ Center for Independent Journalism, Report on the Moldovan Press in 2014, <http://media-azi.md/sites/default/files/Raport%20FOP%202014%20final%20ROM.pdf>

pro-Russian governmental coalitions led by the Party of Socialists. In practical terms this would mean that the pro-European kleptocracy is to be replaced by a Pro-Russian oligarchy. If the Socialists keep their public vow to reject the Association Agreement and DCFTA, as well as to federalize Moldova as demanded by Moscow, these ill-fated decisions would not only derail forever Moldova's European integration prospects but, even worse, would throw the country into the deepest social and interethnic turmoil with unpredictable grave consequences for its territorial integrity and statehood.

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