Moldova –
Key Challenges and Political Developments

CONFERENCE REPORT

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This report gives an overview of discussion in the realm of the Southeast Europe Association’s Workshop on current political developments and challenges in Moldova on the 13th and 14th December 2019 in Berlin. The workshop gathered 50 politicians and experts from Moldova, as well as experts from Germany and other EU countries to discuss key challenges Moldova faced in 2019 and to give an outlook on what lies ahead in 2020. Besides taking stock of the country’s turbulent political year 2019, the panels addressed more specific issues such as reforms, the economy, migration, energy as well as foreign policy with a specific focus on the two main external actors Russia and the EU. Discussions also benefited from two background papers which have been published in our online paper series. As the workshop took place under Chatham House Rule, discussions are summarized without naming speakers.

The event was organized and hosted by the Southeast Europe Association’s Vice President Wim van Meurs, as well as its Director Hansjörg Brey and Deputy Director Christian Hagemann. The workshop was possible due to the generous funding of the German Federal Foreign Office via the Stability Pact for South Eastern Europe and took place at the European Academy in Berlin.
BACKGROUND

After years of polarization between self-declared ‘pro-Russian’ and ‘pro-EU’ camps, the focus of Moldovan politics seemed lately to be shifting from geopolitics to domestic reforms. The parliamentary elections on 24 February 2019 had split the votes between the Socialist Party of President Dodon (31.15%), the reformist and grassroots ACUM platform (26.87%), and the until then ruling Democratic Party (23.62%), and thus gave no single party an outright majority. After months of deadlock, in June 2019 the Socialists and ACUM surprisingly reached an agreement for cooperation, electing Maia Sandu as new Prime Minister of the Republic of Moldova. Sandu is a former Minister of Education and World Bank adviser. Hopes were high that under the new government the country could return to the reform path that had been neglected in recent years. However, after the fall of the government on 12 November 2019 following a no-confidence vote in parliament, the situation seems once again unclear and snap elections likely.

In order to shed light on the recent developments and a turbulent year in Moldova, the workshop aimed to take stock of domestic politics in 2019 and the prospects for 2020, the state of institutional reforms and the country’s agenda, Moldova’s economic situation, as well as its international politics. In order to understand the latest developments and to draw conclusions for the future, also the developments witnessed during the last decade were considered. In 2009, Moldova was already in a similar situation, with the change of government from the Party of Communists to the ‘Alliance for European Integration’ coalition. Despite of high hopes for change, domestic politics were soon characterized by an infinite struggle for power among domestic elites. When it comes to reforms, the formal adoption of policies to fight corruption, to increase the independence of the judiciary, and to strengthen institutions was rarely followed-up by proper implementation. The question was thus also what lessons should be drawn from past experience and for international actors dealing with Moldova.

PANEL 1: DOMESTIC POLITICS IN 2019

The speakers of the panel unanimously agreed that 2019 was a year of turbulence. The parliamentary elections in February ended in a constitutional crisis. The deadlock was terminated in June when a coalition government was formed by the Party of Socialists of the Republic of Moldova (PSRM, Socialists) and the ACUM electoral bloc. But the coalition government headed by Prime Minister Maia Sandu (ACUM) lasted only until November when it was brought down by a parliamentary no-confidence vote and was replaced by a new government headed by former Minister of Finance Ion Chicu.
The various epithets used to describe these two governments are already indicative: While the Sandu government was described as an “impossible” or “unnatural” coalition, or even an “unholy alliance”, the “technocratic” Chicu government which features a significant number of former advisers of President Igor Dodon was described as a “tacit coalition” between the Socialists and the Democratic Party of Moldova (PDM, Democrats). While the ouster of the long-time grey cardinal behind the PDM Vladimir Plahotniuc was generally seen as a boon for the political development of Moldova, concerns were raised about the potential emergence of a new “strongman” – President Igor Dodon – whose major goal is thought to be his reelection at the upcoming presidential elections slated for the end of 2020. Rather than continuing the reform agenda of the previous Sandu government, the intention of the Chicu government was primarily to support president Dodon in achieving electoral victory in the next presidential elections.

Causes for the political turmoil: The main thrust of arguments focused on Moldova as a captured state with profound problems with good governance and the rule of law. As one speaker put it: Moldova is not divided by geopolitics or competing narratives about the past, but by kleptocracy. Features of this weak state include an oversize role of oligarchs in politics and monopolies in the economy, as well as a politicized judicial system and civil service.

These general issues with the rule of law have significant effects on political campaigns and elections. Among electoral malpractice, the speakers mentioned the use of administrative resources and vote buying. Of special concern was the lack of impartiality of media as well as fake news and the spread of disinformation on social media. Due to political connections of media owners, in particular TV, national and regional media are used against political opponents. While many TV stations used to be controlled by Vladimir Plahotniuc, some speakers wondered how the Socialists managed to increase the number of television outlets affiliated with their party in a short period of time. Another concern was the increasing presence of Russian state television on the Moldovan media market. Another feature of electoral malpractice is the increasing amount of unaccountable money funneled into election campaigns. This is both due to loopholes in legislation as well as non-compliance by a widespread disregard of existing legislation.

The emergence of the Sandu coalition government and diverging goals within the coalition: The main reasons for the creation of the “unnatural” or “impossible” coalition between the previously opposed political forces PSRM and ACUM was the common goal to get rid of Vladimir Plahotniuc. The parties shared the interest of dismantling elements of the previous regime, namely the strong control over political institutions and monopolies over the economy. A symbol of the pledge to work together
was the **Temporary Provisional Agreement** that was signed by the parties. In the initial stage, a few common objectives could be identified: **First**, in the short-term to conduct a justice reform and the depoliticization of state institutions. **Second**, to organize snap elections freely, based on the new proportional electoral system. And **third**, there was to be a division of labor in external policy: the Sandu government and ACUM were committed to restore good relations with the EU while Igor Dodon and the Socialists were to restore good relations with Russia. The overall performance of the Sandu government was aptly summarized in the phrase: “one government, two parallel agendas.” The most frequent metaphor most speakers appeared to agree with was: “ACUM danced ballet while the Socialists were boxing.” The hardly hidden aim of this “boxing” approach of the Socialists was to take up as many key positions in the “force institutions” and the judiciary as possible. Meanwhile, the Sandu government was “dancing ballet” and pursuing its overarching goal to conduct uncompromising reforms. The **key pillars of ACUM’s reform agenda can be subsumed under four D**: deoligarchization, democratization, demonopolization of the economy, and depoliticization of institutions with a distinct focus on justice reform. One panelist described deoligarchization as difficult to embrace in legal terms, but with two distinct components: **First**, unilateral power of an individual, or a group of persons over the institutions of state law enforcement bodies should be limited. And **second**, there should be clear limits for financing political parties and media from offshore organizations. Different understandings of deoligarchization not only created rifts between the two coalition partners, but even within ACUM, as some ACUM bloc members did not want to follow through on a draft bill on deoffshorization. Beyond differences in interpretation, deoligarchization created another dilemma between speed and legality. If the reforms were to have any lasting effect at all, they would have to be implemented swiftly. But the coalition was bound by law when it comes to changing the heads of many institutions. Some were virtually irremovable, like the heads of regulatory agencies. This dilemma created incentives to accumulate sweeping powers, even for a benign purpose of conducting reforms. **President Dodon and the Socialists were described by speakers as uninterested in reforms.** Their main goal was to amass power over state institutions and pack organizations with loyal officials. Early on in the coalition, president Dodon received more competences over the intelligence services and the Security Council. In contrast to the government’s reform agenda, the Socialists were described by speakers as politicizing the process of appointments and circumventing contests when appointing heads of the customs office, tax office, and board members of state companies. In terms of foreign relations, there was some sort of division of labor: While the Sandu government was committed to restore good relations with the EU, Dodon and the Socialists intended to restore good relations with Russia. While some palpable reform progress helped to unlock money from the IMF, EU, and the EBRD, the early
collapse of the coalition prompted the speakers to search for reasons. They identified two proximate stumbling blocks that triggered the end of the coalition in November. The first was the issue of the general prosecutor. While ACUM pressed for the selection of an entirely independent official, such a choice beyond the control of political forces was argued to be too much of a danger for president Dodon and the Socialists, hence their fierce resistance. The second proximate reasons were the local elections on November 4 which resulted in a backlash for ACUM. Especially in the capital city Chișinău, where the Socialist Ion Ceban defeated Andrei Nastase of the ACUM bloc.

The Chicu government: loyal to president Dodon with low prospects for conducting reforms. Despite rhetorical commitment by the new Chicu government to continue the reform agenda of the previous government, both the composition of the government consisting mainly of Dodon confidants while being formally non-partisan, technocratic, as well as concrete actions appear to demonstrate that there was little hope for reforms. Some speakers even attested a “reoligarchization” of politics since Moldova wound up with a new “strongman” who runs the state like a “limited company”. Since the re-election of Igor Dodon at the 2020 presidential elections was the undeclared main goal of the government, participants expect a rise in “social populism” by increasing the spending on social policy to win over the hearts and minds of the population. Depending on the degree of this social spending, the effect on the state budget and therefore on the relationship with the IMF and the EU might be “disastrous” for what was begun by the previous government. With regard to foreign policy, a balanced approach between Russia and the EU was expected. In practice, this might turn into a “game of smoke and mirrors” to play one side against the other in order to receive as much foreign aid from both external actors on beneficial terms for Moldova with as little conditionality attached as possible. Moreover, the government is actively looking for new donors with China and Turkey as likely candidates for investments.

Forecast 2020: There was a shared expectation that 2020 is likely to remain as “hot” and “turbulent” as 2019 because of the focal point of the presidential elections expected to be held by the end of 2020 (between October and December). There were little doubts that president Dodon was willing to use all means available to seek reelection. But no agreement could be reached on what exact strategy would be pursued to achieve reelection. If at all, political action or even a political crisis should be expected in spring (between March and June) 2020. Mainly because time is needed after the winter break, but also due to provisions in the Constitution: According to Article 85.4, the parliament cannot be disbanded later than six months before the end of the term of the president. The presidential mandate ends in December 2020. In order to hold elections simultaneously, one would need to disband the
**parliament in mid-June.** Most speakers agreed that snap elections were generally possible, but not very likely at this point. A look at the political history of Moldova shows that snap elections occur rarely (1994, 1999, and 2010). Beside the constitution, snap elections would depend on Dodon’s and the Socialists’ electoral rating, on the government’s support by the Democrats in the parliament, but also on the performance of the ACUM bloc and their internal stability to create a counterweight to the ruling coalition. With regard to the electoral rules, some even assumed that president Dodon might go as far as to initiate a constitutional amendment to return to an indirect election of the president by the parliament instead of a direct vote by the population. Russia might also be interested in snap elections to create a more solid pro-Russian majority of leftist forces to bolster their agenda in Transnistria. Generally, the expectation prevailed that the real level of influence and activity from Moscow will become even higher, while patriotic slogans might play a prominent role during the electoral campaign in the debate on how Transnistria can be reintegrated into Moldova, potentially by creating a special status.

**PANEL 2: MOLDOVA’S REFORM AGENDA**

The **general context of reforms is a democratic backlash.** The backsliding is reflected in international rankings in which Moldova today does worse than in previous years. In [Transparency International’s Corruption Perception Index](https://www.transparency.org), Moldova ranks 120 out of 180 countries while five years ago it was ranked 102. In the [Rule of Law Index of the World Justice Project](https://www.worldjusticeproject.org), Moldova ranks 83rd out of 126, in the Criminal Justice subindex it is on rank 97 out of 126 countries. As one panelist framed it, Moldova “hit the jackpot” when it comes to challenges governments face. There are **four such simultaneous structural challenges that have been inhibiting Moldova’s development:**

- **First,** an identity crisis divides the country between the two concepts of an ethnic and a civic nation. Hence any state-building and reform effort would need to be preceded by nation-building.
- **Second,** due to geopolitical cleavages Moldova often was a playground due to geographic constraints. Particularly the Russian influence was not conducive to meaningful reforms.
- **Third,** emigration contributes to decreasing human capital which creates a huge pressure on the public sector since the brightest people tend to prefer the private sector due to more competitive salaries.
- **Fourth,** endemic corruption and clientelism function as a sort of replacement for the lacking welfare state, and political institutions are mainly used for rent-seeking.

One other panelist enumerated **four additional, political factors that generally impede any reformist endeavor:**

- **First** necessary condition is strong parliamentary support, but often there is no clear coalition.
- **Second,** a long-term perspective of at least four years is crucial but rarely achieved due to frequent government turnovers.
- **Third,** reforms are regularly done in a quick way without evidence...
by data and expert analysis. **Fourth**, alternative resources for monitoring the results of reform agendas besides those provided by the government are mostly absent. **Particularly the overarching issue of time horizons was highlighted by speakers across policy fields:** The most pressing problems such as migration would require long-term strategies across party lines, but **short-termism and an absence of a vision for the future** were typical characteristics of many policy domains. Moldova thus oscillates **between two equilibria that both provide negative incentives for reforms:** short-term governments that tend to engage in irresponsible policies due to electoral concerns, and political forces that attempt to establish wholesale control over politics and the economy by means of authoritarian and oligarchic practices. Currently, according to several speakers, **Moldova faces the danger of the “installation of a new authoritarian regime”** that would not only do away with the feeble democratic pluralism achieved in 2019, but would also diminish the chances of thorough reforms.

**Public administration:** A reform of the public administration system is widely seen as **the cornerstone and basic requirement of any future progress of Moldova since no economic progress can be achieved without sweeping change.** Moldova’s system of public administration was characterized as dysfunctional, and not accountable. One crucial aspect is the **size** which makes the bureaucracy both costly and inefficient. The example of **local public administration and territorial reform** demonstrates that any endeavor of cutting the civil service for reasons of efficiency would prove to be politically costly. As a priority, speakers identified the justice system, particularly the prosecutor general, courts, and customs. One point of critique was that the **current Government Program** does not say much about the strategic priorities of Moldova in the realm of public administration reform. It does have a lot of actions such as the aim to create a **modern public procurement system** in line with EU standards, a task that needs to be accomplished by December 2020.

**Judiciary:** The reform of the justice system is crucial for at least two reasons. **First,** it was one of the main priorities of the Sandu government and a major bone of contention within the coalition. And **second,** support by external donors is tied to reform progress in the justice sector, among others. The Prosecutor General’s Office was described as more powerful than the President due to the Soviet heritage. By taking calls from politicians and extracting rents from overseeing businesses, the Prosecutor General wields enormous power over the system. But since the use of the Prosecutor General is a potent weapon of those wielding power against political opponents, the incentives to turn the office into an institution serving public interest are believed to be low. Regarding the Constitutional Court, the members of which had resigned during the 2019 constitutional crises, one panelist argued that the contest of appointing new judges had been flawed. One panelist stated **“a complete shift of philosophy” with the justice reform**
of the Chicu government. Instead of an external evaluation of judges and prosecutors, there would be an internal evaluation process. In other words, corrupt judges will evaluate fellow corrupt judges.

Migration: The core thesis of one panelist on emigration was that it is one of the key challenges Moldova faces. This is because it leaves a deep imprint on other spheres such as the labor market, education and health. The numbers provided speak a clear language: In the last five years, the number of students in schools has decreased by 5% from 350000 pupils to 344000 pupils. The number of schools was reduced from 1370 to 1240. At universities, in the last six years the number of students has decreased by 37%. The number of teachers in primary and secondary schools shrank by more than 10% in the last five years from 30000 to 27000. And the number of doctors per 1000 residents is twice lower in Moldova than the average of EU. This trend poses at least two serious challenges: First, any policy targeted only at migration would fail to address the entire phenomenon. Second, migration is such a complex issue that urgent measures would need to be taken in the next 5-7 years across party lines. The flow of remittances has dropped by 8.5% in the last years from 24% to 16% as share of the Moldovan GDP. The visa free regime with the EU was described as “one of the main achievements of the Eastern Partnership” as more than 2.1 million Moldovans have already benefitted from it. Nonetheless, there is evidence that an increasing number of Moldovans goes to the EU with biometric passports to seek work even though this is illegal, or to seek asylum with the help of organized criminal networks.

Foreign policy and foreign trade: In the realm of foreign policy, the main question was what kind of repercussions a potential free trade agreement with the Eurasian Economic Union would have on Moldova. Even though the Socialists speak publicly about a balanced foreign policy with regard to European and Eurasian integration, one panelist argued that the concept of balanced foreign policy always “was a euphemism for turning to the east”, and that the “balanced foreign policy is now rather unbalanced”. One concern was that increased economic and financial ties to Russia might create additional liabilities.

Role of the civil society in reforms: At an abstract level, one panelist saw the potential contribution of civil society to reforms, first, in monitoring activities and writing reports for transparency reasons. And second in supporting reforms with expertise and analyses. There was agreement among the speakers that the Chicu government showed little effort to engage with civil society.

Role of the EU: The EU was portrayed as being conducive to reforms mainly through the instrument of conditionality. The Moldovan government was arguably engaged in reforms once it was “forced” to do so by international agreements it signed. The Association Agreement and particularly the visa-free
regime were characterized as the main motivation for reforms in Moldova. This inevitably creates a **reform conundrum**: At the moment, there was **no other comparable “carrot” that would work as an equal motivation to implement reforms**. Simple budget support was deemed an insufficient incentive. The **main challenge for the Eastern Partnership and Association Agreement agenda** would therefore be to come up with new incentives to motivate the Moldovan government and citizens equally. Georgia and Ukraine are generally considered to be positive examples to be emulated by Moldova.

**PANEL 3: ECONOMY, MIGRATION, AND ENERGY SUPPLY**

Panel 3 was dedicated to three considerably diverse policy domains. But one characteristic that unites these is the **challenge of limited resources** that Moldova faces. As one panelist quipped, Moldova is often said to be an emerging country or economy, but it is difficult to actually find something emerging there.

**Economy**: Despite its limited resources and many dependencies, Moldova can also boast a **number of success stories**. One of these are the introduction of **Free Entrepreneurial Zones**. They helped to create jobs and helped to kick-start the automotive industry in Moldova which now has around 70000 employees with German, Japanese, and American producers. One problem that frequently occurs is a lack of coordination and long-term planning when mutually exclusive industries are settled on adjacent territories. Another success is an **IT park** which provides software companies with the opportunity to register as virtual residents and pay only 7% from sales with no other taxes and payments. As thousands of software companies registered, the ICT industry in Moldova has demonstrated good growth. According to one speaker, the downside has been so far that mainly IT services companies preferred to register under this special fiscal regime, but only few proper software companies.

The **DCFTA with the EU was unanimously lauded as Moldova’s biggest success story**. The impact on the country was much larger than on the other Eastern Partnership countries Ukraine and Georgia with which the EU concluded an analogous agreement. According to a **comparative study by Berlin Economics**, there was a 60% increase in the export of goods from Moldova to the EU from USD 1 billion in 2013 to 1.6 billion in 2018. Excluding the price effect with constant prices, the effect increases to 73%. The share of the EU in Moldovan exports increased from 56% in 2013 to 74% in 2018. In terms of the commodity composition, the DCFTA did not have a strong effect. In other words, Moldova still exports more of the same. FDI increased from USD 2.1 billion in 2013 to 2.5 billion in 2018. But as the FDI from other countries also increased, the share did not change much. The reason why the DCFTA failed
to have a significant effect on FDI is that business climate is much more important for FDI than for trade. Since ¾ of Moldovan exports now go to the EU, the panelist concluded that it would not be wise for any Moldovan government to question the DCFTA. This development is even more striking if one considers that still in 2011, around 2/3 of exported goods went to Russia. As another panelist remarked, this turnaround was not so much about switching from one market to another, but about changing mentality and profile of Moldovan producers. Since the EU was understood to be about clear rules and regulations, Moldovan producers became used to norm and regulatory compliance such as product safety standards. But the DCFTA raised a few questions that would need to be tackled by policy makers: First, tariff-rate quotas for basic agricultural products are used up very quickly, therefore they should be increased. Second, in the view of one speaker, Transnistria also enjoys a lot of benefits from the DCFTA and the AA (by exporting steel, caviar, or textile) without contributing to the Moldovan budget which de facto amounts to a discrimination of local Moldovan producers. Another Transnistria-related issue is the question of border control: While Moldova erected a system of laboratories and inspection points to comply with EU food safety regulations, the (internal) border with Transnistria is porous, and illicit imports (e.g. of meat from Odessa, Ukraine) poses risks for food security. Third, concerns were raised that companies unequally benefit from the DCFTA, particularly to the advantage of big companies and monopolists, and the disadvantage of small and medium-sized enterprises (SME). This question is not easy to assess due to the lack of statistical data on companies, here Moldovan authorities should improve the quality of data collection. Fourth, a related critique stated was that the structure of products still was reliant on traditional products with low added value. In general, the transparent and predictable rules and regulations of the DCFTA with the EU were positively contrasted with the Commonwealth of Independent States (CIS) Free Trade Area since the latter includes lists of agreed exporters which are risky in terms of corruption since companies often are at the mercy of bureaucrats to be on that list.

During the panel, the speakers identified a number of key challenges that inhibit Moldova’s economic development. First, businesses face huge problems in finding qualified labor force due to a massive lack in human capital. Among others, this is due to the fact that Moldovan citizens demonstrate a high labor mobility while the Moldovan state lacks behind in integrating itself into the global economy. A second major hindrance is the business environment, and namely the over-regulation of the economy. Moldova considerably lags in international comparison. Even though Moldova is ranked 48th in the World Bank’s Ease of Doing Business ranking, in the indicator of construction permits, Moldova is ranked 156th.
Migration: Migration was described as “cross-cutting issue with many angles” ranging from the economy to demography and security. Due to an enormous outflow of about one million Moldovans since 1991. In 2018, there was a negative migration balance of 48600 (more leaving than coming back). By the year 2050, the population is projected to decrease by 20 percent. With regard to the countries of destination, there is an approximate split of 50 to 50 percent between Russia and the EU (mainly Poland and Italy). Ukraine, the US and Israel are also important destinations. According to surveys, more than 40% of the diaspora are highly educated and therefore constitute a significant brain drain for the country. Remittances received as % of GDP peaked in 2006 according to World Bank figures, since then there has been a steady decrease. For the economy this might be interpreted as a positive sign since “reliance on remittances is a fool’s errand”, according to the panelist. In Moldova, household consumption accounts for over 80% of GDP, a very high figure in international comparison. Part of this consumption stems from remittances. This means that there is a smaller margin for the GDP containing investment into the economy. The high rate of remittances is ultimately a dependency, it lowers the possibilities for a diversification of the economy, and ultimately leads to a lower standard of living. This outward migration trend leaves a deep imprint on Moldova’s demography: There are relatively more elderly people, and working age groups are shrinking fast (by 10 to 15%). One solution, according to one speaker might be the creation of centers for the retraining of the labor force. The negative migration trends are reflected in international rankings: In the Human Capital Index of the World Bank, Moldova is in the same league as Albania and Bosnia-Herzegovina. The World Economic Forum Competitiveness Index demonstrates that Moldova has very low scores on talent retention. To tackle these issues, the Moldovan government drafted a Diaspora plan 2025, convened a committee on diaspora, and operates a bureau for relations with the diaspora. Promising actions that could be taken are schemes like 1+1, a financing facility that matches funds coming from the diaspora into SMEs and rural development, and the support of local credit unions and therefore being able to profit from financial services. And agreements could be concluded on social rights so that people from the diaspora can actually come home and reap the benefits of work in terms of pensions. One possibility for the EU would be to ponder investments in “Partnerships for Skills” programs, i.e. in the education system of Moldova as many EU countries are on the receiving end profit tremendously from migrant labor. Even though there is a manifest “migration crisis” in Moldova, relatively little has been done by the EU to mitigate the outflow.

Energy: Moldova’s dependencies in the sphere of energy are as much an issue of energy security as they are of economic development. In terms of energy, Moldova is entirely dependent on Russia. This is not only the case for gas, but also for electricity which is bought from a Russian power plant in
Transnistria. According to the panelist, Moldova’s priority should be to build a gas pipeline from Romania to Moldova to decrease its dependence from Russia. Several other avenues are also promising for diversification: These are Black Sea shelf gas, reverse flows from Slovakia, and renewable energy (Moldova committed itself to the EU to have 20% of renewables in its energy mix by 2025). Moldova also has commitments to implement the Third Energy Package in order to unbundle the national gas monopolists. One speaker argued that the Socialists were unlikely to follow through to reduce these vulnerabilities since this would go against the interests of the Kremlin. Another speaker pointed out that Moldova did little to liberalize the energy market during its presidency of the Energy Community.

PANEL 4: MOLDOVA BETWEEN RUSSIA AND THE EU

The idea that Moldova is a country that oscillates between East and West is well-established. Therefore, the short-lived Sandu government was not just an exceptional case in recent Moldovan history, but for the Eastern partnership countries, if not for the whole post-Soviet space as a whole. Due to a rare “coincidence of interests”, the EU and Russia pulled the same strings for a short period of time. As one panelist put it, “geopolitics temporarily disappeared”. The Sandu government was seen as a crucial test case by some whether Russia could potentially be seen as reliable partner in the post-Soviet space. One of the main concerns of the Chicu government appeared to be that Moldova is still an object in the hands of the biggest players on the international scene rather than a subject with own agency in international relations. Metaphors used to describe Moldova’s role revolved around the images of a “bridge” connecting East and West in a neutral way, and “exclusive love” demanded either by Russia or the EU that would exclude a mutually beneficial relationship. Russia currently appears to allow Moldova to flirt with the EU, but since it is heavily invested in President Dodon, this tolerant stance might abruptly end after the 2020 presidential elections, and they might try to push for a quick solution of the Transnistria issue on Russian terms by pulling off a “Kozak memorandum 2.0”. Such an advance would have a significant impact ranging from the “Macron initiative” to the Minsk agreements on Ukraine.

Moldova-EU: A structural change in the relations to the EU without a fully-fledged Europeanization. In the longer term, the relations of Moldova with the European Union have undergone a qualitative, structural change. For instance, trade has seen a complete reversal in the last decades. While in 1997, exports to the CIS accounted for 69% (about 50% to Russia), in 2018 Moldovan exports to Russia accounted for a mere 15% of Moldovan exports while 69% went to the EU. Moreover, the EU gave around €1.3 billion in grants and other financial support, and the EIB provided €175 million in
preferential credits. But there is more to this structural change than trade and financial support: Since October 2005, the EU operates a delegation in Chișinău, the time it joined the mediation process of the Transnistria conflict as an observer in the 5+2 format. With the accession of Romania, Moldova became a direct neighbor to the EU in 2007. Russia’s annexation of Crimea and the ensuing war in Donbas also had a profound impact on Moldova since its Eastern neighbor Ukraine cut many ties with Russia and reoriented itself towards the EU. Most importantly, there are the AA, the DCFTA, the visa liberalization, and significant cross-border cooperation. In Moldova itself, a new post-Soviet generation of politicians emerged that was educated in Moldova and many of which went for degrees to Romania. Due to this non-Soviet socialization, the national elite is much less Russia-centric than before. Despite this trend, the palpable structural change has not led to a fully-fledged Europeanization, or “Westernization”, of Moldovan politics and, as one panelist put it, “rupture with the Russian world”. Among the many reasons that slow down the process of Europeanization were: 1) The loss of human capital due to emigration 2) the divide between cities and rural areas contributing to a “cultural and intellectual isolation” of rural Moldova 3) a low penetration of “Western languages” as compared to the Baltics and Georgia 4) a nostalgia for Soviet stability: more than 65% of Moldovans aged over 50 regret the dissolution of the Soviet Union. This nostalgia is related that the EU bears responsibility for the collapse of the Soviet Union, and that it is because of the EU that Moldovan exporters cannot export to Russia and blame the EU for the DCFTA, and not Russia for retaliating against it. 5) Russian propaganda which amplifies the successes of Russia and the failures of the EU 6) corruption and rent-seeking behavior among those who rhetorically pretend to be pro-European.

Foreign policy orientation of President Dodon and the Chicu government: “A European Moldova with Russia?” The Sandu government was a unique case since it was the “most representative coalition” in Moldova’s post-Soviet history as it did not pit “pro-European” against “pro-Russian” forces, as in previous electoral cycles. Yet with the collapse of the Sandu government, this short-lived “success story” also ended abruptly. As in previous panels in which the Chicu government’s foreign policy was described as an attempt to balance Russia and the EU in order “to get the best out of the two worlds”, one speaker characterized the approach with the slogan “Let’s build a European Moldova together with Putin”, a revival of a campaign slogan that won the Communist leader Vladimir Voronin 66 seats in the 2009 parliamentary elections. The ideal type thinking behind this approach was to seek closer cooperation with and additional loans from both Russia and the EU without alienating either one of them. The speakers debated potentially hidden intentions, practical implications and possible contradictions of this approach. First, several speakers questioned the actual intention and pointed to its evolution over time.
One panelist warned that “everything is a game and is not what it looks like”. “Geopolitics,” the speaker continued, “is always about money. About someone else’s money.” Being “pro-Russian”, or “pro-European” was just another rent-seeking strategy to extract favorable loans from abroad. Second, it was president Dodon who was pulling the strings in terms of foreign policy. In the description of one panelist, Dodon “proved to be a very shrewd, cunning and efficient political operator in Moldovan realities”. In this respect, it is crucial to track the evolution of Dodon’s rhetoric on foreign policy. On the AA with the EU, Dodon’s rhetoric has changed from supporting his party’s decision to cancel the AA in early 2017, to renegotiating the AA, and finally in mid-2018 to continue the implementation of the AA. A similar switch occurred with regard to publicly stating that the NATO office in Moldova should be closed down, to remaining silent about it. Finally, Dodon publicly explained his earlier statement about “Russian Crimea” that it actually meant “Crimea de facto belongs to Russia, and de jure to Ukraine”.

**Russian policy on Moldova between punitive measures and a loan:** According to one panelist, Russia has made it repeatedly clear that it considers the post-Soviet space a zone of its privileged interest. Frozen conflicts (read: Transnistria) remain an effective tool in inhibiting the drift of the former Soviet Republics to the West. From this point of view, Russia’s goal was achieved in Moldova. There are no other troops on Moldovan territory other than Russian troops, which, according to the official reading of the Moldovan government, are deployed, and ammunition is stockpiled, illegally in Transnistria. In the words of one speaker, Russia also “weaponized trade” against Moldova by enacting four successive embargo waves in 2006, 2010, 2013, and 2014. There was little doubt that Moscow used these economic sanctions to gain political leverage over Moldova and retaliate for closer relations with the EU. Evidently, Russia’s calculation is that the costs of reversing Moldova’s trade balance from being Russia-centric to EU-centric are less than the gain from preventing Moldova from a closer political, and eventually, security-related integration with the EU and NATO. Another instrument in the Russian toolbox of retaining influence over Moldova is a loan the size and the conditions of which remain unclear to date. Shortly after the new PM Chicu came into office in November 2019, he traveled to Moscow and announced a potential USD 500 million loan slated for investment projects. Chicu explicitly linked it to unacceptable conditions imposed by the IMF. The current three-year IMF program expires in March 2020, and the Chicu government has made it clear that it was willing to negotiate the next memorandum much tougher than the Filip government. One speaker voiced concerns that the announcement of this potential loan –at this point it is unclear whether Moscow will actually follow through - was made bypassing the public and competent political institutions while the conditions still
remain in the dark: “When you borrow from authoritarians, there are always strings attached.” But as one panelist explained, Moldova finds itself “at the crossroads”: to boost economic development with investments in infrastructure and the energy sector, it was indispensable to find USD 1 to 1.5 billion in the next two or three year rapidly, and cheaper –implying also with less conditionality - than on the international financial markets.

**Eurasian integration and the EU: Moldova’s observer status in the Eurasian Economic Union (EAEU)** raised many questions since there are apparently some more procedures to be completed to formalize the status. The main criticism raised was that neither the Filip nor the Sandu governments, and the parliament, neither saw nor ratified a document on this status, the observer status was understood to be a pet project of president Dodon. But the main interest of Moldova, as one speaker noted, was to be informed and follow the developments within the EAEU, without commitments and further engagement. **Moldova continues to be a fully-fledged member of the CIS community, mainly through the CIS Free Trade Area (CISFTA).** The aim of this membership in the CIS community was mainly economic, and only partly about political cooperation, and not at all about military cooperation. With regard to a Free Trade Agreement (FTA) with the EAEU, the Chicu government believes that this was in the interest of Moldova, just as any other FTA negotiated with around forty other countries such as China or Turkey. But at this point, such an **FTA with the EAEU remains “in theoretical distance”** as even consultations with the secretary of the Union on a start of negotiations have not begun. Since the PRSM’s electoral party program envisioned a dismantling of the AA and DCFTA, and a full membership with the EAEU, it is no wonder that Dodon’s flirtations with Moscow raised many eyebrows, particularly also because Moscow insisted on an either/or logic with regard to the EAEU and the EU. Nonetheless, the implementation of the AA remains of the highest priority for the Chicu government, as well as the commitment to use the DCFTA to its full advantage as it is seen as an important tool to overcome the blockade on the Eastern flank. In the view of president Dodon, a potential renegotiation does not mean to scrap the whole agreement, but to **tackle a “couple of articles”** to achieve further protection of Moldovan producers, mainly in agriculture and animal breeding.

**The future of reintegration of Transnistria and the status of Moldova’s neutrality:** The speakers generally complained that there was neither a vision nor a discussion by the political camps and a widespread disinterest on the side of the population with regard to the reintegration of Transnistria. **Dodon’s presidential administration drew up a so-called “Big Package”** – a document that is supposed to propose a start of a dialogue on this delicate issue. The “ideology” of the Big Package can be summarized in three points: **First**, in the view of the drafters, the settlement is neither an issue of the
EU, Russia, nor the US. Moldova itself should first draft a vision, find a national consensus, and then present it to the big international players. Moreover, no time must be lost, the process should be started “soon”. Second, Moldova is portrayed as having the choice between exactly two options only: 1) Either Moldova will pay the price of becoming an internationally recognized neutral country as a necessary precondition for the withdrawal of Russian troops. 2) Or Russian troops will remain forever in the best scenario. In the worst scenario, Moldova would face a secessionist war like Georgia did with South Ossetia and Abkhazia, and Ukraine with Crimea and Donbas. In other words, reintegration will need to be bought with an internationally recognized neutral status equaling a rejection of EU and NATO membership. Third, the drafters see the Package explicitly as a potential model solution for Ukraine. Any movement towards the realization of the Big Package could have wide-ranging implications for the Minsk Agreements, too.

Neutrality of Moldova, its meaning and implications were heavily debated among the speakers. Since neutrality was a “fetish” for president Dodon, the question arose whether he was intrinsically motivated or whether neutrality – which de facto limits Moldova’s sovereignty - was imposed. Russia on its part made it clear to Moldova that a withdrawal of troops and ammunition could only take place if Russia was sure no one else moved in instead, i.e. Russia framed its position in the words of an ultimatum. But even if Moldova achieved this internationally recognized neutral status, serious doubts would remain about Russia’s commitment to such a document. The main argument was that Russia did not fulfill its obligations to withdraw its troops from Moldovan and Georgian territories as decided upon on the 1999 Istanbul OSCE summit, and that Russia violated Ukraine’s territorial sovereignty by annexing Crimea and waging war in Donbas despite international guarantees in the Budapest Memorandum. Some speakers also suspected that neither the EU nor the US would agree to such a deal of neutrality, mostly because this would limit Moldova’s state sovereignty considerably, and because this would smack of a division of the European continent in spheres of influence. But even if the big international players agreed, this would be detrimental to Moldovan national interests by turning Moldova into a “grey zone” and an “in-between-state”.

PANEL 5: THE WAY AHEAD – OUTLOOK TO 2020

In terms of the regime quality of Moldova’s political system, there was a broad agreement about a trend towards limited pluralism and authoritarianism as president Dodon and the Socialist party strive to gain control over institutions. But even though it is obvious that Dodon has been creating a power vertical, it remains to be seen in how far he is willing to use the powers he amassed, and how far he will be able
to use them. So far, he has not faced too much political pressure yet. Moreover, one panelist even assumed that authoritarian tendencies might fade in 2020 as pluralism remains solid, and the urge to proceed with deoligarchization is strong among many political forces. Dodon also appears to be interested in attracting voters from the political center. Among others, this also depends on other parties than the Socialists: One panelist asked whether ACUM can be more than an anti-Dodon front, and whether the Democrats will remain coherent or will split.

2020 as an electoral year: 2020 is expected to be highly politicized since “everything goes around these presidential elections”. Since Dodon’s key aim is to achieve reelection, most speakers assume that the government’s undeclared main policy goal is to support reelection as a “PR team”, other goals are suspected to be subordinated to reelection. This means that everything the government promises to the public will have a short time horizon to demonstrate some palpable success to the electorate. Deliverables could include small pension rises and other social gifts the size of which will determine the degree of populism, and therefore also the effect on budget stability. On the other hand, it is expected that Dodon also would want to “play safe” without shaking up the political scene too much. Following this logic, one speaker argued that early parliamentary elections in the first half of 2020 appeared rather unlikely at this point. The central political risk therefore will be what happens after the presidential elections.

Reforms and the economy: The Chicu government is expected to simulate rather than to conduct reforms. This is because the Dodon presidency cannot go against kleptocratic elements of the system because they may serve to protect his political power, and because they are needed as “administrative resources” to conduct elections. The country has huge problems with the absorption of EBRD and other donor money. One evidence for the unwillingness to reform is that several bills on anti-money-laundering and other justice-sector-related initiatives are stuck in parliament and are likely to be either withdrawn or considerably amended. According to one speaker, deoligarchization will remain widely popular among the population, and might bring considerable advantage if used in electoral campaigns. In terms of economic growth, the government promised 25% in the next three years. For 2020, the projection is only at 3.4, or 3.5%. Hence the 25% look more like a “PR gag” to most observers.

Freedom of media: Media are generally under pressure in Moldova. Access to information is often restricted, especially for investigative journalists. The concentration of media is generally high, which also leads to a monopolization of the advertising market. The legislation of media regulation features considerable gaps. Political interference of politicians into editorial policies of media they own or control are common. Disinformation and fake news are increasingly problematic, especially during electoral campaigns. The hope that after the decline of the media empire of Vladimir Plahotniuc, media pluralism
and content would improve did not materialize: The Socialist party was quick to establish and strengthen a media empire of its own. One of the reasons lies in the Audiovisual Council, a monitoring body whose task is to oversee broadcasting media, is heavily dependent on political circumstances. While the situation in terms of access to public institutions improved and the Action plan of the Sandu government was promising, the time was too short to implement reforms in the media sphere. The Action Plan of the Chicu government includes two fairly general provisions on media and includes proposals to review the media legislation framework, and some regulatory amendments to the advertising law, or on the limitation of offshore funding of media. Since 2020 is an election year, a panelist surmised that partisanship and bias will be a prominent feature of media reporting. Politicians strive to use journalists as their PR personnel and would like to see them promote their ideology. Therefore, political control over the Audiovisual Council and the Competition Council responsible for monopolies in advertising will remain crucial. Moreover, the Socialist party is expected to take control over the public broadcasters. Legislation such as the private data protection law is likely to be used by public servants to restrict access to information for investigative journalists. Some speakers also expect Russian state broadcasters and online media to play a crucial role during the elections. One of the core problems identified by a speaker was that the media community itself was only marginally interested in media freedom as such, a factor unlikely to change in 2020.

**International factors:** Since in 2020, a new EU Commission and Parliament are in place, the main questions will be what kind of strategy the EU will pursue regarding Moldova, given the domestic political turbulence. Among the two options are that the EU will reinvigorate its support for Moldova, or that there will be a Moldova fatigue in the European capitals, the latter appears to be more likely. In this respect, the new AA agenda and the revised Eastern Partnership will be crucial and shape EU-Moldovan relations for the next 5-10 years. One speaker remarked that the metaphor “boxer vs. ballerina” mentioned so frequently during the conference was originally about Russia and the EU, and not so much about the Socialists and ACUM. Consequently, as Moldova is at the crossroads, if Russia continues to invest money into media propaganda and cash into political projects, and the EU into sessions on democracy and human rights, the outcome in the near future might just be the same as with the Sandu government.