

### The Republic of Moldova's transition: between a failed communism and an un-commenced capitalism

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# The Republic of Moldova's Transition Between a Failed Communism and an Un-Commenced Capitalism?

PETRU NEGURĂ

The national emancipation movement of the late 1980s, which culminated in the independence of the Republic of Moldova (RM), proclaimed on August 27, 1991, produced an effervescence of aspirations in the midst of the rising elites and among people “from the barricades”. These aspirations were aimed, in general, at creating an independent, democratic and prosperous state. According to those expectations and aided by Western states, Moldova would have joined the developed countries. It was expected to be a seamless, unambiguous, and harmonious transition towards democracy and market economy. The changes that took place in the late 1980s and early 1990s throughout Eastern Europe and the former Soviet republics were seemingly supporting and confirming the inevitable and irreversible character of this transition to a free and prosperous society.

In reality, the “transition”<sup>1</sup> was felt, immediately, as a severe economic crisis, with effects and sequels that continued to affect a large amount of people until today. In the first decade of “transition”, the general standard of living declined to one quarter of the 1989 level<sup>2</sup>. Instead of producing the long expected welfare, liberal economic reforms from the period of 1990-2000 were associated with generalized poverty, endemic corruption and rampant inequalities.

In this essay<sup>3</sup>, I will review the most outstanding events in the whole period that followed the declaration of independence in Moldova, and will try to

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<sup>1</sup> The term “transition”, widely used in studies of post-Communist societies, has been challenged by multiple analyses. These critics target the soft and euphemistic significance of the term “transition” that contrasts with the much tougher reality of post-Communist transformation. For a discussion of the notion of “transition”, see, among others, Michael Burrawoy, Katherine Verdery (eds.), *Uncertain Transition. Ethnography's of Change in the Post-Socialist World*, Rowman & Littlefield Publishers, Inc., Brother-Hill/Oxford, 1999, see “Introduction”. We use the term “transition” (with quotation marks) in absence of a better term that would unequivocally designate the wide transformation process following the fall of Communist regimes in Eastern Europe.

<sup>2</sup> In 2001, the revenues of the Moldovan population represented 26% of 1989 figures. See Mihaly Simai, “Poverty and Inequality in Eastern Europe and the CIS Transition Economies”, *DESA Working Paper*, no. 17, Feb. 2006, p. 12.

<sup>3</sup> I would like to express my gratitude to Sergiu Cioclea and Valentin Lozovanu, both of them economic experts in June 2015, for reading this text at intermediate stages of editing

analyse and synthesise the main causes of the delay in the “transition”, as well as the social and political consequences resulting from that.

### *The Reform of Political Institutions and the Foundations of a Weak State*

In the former Soviet Union, the transition to liberal democracy and market economy was preceded and prepared by the reforms introduced by the Soviet leadership in the second half of the 1980s, by the government led by M.S. Gorbachev during the period called “perestroika” (*i.e.* “restructuring”). The Moldavian Soviet Socialist Republic (then SSR of Moldova), as well as other Soviet republics, was characterized during this period by a movement labelled as “national liberation”. This movement appeared due to the emergence of political pluralism (in the same time with the appearance of movements for sustaining *perestroika*, evolving thereafter in the Popular Front<sup>4</sup>, Interfront “Unitate-Edinstvo”<sup>5</sup>, and *Gagauz Halkî* movement<sup>6</sup>) and by adopting economic

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and for their suggestions. My gratitude also goes to Octavian Șcerbațchi, financial expert and employee of the IMF office in Chișinău, for consultation. Also, the following experts have been interviewed in the framework of a project of documentary films about the Moldovan transition, directed by Victor Ciobanu (film maker) and advised by the author: Doru Petruți, Igor Botan, and Sergiu Cioclea, along with several participants and witnesses of the “transition” (including two ex-Presidents of Moldova: Petru Lucinschi and Mircea Snegur). I would like to thank all of them on this occasion. These experts do not bear of course any responsibility for possible inaccuracies in the text. The full responsibility in this respect rests solely with the author. I also thank Adelina Hadârcă and Mircea Bordeianu for helping me with the translation of this article.

<sup>4</sup> The Popular Front of Moldova, created in 1989, was the successor of the Movement for sustaining Perestroika, modelled on eponymous movements in other Soviet republics (namely the Baltic republics), and the predecessor of the Christian-Democratic Popular Front, then Christian-Democratic Popular Party. The Popular Front was the first political alternative to the Communist Party. It advocated for identity and linguistic rights of the ethnic Moldovans (Romanians) in the Moldavian SSR, namely for the recognition of the Moldovan (Romanian) language as a state language. See more at Charles King, *The Moldovans: Romania, Russia, and the Politics of Culture*, Hoover Institution Press, 2000, p. 149, and Mark R. Beissinger, *Nationalist Mobilization and the Collapse of the Soviet State*, Cambridge University Press, 2002, pp. 225-226.

<sup>5</sup> The Inter-Movement “Unitate-Edinstvo” (“Unity”), the former Inter-Front (International Movement/Front), created in 1989 in Moldova (and other Soviet republics), proclaimed itself as being a left-wing movement advocating for the remaining of the Moldavian SSR in the USSR. It also advocated for the linguistic rights of the Russian speaking population in Moldova. See Neil Malvin, *Russians Beyond Russia. Politics of National Identity*, Chatham House Papers, Royal Institute of International Affairs, 1995, pp. 69-71.

<sup>6</sup> Gagauz Halkî (or Gagauz Khalky, in Eng. Gagauz People), created in 1989, was a movement advocating for the identity and linguistic rights of the Gagauz population in the Moldavian SSR. See Neil Malvin, *Russians Beyond Russia...cit.*, pp. 70-71; Charles

reforms that have created the first legal framework for economic liberalization and the emergence of private enterprises.

The last “Supreme Soviet” (legislative body) of Moldavian SSR was elected in February 1989, and then became the first Parliament of Moldova, up to the end of February 1994. The Parliament and the Government have imposed themselves as viable institutions with real decision-making power. Together with the creation and strengthening of institutions of justice, all institutional foundations were ready to build a state with separation of powers, as a premise of democracy and the rule of law<sup>7</sup>.

After independence, several political parties have declared their affiliation to Western democratic doctrines (Christian-Democratic, Social-Democratic, Liberal, etc.)<sup>8</sup>. Former Communist Party was banned immediately after independence, and its property was nationalized. However, in 1994, a political organization calling itself “Party of Communists from Republic of Moldova”, primarily composed by representatives of the former party elite, was officially registered<sup>9</sup>.

The emerging political pluralism hardly hid, in fact, a merely reconcilable split of political and intellectual elites regarding the development path to be followed by the young state<sup>10</sup>. In spite of a common perception, the last Supreme Soviet, and consequently the first democratically elected Moldovan Parliament, was composed by 27% (or 94 out of 380 seats) by supporters of the Popular Front, all others being members of the Communist Party (“conservatives” and “reformers”) and representatives of the former administrative elite<sup>11</sup>. Hence most elected representatives, with quite divergent beliefs and backgrounds, voted the country’s independence rather driven by 1) immediate political circumstances of the failed putsch in Moscow, and 2) the

King, “Minorities Policy in the Post-Soviet Republics: The Case of the Gagauzi”, *Ethnic & Racial Studies*, vol. 20, issue 4, Oct. 1997, pp. 738-756.

<sup>7</sup> For an in-depth analysis of the political system in the 1990s, see Mihai Cernencu, Igor Boțan, *The Evolution of the Multiparty System in Moldova*, ADEPT, Chișinău, 2009.

<sup>8</sup> See Mihai Cernencu, Igor Boțan, *The Evolution of the Multiparty System...cit..* See also the platforms and doctrines of the parties of RM at ADEPT (Moldovan think-tank), URL: <http://www.e-democracy.md/parties/>. During February 1994 elections, there were 33 candidates participating in the elections, including 4 electoral blocs, 9 parties or social movements and 20 independent candidates. ADEPT, URL : <http://www.e-democracy.md/elections/parliamentary/1994/>, accessed on June 5, 2016.

<sup>9</sup> See “The Party of Communists of Moldova”. ADEPT, URL: <http://www.e-democracy.md/parties/pcrm/>, accessed on June 5, 2016.

<sup>10</sup> See Lucan Way, “Pluralism by Default in Moldova”, *Journal of Democracy*, vol. 13, no. 4, October 2002, pp. 127-141.

<sup>11</sup> Anatol Țăranu, “The Parliament of Independence and the Transnistrian Conflict”, *Akados*, no. 3 (22), September 2011, p. 13; Charles King, *Moldovenii, România, Rusia și politica culturală*, transl. by Diana Stanciu, Chișinău, Arc, 2005, p. 150; P.K. Lucinski, “Ob itogakh vyborov narodnykh deputatov Moldovaskoi SSR i mestnykh sovetov”, 19 March 1990: Archive of Social and Political Organizations of Republic of Moldova (AOSPRM), Fund 51, Inventory 74, file 92, p. 68.

broader context of national movements and fall of communism in the countries of Eastern Europe along with the USSR itself. Shortly after independence, the “conservative” wing, representing the majority of RM Parliament (consisting of representatives of the former administrative and party elite) made a common front against the “reformist” and nationalistic wing and their initiatives<sup>12</sup>. This was especially evident starting with 1993<sup>13</sup>, a process labelled as “velvet restoration” by Adam Michnik<sup>14</sup>.

Neither Moldovan society was any more homogeneous in terms of cultural and political preferences. It had at least 40% of non-Romanian speaking population (mostly Slavic and Russian-speaking), sharing diverse political positions<sup>15</sup>. In March 1991, Moldova sabotaged the organization of a referendum on its membership in the Soviet Union or any form of detachment from it. Unlike the Baltic republics, Moldova has not held any local referendum on the matter. The declaration of independence on 27 August 1991 was an event occurred exclusively with the decision of political elites and decided under the pressure from regional context and street movements, but without a real popular plebiscite. The few surveys made in the period of 1989-1991 showed a divided population on the question of the future of RM<sup>16</sup>. Thus, in a poll conducted in January 1991 on a representative sample of 1133 respondents, to the question “How [in what format] do you see the future of Moldova?” 43% of respondents saw it in the USSR, 42% – as independent state and 3% – within Romania. According to ethnic and linguistic belonging, as many as 55% of the respondents considering themselves as ethnic Moldovans were in favour of independence, Russians – 9%, 8% of Ukrainians, 12% of Bulgarians and 26% of other nationalities. For the remaining of the Moldavian SSR in the USSR were in favour 30% of ethnic Moldovans, 76% of Russians, 73% of Ukrainians, 95% of Gagauzi, 81% of Bulgarians, and 61% of other nationalities<sup>17</sup>. Despite possible methodological biases, these polls have provided plausible data. Furthermore, these data were considered by the political elite at the time while rejecting the possibility of a local referendum on the independence of Moldova until the official proclamation of it. A consultative referendum was held only on March 6, 1994, when the overwhelming majority of participants (95%) voted

<sup>12</sup> Charles King, *The Moldovans...cit.*, pp. 150-155.

<sup>13</sup> Specifically on January 28, 1993, when the President of the Parliament, Alexandru Moșanu, the Deputy Speaker Ion Hadârcă, the Chairman of the Parliamentary Commission for Media, Valeriu Matei, and Chairman of the Parliamentary Commission for External Relations Vasile Nedelciuc resigned from the respective positions, motivating by the desire to inform the public regarding the danger of restoration of the totalitarian regime in Moldova.

<sup>14</sup> Adam Michnik, Irena Grudzinska-Gross, *Letters from Freedom: Post-Cold War Realities and Perspectives*, University of California Press, Berkeley and Los Angeles, 1998.

<sup>15</sup> See below the public opinion polls of 1990-1991.

<sup>16</sup> See, among other documents, AOSPRM, F. 51, Inv. 74, f. 106, p. 7-8; AOSPRM, 51/74/106, pp. 16-21; AOSPRM, 51/74/107, pp. 21-30.

<sup>17</sup> AOSPRM, 51/74/107, pp. 21, 30.

for independence of RM (and, implicitly, against integration into Romania or Russia). Such debates were held in the context of geopolitical disputes in certain mainstream political and intellectual circles and with the involvement of “agrarian” politicians<sup>18</sup> who were in favour of “Moldovenism” (i.e. proclaiming the ethno-national particularity of the Moldovan people in the RM)<sup>19</sup>.

After independence, the Moldovan authorities have decided to grant citizenship rights to all inhabitants of the Republic of Moldova until the date of the proclamation of independence, unlike the Baltic States, where Slavic minorities were denied the right to citizenship. This political and cultural pluralism in its infancy<sup>20</sup> led to the development and implementation of a nationality and linguistic policy, considered by some observers as a model of peaceful and democratic integration of ethnic and linguistic minorities. Thus, in RM, Russian language became – and has remained so far – a “language of inter-ethnic communication”, benefiting from a relatively privileged status, although ambiguous and therefore interpretable<sup>21</sup>.

Further evidence of emerging democratic pluralism of 90s, appearing as a continuation of democratization reforms started during perestroika, was the proclamation and observance of civil liberties. More specific would be the freedom of expression that led to the editing of several newspapers and magazines with diverse political and cultural orientation and edited both in Romanian and in Russian<sup>22</sup>. A permissive policy towards foreign media also led to wide dissemination in the local media space of foreign TV channels from Romania and especially from Russian Federation. The latter became (actually, remained) more popular than local stations that were (and still are) incomparably less developed. This popularity in the Moldovan media space of foreign broadcast stations allowed a wide dissemination of all communication strategies from “neighbouring” capitals, Bucharest and especially Moscow<sup>23</sup>. At

<sup>18</sup> The Democratic Agrarian Party, mainly consisting of leaders of the former rural and kolkhoz administration, came at power after the elections of February 1994, holding 56 seats from 101. See ADEPT, URL: <http://www.e-democracy.md/elections/parliamentary/1994/>, accessed on June 7, 2016.

<sup>19</sup> Charles King, “Moldovan Identity and the Politics of Pan-Romanianism”, *Slavic Review*, vol. 53, no. 2, 1994, pp. 345-368.

<sup>20</sup> Lucan Way, “Pluralism by Default...cit.”.

<sup>21</sup> See Igor Cașu, Igor Șarov (eds.), *Republica Moldova de la Perestroika la independență 1989-1991*, Cartdidact, Chișinău, 2011; see also Frederica Prina, *Linguistic Divisions and Language Charter – The Case of Moldova*, ECMI Working Paper No. 64, March 2013, p. 7; Charles King, *The Moldovans...cit.*, pp. 172-173.

<sup>22</sup> In 1995, 200 newspaper titles appeared (with a total circulation of 1.5 million copies), of which 77 in Romanian, and 87 magazines and other periodicals, including 43 in Romanian (with a total circulation of 700,000 copies). Source: National Office of Statistics of RM. See also Ludmila Barbă, “Mass-media din Republica Moldova și Pactul de Stabilitate”, IPP Moldova, 2002. URL: [www.ipp.md/public/files/Publicatii/2002/](http://www.ipp.md/public/files/Publicatii/2002/), accessed on June 10, 2016.

<sup>23</sup> According to the Strategy of the Coordinating Council (BCC) covering the national territory with broadcasting services (2007-2010), July 2007 (URL: <http://www.cca.md/>)

the same time, all Moldovan governments have tried to control local media in their own purposes of political promotion. One of the well noticeable trends since 2000 to current days is the control over the media market by political leaders also involved as prosperous business entrepreneurs<sup>24</sup>.

The recognition and international support had not occurred equally strongly and immediately as in the Baltic States, for example. As Baltic republics' elites and populations seemed more determined to embrace a "pro-Western" transition, they benefited very quickly from a strong support of Western countries (primarily from USA and Nordic European states). Shortly after independence and failed putsch of August 1991, these republics have been widely recognized by the international community, and as quick as in September 1991 they were admitted to United Nations<sup>25</sup>. In contrast with the Baltic countries, Moldova has been recognized immediately after the declaration of independence only by Romania, Georgia and Lithuania. RM's recognition by foreign states and international structures came only after the official and definitive collapse of the USSR in December 1991 and especially after the acceptance of Moldova in March 1992 to United Nations<sup>26</sup>.

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STRATEGIA\_CCA.doc) the national broadcasting is at disadvantage in Moldova as compared to foreign radio and TV stations. Thus, "at a ratio of 72% and 13% representing the ethnic majority vs. Russian minority in Moldova, there are more than 80 radio and TV stations retransmitting programs in Russian while only 13 stations mainly in Romanian". Angela Sârbu, "Challenges and Performances Moldovan Press," CIJ, URL: <http://ijc.md/Publicatii/provocari.pdf>; According to the Public Opinion Barometer, ordered in April 2002 by the Institute for Public Policy, 48% of respondents manifested confidence in TV stations from Russia (and 50% in national TV). According to the poll conducted by IMAS, Inc. [Institute of Marketing and Polls] and ordered by CIJ [Center of Independent Journalism] in 2003, the question "What channels are you watching most?" had the following responses: "1) ORT [first Russian TV channel]: first mention 30.9% (and 24.2% of second mention), 2) TV Moldova: 30.6% (18.2%), 3) Romania 1: 31.1% (10.6%)". See *TV Audience in Moldova*, IMAS, October 2003. URL: [http://ijc.md/Publicatii/sondaj/tv\\_octombrie\\_2003.pdf](http://ijc.md/Publicatii/sondaj/tv_octombrie_2003.pdf), accessed on June 15 2016.

<sup>24</sup> Doina Costin, Mamuka Andguladze, *Transparence of the Ownership of Mass-Media in Republic of Moldova*, Center of Independent Journalism, Chişinău, 2012. URL: [http://www.ijc.md/Publicatii/studii\\_mlu/transparenta%20media%20eng/studiu-transparenta-eng.pdf](http://www.ijc.md/Publicatii/studii_mlu/transparenta%20media%20eng/studiu-transparenta-eng.pdf), accessed on June 15, 2015.

<sup>25</sup> Andrea Kasecamp, *A History of the Baltic States*, Palgrave Macmillan, 2010, p. 172; Lithuania profile: history. U.S. Department of State Background Notes. URL: <http://www.state.gov/outofdate/bgn/lithuania/191349.htm>.

<sup>26</sup> "Among the most important objectives, naturally, there was the international recognition of the Republic of Moldova as a subject of international law. The process of international recognition of Moldova's independence was quite long and difficult one: it started together with the necessary decisions taken on the day of August 27 by the Governments of Romania and Georgia, followed by an uncertain period until December 1991, when Moscow only after receiving the commitments from former republics (except the Baltic States) to join the CIS, finally expressed readiness to establish diplomatic relations with Chişinău. This step paved the way for Moscow's recognition of independence of the Republic of Moldova and the Western powers, followed by the acceptance to UN on

Moldova's relations with Romania have evolved over the period that followed the declaration of independence on two levels, one expressed in cultural projects with identity character, most visible, and another having a more pragmatic and economic aim. Trade relationships (import/export) between Moldova and Romania, though inferior to those between Moldova and Russia, have been growing ever since 2000s, and in 2014 they surpassed Moldova's trade with Russia<sup>27</sup>. Intergovernmental Agreement between Moldavian SSR and Romania in May 1990 to allow a large number of Moldovan students to do their studies at colleges and universities in Romania<sup>28</sup> made possible a significant complementary training of Moldovan elites, compensating for the decreasing quality of secondary and higher education in Moldova and for reduced access to education in universities of Russian Federation. At the same time, the access to Romanian universities starting with September 1990 also created a competitive context for universities in Moldova that played in the disadvantage of the latest<sup>29</sup>. One more side effect was the "brain-drain"<sup>30</sup>. Some studies have shown that a significant number of Moldovan students in Romania prefer to remain in Romania after graduation or to continue further abroad. Finally, for the Romanian state, this investment has had an evident role as a soft power strategy and an instrument of influence in the R. of Moldova<sup>31</sup>.

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2 March 1992. This ended the first phase, of extremely importance for the affirming of the Republic of Moldova on the international arena." Iurie Leancă, "Evolution of External Relations", in *Transition: Retrospectives and Perspectives*, ADEPT, Chişinău, Gunivas, 2002, p. 361.

<sup>27</sup> According to National Bureau of Statistics (hereinafter, NBS), URL: <http://www.statistica.md/category.php?l=ro&idc=336&>. See especially the data time series for the years 1997-2013 for export and import of RM with other countries.

<sup>28</sup> In May 1990, the prime minister of SSR Moldova, Mircea Druc and ministry of education Dumitru Mătaş, together with the Romanian counterparts decided the admission of about 500 young Moldavians at universities and high schools in Romania. From an interview with M. Druc, conducted by the author (from own archive). See also "Pentru tinerii care vor să-şi facă studiile în România", *Făclia*, 24, nr. 8, 1990, p. 10.

<sup>29</sup> This competition is aggravated by the gradual decrease in total number of students (similarly to Romania). For the first cycle, for example, the number of students decreased from 122,709 in 2005 to 71,150 in 2014. See NBS table: "Students in Institutions of Higher Education after General Fields of Study, Years and Cycles". Many faculties (departments) signalled a drastic reduction in the number of students overall. For example in the faculties of social sciences, the number of students decreased from 2819 in 2005 to 973 in 2014. NBS, *Ibidem*.

<sup>30</sup> Research results shows that 82% of Moldovan graduates, fellows of the Romanian state, remain in Romania or move to other countries. Thus, according to these estimates, only 17% return in Moldova after graduation (see fig. 13). This is confirmed by a high percentage of interviewed graduates currently living in Romania (see fig. 14). Claudia Silaghi, "Good Intentions and Bureaucratic Nightmare. The Paradox of Scholarships Granted by the Romania to Moldovan Students", *Policy Memo*, no. 24, January 2012, p. 30.

<sup>31</sup> Thus, according to the study led by Radu Baltasiu, *Traietoria tinerilor basarabeni veniţi la studii în România – între mit şi realitate. Raport de cercetare*, The Centre for Study of Ethnic Problems of the Academy of Science, "Eudoxiu Hurmuzachi" Institute for the



The armed conflict on the Dniester, held during September 1990-July 1992, resulted in more than 1,000 victims<sup>32</sup>. This conflict *de facto* separated Moldova into two entities: Moldova itself, with the capital in Chişinău, and the so-called Transnistrian Moldovan Republic, unrecognized by the international community so far (even Russia). The event, painful and traumatic in itself for the populations on both sides of the river, has also produced a number of negative consequences in terms of political, social and economic development of both territories. The maintenance of the Russian military contingent in the region, supported by the leaders and residents of the left bank of Nistru (Dniester) River had marked throughout the whole Republic of Moldova as an area of interest and influence of Russia. In addition, not recognized internationally, the separatist republic of Transnistria has served since long as a “haven” for illicit trafficking of goods (including illicit ones)<sup>33</sup>, especially until January 1999<sup>34</sup>, when it was decided to create a customs checkpoints at the crossings in and out of Transnistria. This has long maintained a negative influence on the investment climate in Moldova, on the both sides. Bilateral negotiations continued in various formats from one government to another, without any positive impact on the living standards of the populations of both banks<sup>35</sup>.

### *1990s: Liberal Economic Reforms and the First Phase of “State Capture”*

Unlike the countries of the former socialist camp in Eastern Europe, the former Soviet republics went through a deeper economic crisis due to their integration into industrial and energy complexes of the Soviet empire. This dependency remained largely valid after 1991. The great Soviet industrial complex in Moldova, one third of which was based in Transnistria, proved largely to be ineffective after the fall of the USSR. This was based on the industries’

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Romanian Diaspora, Ed. Etnologică, Bucureşti, 2012, p. 12, “More than half of young people surveyed know that there is a common destiny of all Romanians. 65.7 % claim the unification of Moldova and Romania [65.7 % answers “yes” to the question “Do you agree with the reunification of Bessarabia with Romania?”]”.

<sup>32</sup> Cf. Arcadie Barbăroşie, Oazu Nantoi (eds.), *Aspects of the Transnistrian Conflict*, Institute of Public Policies, Chişinău, 2004.

<sup>33</sup> *Ibidem*, p. 28.

<sup>34</sup> Artur Radziwitt, Octavian Şcerbaţchi, Constantin Zaman, *Financial Crisis in Moldova: Causes and Consequences*, Center for Social and Economic Research, Warsaw, 1999, p. 68.

<sup>35</sup> About negotiations progress between Chişinău and Tiraspol: Igor Boţan, *Reglementarea transnistreană: o soluţie europeană*, ADEPT, 2009 (a copy can be accessed here); Also see Vitalie Gămurari, “Statutul forţelor pacificatoare în dreptul internaţional: cazul Republicii Moldova”, PROMO-LEX, 2015, and an interview with the V. Gămurari at Radio Europa Liberă, URL: <http://www.europalibera.mobi/a/26817340.html>, accessed on June 15, 2016.

dependencies on Russian raw materials and energy, and the market for their goods limited to former Soviet republics. Almost overnight, electricity and fuel imported from Russia became an expensive resource for equally exhausted industry and population that had to sacrifice other expenditure to cover energy bills<sup>36</sup>.

Once recognized internationally, Moldova has upsurge, along with all other ex-communist countries, including Russia, into a true “revolutionary” economic and social “transition” to a market economy – which was to be undertaken with technical and financial assistance of international financial institutions, primarily the International Monetary Fund (IMF), World Bank (IBRD) and the European Bank for Reform and Development (EBRD). “Liberalization, stabilization, privatization” have become the watchwords of the new “liberal revolution”. Price liberalization, applied in early 1992, gave vent to an inflation of huge proportions (1670% in 1992 and 2706% in 1993)<sup>37</sup>. This was a result of previously centrally controlled prices with different means of financial mechanisms that hid deep deficiencies of the Soviet financial and economic system<sup>38</sup>. This hyperinflation<sup>39</sup> devalued people’s savings, impoverishing

<sup>36</sup> Thus, the cost of energy imports rose from 1.4 billion roubles in 1991 to 40 billion roubles in 1992, equivalent to 55% of the cost of all imports (that constituted 14% in 1987). See World Bank, *Moldova: Moving to a Market Economy*, The World Bank, Washington DC, 1994, p. 6. Per Ronnas, Nina Orlova, *Moldova's Transition to Destitution*, Sida Studies no. 1, Sida's Information Centre, Gothenburg, 2000, p. 17. URL: <http://www.sida.se/globalassets/publications/import/pdf/en/moldovas-transition-to-destitution.pdf>, accessed on June 15, 2015.

<sup>37</sup> See NBS. Other data sources give slightly different figures in this respect, namely 1280% in 1992 and 1184% in 1993. See Artur Radziwitt, Octavian Șcerbațchi, Constantin Zaman, *Financial Crisis in Moldova...cit.*, p. 6; EBRD, *Transition Report*, 2003, Table A.3.3, p. 58; David E. Altig, Ed Nosal (eds.), *Monetary Policy in Low-Inflation Economies*, Cambridge University Press, 2009, p. 218.

<sup>38</sup> About Soviet economic system deficiencies, see a critical point of view from a Russian liberal, engaged in economic reforms in Russia after 1991: Yegor Gaidar, *Collapse of an Empire. Lessons for Modern Russia*, Brookings Institution Press, Washington DC, 2007. The author argues, *inter alia*, that the Soviet economic system had already collapsed before the new system set up. See also Artur Radziwitt, Octavian Șcerbațchi, Constantin Zaman, *Financial Crisis in Moldova...cit.*

<sup>39</sup> Some economists qualify that inflation as a hyperinflation (estimated by a less precise definition, as the following: “Extremely rapid or out of control inflation. There is no precise numerical definition to hyperinflation. Hyperinflation is a situation where the price increases are so out that the concept of control of inflation is meaningless”. Investopedia date (URL: <http://www.investopedia.com/terms/h/hyperinflation.asp>, accessed on June 16, 2016). See also Artur Radziwitt, Octavian Șcerbațchi, Constantin Zaman, *Financial Crisis in Moldova...cit.*, p. 6; Per Ronnas, Nina Orlova, *Moldova's Transition...cit.*, pp. 72-73. However, according to a more precise definition (ex.: “Although the threshold is arbitrary, economists generally reserve the term ‘hyperinflation’ to describe episodes when the monthly inflation rate is greater than 50 percent. At a monthly rate of 50 percent, an item that cost \$1 on January 1 would cost \$130 on January 1 of the following year”. Michael K. Salemi, “Hyperinflation”, *The Concise Encyclopaedia of Economics*, URL: <http://www.econlib.org/library/Enc/>

most citizens of Moldova. The ravages of inflation were curbed by the end of 1993, when national currency, “Moldovan Leu”, was created, thanks to the support of IMF<sup>40</sup>. The consistent application of the monetary stabilization policy from 1993 to 1997 helped to stabilize the national currency relative to the US dollar, regaining public confidence that was lost due to inflation in the years of 1991-93<sup>41</sup>. Diligent application by Moldovan governments (led by V. Muravschi, then A. Sangheli) of liberalization and monetary stability policies have attracted praise for Moldova from international financial institutions so that, in 1995, *The Economist* qualified RM as “a model of correct reform”<sup>42</sup>, despite deep budgetary crisis.

This momentary success had a high price. Even if Moldova hit the road in August 1991 without external debt (Russia assuming the debt of the former USSR), Moldova had not in 1991 any currency or gold reserves (unlike the Baltic countries and Russia, the latter inheriting most gold reserves of URSS<sup>43</sup>). Therefore, to ensure development of the country, Moldovan authorities have contracted from international financial institutions (primarily the IMF and World Bank) a number of medium-term loans with an interest rate of about 5%<sup>44</sup>. This rate, although much lower than the interest rate on the financial markets at that time<sup>45</sup>, was higher in 1993-1997 than by 1997<sup>46</sup>. In 1997, when the economic crisis was at its top, RM has acquired the status of developing country according to IDA, as its GDP *per capita* was recognized small enough to receive concessional credits (with subsidized interest rate). In 1997, Moldova became one of the most indebted countries in the region, relative to

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Hyperinflation.html, the monetary devaluation in RM in the years 1991-1993 can be labelled as a “major inflation”, but not as a “hyperinflation” in the strict sense.

<sup>40</sup> *Ibidem*, pp. 7-8.

<sup>41</sup> National currency deposits in banks in Moldova increased from less than 400 million lei in January 1994 at about 1.6 billion lei in December 1997. Artur Radziwitt, Octavian Șcerbațchi, Constantin Zaman, *Financial Crisis in Moldova...cit.*, p. 15

<sup>42</sup> “Moldova is a model of correct reform, and the fact that it is a small country transforms it into a perfect laboratory for running reforms”, *The Economist*, March 1995, cited by Angela Munteanu, in “The Social Costs of the transition in Moldova”, *South-East Europe Review for Labour and Social Affairs*, issue no. 3, 2000, p. 3543.

<sup>43</sup> Artur Radziwitt, Octavian Șcerbațchi, Constantin Zaman, *Financial Crisis in Moldova...cit.*, p. 6.

<sup>44</sup> See credits from IMF in 1993-2013. URL: <http://www.imf.org/external/np/fin/tad/extrans1.aspx?memberKey1=672&endDate=2015-03-31>, accessed on June 16, 2016.

<sup>45</sup> According to estimation based on rates charged by LIBOR (London Interbank Offered Rate) and risk margin (or SPREAD sovereign), interest for commercial loans which Moldova could had benefited in 1993-1997 would vary around 10%.

<sup>46</sup> Since Moldova, like other countries in the region, did not qualify for the status of “developing” country, according to IDA/DAC (International Development Association), not having a sufficiently low GDP, after calculations of the World Bank time (which, according to some experts, was based on some outdated Soviet data on the country’s gross domestic product). Per Ronnas, Nina Orlova, *Moldova’s Transition...cit.*, pp. 11, 48-49.

GDP *per capita*<sup>47</sup>. Accumulated stock of foreign debt has reached about 1.3 billion USD on 1 January 1999, which represented almost 80% of GDP<sup>48</sup>. These debts, along with the interest, started being returned from 2000 until 2007, constituting a real burden for the economic development of the country<sup>49</sup>. The same year when the country became qualified for concessional loans, the same financial institutions had also penalised Moldova by interrupting granting credits for two years for perceived unbalanced budget allocation that violated the austerity measures recommended in order to reduce public spending (including social)<sup>50</sup>. It is necessary to note, though, that governments in the 1990s in Moldova received significant amount of external debt and domestic borrowing (including from population by unpaid salaries on time), without justifying them by solid and visible investment in infrastructure projects, modernization of enterprises or improving public services<sup>51</sup>. Therefore it is reasonable to ask: what was the economic and social benefit of foreign and domestic debt contracted by Moldovan governments in the 1990s?

The fragile economic stabilization in 1997 was also shaken by another external factor: the economic and financial crisis in Russia in August 1998. Under the influence of the financial crisis in Southeast Asia and the extreme decline of prices for crude oil, Russia went insolvent. This was recognized internally as well as outside the country and seemed to mark the failure of development road that was traced with the help of international experts and financial institutions<sup>52</sup>. As Moldova has maintained and developed trade

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<sup>47</sup> *Ibidem*.

<sup>48</sup> The share of external debt relative to exports increased from 17% in 1997 to 30% in 1998. Artur Radziwitt, Octavian Șcerbațchi, Constantin Zaman, *Financial Crisis in Moldova...cit.*, p. 65.

<sup>49</sup> About the external financial and technical assistance to Moldova, see Valentin Lozovanu, "External Assistance and Development. To What Extent External Assistance Has Contributed to the Development of Moldova?", in *PLATZFORMA. Revista de critică socială* (part 1 and 2), June 2014. URL: <http://www.platzforma.md/asistenta-externa-si-dezvoltare-in-cemasura-asistenta-externa-a-contribuit-la-dezvoltarea-moldovei-1/>, accessed on June 16, 2016. See also *Idem*, *Foreign Aid and Development: Promoting Success or Failure in Development Moldova's?*, Master of Arts thesis in Global Political Economy, University of Kassel, 2014; Iurie Goțișan, "Moldova's Economy and the IMF", *Governance and Democracy. Review of Analysis and Synthesis*, ADEPT, 2009, pp. 59-61; Maia Sandu, "External Assistance", in *Government Priorities 2009*, by ADEPT association, with the support of UNDEF, Chișinău, 2009, pp. 311-328.

<sup>50</sup> Per Ronnas, Nina Orlova, *Moldova's Transition...cit.*, p. 65.

<sup>51</sup> See, as example, Artur Radziwitt, Octavian Șcerbațchi, Constantin Zaman, *Financial Crisis in Moldova...cit.*

<sup>52</sup> See summaries of two perspectives on the crisis in Russia, one in favour of liberal reforms: Anders Aslund, *How Capitalism Was Built. The Transformation of Central and Eastern Europe, Russia, the Caucasus, and Central Asia*, 2<sup>nd</sup> edition, Cambridge University Press, 2013, and another one, more critical: Jacques Sapir, *La Transition russe, vingt ans après*, Éd. des Syrtes, Paris, 2012. For an economic analysis that predicts the

relations excessively with Russia, Moldova's fragile economy entered to its turn in a recession close to insolvency<sup>53</sup>. To overcome the crisis, the government led by Mr. Ciubuc and those following in 1999 and 2000 (led by I. Sturza and D. Braghiș respectively) were forced to apply austerity reforms and continue at a sustained pace the privatization program, begun during the government lead by Mr. Sangheli.

The third phase of the model (first two being price *liberalization* and *stabilization* of currency) that Moldova should follow to achieve the transition to a market economy was the *privatization* of state enterprises and collective farms. Starting with 1 January 1994, citizens of Moldova were receiving the patrimonial bonds (so-called "vouchers") with which they could have bought state assets and equity shares of enterprises listed for privatization by the state. According to the Government estimates of 10 July 1996, "Over a year and a half were organized 15 subscription auctions for shares, 94 public auctions and 11 competitions. Patrimonial bonds were used to privatize 2,235 enterprises (wholly or partially) and 191,000 apartments"<sup>54</sup>. This reform aimed to create prerequisites for the development of the securities and real estate markets, the restructuring of privatized enterprises and the establishment of mechanisms for corporate governance (*ibidem*). In reality, according to independent observers and the Court of Auditors<sup>55</sup>, the privatization of enterprises was made without necessary transparency with a serious violations committed by the Ministry of Privatization mainly with profitable companies being overtaken by interest groups close to the government of the time (the Agrarian Party majority) at much lower prices than their real value. The ordinary population remained instead with completely devalued bonds. At least one positive aspect of privatization was a virtually "free" acquisition of the apartments and houses by

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1998 crisis in Russia, see Sergiu Cioclea, "Y a-t-il une vie après la stabilisation russe?", *Conjoncture*, no. 11, December 1997, pp. 1-8.

<sup>53</sup> Per Ronnas, Nina Orlova, *Moldova's Transition...cit.*; Artur Radziwitt, Octavian Șcerbațchi, Constantin Zaman, *Financial Crisis in Moldova...cit.*

<sup>54</sup> DECISION No. 305 of 10.6.1996 on totals of patrimonial bonds during privatization and post-privatization phase tasks. Published on 04.07.1996 in the *Monitorul Oficial*, no. 45, No. art: 382 (modified: HG511 / 03.06.99, MO59/10.06.99). URL: <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=296094>, accessed on June 20, 2016.

<sup>55</sup> We quote from the Court of Auditors of 04/03/1998: "Ministry of Privatization and State Property Administration, as central organ of state power that realises state policy in the field of denationalization and privatization of state assets, is guilty of serious breaches of legislation with effect on state property in privatization against patrimonial bonds (PB) and against cash. [...] After the first checks on the work of the ministry in 1995, the situation regarding the legality of the privatization process did not change. Moreover it was detected even more serious violations". REPORT [The] Court of Moldova on the control of results in 1997 on the management and use of public financial and material resources. DECISION No. PAR 03/04/1998. URL: <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=306317>.

their inhabitants. However, even in this area there were registered multiple frauds which resulted in numerous vulnerable people (poor and uninformed) losing their homes<sup>56</sup>.

Formally started immediately after independence, the privatization of land and agricultural goods met great difficulties and resistance even higher than the privatization of industrial enterprises. Until 1997, technical and legal difficulties of privatization were caused by agrarian governments (Sangheli governments 1 and 2: 1992-1997), but also by resistance “from below”, from farm workers, who were against the abolishment of collective farms. It was only in 1997, under pressure from international financial organizations, when the government lead by Prime Minister Ciubuc, conducted with the assistance of the World Bank the “Land” program (“Pământ” in Rom.). The program included the legal framework required to unlock the privatization of state agricultural properties and their registration in the state cadastre. The privatization process was intended transparent and equitable, designed to distribute shares of land to each farm worker, including pensioners, with an average of about 1.5ha of land per person<sup>57</sup>. The “Land” program resulted in a systemic dismantling of collective farms and agricultural associations through ownership transfer to the people living in rural areas. Despite the good intentions of the architects and implementing parties of the program, de-collectivisation and land privatization was followed by a sharp decrease in productivity (agricultural production has halved in 1991-1999<sup>58</sup>). We must remember that the privatization of agricultural property started and took place in a general context of economic decline, during which public investments in agricultural sector were very low. This period of economic uncertainty, during the agrarian governments, has facilitated the theft and frauds of considerable proportions of property previously owned by collective farms<sup>59</sup>.

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<sup>56</sup> According to the estimation of the Centre for Housing and Orientation of Homeless Persons, a large number of homeless people ended up in this condition for reasons of fraud to which they were subjected, especially in that period. See Petru Negură, “Persoanele fără adăpost din Chişinău: forme de excluziune și strategii de adaptare”, *PLATZFORMA. Revistă de critică socială*, 30/12/2015. URL: <http://www.platzforma.md/persoanele-fara-adapost-din-Chișinău-forme-de-excluziune-si-tactici-de-supravietuire-1/>.

<sup>57</sup> About privatisation of agricultural sector see Nora Dudwick, Karin Fock, David Sedik, *Land Reform and Farm Restructuring in Transition Countries. The Experience of Bulgaria, Moldova, Azerbaidjan, and Kazakhstan. World Bank Working Paper*, No. 104, World Bank, Washington DC, 2007.

<sup>58</sup> *Ibidem*, p. 19. By 2000, the agricultural production starts a slow recovering.

<sup>59</sup> Between 1995 and 2001 the total number of recorded crimes varies between 38,409 and 37,830. Of these, 26,877 and 26,906 respectively represent embezzlement. In 1998, out of the total number of 36,195 offenses, 13,393 were committed in Chişinău municipality, the rest – 22,802 – in other counties and cities. *RM Statistical Yearbook, 2002*, BNS, p. 224. Also, “In 1998, employees of the Department of Financial Control and Revision performed 9,506 documentary revisions and operational controls, with 2,353 fewer than in

The privatization of the public goods during the 1990s continued the next decades and modelled a practice, continued to varying degree by all the following governments, of “colonization” of the state by vested interests to the expense of public benefit. Similarly, the collection of income tax was applied in an unsystematic way, allowing massive tax evasion<sup>60</sup> in favour of some economic agents while setting an unjustified economic burden on others<sup>61</sup>. These distorted economic policies created a very fragile business environment, characterised by corrupt practices and clientele relations between businesses and state officials. Economic crime – corruption, extortion and informal protection (the so-called “krysha”<sup>62</sup>) – in which private groups were involved together with high-rank state officials have significantly damaged the business environment and investment climate of the young emerging economy, maintaining the citizens’ distrust of the emerging state structures<sup>63</sup>.

### *The Social Effects of the 1990s “Transition”*

Despite the efforts of the Sangheli and (the first) Ciubuc governments to provide sufficient state support in the social sphere (education, health, and social welfare), these services suffered a profound crisis towards the end of the 1990s, due to reduced state financial support<sup>64</sup>, prolonged delays in wage

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the same period of 1997. Despite this, the total amount of damage caused to businesses and state, related to illegitimate deprivation and embezzlement, constituted 87.4 million lei compared to 36.3 million lei in 1997 (2.4 fold increase)”. Lilia Carașciuc, “Corruption in Moldova: Macroeconomic Impact”, in *Corruption. Studies on Different Aspects of Corruption in Moldova*, Ed. Arc, Chișinău 2000, p. 236. See also *National Report on Human Development*, “Social Cohesion”, UNDP, 1997, p. 36.

<sup>60</sup> According to Lilia Carașciuc, “Corruption in Moldova...cit.”, “tax evasion in Moldova increased from 4% of consolidated budget income in 1994 to 30% in 1998 and 22% in 1999. The average volume of evasion on a taxpayer’s total, increased from 7,000 lei in 1997 (10,000 lei by legal entities) to 12,000 lei in 1998 (23,000 lei by legal entities) and 8,000 lei in 1999 (15,000 lei by legal entities). The density of the number of offenses subject to tax controls increased from 30% in 1994 to 59% in 1999” (p. 236).

<sup>61</sup> Artur Radziwitt, Octavian Șcerbațchi, Constantin Zaman, *Financial Crisis in Moldova...cit.*, p. 47.

<sup>62</sup> In Russian, “krysha” is a common, argotic term meaning “protection” (literally: “roof”).

<sup>63</sup> Thus, based on a survey with economic entities from 20 countries in Central and Eastern Europe, Moldova held the last place (20<sup>th</sup>) according to “governance index”. See *EBRD Transition Report 1999*, table 6.1, p. 116 (see also other issues). Likewise, the perception of “state capture” was 46% against 15% in Estonia, 17% in Lithuania, 27% in Romania, 41% in Russia and 60% (maximum rate) in Azerbaijan. *Ibidem*, chart 6.3, p. 119.

<sup>64</sup> Public budgetary expenses in R. Moldova for education and research were as follows (in mln. lei): 567 (in 1995), 833 (1996), 890 (1997), 640 (1998), 567 (1999); for health: 366 (1995), 521 (1996), 537 (1997), 393 (1998), 358 (1999). Despite these seemingly high expenses, compared to the public budget and the GDP (9.8% in 1996 and 7.7% in 1997),

payment for civil servants, and rising inequalities in accessing the above-mentioned services, which were furthermore exacerbated by the introduction of some local legal, as well as informal, tariffs, in these fields (particularly in the health and education institutions). The profound economic crisis, aggravated in 1998-1999 by a regional crisis, as well as a prolonged non-payment of salaries, had thrown 70% of the population (or 84,6%, according to international standards<sup>65</sup>) below the limit of absolute poverty<sup>66</sup>, and 50% (or 55,4%) of the population below the limit of extreme poverty<sup>67</sup>. At the same time, income inequalities increased<sup>68</sup>, further narrowing the middle class segment of the population – still considered relatively fortunate under the circumstances – and also leading to the emergence of a new group of rich people, which was still small, but was gradually increasing<sup>69</sup>.

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their actual value diminished thrice compared to 1989, due to inflation. Per Ronnas, Nina Orlova, *Moldova's Transition...cit.*, p. 65.

<sup>65</sup> The World Bank, *Making Transition Work for Everyone*, Oxford University Press, Oxford, 2000, table 1.1; UNECE population estimates [URL: [www.unece.org/stats/data.htm](http://www.unece.org/stats/data.htm)], quoted by: *Economic Survey of Europe*, 2004 No. 1, p. 169.

<sup>66</sup> The threshold of absolute poverty “represents the amount of money necessary to ensure a daily intake of 2.282 Kcal and the purchase of non-food products and services of first necessity, whose costs are estimated on the basis of the consumption model of the needy”. Natalia Șonțu, *Fenomenul sărăciei – problema mondială și națională: cauze, consecințe, soluții*, Moldova State University, Chișinău, 2012, pp. 50-59.

<sup>67</sup> “The threshold of extreme poverty is based on the monetary value of a daily consumer basket, defined based on a minimum daily consumption of calories. In 2002, in R. Moldova the food threshold was set at 2,282 Kcal per day. However, if the average for an adult person had been used instead of the average minimum per person, then the minimum of the average calorie consumption would be of 3,004 calories/person/day.” Natalia Șonțu, *Fenomenul sărăciei...cit.*, p. 52.

<sup>68</sup> The Gini coefficient (which indicates the ratio between the smallest and the largest incomes) was of 0.25 in 1989 (“Poverty in Eastern Europe and the CIS”, in *Economic Survey of Europe*, 2004, No. 1, p. 166). The Gini index has increased considerably throughout the 1990s, then dropped in 2006-2007, only to increase again in 2008 (a year of crisis): 0.41 (1992), 0.43 (1993) (*ibidem*, p. 117); 0.38 (1994), 0.39 (1995), 0.44 (1999), 0.42 (2000), 0.43 (2001), 0.42 (2002), 0.39 (2003), 0.40 (2004), 0.41 (2005), 0.315 (2006), 0.298 (2007), 0.38 (2008). This estimate was made by N. Șonțu based on data from the National Statistics Bureau (NSB). Natalia Șonțu, *Fenomenul sărăciei...cit.*, p. 56. According to the World Bank, the Gini index continued to drop in R. Moldova in early 2010: 32.1 (2010), 30.6 (2011) (URL: <http://data.worldbank.org/indicator/SI.POV.GINI>). To compare, in Latvia, the Gini coefficient has had a much more balanced evolution: 0.244 (1989), 0.333 (1992), 0.283 (1993), 0.325 (1994), 0.346 (1995), 0.349 (1996), 0.336 (1997), 0.332 (1998), 0.333 (1999), 0.337 (2000), 0.322 (2001). *Economic Survey of Europe*, 2004, No. 1, p. 167.

<sup>69</sup> The ratio between the income of the 10% of the best-off and worst-off of the population was as follows: 9.3 (1995), 10.0 (1996), 16.0 (1997), 12.3 (1998), 14.4 (1999), 10.4 (2000), 9.7 (2001). *The Yearly Statistics Paper of R. Moldova*, p. 103. This ratio was, in 2000, of 7.2 in Romania, and of 20.3 in Russia. Mihaly Simai, “Poverty and Inequality in Eastern Europe...cit.”, pp. 15-17.



The drastic cuts operated in the health and education budgets, and the chronic non-payment of civil servants' wages – which were already the smallest, compared to the average salary – have justified, according to a widespread perception, the emergence of acts of corruption at all levels. Distrust in state institutions, coupled with decreasing revenues, led to an unprecedented rise in anomic behaviours (acts of violence, alcoholism, drug addiction, etc.<sup>70</sup>) and crime, topped throughout the 1990s by thefts<sup>71</sup>. The massive outflow of civil servants and employees from public institutions (of education and health) and agriculture<sup>72</sup>, produced a chain-reaction of strategies for survival: a transfer into informal sectors of the economy (particularly the informal trade and small cross-border traffic)<sup>73</sup> and, by the end of the 1990s, labour migration abroad (see below).

<sup>70</sup> The number of persons (per 100,000 inhabitants) addicted to narcotic substances was on a constant rise from 7.1 (1995), to 9.6 (1996), 22.3 (1997), 31.5 (1998), 34.2 (1999), 33.2 (2000). The number of persons suffering from alcoholism remained constant between 1995 and 2000, ranging between 110 and 120 per 100,000 inhabitants. *Yearly Statistics Paper of R. Moldova*, 2002, p. 198.

<sup>71</sup> See footnote 59 for data offered by the NBS on the crime rates evolution, in particular on thefts, throughout the 1990s. Some experts in criminology estimate a significant increase in violent crimes in the same period. Thus, “the destructive coefficient in the last years [as compared to 2007] constituted 8.4 yearly units, while in 1985 it was only 1.5. This means that the process of intensification of violence in society had increased until 1985 five times, and from 1986 to present-day – 24 times. These conclusions can also be corroborated by other data. Thus, if the frequency rates of the mentioned crimes have increased in the last 20 years with 464%, then the population level in the same period rose by 120,7%”. Igor A. Ciobanu, *Criminologie*, vol. 2, Moldova State University, 2007, p. 38. URL: <http://drept.usm.md/public/files/CRIMINologie-Vol2341cc.pdf>, accessed on June 20, 2016.

<sup>72</sup> From 1990 to 1998, the number of people employed in agriculture has decreased from 678 to 411 thousand; in the field of medical assistance, from 15 to 86 thousand; in education, from 232 to 142 thousand. *Yearly Statistics Paper 1994* (1995: 90); *Yearly Statistics Paper 1996* (1997: 127-128); cited by Per Ronnas, Nina Orlova, *Moldova's Transition...cit.*, p. 74. The number of wage-earners (in the formal sector) had decreased, from 1996 to 2001, in the field of education from 147 to 90.9 thousand; in health care and social assistance, from 90.9 to 54.1 thousand. *Yearly Statistics Paper 2002*, p. 78. According to estimates made by the Centre for Strategic Studies and Reforms, in 1999, the informal sector represented 65% of the economy. United Nations Development Programme, National Human Development Report. 2000, United Nations: Chişinău. Apud L. Maclehorse, in M. McKee (ed.), *Health Care Systems in Transition: Republic of Moldova*, European Observatory on Health Care Systems, vol. 4, no. 5, Copenhagen, 2002, p. 7.

<sup>73</sup> For an ethnographic description of the phenomenon of small informal cross-border traffic in Moldova and other CIS countries throughout the 1990-s, see, among others, Ruth Mandel, Caroline Humphrey (eds.) *Markets and Moralities. Ethnographies of Postsocialism*, Berg, Oxford/New York, 2002; Friederike Welter, David Smallbone, “Entrepreneurship in a Cross-Border Context: The Example of Transition Countries”, in 53<sup>rd</sup> International Council for Small Business (ICSB) World Conference 2008: *Advancing*

Corruption is an informal compensatory practice, favoured by a context of pauperization and a drastic decrease of investments in public institutions, but it is also revealing of a cultural phenomenon (based on clientele relations and the trading of favours and gifts), which found fertile ground in the Moldovan context<sup>74</sup>. Corruption produces destructive effects on the economy, undermining the principle of fair competition, which, in its turn, weakens economic development<sup>75</sup>. Furthermore, the growing acceptance of a “culture” of corruption and fraud has also had negative effects on education, where informal practices (of corruption and plagiarism) have produced a parallel system of a *hidden curriculum*, which prepares individuals adapted to murky “transition” periods, rather than loyal citizens and fair contributors to general welfare<sup>76</sup>.

The civil servants' low competence and lack of motivation, and the state's weakness in controlling the side-effects of the “transition” (*i.e.*, massive pauperisation, corruption and the “state capture” by private interests) have created a flimsy foundation for the further development of a state based on the rule of law, a prosperous economy and an active civil society.

In this context of massive pauperisation, general distrust in the state's “democratic” institutions and an economic environment generating instability and inequalities, the coming to power of the Party of Communists after the early elections of February 2001 was facilitated by a protest vote, a generalized disappointment in existing power structures, as well as a “restorative nostalgia”<sup>77</sup> for a political order of the past.

### *The Years 2000: An Ambiguous Recovery*

On the background of an economic growth assisted by a favourable global and regional context, due to the framework of reforms elaborated and consolidated by the liberal governments between 1999-2000 and favoured by an increase in remittances and in the population's consumption, the Moldovan economy rebounded after 2001 on an ascendant trajectory, until the

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*Small Business and Entrepreneurship: From Research to Results*; 22-25 Jun. 2008, Halifax, Nova Scotia, Canada, pp. 1-28.

<sup>74</sup> See *Corruption...cit.* (particularly the studies of Lilian Negură, Ion Gumenâi and Virgil Pâslariuc). On corruption as a cultural phenomenon, see Elena Ledeneva, *Russia's Economy of Favours. Blat, Networking and Informal Exchange*, Cambridge University Press, 1998.

<sup>75</sup> Lilia Carașciuc, “Corruption in Moldova...cit.”.

<sup>76</sup> See Petru Negură, “Învățăm, învățăm și iarăși învățăm... a copia, a mitui și a fenta sistemul”, *PLATZFORMA. Revista de critică socială*, June 2014. URL: <http://www.platzforma.md/invatam-invatam-si-iarasi-invatam-a-copia-a-mitui-si-a-fenta-sistemul/>, accessed on June 25, 2016.

<sup>77</sup> Svetlana Boym, *The Future of Nostalgia*, Basic Books, 2001, see the “Introduction”.

international and regional economic crisis of 2007-2009<sup>78</sup>. After a period of hesitation on fiscal policy and on the privatization of large enterprises, which in 2002 caused an interruption in the financing of international organizations, the communist authorities continued, particularly after 2004, the program of the liberal reforms commenced in the previous periods. In 2004, Moldovan-Russian political relations grew colder, following President Voronin's refusal to sign the Memorandum on the Federalization of the Republic of Moldova, proposed by the Russian official D. Kozak<sup>79</sup>. Meanwhile, in 2003, the EU launched its European Neighbourhood Policy (that provided, among others, for an increased assistance to the countries situated in the EU's neighbourhood). In this context, the leadership of R. Moldova gradually restarted to co-operate with international financial institutions (IMF and IBRD) and officially declared the European integration as a state priority<sup>80</sup>. The fiscal policy was revised, in an international context of moderating liberal policies, and of increased attention from international institutions (IBRD, UN) to policies on reducing poverty, exclusion, inequality, and on promoting "social development" and "sustainable (environmental) development"<sup>81</sup>. R. Moldova joined this agreement in 2000. The programs developed by the governments of the Republic of Moldova during the years 2000, with the assistance of international institutions – The Strategy for Economic Growth and Poverty Reduction (SEGPR), launched in 2004, the RM-EU Action Plan (2005), and later the National Strategy for Development (NSD) for 2008-2011 and the National Strategy for Development

<sup>78</sup> James Roaf, Ruben Atoyán, Bikas Joshi, Krzysztof Krogulski & IMF Staff Team, *25 Years of Transition Post-Communist Europe and the IMF*, Regional Economic Issues Special Report, International Monetary Fund, Washington, D.C., 2014; Stuart Hensel, Anatol Gudim, "Moldova's Economic Transition: Slow and Contradictory", in Ann Lewis (ed.), *The EU & Moldova. On a Fault-line of Europe*, Federal Trust. London, 2000. URL: <http://www.cisr-md.org/pdf/Moldova-s%20Economic%20Transition.pdf>, accessed on June 25, 2016; OECD, *Development in Eastern Europe and the South Caucasus: Armenia, Azerbaijan, Georgia, Republic of Moldova and Ukraine*, OECD Publishing, 2011. URL: <http://dx.doi.org/10.1787/9789264113039-en>, accessed on June 25, 2016.

<sup>79</sup> See Igor Boțan, "Efectele Planului Kozak", e-democracy.md, 30 November 2013. URL: <http://www.e-democracy.md/monitoring/politics/comments/200312031/>, accessed on June 25, 2016.

<sup>80</sup> See the interview with Igor Boțan (for the project of documentary directed by Victor Ciobanu), 23 April 2015 and, among other sources, Maia Sandu, "External Assistance", cit.

<sup>81</sup> "Globally, the need for connecting the external assistance to national priorities has been explicitly formulated only in early 2000, when, in response to accusations of imposing programs of reforms 'from the outside', the IMF and the World Bank have launched the initiative for countries to develop their own poverty reduction strategy papers (PRSP)." Maia Sandu, "External Assistance", cit., p. 316. This shift was also favoured by the UNDP-promoted concept of "social development", based on ideas of Amartya Sen, and reflected in the Millennium Development Objectives Programme (UN Millennium Project), which Moldova joined in 2000. This programme aimed at reducing, amongst others, inequalities, exclusion and poverty, through the complete eradication of extreme poverty and hunger. For details see <http://www.unmillenniumproject.org/goals/>, accessed on June 25, 2016.

2020 – have all sought to create a favourable framework for an economic as well as social development.

The relaunch of cooperation with international financial institutions in 2004-2005 went hand-in-hand with an improvement of the business environment and investment climate<sup>82</sup>. However, corruption did not diminish during the years 2000. On the contrary, in 2005-2007 people perceived this phenomenon as being on the rise, based on an increase in the number of reported acts of corruption. By contrast with the increased number of registered cases of corruption, conviction rates were minimal<sup>83</sup>. Under the communist government, the process of “capturing” and “privatizing” the state by groups of private interest, which started in the 1990s, continued<sup>84</sup>. The following governments would continue to exploit this fault line in the state institutions, which was created and maintained throughout the 1990s and 2000s.

### *Migration and/or Development?*

A significant contribution to the economic progress achieved by the Moldovan authorities in the years 2000 was made by the population of the Republic of Moldova – paradoxically, by leaving the country in search of work abroad. The money sent home by Moldovan labour migrants from Russia and Western Europe – the so-called remittances – have massively increased during the years 2000, reaching 30-35% of the GDP (in 2007, remittances surpassed several times the volume of foreign investments and foreign aid)<sup>85</sup>. Obviously, without these major contributions in the form of remittances, the economy of the Republic of Moldova would have had a much more difficult development (we should bear in mind that until 2007, Moldova and its people continued to pay back external debts accumulated in the 1990s).

But labour migration inevitably had many side-effects: the depopulation of villages, the “haemorrhage” of staff and employees of all levels, a decrease in child-care and in assistance for the elderly, particularly in rural areas; moreover, labour migration involved the most active social segments of the Moldovan population, who had been practically deprived of employment in

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<sup>82</sup> Valeriu Prohnițchii, “The Investment Climate: Challenges for the New Government”, in *Government Priorities...cit.*, pp. 151-170.

<sup>83</sup> “Throughout 2007, none of the persons convicted for crimes of corruption [152 out of 542 registered cases] had been deprived of liberty. Moreover, some of those convicted had not been sanctioned with a deprivation of the right to occupy certain [administrative] posts”. Cristina Cojocaru, “The Anti-Corruption Efficiency, Ground by Formalism, Political Influence and Distrust”, in *Government Priorities...cit.*, pp. 93-94.

<sup>84</sup> Katherine Verdery, *What Was Socialism, and What Comes Next?*, Princeton University Press, Princeton/New Jersey, 1996.

<sup>85</sup> Maia Sandu, “External Assistance”, *cit.*, p. 314.

Moldova in the context of the economic crisis from the end of the 1990s. On the one hand, remittances maintained currency levels that allowed the Moldovan economy to develop. On the other hand, this money flow, injected almost constantly in the economy of RM, somehow slowed down the economic development on the mid- and long-term, 1) because those who left the country were the ones who could have contributed to an economic and social development at home (by creating and implementing economic, social and cultural projects); 2) by making the Moldovan economy dependent on these external sources of finance, and by excessively favouring the services and consumption sectors, to the detriment of real production in industry, technology and agriculture; and 3) by encouraging decision-makers to relax as regards the economy (since this money flow ensured a sufficient level of currency to face an imminent economic crisis)<sup>86</sup>.

### *The Stolen Revolution: An EU Integration on the Wrong Foot*

The Party of Communists' announced yet contested victory in the parliamentary elections from April 2009 had mobilized a series of street demonstrations which degenerated on the 7<sup>th</sup> of April in violent clashes with the police and in the devastation of the Parliament building and the Presidency. The self-proclaimed "liberal" and "democratic" parties from the opposition successfully exploited these events, by disqualifying the way in which the communist government managed the protests on the 6-7<sup>th</sup> of April<sup>87</sup>. The early elections from June 2009 brought to power a coalition of self-proclaimed "democratic" parties that was welcomed by Western powers and international fora. The AEI-1 and AEI-2 governments came to power in a period of economic crisis that the previous communist governments had worsened by increasing the budget for public expenses<sup>88</sup>. The new "democratic" regime promoted a series

<sup>86</sup> See Alexandru Culiuc, "The Productive Use of Remittances. Perspectives for Moldova", 4 February 2007 (Version 2.1) Memo (original version available at [http://www.culiuc.com/papers/aculiuc\\_2006\\_sypa.pdf](http://www.culiuc.com/papers/aculiuc_2006_sypa.pdf)); Mateusz Walewski, Maia Sandu, Georgeta Mincu, Eugen Hristev, Beata Matzysiewicz, *The Effects of Migration and Remittances in the Rural Areas of Moldova. Case Study on Managing Migration in Poland*, Polish Aid, CASE – Centre for Social and Economic Investigations, 2008.

<sup>87</sup> See the case file on the events of April 2009: Adrian Cibotaru (ed.), *The Twitter Revolution. Episode One: Moldova*, Ed. Arc, Chişinău, 2010.

<sup>88</sup> "[...] the global public expenditures have risen constantly as a share of the GDP from 30.3% in 2001 to 41.6% in 2008, as determined by the volume of resources accumulated by the state, without major changes in their structure or content." Angela Casian, Anjela Baurciulu, "The Effects of the Budgetary-Fiscal Policy on the Management of Public Finances", in *Government Priorities...cit.*, pp. 132-133.

of economic reforms, and was assisted technically and financially by international financial institutions and donor countries, through an increase in foreign investments and remittances. The priorities set by international financial institutions included the privatization of Banca de Economii, of the airline services (including the airport) and of the railways of R. Moldova and Moldtelecom. The public budget plan provided for the reform of the pension system<sup>89</sup>. Taking advantage from an increased attention towards Moldova in the context of the conflict between Russia and Ukraine, the Vlad Filat 1<sup>st</sup> and 2<sup>nd</sup> governments (September 2009-May 2013) and that of Iurie Leancă (May 2013-December 2014) convinced the European Union that R. Moldova is capable to continue political and economic reforms. On 27 June 2014, in Brussels, Moldovan and EU leaders signed the Association Agreement between the Republic of Moldova and the European Union, which also included the Deep and Comprehensive Free Trade Agreement between R. Moldova and the EU<sup>90</sup>. Moreover, in the same context, starting from 28 April 2014, the visa regime was liberalized for Moldovan citizens traveling to the Schengen zone<sup>91</sup>.

However, political crises and tensions among various factions within the government cast a shadow on the economic growth registered in the beginning of the years 2010, and on the successes that had been achieved by the Filat and Leancă governments on the path to EU integration. The “Pădurea Domnească” case, where a businessman was killed by accident during a hunting party in a natural reservation that allows for no hunting at all, and which involved heads of top-level state institutions as well as businessmen<sup>92</sup>, revealed the advanced degree of convergence between state institutions and certain business circles. The broadcasting of some telephone conversations, that had been illegally wiretapped, of top party leaders with officials from ministries, courts and tax authorities, shed light on a mechanism, until then invisible, of interference and peddling in influence by certain party leaders in certain state institutions which, theoretically, should have enjoyed autonomy. Finally, the

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<sup>89</sup> OECD Development in Eastern Europe and South Caucasus, 2011.

<sup>90</sup> See Deutche Welle, “The R. Moldova – EU Association Agreement Has Been Signed”. URL: <http://www.dw.de/acordul-de-asociere-republica-moldova-ue-a-fost-semnat/a-17742325>. See also Igor Boțan, *The Provisions of the R. Moldova – EU Association Agreement. A Guide*, Ed. Arc, Chișinău, 2014. The Guide is available at <http://www.e-democracy.md/files/ghid-acord-asociere-igor-botan.pdf>, accessed on June 25, 2016.

<sup>91</sup> This agreement was reached “by amending EU Regulation no. 539/2001 on abolishing visa requirements for short-stay travel to the Schengen area for nationals of R. Moldova holders of biometric passports”. See the statement of the Ministry of Foreign Affairs and European Integration of R. Moldova, “The Moldova-EU dialogue on visa liberalization”, available at <http://www.mfa.gov.md/liberalizarea-regimului-vize/>, accessed on June 25, 2016.

<sup>92</sup> See Iurie Sanduța, Victor Moșneag, “Vânătoarea de oameni în Pădurea Domnească”, *Ziarul de Gardă*, 10 January 2013, URL: <http://www.zdg.md/editia-print/investigatii/vanatoare-de-oameni-in-padurea-domneasca>, accessed on July 1, 2016.

embezzlement from Banca de Economii, Banca Socială and Unibank banks of approximately one billion US dollars<sup>93</sup>, which presumably involved some top circles from the previous government (2009-2014) and the present one (in 2015-2016), has shown the narrow limits of the rule of law and the critical level of the Moldovan state “being captured” by groups of private interests. Economic analysts and experts from the World Bank<sup>94</sup> have forecasted for the following year an economic recession in the country, because of external factors (a decrease of exports in Russia, of investments and remittances) as well as internal ones (the banking “crisis” from R. Moldova). These non-transparent dealings have produced a state of frustration and increasing mistrust among the average population and the intellectual elite in the country. A recent opinion survey has shown that 85% of the respondents consider themselves poor. The same survey registers a growth of almost 20% of the respondents’ preferences related to the Republic of Moldova’s getting closer to the Customs Union (58%) when compared with those who wish for the EU integration (40%)<sup>95</sup>. Political expert Igor Boțan estimated, based on this survey, that “Those who governed the country and called themselves pro-European parties have made a disservice to the Republic of Moldova, in fact they undermined the European vector”<sup>96</sup>. In order to sustain the R. Moldova’s coming closer to the EU, it is necessary, points out another analyst, that the European and international institutions condition more firmly their financial support upon effective reforms being implemented in R. Moldovan, and not only the mimicking of reforms<sup>97</sup>.

The coming to power of “democratic” parties in June 2009 has led to the appearance of some independent TV stations. This achievement of the new government has had, however, a reverse side: the lack of transparency as to the ownership of these stations. Persons who have lately concentrated political and economic power became owners of several TV stations in the country, as shown

<sup>93</sup> On this case, see the synthesis (references included) by Vitalie Sprânceană, “Căderea leului moldovenesc în 5 povești”, *PLATZFORMA. Revista de critică socială*, 20 February 2015, URL: <http://www.platzforma.md/caderea-leului-moldovenesc-in-5-povesti/>, accessed on July 1, 2016.

<sup>94</sup> Alexandru Fala, “Diagnoza și deprecierea leului moldovenesc”, Expert-Grup, 13 March 2015, URL: <http://www.expert-grup.org/ro/biblioteca/item/1090-studiu-mdl&category=7>, accessed on?; Vlad Vasilcov, “Banca Mondială prognozează o recesiune a Republicii Moldova”, AGORA, 9 April 2015, URL: <http://agora.md/stiri/7544/banca-mondiala-prognozeaza-intrarea-in-recesiune-a-republicii-moldova>, accessed on July 1, 2016.

<sup>95</sup> IPP survey, April 2015. URL: <http://www.ipp.md/libview.php?l=ro&idc=156&id=733&parent=0>, accessed on July 1, 2016

<sup>96</sup> Igor Boțan, “Eurointegrarea în pierdere de teren conform Barometrului Opiniei Publice”, *Europa Liberă*, 16 April 2015. URL: <http://www.europalibera.org/content/article/26961475.html>, accessed on July 2, 2016.

<sup>97</sup> Alexandr Voronovici, “Moldova’s Ambiguous European Integration”, in *Open Democracy*, 23 March 2015. URL: <https://www.opendemocracy.net/od-russia/alexandr-voronovici/moldova%27s-ambiguous-european-integration>, accessed on May 2, 2015.

by some analyses<sup>98</sup>. This shows the risk of a possible increased interference, from the side of certain groups with political and economic influence, on the Moldovan media, and of “taming” the journalistic discourse to the tune of parties in power. In the last few years, the “democratic” governments have had several temptations to limit freedom of expression, through the closing down of the NIT TV station and, more recently, through the draft law proposed by the DP and LDPM which ostensibly aimed at eliminating foreign propaganda, but in fact represented an attempt to control the media space of R. Moldova<sup>99</sup>.

### *An Amorphous and Divided Civil Society*

Despite the registration, after 1991, of a great number of non-governmental organizations (over 8,200 in 2012), benefitting from considerable financial support, the Moldovan civil society still remains at the embryo stage and is hardly perceivable in the public space. One of the causes of this weakness is the exclusive financing from foreign sources<sup>100</sup>, which was actually the factor which made possible the appearance of this “civil society” in the first place. Part of the “fault” in this phenomenon can also be attributed to the Soviet inheritance, since in the USSR civic activism was controlled from the top.

<sup>98</sup> Doina Costin, Mamuka Andguladze, *Transparence of the Ownership of Mass-Media...cit.*; Vlada Ciobanu, “Mass Media in the Republic of Moldova: Pluralism Without Freedom” (part 1 and 2), *PLATZFORMA. Revista de critică socială*, September 2014, URL: [http://www.platzforma.md/mass-media-din-republica-moldova-pluralism-fara-libertate\(1\)](http://www.platzforma.md/mass-media-din-republica-moldova-pluralism-fara-libertate(1)) and <http://www.platzforma.md/mass-media-din-republica-moldova-pluralism-fara-libertate-partea-2/>.

<sup>99</sup> Vitalie Călugăreanu, “Atac frontal asupra libertății de exprimare macat prin dorința de a opri propaganda rusească”, *Deutsche Welle*, 2 April 2015, URL: <http://www.dw.de/atac-frontal-%C3%AEmpotriva-libert%C4%83%C8%9Bii-de-exprimare-macat-prin-dorin%C8%9Ba-de-a-opri-propaganda-ruseasc%C4%83/a-18359411>, accessed on July 2, 2016.

<sup>100</sup> Several studies show that the budget of non-governmental organizations is covered exclusively through grants obtained from foreign donor institutions (85-95%), less so through domestic revenues (contracted paid services: 6-13%), and even to a lower extent through public investments and local private donors (2-5%). By comparison, in Central European countries (Romania, Poland, Hungary, the Czech Republic, Slovakia), most financial resources of NGOs (approximately 43%) come from domestic income-generating activities, including membership fees and paid services. In these countries, public sector support is a significant source of revenue, representing about 35%. These sources are further complemented by private philanthropy (22%), including fiscal breaks for private agents, individual fiscal benefits and voluntary contributions. USAID, 2010 NGO Sustainability Index, 2011, p. 141, SDSC, 2012, p. 10. See also Petru Negură, “Suntem oare o societate bolnavă? Despre solidaritate, filantropie și finanțarea ONG-urilor sociale în Republica Moldova”, *PLATZFORMA. Revista de critică socială*, 15 December 2013. URL: <http://www.platzforma.md/sintem-oare-o-societate-bolnava-despre-solidaritate-filantropie-si-finantarea-ong-urilor-sociale-in-republica-moldova/>, accessed on July 2, 2016.



Today, many NGOs have become a source of income and status, instead of representing authentic civic activism. This is also evidenced by the weak involvement of volunteers in the activity of the NGOs in the associative sector in Moldova<sup>101</sup>. On public matters, specialized NGOs adopt a standardized and stereotypical discourse, with little capacity to influence or effect change.

The church is divided from a political (and geopolitical) point of view, and its public discourse is based exclusively on ideological and moral issues, without much consideration for major social problems (e.g. poverty and oppression). One fortunate exception which is worth mentioning in this context is the Social Mission “Diaconia” of the Metropolitan Church of Bessarabia, which from 2009 continues to expand its activity of providing social assistance to different groups of vulnerable persons<sup>102</sup>.

For 25 years now, public intellectuals from R. Moldova have been engaged in the local public space in debates focused exclusively on symbolic and identity issues, thereby distracting public attention from topical social, political and economic matters. The case of the embezzlement from the three banks, recently publicized and intensely debated in the media space in Chişinău, has aroused the critical spirit of many Moldovan intellectuals and opinion makers. However, their public assemblies continue to be marked by speeches focusing on identity issues, with certain sectarian accents (e.g.: “Union...!” or “Down with the fifth column...!”), which represent claims that continue to fragment the cohesion and solidarity of the society of R. Moldova in the face of abuses committed by certain high-level officials.

### *Why Have the Baltic States Seemingly Succeeded with the “Transition” Experiment?...*

In the late 1980s and early 1990s, R. Moldova was often compared to the Baltic republic/states. Indeed, Moldova seemed to resemble these republics/states by more than a few criteria: surface area, size and ethnic composition of the population, geopolitical location, etc. However, the

<sup>101</sup> The Strategy for the Development of Civil Society in the Republic of Moldova, 2012-2015 (SDCS), Chişinău 2012. See also Nicolae Procopie, “Monitoring Report on the Implementation of Volunteer Activities as Part of General Objective 3 of the Action Plan of the Strategy on the Development of Civil Society (SDCS). 2012-2015”, Chişinău, 2013. Petru Negură, “Suntem oare o societate bolnavă?...cit.”.

<sup>102</sup> See the activity reports of the Social Mission “Diaconia” of the Metropolitan Church of Bessarabia, on the website of the Mission, URL: <http://www.diaconia.md/pageview.php?l=ro&idc=307&t=/Despre-noi/Raport-de-activitate>. See also the interview with Marco Povero, program coordinator at “The Mobile Social Canteen”, published on *PLATZFORMA. Revista de critică socială*, on 4 September 2015, URL: <http://www.platzforma.md/marco-povero-incercam-sa-nu-judecam-si-sa-oferim- ceea-ce-putem-oferi-un-prinz-cald-si-sa-fim-aproape-de-aceste-persoane-cit-mai-mult-posibil/>, accessed on July 2, 2016.

evolution of said countries during the 1990s and 2000s and their present-day status, as EU members since 2004, are completely different from the “transition” and the actual situation of the Republic of Moldova. The nominal *per capita* GDP in Latvia, for instance, was 10 times higher in 2014 than that of Moldova (RM: \$2,232 vs. Latvia: \$20,291). According to the Human Development Index, measured in 2014 (HDI – an index set by the UN to reflect the countries’ quality of life and human development potential), Latvia has an HDI of 0.810, and is listed among countries with a “very high” HDI (alongside Croatia and Argentina), while Moldova has an HDI of 0.663, ranking among countries with an “average” HDI (alongside countries such as Salvador and Bolivia)<sup>103</sup>.

R. Moldova and the Baltic States have had a different starting point in the “transition race”. The Baltic States’ population and “elite” have shown a strong political will, manifested early on, for leaving the USSR and the Eurasian space. Local referenda organized in 1989 and 1990 conferred legitimacy to this political will. Since the declaration of independence and particularly after the failed putsch in Moscow in 1991, the Baltic States have enjoyed considerable political and economic support from the West (European countries, USA, international institutions, etc.).

Estonia and Latvia in particular (and to a lesser extent Lithuania too) had been highly industrialized regions, with agriculture representing a minor share in the national income sources of these ex-Soviet republics (11-15%, compared to 35% in the Soviet Socialist Republic of Moldova in 1992). Moreover, in 1991 these countries had currency and gold reserves, which had been deposited in foreign banks before these states’ annexation by the USSR in 1940<sup>104</sup>. Following a decline in early 1990s, the economic development of the Baltic States has grown continuously after 2000 (except for periods of external crises). Beside the external financial and technical assistance received, the development of these countries was particularly aided by high-quality governance and by a systematic implementation of reforms which sought to enable the transition to a market economy. Corruption indexes and the state’s “capture” by vested interests have been decreasing since the mid-1990s, and this has had a positive impact on the business and investment climate<sup>105</sup>.

In 1994, the last Russian troops left the Baltic States. This marked an official renunciation of geopolitical interest by Russia over these territories, which allowed for the Baltic States’ rapid economic and political

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<sup>103</sup> See the ranking of countries by HDI, in 2014, by Wikipedia, URL: [http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_Human\\_Development\\_Index](http://en.wikipedia.org/wiki/List_of_countries_by_Human_Development_Index), accessed on July 3, 2016.

<sup>104</sup> Ineta Ziemele, *State Continuity and Nationality: The Baltic States and Russia*, Martinus Nijhoff Publishers, 2005, p. 85.

<sup>105</sup> See table no. 6.1, *EBRD Transition Report 1999*, p. 116.

disengagement from the Eurasian space and for a rapprochement with the West that culminated with their joining the EU in 2004.

However, it is worth noting that many analysts consider that the neoliberal model adopted by the Baltic States has neglected, by comparison with the Visegrád states or Slovenia, among others, such aspects as the industrial development and social welfare (inclusion)<sup>106</sup>. Thereupon, we do not suggest that the Baltic States must be taken as a model of development for R. Moldova. This development model is yet to be considered and developed, and R. Moldova has at least the advantage, at this early stage of development, of being able to choose a viable development model, focused on economic development (agriculture, industry, services), as well as social development, which is key to ensuring the sustainability and *social quality*<sup>107</sup> of any society. The examples of other countries (e.g. the Baltic States, the countries of the Visegrád group, or Slovenia) could perhaps suggest a model of development that is more suitable to the economic and social structure of the Republic of Moldova.

### *...And Why Moldova Fails to Succeed?*

In the Republic of Moldova, by contrast with the Baltic States, the surveys carried out in 1990 and 1991 showed, on the contrary, that the majority of the population would have preferred to keep the republic within the USSR. The national and pro-independence movement, although enjoying massive support at the end of the 1980s, was rather ascribed to the pro-Romanian intellectual elite. The international support that R. Moldova benefitted from after 1991 was delayed and rather haphazard.

Moldova's economy was mainly agrarian, with a reduced industrial output (moreover, 28% of all industrial enterprises in R. Moldova were located in Transnistria). The loans offered by international financial institutions in 1993-1997, had indebted R. Moldova for a decade ahead, without modernizing the infrastructure and the economy. The reforms aimed at facilitating the transition towards a liberal democracy and market economy, were operated in

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<sup>106</sup> Dorothee Bohle, Bela Greskovits, "Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe", *West European Politics*, vol. 30, no. 3, pp. 443-466; Martin Wolf, "Why the Baltic States Are No model", *Financial Times*, 30 April 2013, URL: <http://www.ft.com/cms/s/0/090bd38e-b0c7-11e2-80f9-00144feabdc0.htm>, accessed on July 3, 2016; Fredrik Erixon, "Baltic Economic Reforms: A Crisis Review of Baltic Economic Policy", *ECIPE WORKING PAPER*, No. 04/2010. I thank Valentin Lozovanu for these bibliographical recommendations.

<sup>107</sup> On the concept of social quality, see, among other theoretical resources, Pamela Abbott, Claire Wallace, "Social Quality: A Way to Measure the Quality of Society", *Social Indicators Resource*, no. 108, 2012, pp. 153-167. This article is published with open access at Springerlink.com.

1991-1998 reluctantly and with hesitations; these hesitations were understandable, since those who had to implement these reforms represented of the old-system elite, while the liberal reforms and especially the privatization were perceived as destroying the production model as well as, indirectly, the national economic heritage (since the property of industrial enterprises and agricultural collectives were embezzled on a large scale), without producing a viable economic system for the short and medium term. These government elites, composed mainly of Agrarian Party representatives, did not have enough competence, ability, or vision neither to efficiently and correctly manage the loans received from international financial institutions for an effective implementation of reforms, nor to negotiate with international financial institutions for more favourable terms for the loans and reforms.

Finally, the conflict in Bender and Transnistria had a disastrous effect upon the economy on both banks of the Nistru River. This conflict, and the dislocation of Russian Federation troops on the territory of Transnistria (which *de jure* is the territory of R. Moldova), has marked Moldova as a potential conflict zone, positioned within Russia's sphere of influence. In a period when the Baltic States, among others, focused on implementing reforms, the Republic of Moldova was wasting energy on war. The conflict on the Nistru River discouraged foreign investments for a long time. Nowadays however, 22 years after the settling of that conflict, the "scarecrow" which prevents foreign investments is the instability and the "captive" state on the right bank of the Nistru River.

Since the geopolitical U-turn made by CPRM in 2004 by embracing the European vector, the investments from/and commercial relations with Western countries have increased constantly (overtaking those from Russia and CIS countries in 2006), as has the volume of financial and technical assistance from international financial institutions. However, the elites' geopolitical hesitation and deficient governing practices, continued unabated. In 2015, the state R. Moldova reached a critical phase of becoming "captive" to vested interests. This geopolitical hesitation, indirectly coupled with the poor governance of the pro-European elites, continue to undermine any project of sustainable modernisation and European integration.

## *Epilogue*

A Western researcher qualified the Republic of Moldova in 2002 with the rather unflattering term of "pluralism by default" – in other words, an "involuntary pluralism"<sup>108</sup>. According to his analysis, pluralism – and not democracy, which was still inexistent – in the Republic of Moldova was a side

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<sup>108</sup> Lucan Way, "Pluralism by Default...cit.".

effect of the weakness of the state and its institutions, which were incapable of systematically promoting a program of modernization, and which were moreover “captured” by vested interests. Another reason for this “involuntary pluralism” is the division of the country’s elites along several identity discourses and geopolitical orientations. From the perspective of the author of this analysis, a viable democracy and a state based on the rule of law (just like an authoritarian regime, adds the author) requires a “powerful state”, that is a state whose institutions operate unaffected by vested interests and contextual geopolitical fluctuations.

Continuing with this analysis, which remains perfectly valid in the moment of publication of this article, one can draw the conclusion that the failure of the “transition” in R. Moldova was caused to varying degrees by the following factors: 1) the weakness of state institutions that were captured by groups of vested interests; 2) a lack of resolve, and political and geopolitical oscillation of the ruling elites; 3) a deficient civil society, divided along cultural, identity and geopolitical lines, and thus unable to unite and push for a better and more honest governance.

The solution to escaping from this crisis lies in breaking the cycle of this “pluralism by default” of the “transition”, by acting on the three above-mentioned levels. Until a renewal of elites and a real reform of state institutions occur, this vicious cycle of under-development could be broken by the Moldovan society itself, by strengthening its internal cohesion and solidarity, beyond the – rather natural and potentially constructive – plurality of cultures and identities, political and geopolitical preferences, and by supporting an authentic activism, which would pressure the elites and decision-makers to working honestly, hand-in-hand with the governed, at building the foundation for a better common life and development.