

# MOLDOVA



**Polity:** Parliamentary democracy

**Economy:** Mixed capitalist (transitional)

**Population:** 4,300,000

**GNP per capita at PPP \$ (1999):** 2,358

**Capital:** Chisinau

**Ethnic Groups:** Moldovan/Romanian (64.5 percent), Ukrainian (13.8 percent), Russian (13 percent), Gagauz (3.5 percent), Bulgarian (2 percent), Jewish (1.5 percent), other (1.5 percent)

**Size of private sector as % of GDP (mid-2000):** 50

## NATIONS IN TRANSIT SCORES

	1997	1998	1999-2000	2001
Democratization	3.90	↓ 4.00	↑ 3.88	↓ 3.94
Rule of Law	na	na	5.00	5.00
Economic Liberalization	4.00	↓ 4.17	↑ 4.00	4.00

## KEY ANNUAL INDICATORS

	1994	1995	1996	1997	1998	1999	2000
GDP per capita (\$)	268.0	387.0	443.0	507.0	449.0	304.0	326.0
Real GDP growth (% change)	-31.2	-1.4	-7.8	1.3	-6.5	-4.4	0.0
Inflation rate	329.7	30.2	23.5	11.8	7.7	39.3	31.3
Exports (\$ millions)	619.0	739.0	823.0	890.0	644.0	469.0	495.0
Imports (\$ millions)	672.0	809.0	1,083.0	1,237.0	1,032.0	597.0	763.0
Foreign Direct Investment (\$ millions)	18.0	73.0	23.0	75.0	88.0	34.0	100.0
Unemployment rate	1.1	1.4	1.8	1.5	1.9	2.0	2.0
Life Expectancy (years)	66.0	65.7	66.6	66.5	66.5	66.6	67.0

## INTRODUCTION

Since its declaration of independence on August 27, 1991, Moldova has developed into an electoral democracy based on a multiparty political system with free and fair elections. In mid-2000, it became the only parliamentary democracy in the Commonwealth of Independent States (CIS), when parliament opted to name the head of state rather than continue to organize a direct, national vote. The country is divided between the region under the control of the generally reform-minded and European-oriented central government and the eastern Transnistrian districts under the rule of an authoritarian regime. Local authorities in Transnistria interfered with the ability of citizens to participate in the 1996 presidential and 1998 parliamentary elections. They maintain their own parliamentary, executive, and judicial structures, none of which have been subject to international monitoring. In Transnistria, police harassment, elections that are not free, and infringements on basic political and civil liberties are the norm. This is especially true for the region's Romanian-speaking residents, who make up a plurality of the population.

Moldova made some progress in economic reform in the 1990s, including the introduction of a convertible currency, the lifting price controls, and the completion of land privatization. The Russian economic crisis, though, hit Moldova hard, causing the value of the currency, the Moldovan *leu*, to slide precipitously. Today, a large share of the population lives in poverty, and the average household spends nearly half its income on food alone. The country ranks near the bottom of the United Nations Development Program's Human Development Index; it is tied with Tajikistan and just ahead of Mongolia. Accurate statistics from Transnistria are unavailable, but the living conditions are probably at least as dire there as in other parts of Moldova. The situation in Transnistria has been ameliorated only by an active border trade with Ukraine, export contracts between the region's heavy industries and enterprises in other parts of the former Soviet Union, and money coming into the economy in the form of salaries for Russian troops still stationed there. Moldova's largely agricultural economy suffered from a major drought in summer 2000 and a severe ice storm later in the year. The country's energy dependence on the Russian Federation, including its massive debt to the Russian gas monopoly, Gazprom, has meant that power cuts are frequent. Even the president, Petru Lucinschi, has begun to question publicly whether Moldova can survive as an independent state.

In July 2000, the parliament voted to amend the constitution and introduce a fully parliamentary system, with the president elected by the unicameral assembly rather than by direct popular vote. The new system is at odds with the results of a May 1999 referendum, called by President Lucinschi, in which more than half the voters backed an increase in the president's powers. The constitutional court,

however, ruled that the referendum was invalid. The change in political system in Chisinau has had no positive impact on Moldova's key domestic security problem, the unresolved status of Transnistria. If anything, the introduction of parliamentary rule may have placed yet another obstacle in the path of resolving Transnistria's final status, since the system of the self-declared "Dnestr Moldovan Republic" (DMR) is strongly presidential. Repeated rounds of negotiations over Transnistria's status continued throughout 1999 and 2000 but with little progress. The Moldovan economy has spiraled downward, and output for 2000 is expected to decline by as much as nine percent.

Corruption, long acknowledged as a major impediment to foreign investment, has become a political issue as well. Its link with the Transnistrian problem finally has begun to receive treatment in the Moldovan press, with local observers charging that central government officials benefit from the untaxed trade and production carried out via the DMR. While blatantly fraudulent elections and government harassment of opposition parties is common in other parts of the former Soviet Union, it is still alien to Moldova. However, the intersection of political power and business interests remains a brake on further political and economic reform.

The change to a parliamentary system holds both promise and peril for Moldova. On the one hand, the new system marks the victory of a popular assembly over a president who had argued that a more powerful executive authority was essential to curing Moldova's ills—a line of argument that has ushered in increasingly authoritarian political systems from Russia to Central Asia. But the triumph of parliament was not necessarily the triumph of parliamentary democracy. The highly fractious assembly faced problems deciding on a candidate for the presidency, and, at the end of the period covered by this report, it seemed more likely that the parliament would effect its own dissolution by failing repeatedly to elect a president under the new system. (The sitting president can dissolve parliament and call new elections if the assembly fails to agree on a new head of state.) The Party of Communists, whose representation in local and central institutions had grown steadily since the mid-1990s, was poised to take advantage of increasing public discontent with the dysfunctional economy and petulant disputes among political leaders, and to emerge as the clear winner in any new election.

On balance, the change of system was a positive development for Moldovan democracy, since it effectively blocked the acquisition of power by a chief executive who had come to look enviously at his counterparts in Russia and Kazakhstan. Yet there was little hope that the parliamentarians themselves, divided by ideology and intense personal disputes, could agree among themselves long enough to make the new system work. Indeed, if in 1999 and 2000 Moldova had the distinction of becoming the CIS's first parliamentary democracy, it seems probable that in late 2000 or 2001—with early parliamentary elections

likely—it could become the first country to be governed by an assembly with an absolute Communist majority.

Moldova has been one of the democratic stand-outs in an otherwise dismal post-Soviet array. Its elections have been free and fair, its parliament strong, and its political culture tolerant of minorities. Still, a decade after independence, Moldova is something close to a failed state. Its economy is in tatters, with little foreign investment and its most productive industries located in Transnistria, outside the central government's control. Its main political parties repeatedly have shown themselves willing to block needed reforms, often simply because a reform bill was proposed by a rival political faction. And the situation in Transnistria is no closer to being resolved. If anything, the Transnistrians have strengthened their position as a de facto independent state, by concluding economic agreements with international investors and by receiving the vocal support of politicians in Russia and other de facto states such as Abkhazia and Nagorno-Karabakh. The region's limbo status has fueled corruption by providing a route into and out of the country free of any real control. The continued presence of Russian troops there has provided a useful foil for leaders in Chisinau, who can blame the country's dire conditions on "Russian imperialism" rather than their own policy failings. The deluxe villas that began to spring up around Chisinau's old Komsomol lake in the late 1990s were further evidence to average Moldovans that their leaders, often in league with the very Transnistrian separatists whom they denounce are interested more in their own enrichment than in the country's genuine progress.

The future of Moldova as a viable state is thus in doubt. And the irony is that, even if state-building fails, there is no real place for Moldova to go. Romania, itself burdened with economic problems but nevertheless a candidate for membership in the European Union, continues to tout its "special relationship" with its eastern neighbor, but that relationship means little in practical terms. Moldovan's candidacy for the European Union is decades away, and relations with Russia are hampered by a sense among many Moldovans that the Russian troops in Transnistria are little more than an army of occupation. But even if the country as a whole has nowhere to turn, average Moldovans have found that they do—by leaving in droves to seek work abroad and, in the process, taking Romanian, Russian, and Ukrainian citizenship to hedge against a possible future without a Moldovan state to which they can return. Ten years after declaring itself independent, Moldova now faces the same dilemma that many of the former Soviet Union's poorest states have confronted: What if you built a country but no one stayed around to see it?

## DEMOCRATIZATION

### Political Process

1997	1998	1999-2000	2001
3.25	3.50	3.25	3.25

The most important development in Moldova during the period covered by this report was the change of constitution from a semipresidential to a parliamentary system. Under the 1994 constitution, both president and parliament were elected by popular vote. In the 1996 presidential elections, Petru Lucinschi—the penultimate first secretary of the Community Party during the Soviet period—emerged as the victor with 54 percent of the vote over his second-round opponent, Vladimir Voronin of the Party of Communists. The next regular presidential elections were scheduled for fall 2000, but political machinations throughout much of 1999 and early 2000 set the stage for a confrontation between president and parliament. In July 2000, the parliament voted to amend the constitution and have the assembly elect the head of state. The changes increased the government's powers at the expense of the president's and clarified the locus of power in the Moldovan political system, which had long been characterized by tension between the legislature and the executive.

Fifteen parties competed in the March 1998 parliamentary elections. Only four passed the four percent threshold for representation, based on the country's system of proportional representation according to closed party lists. With 40 seats, the Communists emerged as the largest bloc, even though this was the first parliamentary election in which the party had offered candidates. A rightist grouping known as the Democratic Convention, centered around the pro-Romanian Christian Democratic Popular Party, garnered 26 seats. The remainder was accounted for by the Democratic Party, largely created as a support base for President Lucinschi during the 1996 presidential race, with 24 seats, and the moderately pro-Romanian Party of Democratic Forces with 11 seats. The three non-Communist factions banded together to form a coalition government, known collectively as the Alliance for Democracy and Reforms. But frequent infighting among the coalition partners made the distribution of ministerial portfolios and government offices a subject of political contention.

Three developments have sharpened the conflicts both among parliamentary factions and between the assembly and the president. First, in the May and June 1999 local elections, the Communists increased their already significant representation in mayoral seats and on local councils. With the evident strengthening of the Communists, both parliamentary factions and President Lucinschi sought to coopt the Communist leadership. What the major parties once saw as a major threat—the return of the Communists—became a potential source of leverage in the increasingly acrimonious disputes within the governing coalition.

Second, Lucinschi himself became frustrated with the bickering among his erstwhile parliamentary partners. With

other states in the former Soviet Union had strengthening the powers of the executive, Lucinschi began to agitate for similar constitutional reforms in Moldova. During the May 1999 local elections, he organized a national referendum on the political system. Voters were asked to choose between the existing system, under which individual ministers were named by the prime minister and approved by parliament, or a new presidential system, under which the president would serve as the effective head of government and hold the power to name and dismiss individual ministers. At only 55 percent, though, voter turnout was below the required 60 percent for the results to be considered valid. Of those who voted, most opted for the presidential system. Lucinschi's supporters cast the result as evidence of popular discontent with the parliament. On November 3, however, the constitutional court ruled that the referendum had been illegal. It determined that while the president has the power to "initiate" a referendum, the court ruled, only parliament has the prerogative to administer it.

Third, the energetic leadership style and reform orientation of Prime Minister Ion Sturza threatened to undermine the powers that Lucinschi already enjoyed. After taking office in March 1999, Sturza accelerated Moldova's reform effort. In August 1999, the government launched a major new privatization program, including the planned sale of the state telecommunications company Moldtelecom, the country's entire electrical energy distribution network, five major alcohol firms, and a minority stake in the gas distribution company Moldovagaz. Also on Sturza's watch, Moldova moved to shore up ties with Ukraine by concluding an interstate agreement on the delineation of frontiers, providing for small territorial swaps to facilitate rail and road traffic, and formally recognizing Moldova's frontage on the Danube river.

Nevertheless, throughout the tenure of the Sturza government, Lucinschi had repeatedly criticized the prime minister and, by autumn 1999, had begun quietly to urge his supporters in parliament to pass a vote of no-confidence in the government. The president argued that Sturza had been unable to initiate a thorough reform program, but many suspected that it was precisely the opposite: As one of the country's most successful young businessmen and generally supported by the most pro reform groups within the parliamentary coalition, the 39-year-old Sturza presented a political threat to Lucinschi. Indeed, given the government's generally strong approval rating by Western governments and international financial institutions, the Sturza government's dismissal on November 9, 1999, was seen by many as a step backward. Communist deputies proposed the no-confidence motion, and independent parliamentarians allied with Lucinschi who supported it. Interestingly, the Christian Democratic Popular Party—which previously had been the most anti-Communist of all the factions—joined the leftists in supporting Sturza's ouster.

This strange alliance confirmed not only Lucinschi's political debt to the Communists, but also revealed the deep divisions within the Alliance for Democracy and Reforms. As

in earlier parliamentary confrontations, Sturza's demise had less to do with disputes over policy than with internal rivalries within the governing coalition—especially between Iurie Rosca and Valeriu Matei, the leaders of the two rightist factions. Rosca, of the Popular Party, and Matei, of the Party of Democratic Forces, are both solidly pro-Romanian in their ideologies but have long been bitter political enemies. Rosca's cooperation with the Communists marked the second time in the 1990s that he joined with politicians who were, in ideological terms, in his own camp. The first time, in the 1998 parliamentary elections, he had joined in an electoral bloc with former president Mircea Snegur, even though only months earlier he had denounced Snegur as a traitor to the cause of Moldovan-Romanian integration.

The Sturza government's fall sparked a serious crisis. International lending agencies had generally praised Sturza, but the cabinet's infighting illustrated the degree to which even the most committed prime minister could not paper over political divides within the coalition. On November 5, when Sturza's future was already in clear peril, the International Monetary Fund suspended its program in Moldova after the parliament had failed to approve the privatization of the wine and tobacco industries. The World Bank followed suit three days later by postponing its structural adjustment credit agreement. Further, cooperation among the Communists, Rosca's Popular Party, and Lucinschi's parliamentary allies deepened the rift between the president and the parliamentary speaker, Dumitru Diacov. Diacov had himself once been a Lucinschi supporter, winning his parliamentary seat with the party that had been formed to support Lucinschi's presidential bid. But the president's clear effort to manipulate the parliament came up against Diacov's own ambitions—including what many suspected was a desire to run for president himself in the 2000 elections.

Much of the autumn and spring was taken up by sorting out the results of Sturza's fall and increasing acrimony between the executive and the legislature. A new technocratic government under Dumitru Braghis was finally approved in December, after two failed attempts by other prime ministerial hopefuls. The Braghis government, though, was universally seen as a caretaker who would remain in office until the results of the presidential-parliamentary contest could be decided. Parliamentary deputies pushed forward with plans to change the constitution by eliminating direct presidential elections—an initiative that had begun to gain momentum after Lucinschi's pro presidential referendum in the spring. By mid-November 1999, the constitutional court had already approved a formal draft amendment creating a parliamentary republic.

Events came to a head in the spring of 2000, when the required six-month waiting period between the court's approval of the draft law and parliament's consideration of it had come to an end. Lucinschi attempted to introduce his own draft law in May. Under his proposal, the powers of the president would be increased to allow for the direct presi-

dential appointment of ministers. The draft law also called for refashioning the basis of representation in parliament, with 70 deputies to be elected in single-member constituencies and 30 on party lists. It was parliament, however, that won the day. In June 2000 it restricted the issues on which referendums could be called only to those that affected the sovereignty, independence, and territorial integrity of the state. This action effectively cut off Lucinschi's chances of holding yet another referendum on the political system. The following month, the new constitutional amendments were formally approved, transforming Moldova into a parliamentary republic (see table 1). President Lucinschi at first refused to promulgate the law, but he capitulated after his initial veto was overturned.

### Constitutional Changes, July 2000

**1994 Constitution:** President elected by popular vote in two-round majority system.

**2000 Amendments:** President elected by three-fifths vote of parliament.

**1994:** Presidential candidates must be at least 35 years old.

**2000:** Presidential candidates must be at least 40 years old.

**1994:** Referendum necessary for presidential dismissal.

**2000:** President dismissed by parliament with approval of constitutional court.

**1994:** President names prime minister. Prime minister and government approved by parliament.

**2000:** President names prime minister after consulting with parliamentary factions. Prime minister and government approved by parliament. President has power to change individual ministers only on proposal of prime minister.

**1994:** President can attend government meetings and chairs the sessions when in attendance.

**2000:** President does not participate in government sittings. Prime minister chairs sessions.

**1994:** n/a

**2000:** Government has power to issue decrees.

**1994:** President names two of the six justices on the constitutional court.

**2000:** Government names the two justices. The other four named by parliament and magistrates.

**1994:** President has power to initiate constitutional amendments.

**2000:** President has no such power.

In September, parliament passed new legislation on the precise mechanism for electing the president. The date for the next presidential election was set for December 1, 2000, with Lucinschi remaining in office until the expiration of his mandate in January 2001. Candidates must be Moldovan citizens, over forty years of age, and residents of Moldova for at least ten years. They also must have a command of the Romanian language. Nominations must be made by at least 15 deputies, and candidates must receive three-fifths of the parliamentary vote to win in the first round. Two successive rounds may be held between the two top vote-getters, but if neither is successful, the president may dissolve parliament and call new elections. In separate legislation, parliament worked to weaken Lucinschi's position further. In the spring, changes to the electoral law raised the vote threshold for parliamentary representation from four percent to six percent, reduced the threshold for independent candidates from four to three percent, banned newly formed political parties from participating in elections for two years after their registration, and placed responsibility for naming the central electoral commission in the hands of the parliament. All of these changes were designed to strengthen parliament's hand against Lucinschi's.

Lucinschi fought these changes in the constitutional court through the fall, but the court finally settled matters in October. The justices struck down the change to the electoral code that prevented newly registered parties from standing in elections for two years but left in tact the other reforms. One of the newly empowered parliament's first acts, on October 19, was to pass legislation on privatizing the wine and tobacco industries, thus paving the way for the resumption of IMF lending.

The choice between a fully parliamentary system and a fully presidential system occupied Moldovan politicians throughout 1999 and 2000. Yet the choice was in large measure a false one, driven more by political intrigues among Moldova's political interests than by a dispassionate consideration of the country's institutional problems. Indeed, the two most troublesome components of Moldova's electoral system remained completely unchanged: the closed-party list electoral rule and the disjointed election schedule.

The unicameral parliament is elected via proportional representation with the entire country considered a single electoral district. The party leadership alone decides who sits where on the candidate list, and instances in which candidates have bought their way onto the list—with the reward of parliamentary immunity if elected—are not unknown. The system encourages patronage politics within the parties and discourages a sense of connection between deputies and constituents. Moreover, since deputies retain their parliamentary seats even if they decide to leave their party, the system also magnifies the fractiousness and party defections that have plagued the assembly over the last decade.

The disjointed schedule for elections is another problem. Since 1991, the country has been in the midst of a perpetual political campaign. That is, Moldova's institutions

of governance are on separate electoral calendars because they were all reformed at different times. There were direct parliamentary elections in 1994, local elections in 1995, presidential elections in 1996, parliamentary elections in 1998, local elections in 1999, and—until the revision of the constitution—presidential elections slated for 2000. As a result, no politician except Sturza was ever really willing to take the political risks that real reform might entail for fear of losing in a swiftly approaching election. The change of constitution has gone some way toward alleviating this problem, if for no other reason that it simply eliminated one election from the schedule. There were, however, less politically disruptive ways of effecting such a change.

Through 1999 and early 2000, the country's most serious political problem remained the unresolved status of Transnistria. Since 1990, when it declared independence from Moldova, this breakaway strip of land on Moldova's eastern border has transformed itself into a functionally independent state, called the "Dnestr Moldovan Republic." Although no state formally recognizes the DMR's existence, its ability to maintain public order, keep industry going, and conclude production contracts with foreign firms is perhaps as well-developed as that of the legitimate Moldovan central government, albeit within a solidly authoritarian political system.

Numerous rounds of negotiations on Transnistria's final status have been held since the cessation of fighting in summer 1992, but little real progress has been made. If anything, the DMR's de facto independence strengthened in late 2000. There was a significant international presence at the DMR's tenth anniversary celebrations in September 2000, especially from the Russian Federation and other unrecognized republics such as Abkhazia, South Ossetia, and Nagorno-Karabakh. Western governments, though, continue to stress the territorial integrity of Moldova and shy away from direct contact with the DMR authorities. In June 2000, a new initiative by Russian president Vladimir Putin led to the formation of a commission on Transnistria headed by former Russian prime minister Evgenii Primakov. The commission has conducted several visits to Chisinau and Tiraspol, but little progress has been made on reaching a draft accord acceptable to all sides in the conflict. Indeed, the so-called "Primakov plan," the proposals put forward by the Primakov commission, may further weaken the central government by creating a loose federation that consists of a generally democratic government in Chisinau bound to an authoritarian one in Tiraspol.

The position of Russian troops still stationed in Transnistria also received renewed attention in 1999 and 2000. The Moldovan government has long maintained that the Russian presence provides legitimacy to the DMR authorities; Russian troops are also known to have aided the Transnistrian separatists in the early 1990s. At the Istanbul summit of the Organization for Security and Cooperation in Europe (OSCE) in 1999, the Russian Federation agreed to withdraw its forces by the end of 2002. The departure of

equipment began even before the formal agreement, and there are now approximately 2,600 Russian soldiers in the DMR, not counting those deployed as part of the 1992 Moldovan-Transnistrian ceasefire agreement. Even if the Russians leave by the agreed deadline, the problem of Transnistria will remain. With an army larger than that of the Moldovan central government, the DMR has little reason to rejoin a unified Moldovan state.

The events of the period covered by this report, as turbulent as they were, at least showed that the Moldovan political system works. Unlike in other former Soviet republics, the president did not attempt to circumvent legal institutions when he felt his position threatened. Lucinschi worked hard to prevent parliament's gaining the upper hand, but he did so through constitutional mechanisms. And in the end, when all legal channels had been exhausted, he accepted the change of system. Problems of corruption, territorial separatism, poverty, and inefficient administration continue to plague the country, but in 1999 and 2000 Moldova's first serious constitutional crisis illustrated that the basic structures of government are relatively robust and that the country's leadership remains committed to democratic governance.

#### Civil Society

1997	1998	1999-2000	2001
3.75	3.75	3.75	3.75

Moldova has a vibrant array of nongovernmental organizations (NGOs). More than 1,400 have been registered with the ministry of justice in the last decade, and their activities range from civic education programs to sponsoring beauty contests. Many of those that have registered officially, however, consist of no more than a few individuals. Even the most visible NGOs, such as the Soros Foundation of Moldova, the International Foundation for Electoral Systems-Moldova, and the Euro-Atlantic Center, are either branches of well-established European and American organizations or exist solely on the basis of grants from foreign sources. The Institute of Public Policy is quickly becoming one of the central nongovernmental research and advocacy bodies in the country, attracting leading academic and policy specialists. It, too, is supported exclusively by foreign grants. The Viitorul Foundation focuses on local government reform. The Helsinki Committee for Human Rights works in the areas of human rights education and monitoring.

There are no serious legal obstacles to volunteerism or philanthropic giving, although some NGOs have criticized the registration process as inefficient. There is little evidence, however, of a desire by the government to restrict the size or number of NGOs. In some cases government officials have attempted to intimidate associations that are linked with their political rivals. The main obstacle to the further growth of citizens' associations seems to be an economic one. The parlous

state of the Moldovan economy has meant that most citizens are engaged mainly in survival rather than civic activism.

A continuing problem has been the government's refusal to register the Bessarabian Metropolitan Church, a position that has been condemned by the European Court of Human Rights. The church, which is loyal to the Romanian patriarch rather than to the Russian one, is a rallying point for pro-Romanian forces in Moldova, and the government fears that official recognition might weaken Moldova's independence. Another branch of the church, loyal to the Moscow patriarchate, has operated legally since 1991. (The constitution, however, does not label Orthodox Christianity—of whatever hue—the “official” religion of the country.) The government has made no effort to close down Bessarabian Metropolitan churches forcibly, but its refusal to grant official recognition has prevented the church from acquiring property legally.

There was increasing civil unrest throughout 2000, and organized, sometimes violent, demonstrations led the police and the prosecutor's office to launch investigations into a number of civil society organizations. Student groups protested in the spring against an increase in fares for public transportation in Chisinau, leading to several arrests and legal action against university professors accused of inciting violence. Pensioners mobilized in the summer against unpaid entitlements. Farmers and Afghan war veterans took to the streets in the fall, complaining of government intransigence in paying pension arrears.

#### Independent Media

1997	1998	1999-2000	2001
4.00	4.25	4.00	4.25

Moldova has a generally vibrant and free media. The constitution and the Law on the Press provide legal protections for press freedom, and there are no special provisions against libeling public officials. Libel cases, whether involving officials or private citizens, are handled through the courts. In November 1999, the leader of the Party of Democratic Forces, Valeriu Matei, won a court case against the *Flux* newspaper, Matei had accused the paper of libel after it ran an article insinuating that he was involved in corrupt business practices. In June 2000, the constitutional court upheld the legality of two articles on libel in the civil code. Journalists accused of libel must prove the veracity of their statements. If they are found guilty of the libel—without having previously printed a retraction—they are subject to fines ranging from 100 to 200 times the average monthly salary.

In March 2000, the parliament voted to amend the electoral law to prevent foreign-owned media from participating in electoral campaigns. The vote, taken without discussion with major media players, was strongly condemned by media-related NGOs. The same month, *Jurnalul National* became the first major Romanian-owned newspaper to publish

a separate edition in Moldova. Further legislation in May required periodicals to indicate their registration numbers on each edition. The new law was an attempt to regulate the large number of unregistered publications that appear on the Moldovan market, especially “supplements” to legally registered periodicals that are able to piggy-back on existing registrations and avoid taxation.

Moldova has a wide variety of newspapers and television outlets. Teleradio-Moldova remains the main state-owned company, but private radio and television stations broadcast locally produced programming, mainly in Romanian and Russian. Major Russian television companies also broadcast to Moldova. There is an official government news service, Moldpress, but several independent companies eclipse. These are Flux, BASA-Press, Interlic, and Deca-Press. Major newspapers include the government publications *Moldova Suverana* (in Romanian) and *Nezavisimaia Moldova* (in Russian), as well as several daily and weekly independent publications, such as the *Flux*, *Glasul Moldovei*, *Dialog*, and *Tara* (all in Romanian), and *Novoe Vremia* (in Russian). None of them, however, can be called truly editorially independent, because they are affiliated with a clear party or political grouping. In Transnistria, the DMR government severely restricts press freedom. It owns two major newspapers in Tiraspol and frequently harasses or closes down smaller independent publications. There is no circulation of Moldovan press in the DMR, nor are Transnistrian publications available in Chisinau.

In 2000, the issue of language became politically salient once again. Language laws adopted in 1989 mandated that Romanian (or “Moldovan,” as it is still officially known) should come to play the predominant role in the media. While Romanian is certainly more present in public life than in the Soviet period, Russian still functions as an unofficial second language. In summer 2000, an association of students with degrees from Romanian and Western universities launched a court case against the state broadcasting board regarding the lack of television and radio programs in Romanian. According to existing legislation, 65 percent of programming on licensed stations must be in the Romanian language; many stations, however, have far more programs in Russian and do not come close to that figure. The court case was designed to put pressure on the government, but to ethnic minorities it represented a further reminder that some people considered them unwelcome guests.

In response to the students' case, the broadcasting board temporarily revoked the licenses of several radio and television stations for failing to have a minimum of 65 percent of their broadcasts in Romanian. In September the court of appeals upheld the move when it ruled in favor of the students. There was a sharp outcry from international organizations, including from the OSCE's High Commissioner on National Minorities. Parliament quickly stepped in to defuse the crisis. By the end of the month, it passed a special addendum to the language law under which the 65 percent requirement will apply only to locally produced

programs, not to programs produced or rebroadcast from abroad. The new provisions passed by only the slimmest of margins and were strongly opposed by pro-Romanian groups in parliament.

Computer usage in Moldova has continued to grow. There are some 15 Internet service providers operating in Moldova, although many more have been registered. Schools have 10,500 computer stations, or roughly one station per 60 students. Internet cafes have begun to spring up in Chisinau, but easy computer access is still limited mainly to persons affiliated with foreign companies or foreign-supported NGOs. Even most Moldovan government offices lack adequate computer equipment.

The issue of Transnistria also affects the media. In summer 2000, Oazu Nantoi, a prominent activist in the Social Democratic Party and a former presidential advisor on the Transnistrian problem, hosted a series of programs on national television. However, the programs had earned the ire of many in Chisinau, when Nantoi suggested that members of the central government and Transnistrian separatists, were colluding in illegal commerce. In October, citing financial pressure, Moldovan National Television decided to drop the broadcasts. But Nantoi and others argued that the real reason was the discomfort that the programs caused both the Transnistrians and their sympathizers in Chisinau, including the head of Teleradio-Moldova, a former Communist deputy in parliament.

### Governance and Public Administration

1997	1998	1999-2000	2001
4.25	4.50	4.50	4.50

Moldova is a weak state with weak governmental institutions. Corrupt officials, inadequate financial resources, and inherited habits of evading officialdom rather than working with it are persistent problems. The general trend, however, has been in the direction of streamlining government and increasing the efficiency of existing institutions. Laws on administrative and territorial reform, public administration, and public finance were adopted in 1998 and 1999. Local government has the power to create local budgets, but social services at both the local and national level remain severely underfunded. Elections for local governmental institutions, most recently in 1999, have been free and fair.

In November 1999, the parliament voted to reduce the number of government ministries and to transform the ministry of national security into an information and security service controlled by the president and overseen by a parliamentary commission. The original reform was a potentially dangerous move, since it came at the same time as other attempts by Lucinschi to strengthen the office of the president at the expense of parliamentary control. But further reforms in December 1999 and October 2000 transferred control of the border guards from the former security min-

istry to a newly created department of the government and subordinated the new security service directly to parliament rather than to the president. The reforms were an important step in making the security services more transparent and bringing them solidly under democratic control.

The reform, functioning, and empowerment of local government continue to be major issues. The territorial administration of the country was restructured in 1998 to create eleven counties, or *judete*, to replace the smaller Soviet-era districts, or *raions*. The relationship between the new system of prefects (representatives of the central government in each of the counties) and local councils is still not clear. Moreover, there are three general exceptions to the local government scheme, none of which has been fully worked out. First, there is Transnistria. Although promised autonomy in the 1994 constitution, the region's status is still uncertain, because the Transnistrians maintain that they form an independent "Dnestr Moldovan Republic."

Second, in 1995 Moldova created a separate administrative unit for the Gagauz, a Turkic-speaking minority in the south. The Gagauz Autonomous Territorial Unit, also known as *Gagauz Yeri*, is a disjointed entity consisting of four discrete regions in which Gagauz settlement is concentrated. How these units should function in practice, though, is still problematic. Throughout 1999 and 2000, the locally elected governor of Gagauz Yeri, Dumitru Croitor were increasingly called for a separate local budget, direct representation for the Gagauz administration in the central government, and a separate customs service.

Third, the Transnistrian and Gagauz examples have sometimes encouraged local, often Soviet-era elites to resist cooperation with the central government. Such a situation arose in Taraclia, a southern district that, under the new law on local government, was to be absorbed into a larger county. Local politicians rejected the move, and went so far as to claim ethnic self-determination for the district, since most of its inhabitants are ethnic Bulgarians. The Moldovan government finally capitulated, and in October 1999 parliament voted to retain the old district boundaries. Although hailed as a form of autonomy for Bulgarians, the Taraclia incident was in fact a move by district-level elites to retain control over the local economy and, in effect, to resist reforms from the center.

## RULE OF LAW

### Constitutional, Legislative, and Judicial Framework

1997	1998	1999-2000	2001
4.25	4.00	4.00	4.00

The 1994 constitution provides for basic human rights, including the right to private property. Respect for these rights, however, is not always guaranteed. There is no law ensur-

ing access to secret police files. The penal code has been largely revised and brought in line with European standards. There have been some reports of police corruption, brutality, torture, and arbitrary arrest. The highway police, in particular, are known for stopping cars and extorting “fines” for imaginary traffic offenses.

In Transnistria, the human rights situation is particularly dire, with extra-judicial killing, torture, and political detention commonplace. Four Moldovans, including one member of parliament, have been in prison in Tiraspol since 1993. They were convicted of murdering two DMR officials but their trials did not meet international standards. International organizations such as the OSCE Parliamentary Assembly have demanded repeatedly that the prisoners—Ilie Ilascu, Alexandru Lesco, Andrei Ivantoc, and Tudor Petrov-Popa—receive a new trial outside Transnistria.

During the period covered by this survey, there have been important achievements in the areas of citizen participation, the military, citizenship, and property rights. The previous method for citizens to propose an amendment to the constitution was unclear, but in May 2000 parliament adopted new legislation spelling out this right. Citizen petitions with at least 200,000 signatures which are gathered within eight months from at least half of Moldova’s counties, may be deposited with the central electoral commission and the ministry of justice for verification and eventual public discussion. In June 2000, the government approved a plan to improve the conditions of military service and to end conscription by 2012. A new citizenship law, adopted in August 2000, provides for dual citizenship and brings Moldova in line with European norms. Dual citizenship may only be granted, however, in instances in which Moldova maintains special agreement in this regard with another state. So far, Moldova has no such agreement with any state. Unofficial data suggest, though, that perhaps as many as 300,000 Moldovans also hold Romanian citizenship; tens of thousands of Transnistrians—including DMR president Igor Smirnov—hold Russian citizenship. In October 2000, the land privatization program came to an end; more than a million farmers now hold title to 1.5 hectares of land each.

#### Corruption

1999-2000	2001
6.00	6.00

The country’s penal code contains provisions for prosecuting bribery and influence peddling, but in practice Moldova is one of the world’s most corrupt states. On Transparency International’s 2000 Corruption Perceptions Index, it ranks as the eleventh most corrupt country in the survey with a score of 2.6 (where 0 represents the most corrupt and 10 the least). Moldova’s score and ranking were the same in 1999.

Corruption reaches virtually every aspect of society. Political campaigns are financed through money often obtained in less than legal ways. Even the most reform-oriented parties, such as the Party of Democratic Forces, have come under criticism for links with questionable business interests. Basic services such as health care often require supplementary payment. In August 2000, examinations for scholarships to Romanian universities were annulled because someone from the testing body had sold copies of the exam to prospective applicants. There is also serious public discontent with corruption, and newspapers frequently report on scandalous cases. However, since journalistic standards are still low, it is difficult to know whether all of the allegations are true. Most Moldovans seem to think they are. Some 71 percent of respondents in the August 2000 opinion survey felt that Moldova’s wealthy gained their riches through illegal means.

There have been repeated government initiatives to deal with these problems. A special unit for combating organized crime was formed in 1997, President Lucinschi named 1998 the year of fighting corruption, and the government approved an official anticorruption program in 1999. Little has been achieved. In September 2000, however, Transparency International established a branch in Moldova. This will at least mean greater public access to accurate information on corruption.

During the period covered by this survey, the connection between corruption and Transnistria became increasingly clear. Officials throughout the Moldovan government have continually insisted that the main obstacle to resolution of the conflict is the Russian’s Federation’s support for separatists in Tiraspol. To some extent, that is no doubt true. Russia maintains troops in Transnistria against the Moldovan government’s wishes, although Russia has agreed to remove the troops by 2002. Vocal support for the Transnistrians coming from the Russian Duma has undoubtedly assisted the Tiraspol government in the creation of what is today an effectively independent state with its own army, currency, foreign ministry, and educational system.

Yet as much as they complain, there are plenty on the Moldovan side who benefit from Transnistria’s limbo status. Television reports by Oazu Nantoi, Lucinschi’s former special advisor for Transnistria, have highlighted the connection between separatism and enrichment. According to an agreement signed between Chisinau and Tiraspol authorities in May 1997, the Transnistrians were given Moldovan customs stamps and export licenses—a move portrayed as an effort at building confidence and cooperation among the two belligerent sides. In fact, the agreement augmented the ability of the Transnistrians—and their partners in the rest of Moldova—to carry out international commerce without paying taxes to the central government. Cigarettes, petroleum products, armaments, and even humans are part of this illicit trade.

## ECONOMIC LIBERALIZATION & SOCIAL INDICATORS

Privatization			
1997	1998	1999-2000	2001
4.00	4.00	3.50	3.50
Macroeconomic Policy			
1998	1999-2000	2001	
4.25	4.25	4.25	
Microeconomic Policy			
1998	1999-2000	2001	
4.25	4.25	4.25	

By late 2000, Moldova had achieved the dubious distinction of displacing Albania as “the poorest country in Europe,” a label often applied by foreign journalists. Some Moldovans quipped that even this was a positive development—at least foreigners finally saw Moldova as part of Europe. The label, though, was in sharp contrast to the assessments of only a few years ago when Moldova was almost universally praised by journalists and international financial institutions as a model of reform.

To a certain extent, Moldova was a victim of its circumstances. Successive governments had generally worked to meet the requirements of international donors, and in some fields, such as the privatization and titling of agricultural land, the results were impressive. The shock of the Russian financial crisis, continued energy dependence on Moscow, and the stand-off over Transnistria all began to take their toll in the late 1990s. The reforms of the early 1990s were relatively easy and painless, if for no other reason than that business interests had not yet become so entrenched that committed reformers in the government and the central bank could not overcome them. By the end of the decade, however, the same array of political intrigues and vested interests that were blocking reform in other post-Soviet countries had conspired to stall Moldova’s reform effort as well.

In mid-1999, under the Sturza government, Moldova announced an ambitious privatization plan. A controlling interest in the state telephone agency, Moldtelecom, was to be sold off, along with majority shares in the Vismos, Aroma, Struguras, Calaras, and Balti wineries and distilleries. Five regional energy distribution networks were also set to be fully privatized. Earlier in the year, the state gas company, Moldovagaz, had already been partially privatized with the Russian gas company Gazprom taking a 51 percent stake. Later in the year, the Moldovans announced that they would sell their 35 percent share in an international tender.

Few of these plans yielded the benefits that the government had hoped. The fall of the Sturza government in November 1999 frightened international investors and robbed the privatization effort of momentum. Bickering within the

parliament delayed the privatization of potentially lucrative wine and tobacco firms and this prompted the IMF to suspend its program in November 1999. The World Bank followed suit by halting the disbursement of a \$20 million structural adjustment credit. Lending resumed in late 2000 on the promise that the wine and tobacco industries, as well as Moldtelecom, would finally come up for privatization in 2001.

The economy has continued its slide downward. Inflation in 1999 was nearly 40 percent, and output in every major sector fell: a 62 percent production drop in fruit production, 31 percent in sugar beets, 14 percent in tobacco. Since international credits finance much of Moldova’s budget is financed by international credits, the winter of 1999–2000 saw increases in work stoppages, pension arrears, and energy black-outs. For average Moldovans, the winter was the worst since the collapse of the Soviet Union. Average monthly salaries were only around 400 lei (about \$50 at the time), which represented only half the minimum subsistence budget calculated by the state. Moldovans responded either by leaving the country for good or by taking jobs in Romania, Ukraine, and the Russian Federation. Officials estimate that 500,000 Moldovan citizens are working abroad. The figure is probably outrageously high, but there is little doubt that remittances constitute a large share of average household income. Non-salary sources of income—the shadow economy—may account for as much as 65 percent of GDP.

The dire economy has hit average Moldovans hard. Household income and expenditures in Moldova are closer to those of developing countries than middle-income states. In 1998, 90 percent of the population survived on less than \$2 per day; that percentage has probably increased since then. About half the population lives below the locally defined poverty line, and the gap between the wealthiest and the most indigent sections of society has widened. By the late 1990s, the richest quintile of the population accounted for 47 percent of consumption; the poorest quintile for only 6 percent. There was also an increasing recognition among international organizations and local policymakers that this situation was not the result of a temporary “crisis” but rather of a long-term predicament. Even if Moldova were to achieve 10 percent economic growth every year over the next decade, at the end of that period it would still only be at the level it was before the Soviet Union collapsed.

The problems of a dysfunctional economy and the political theater of 1999 and 2000 were not lost on the country’s citizens, who became increasingly dissatisfied with their government. A poll organized by the Institute for Public Policy in August 2000 revealed the depth of public discontent. Some 82 percent of the population felt that the country was headed in a “mistaken” direction. Sixty percent named poverty as their greatest fear, and over a third named hunger. Over half said that they expected conditions either to remain the same or to worsen over the next year.

The structure of poverty and discontent, though, was different from what one might expect. In Moldova, the

poorest section of the population comprises households in which the head is under 40 years old, not pensioners over 60. It is little wonder, then, that the most disgruntled persons, according to the August poll, were young. More than a quarter of all respondents said that they would leave Moldova forever if given a chance; among respondents under 30, the figure was 40 percent. By and large Moldovans are in favor of a market economy, but the young in particular see privatization as little more than a route to riches for those with political clout. Sixty-nine percent of persons under 45 said that the state's privatization plans were merely a way for state officials to get rich and these sentiments have

played into the hands of the Communists. Respondents named Vladimir Voronin, leader of the Communist party, as the person in whom they have the greatest faith; just over 35 percent said they planned to vote for the Communists in the next election.

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