

"Governance and Democracy in Moldova" is a bi-weekly journal produced by the Association for Participatory Democracy ADEPT, which tackles the quality of governance and reflects the evolution of political and democratic processes in the Republic of Moldova. The publication is issued with financial support from the Ministry of Foreign Affairs of the United Kingdom of the Netherlands, in framework of the project "Promoting Good Governance through Monitoring". Opinions expressed in the published articles do not necessarily represent also the point of view of the sponsor. The responsibility for the veracity of statements rests solely with the articles' authors.

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This issue is based on inputs from Igor Botan, Elena Prohntichi, Iurie Gotisan.

I. ACTIVITY OF PUBLIC INSTITUTIONS

GOVERNMENT

1. Events of major importance

Premier's report regarding assaults on share stocks of some banks

In an address in front of the Parliament Prime Minister Vlad Filat explained attempts to appropriate shares from some financial institutions and stressed that "authorities resisted" to him while heads of some state institutions "demonstrated incompetence or complicity." The premier accused the Information and Security Service (SIS), the Prosecutor-General's Office and the National Commission of Financial Market (CNPF) of no appropriate reaction and failure to take necessary actions, and therefore, demanded the resignation of their heads. The same day, the SIS director was dismissed by PLDM and PCRM factions, and the Parliament decided that the activity of the Information and Security Service, the Prosecutor-General's Office and the National Commission of Financial Market conducted to honour their legal functions was unsatisfactory, and recommended to speaker to release the procedure of dismissal of the Prosecutor-General and the CNFP head within seven calendar days. Under the same decision, the prime minister should report to the Parliament within 14 calendar days the actions aimed to operate reshuffles in his cabinet. Further, the premier warned that the speaker of the Parliament would be dismissed should he refuse the demanded dismissals. A few days later, the CNPF head tendered resignation, while the Prosecutor-General was keeping running his office, but he was asked to report the activities of his institution to the Parliament.

2. Nominations. Dismissals

- Mrs. Constanta Popescu-Mereacre was relieved from the office of senior state adviser for prime minister;
- Mrs. Mariana Buruiana was nominated adviser for deputy prime minister.

3. Decisions

Decision concerning the Social Inspection. According to the approved regulation, the Social Inspection is in charge with watching the right and unitary enforcement of laws and other normative policies regulating the supply of social aid, aid for heating season, and social services. Key tasks of the inspection will be to detect violations, issue reports, communicate with public authorities, etc.

Decision approving the national strategic programme on demographic security of the Republic of Moldova (2011-2025). The programme is made of 12 chapters which cover diverse areas, and ministries will be in charge with implementing it.

Decision approving some draft law:

- (New) draft insolvency law;
- (New) draft law concerning the special inquiries;
- Concerning the remuneration system for public functionaries;
- Draft law on public funds and budgetary fiscal responsibility;
- Concerning the importation of sport equipment, and others.

Decisions on allocation of funds:

- The Information and Security Service is allocated 531,000 lei to organise the 10th plenary sitting of the South East European Intelligence Conference (SEEIC);

- An amount of 3 million lei is allocated to implement the national programme on adoption of European standards as national standards for 2011;
- An amount of 120,000 lei is allocated to preserve medieval nooks from the natural reservation „Orheiul Vechi”;

4. Orders

Problems of nationals from other countries

Under an indication by prime minister, the State Chancellery will work out a normative framework needed to build the Diaspora Agency as an administrative authority directly controlled by Government, which will issue and promote Moldova’s migration policies and ensure contact with nationals from other countries. The Education Ministry was instructed to unilaterally revise the procedure of recognition of education diplomas issued by other states for all education levels in Moldova and to start negotiating bilateral agreements on recognition of education diplomas issued by Moldovan education institutions. The Education Ministry was also instructed to work out and implement a special programme on education of Moldovan children abroad, develop jointly with other competent authorities and institutions some programmes aimed to support scientists from Diaspora, as well as to develop international scientific cooperation and cooperate with public institutions from destination countries, so that to make conditions for a pre-school education close to Moldovan traditions.

Land consolidation

The Ministry of Agriculture and Food Industry will set up a working group to consider the land consolidation problem and propose a resolution at legislative level.

5. Sittings. Decisions

Meeting with agricultural producers

Participants in the meeting exchanged opinions regarding the condition of agriculture, problems faced by agricultural producers and ways to resolve them. Minister of agriculture and food industry reported the crop and promotion of domestic production on foreign markets. Farmers criticised the Government and raised problems relating to:

- Logistics and infrastructure;
- Access to funding;
- Protection of domestic market;
- Subsidies for agriculture.

Working sitting with participation of winemakers and vine growers

Participants in the premier-chaired sitting discussed the situation in the area and measures to reform it. Minister of agriculture announced that the vine growing and winemaking sector will be reformed, with proposals in this respect being published on the ministerial website, and asked producers to share opinions regarding the reorganisation of their sector. In particular, authorities propose the opening of a Vine and Wine Agency and of a Vine and Wine Fund. The premier contented vine growers and winemakers and said that a perspective vision is needed in this sector to fix up priorities and actions to be taken.

Parity commission for decentralisation

A sitting considered and approved in principle the draft National Decentralisation Strategy which will be implemented from budgetary sources and with assistance of international organisations and development partners. According to prime minister, competences relating to management of some strategic sectors such as education, healthcare, social

protection, public order, and others will be clearly delimited. In the context, he stressed the need of equilibrium between central and local public authorities and good communication between these authorities. Representatives of local public authorities sought some decision-making prerogatives and strengthening of local institutional capacities.

Governmental commission for country reintegration

The agenda of the sitting included issues relating to the resumption of the official 5+2 negotiations, promotion of trust-building measures in the Transnistrian settlement context, as well as honouring of previous decisions of the governmental commission for country reintegration. Prime minister greeted all authorities who contributed to the September 22, 2011 decision concerning the resumption of the official 5+2 negotiations on settlement of the Transnistrian conflict. According to officials, the settlement process entered a new quality phase, while the Government focuses on finding comprehensive, viable and definitive solutions through elaboration and adoption of a special legal status for the Transnistrian region as part of the Republic of Moldova.

PARLIAMENT

1. Events of major importance

Launching of procedure of election of Moldovan President

On October 20, the Parliament scheduled for November 18, 2011 the Moldovan presidential elections and set up a special commission to conduct them. Deputies representing the PLDM, PDM and PCRM factions validated the date of elections, while the PL faction refrained from voting, as this issue was not discussed by the council of the Alliance for European Integration.

2. Nominations. Dismissals

- The Parliament stated the cease of membership of Mr. Igor Vremea to the Central Elector Commission upon his resignation.
- Mr. Gheorghe Mihai was relieved from the office of director of the Information and Security Service of Moldova;
- Mr. Mihail Cibotaru was relieved from the office of chairman of the National Commission of Financial Market, but preserved his quality of commission member.

3. Parliamentary control

Inquiry commission

The Parliament took notice of a report by the parliamentary inquiry commission which elucidates circumstances of voting and signing of the law on amendment and completion of the law concerning the licensed regulation of entrepreneurship (licensing of casinos). The report and materials concerned of the parliamentary inquiry commission were delivered to the Prosecutor-General's Office to establish the offence component and further inform the Parliament within three months. The permanent bureau of the Parliament is expected to work out and adopt the Regulation of the Parliament Secretariat and instructions on circulation of draft legislative acts in the Parliament. The secretary-general of the Parliament is to deal with the issuing of service cards for functionaries of the Secretariat and to define precisely their tasks and competences, by strictly respecting the procedures of work with documents.

3. Transparency of parliamentary activity

The Parliament stopped releasing records of its plenary sittings, with the last document of this kind being published on its official website www.parlament.md on September 30, 2011. It is worth to note that several nongovernmental organisations have recently published reports on activity of the Parliament and its members, with most of them being based on records of parliamentary sittings.

II. ECONOMIC POLICIES

1. Prices and inflation

Inflation likely to meet forecasts, but not for a long time...

According to [NBS data](#), the Consumer Price Index (CPI) in September was 100.4 percent compared with August 2011 and 108.8 percent compared with September 2010 (for information, CPI was 100.8 percent in September 2010 compared with August 2010, and 108 percent compared with September 2009). Thus, Moldova's inflation rate for September was 0.4 percent and 5.2 percent for January-September 2011. This is a relatively acceptable rate, as Government forecasts a 7.5-percent inflation rate for this year. However, the expectations could "be balled up", given the recent rise in natural gas tariffs and prices of many food products.

Hereby, the rise in average consumer prices in September compared with August 2011 was related to the growth of prices of manufactured goods by 0.8 percent and tariffs for public services by 0.3 percent. Or, real rises in prices and tariffs are to follow. Nevertheless, prices of season fruits and vegetables dropped the most in September, as the consumer market was abundantly supplied, and this fact marked a relative rise in prices of all foodstuffs. In particular, prices of potatoes, grapes, apples, tomatoes, onion, etc., dropped by 5.5-12 percent.

On the other hand, prices of most of manufactured goods and tariffs for public services were constant. However, prices of fuels increased by 2.5 percent (including bottled liquid gas by more than 7 percent), and building materials by 1.5 percent, etc. Tariffs for interstate rail transports decreased by 12.6 percent and for air transports by 3.2 percent in September due to the oscillation of the euro/leu exchange rate.

2. Incomes and spending

Moldovans spend more than 70 percent of their monthly earnings on foodstuff and housekeeping...

Latest [statistics](#) reveal that Moldovans spend three fourths or 75 percent of their earnings on food, transport, electricity and gas that means housekeeping. In fact, the share of Moldova's spending on housekeeping and food is the highest one in Europe, as it does not exceed 40 percent in Lithuania, 38 percent in Bulgaria, compared with 16 and 12 percent in Austria and the United Kingdom respectively. Moldovans spend more than 40 percent of their monthly earnings on foodstuff. As for housekeeping, a Moldovan spent more than 25 percent of overall consumer expenses in 2010-2011 (heating season), and this is a high enough indicator.

Well, this would situation would be yet affordable for a two-member family which earns 3,000 lei each, as around 1,500 lei was spent to heat a two-room apartment last season. People in general and retirees in particular cannot afford new price rises for a simple reasoning. An old couple who earns a pension worth 1,000 lei each (in the best of cases) cannot afford the average of 850 lei. Not even the state compensation of 130 or 200 lei can help the old people, while the new announced rises in gas and heating tariffs will worsen their condition.

3. External trade

Exports go up, but the rise is not lasting...

Same statistics reveal that **exports of goods** operated in August 2011 turned over 186 million dollars, which is by nearly 3 percent more than in July 2011 and by about 55

percent more than in August 2010. [Exports](#) turned over about 1.37 billion dollars in January-August 2011, by 62 percent more than in the similar period of 2010.

Moldova exported goods worth nearly 687 million dollars to the European Union (EU-27), (by over 67 percent more than in January-August 2010), which cover more than half of overall supplies (48.6 percent in January-August 2010). CIS absorbed about 40 percent of Moldova's exports (39 percent in January-August 2010), which means goods worth about 545 million dollars. Moldova's exports of goods to CIS increased by 65.5 percent, compared with January-August 2010.

Exports of diverse manufactured goods ranked the 1st place, covering more than 24 percent of all supplies. Exports of clothes and items held a heavy share in this section of goods (more than 58 percent of this section and more than 14 percent of all exports), furniture and items (more than 15 percent of this section and about 4 percent of all supplies), footwear (about 10 percent of this section and more than 2 percent of all exports). *Exports of food products and living animals* ranked the 2nd place, representing more than 17 percent of overall value of exports.

Imports of goods operated in August 2011 exceeded 420 million dollars, by 1.4 percent more than the precedent month and by 39.5 percent more than in August 2010. Imports operated in January-August 2011 turned over 3.21 billion dollars, by over 40 percent more than in the similar period of 2010. Imports from the European Union (EU-27) exceeded 1.43 billion dollars (by 39 percent more than in January-August 2010), covering about 45 percent of all imports (like in January-August 2010). Moldova imported goods worth about 1.036 billion dollars from CIS (by over 43 percent more than in January-August 2010), which is equivalent to over 32 percent of all imports (31.5 percent in January-August 2010).

Imports of vehicles and transport equipment exceeded 22 percent of all imports. Imports of power appliances held an important share in this section (27.7 percent of this section and 6.2 percent of all imports), traffic vehicles (24.0 percent of this section and 5.4 percent of all imports), machines and appliances for specific industries (15.6 percent of this section and 3.5 percent of all imports), etc. Imports of mineral fuels, lubricants and related materials covered 21.5 percent of overall imports. Oil and oil products represented more than 56 percent of this section and 12 percent of all imports, and gas and industrial products made of gas exceeded 38 percent and 8 percent respectively.

The major difference in evolution of exports and imports fuelled a **trade balance deficit** worth over 1.842 billion dollars in January-August 2011, by 395 million dollars (27.3 percent) more than in January-August 2010. Moldova's trade deficit with the European Union (EU-27) was about 748 million dollars (618 million dollars in January-August 2010), and more than 491 million dollars with CIS (more than 393 million dollars in January-August 2010).

4. Tax policy

Indirect taxation methods to be enforced...

Despite contradictory [opinions](#) regarding the application of indirect taxation methods in Moldova, authorities kept working in this direction and the methods will be enforced next year. The Government approved a draft amendment and completion to the Tax Code, which sees the introduction of indirect taxation methods and their enforcement on January 1, 2012.

Under the approved bill, the indirect methods for estimation of taxable income of individuals are "methods to calculate the taxable revenue estimated under an analysis of fiscal condition of individuals by using information from more sources than fiscal reports by

individuals concerned.” Subjects to the estimation are individuals who are residents, citizens of Moldova, do not conduct any business and:

- during a fiscal year get assets (real estates, securities, transports, currency) worth more than one million lei altogether, except for individual owners of real estate which is being built until January 1, 2012 and certified with the cadastral organ before this date;
- operate during a fiscal year individual expenses other than indicated above which exceed 300,000 lei.

According to Minister of Finance Veaceslav Negruta, the purpose of the indirect taxation methods is to make everybody equal in front of law. “All citizens who earn in Moldova must honour their fiscal obligations. Unfortunately, the fiscal burden is now on shoulders of salary earners, while those who have other incomes than wages are not controlled by fiscal bodies,” he explained.

III. TRANSNISTRIA

Chisinau prepares „route map” for Transnistrian settlement

The newly-created situation was reconsidered after the September 22 meeting in Moscow, which decided to resume the official “5+2” negotiations. On October 10, Premier Vlad Filat met the head of the OSCE Mission to Moldova, Philip Remler, who stressed that the OSCE Mission will do its best to settle the Transnistrian conflict and expects the official “5+2” negotiations to restart as soon as possible. Taking part in the meeting was also Deputy Premier for Reintegration Eugen Carpov, who reported steps to be made in the near future with the purpose to find solutions to the Transnistrian settlement. Deputy Premier Eugen Carpov noted that the settlement process entered a new quality phase after the Moscow meeting, which requires more focus, efforts and responsibility from participants in the negotiation process. In fact, the Moscow decision is a signal that all participants are ready to find the best solution to the Transnistrian conflict. In this respect, Moldovan authorities work on a country reintegration strategy to help work out an appropriate route map.

CoE Commissioner for Human Rights on fact-collection visit

On October 20, Deputy Prime Minister Eugen Carpov met Mr. Thomas Hammarberg, the Commissioner for Human Rights of the Council of Europe, who was on a working visit to Moldova, and informed him in connection with developments related to the Transnistrian settlement. According to Carpov, following are the parameters of a viable solution to the Transnistrian conflict: the development of the political dialogue with all partners involved in the “5+2” format; the reintegration of the country with respect for the internationally recognised borders; the respect for sovereignty and territorial integrity of the Republic of Moldova; the respect for human rights. In this respect, it was noted that human rights are violated in the Transnistrian region, as citizens are illegally arrested and held there, while children’s rights to learn the native language are ignored and the free move of population is obstructed.

Ilie Cazac released

According to a governmental press release, Moldovan citizen Ilie Cazac was released on October 31. Cazac was formally released after being assoiled by Transnistrian leader Igor Smirnov. On the other hand, the Moldovan Government expressed thanks to all partners involved in the „5+2” negotiations, representatives of other states and international organisations for their support to release Ilie Cazac. Resident of the Bender municipality controlled by the Transnistrian regime, Ilie Cazac was arrested in March 2010 and sentenced to a 14-year jail term in February 2011 on espionage charges. Previously, another Moldovan citizen who resides Transnistria, journalist Ernest Vardanean, was arrested on espionage charges and sentenced to a 15-year jail term. Vardanean was assoiled and released on May 5, 2011 upon advocacy of the Russian Orthodox Church.

International support for Transnistrian settlement

Deputy Prime Minister Eugen Carpov met Swedish Minister for European Affairs Birgitta Ohlsson on October 21 and discussed country reintegration matters. Stressing the importance of the decision of the September 22, 2011 Moscow meeting on resumption of the official “5+2” negotiations, Deputy Premier Carpov said that issuing a special legal status for the Transnistrian region as part of the Republic of Moldova, with respect for sovereignty and territorial integrity principles is the No.1 objective of the official negotiations in eyes of Moldovan authorities. Mrs. Ohlsson noted that Sweden is ready to help settling the Transnistrian conflict by assisting sector task forces, protection of human

rights, etc. On October 24, Eugen Carpov met Ambassador Patricia Flor, deputy director-general, special representative for Eastern Europe, Caucasus and Central Asia in the German Foreign Ministry. The high-ranking official reconfirmed that Germany will keep assisting Moldova in the Transnistrian settlement process.

Decision to resume the „5+2” negotiations does not change Tiraspol’s attitudes

On the other hand, Tiraspol authorities displayed scepticism with Chisinau’s expectations, underlining that the territorial reintegration of the Republic of Moldova is not part of their agenda. Even more, the Transnistrian foreign minister stated that the decision of the EU Council of Foreign Ministers to extend until September 30, 2012 the current travel ban on Transnistrian leaders (the validity of decision was suspended for half a year, till the end of March 2012 and may be extended or cancelled depending on progresses in settling the Transnistrian conflict) “brings to naught the EU claims of mediator of the Moldovan-Transnistrian settlement... and this fact will have an impact on the way European diplomats will further travel to the territory of Transnistria, which will introduce asymmetric, but appropriate measures.” The Transnistrian administration took actions to strain the situation in the region even before the decision to resume the „5+2” negotiations. Thus, the Moldovan delegation to the Joint Control Commission (CUC) had on October 7 to raise the problem of illegal installation by Transnistrian authorities of a new checkpoint at the crossroad Tiraspol-Dubasari-Pohrebea. The Transnistrian administration explained that the road renovated by authorities of Pohrebea village by using local funds “could be used by trucks which smuggle goods, weapons and drugs...” According to a Transnistrian representative to CUC, “vehicles which previously crossed Cosnita and Dorotcaia use now” the renovated road. We had to control this process and react, as this is a supplementary road for Moldovan police to transport Transnistrian citizens.”

Transnistria gets ready for presidential elections, Russia prepares legislative elections

Potential electoral competitors for the December 11 presidential elections in Transnistria are revolted with the discriminatory treatment of Transnistrian authorities. This kind of treatment was signalled to the Council of the Public Chamber of Russia, which decided to get involved by raising concern “with the difficult political situation in Transnistria before the December 11, 2011 presidential elections...” Appeals received by the Public Chamber from Russian citizens who are residents of Transnistria signal a serious failure of social and economic policy. The discontentment of citizens with living standards is on the rise, salaries are falling down, while people able to work leave for abroad to seek jobs there. In particular, young people leave the republic, as they do not see any future at home... Fundamental rights and freedoms of citizens are violated, and the incumbent president of the republic and his team exercise a strong pressure of electoral campaign both on politicians and on businessmen, leaders of public organisations... We fear that such a practice is unacceptable. The presidential elections in Transnistria shall develop in a truly democratic environment, shall be open, fair and really representative. We are ready to monitor the elections.”

In this context, the visit of Russian Deputy Foreign Minister Grigory Karasin to Chisinau to discuss the development of bilateral relations and opening of polling stations in Transnistria for elections to the State Duma of Russia is important. Russian authorities have plans to open 25 polling stations in Transnistria for the Russian parliamentary elections, while Moldovan authorities do not warm this intention. Four years ago Russia ignored protests of Moldovan authorities and opened as many polling stations as they wanted, like in own sovereign territory. This time, the Russian diplomat is more precautionous, as he assured that he understands the Moldovan legislation, but “the wish of Russian citizens to participate in elections shall be taken into account as well. That’s why we shall find a reasonable solution to this problem.”

Presidential elections in Transnistria

Five candidates applied for participation in the December 11, 2011 presidential elections: independent Yevgeny Shevchyuk, member of the Supreme Soviet; independent Oleg Horzhan, member of the Supreme Soviet and leader of the Party of Communists of Transnistria; independent Andrei Safonov, editor of the Russian-language newspaper "Novaya Gazeta"; Anatoly Kaminsky, head of the Supreme Soviet and leader of the political party "Obnovlenye"; Igor Smirnov, candidate representing the staff of the Kuchyrgan-based heating plant. The public movement „Uniunea Populara” [People’s Union] was built to support Igor Smirnov in the race for the fifth presidential mandate; it held a congress with the participation of approximately 600 delegates and decided “to unconditionally support Igor Smirnov and the Transnistria development policy aimed to strengthen all social-political forces in the republic... It aims to remove the danger in the race for the seat of president, when more and more political provokers make the scene with the purpose to discredit promoters of the Transnistrian statehood, the true patriots.”

The congress adopted an address to the leader of the Russian People’s Front, Prime Minister Vladimir Putin, warning that the Russian leadership has got a distorted picture of the situation in Transnistria made by messengers of „Obnovlenye” party, whose leader Anatoly Kaminsky does not represent the interests of the Transnistrian people. Kaminsky felt the effects of the appeal of Smirnov’s supporters immediately. He got a letter from the chairman of the Transnistrian Central Electoral Commission (CEC), Pyotr Denisenko, who asked him to table the report of the party’s congress, the list of delegates, reports by revising commission. Kaminsky had an outraged reaction, saying in his quality of leader of the majority party in the Supreme Soviet that “the legislation stipulates the list of documents to be submitted to CEC and, therefore, CEC has no right to ask a candidate to provide other documents foreseen by the law.” In addition, the demand of the CEC head is personal and is not based on any decision by the institution he leads, and therefore, Kaminsky demanded the reasons of his request.

However, Moscow will decide who is stronger – Kaminsky or Smirnov. Hereby, the head of the Russian Presidential Administration, Sergei Narishkin, disagreed on October 13 with the participation of candidate Igor Smirnov in the Transnistrian elections for the fifth mandate of president, describing this decision as wrong. Narishkin noted that Russian authorities carefully watch the evolution of political situation in the region, as “Russia is a guarantor of stability and security there.” According to Narishkin, „Igor Smirnov has done much for the republic at the beginning, but he is ruling the country for already 20 years and runs now for the fifth mandate... We advise Smirnov to let new political forces help the region get rid of the social crisis and give up huge efforts aimed to eliminate his rivals... The candidate of the “Obnovlenye” party, Anatoly Kaminski, could be a good president capable to settle the problems.” Of course, Smirnov’s supporters are expecting an appropriate message from Premier Vladimir Putin.

The warning of the head of the Kremlin Administration regarding the inopportunity for Igor Smirnov to run for the fifth presidential mandate was ignored. In consequence, other persuasion methods were likely introduced. Thus, a communication was released on October 28 to report that the Moscow Inquiry Committee (CA) has filed criminal charges against Oleg Smirnov, the son of the Transnistrian leader. According to the CA communication, Oleg Smirnov is the special representative of the Transnistrian president in charge with social-economic cooperation with Russia, is a citizen of the Russian Federation and has his domicile in Moscow. He is suspected of having embezzled 160 million roubles (about 5 million dollars), which the Russian Federation allocated in 2008 to assist Transnistria. CA considers that Oleg Smirnov together with the deputy governor of the Transnistrian republican bank, Oleg Brizitski, embezzled the funds foreseen to complete by 15 dollars the pensions of Transnistrian residents from the Russian assistance. According to CA, Oleg Smirnov has allegedly used the stolen funds to buy

several apartments in Moscow and a luxury real estate in the prestigious suburb of the Russian capital, Odintsovo. As well, Oleg Smirnov started up some businesses in Moscow and fiscal organs will check their legality. The criminal case was filed under Article 160 (4) of the Criminal Code (grave appropriation).

Tensions in Security Zone

A new hotbed of tension has arisen in the Security Zone. On that occasion, the Moldovan delegation to the Joint Control Commission (CUC) released a statement to raise concern with “actions taken contrary to an October 20, 2011 address by representatives of the OSCE, Russian Federation and Ukraine to CUC, which mediators released to invite the parties to refrain from any unilateral actions capable to deteriorate the situation in the region.” On October 24, “Transnistrian police bodies illegally installed two new so-called migration checkpoints near the village of Pohrebea and canal embankment of the Dubasari-based hydroelectric power plant,” without the consent of leading organs of the peacekeeping mission and by breaching CUC decisions and the 1992 Ceasefire Agreement. The Moldovan CUC delegation demanded “the immediate and unconditional withdrawal of the illegal checkpoints and existing obstacles to free move of people.” On the other hand, Transnistrian leader Igor Smirnov assured that the checkpoints are in charge with checking the traffic in goods, so that to combat the smuggling in drugs, weapons and the move of criminals. According to Smirnov, Transnistria will not accept the opening of an offshore area in the Security Zone, and the control does not mean the taxation of goods.

Tensions in the Security Zone were the topic of a discussion between Igor Smirnov and Mrs. Patricia Flor, deputy director general, special representative for Eastern Europe, Caucasus and Central Asia in the German Foreign Ministry, and the director for Europe and Central Asia of the European External Action Service, Mr. Miroslaw Lajcak. Smirnov insisted that 28 incidents against Transnistria took place in the Security Zone in the latest period. According to Smirnov, Transnistrian security head Vladimir Antiufeev was empowered to coordinate actions of police forces, in a move to prevent Moldova’s provocations in the Security Zone. In their turn, European diplomats insisted that the confidence-building process between the two banks of the Dniester will be long and difficult and it requires a reciprocal benevolence to settle pressing issues.

IV. FOREIGN RELATIONS

1. European integration

3rd meeting on Moldova-EU Visa Dialogue

Brussels hosted the 3rd meeting of the Moldova-EU Visa Dialogue on October 7. According to a [communication released by MFAEI](#), the parties discussed the results of the Warsaw Eastern Partnership Summit and progresses made by Moldova to implement the Action Plan on Visa Liberalisation (APVL). The Moldovan side reported additional information regarding the recently adopted legislative framework and objectives to be fulfilled in order to complete the first round of the Action Plan on Visa Liberalisation by the end of 2011. As well, the sides agreed on a working agenda for the next three months. Moldova is to table the second Assessment Report on implementation of the first round of the Moldova-EU Action Plan on Visa Liberalisation until November 14, 2011.

Moldova joins the 7th Framework Programme of European Community

After two years of negotiations, Moldova [signed](#) in Brussels on October 11 the Agreement of Understanding between the Republic of Moldova and the European Union concerning the association to the Seventh Framework Programme (FP7) of the European Community for Research, Technological Development and Demonstrative Activities (2007-2013), thus becoming the 14th FP7 partner. The association to the European Research Area will provide researchers, research institutions, universities and businesses from Moldova with the opportunity to apply for EU funding for research as equal partners, starting January 1, 2012. The FP7 budget for 2007-2013 exceeds 53 million Euros. Moldova will have to contribute to the global FP7 budget with an amount calculated on the basis of the domestic GDP.

EU-Moldova cooperation in energy sector

During October 4-6, Chisinau hosted meetings on energy cooperation between Moldova and the European Union, as well as between EU and eastern countries. They included [the 9th Ministerial Council meeting](#) of the Energy Community, a [joint informative sitting](#) of INOGATE and Energy Committee, a roundtable concerning the Energy Efficiency and Regenerating Resources in Moldova, the Social Forum of the Energy Committee, a sitting of the Eastern Partnership Platform 3.

Participants in the joint informative sitting were informed that the INOGATE programme (*a programme on rehabilitation of the gas and oil infrastructure in CIS member states*) will have a 17-million-euro budget for the next three years, which will be managed by a consolidated secretariat.

The key result of the 9th meeting of the Moldova-chaired Ministerial Council of the Energy Community was the adoption of the EU Directives called Energy Package III to regulate the domestic market in electricity and gas. By adopting these rules, the partner countries pledge to implement them by January 2015. The [Ministerial Council Decision](#) stipulates deadlines for implementation of energy regulations which build the *acquis communautaire*. The Energy Community Secretariat will monitor the implementation of this decision by partner states and will deliver a first progress report on June 30, 2012.

The participants set up a task force to work out a Regional Energy Strategy, which will include a regional plan on development of generating capacities and investments. They also adopted an action plan on development of the gas infrastructure in the Energy Community, which is expected to bring together member states into a regional market and ensure the security of supplies in the region. The participants decided to welcome

Armenia as observer of the Energy Community. Taking part in the Council meeting was also European Commissioner for Energy Günther Oettinger, who told a news conference that the European Commission will assist Moldova to implement energy projects, particularly relating to Moldova's joining to the regional electricity market, modernisation of internal networks, energy efficiency and development of regenerating energy resources.

During the Social Forum of the European Community, Moldova and Ukraine signed the [Memorandum on Social Issues of the Energy Community](#), which means the engagement of partner countries to encourage the social dimension of market reforms in energy sector, particularly in terms of fundamental rights of employees, rights of consumers, labour legislation, security and health at workplace and equal opportunities.

The agenda of the 6th meeting of the Eastern Partnership Platform 3 included issues related to security of supplies and development of energy infrastructure projects, transposition of the EU directives on development of a pan-European energy market. Mr. Fabrizio Barbaso, deputy director of the European Commission's Energy Directorate, said that EU will provide cofunding for common projects aimed to integrate the Eastern Partnership member states into the European market. Some projects to be funded by EU are designed to interconnect Moldova with EU (via Romania), including the Ungheni-Iasi gas pipe, and to consider the feasibility for Moldova and Ukraine to join the European Network of Transmission System Operators for Electricity (ENTSO-E).

Visit by European commissioner for taxation, customs, audit and anti-fraud to Chisinau

The European commissioner for taxation, customs, audit and anti-fraud, Mr. Algirdas Semeta, was on a working visit to Chisinau on October 14 to approve the EU-Moldova Strategic Customs Cooperation Framework. The strategic framework builds [shared customs cooperation priorities](#) for the period covering 2011 to 2014, including: 1) improving cooperation and risk management at borders; 2) effectively detecting and decreasing smuggling; 3) stepping up investments in Moldovan customs modernisation. A task force will be set up to work out an action plan on implementation of the framework. While meeting Prime Minister Vlad Filat, the European commissioner approached the problem of smuggling in cigarettes in East Europe, including Moldova, which seriously hits budgets of EU member states. According to Mr. Semeta, these losses amount to 10 billion Euros a year. The European official noted that increasing tobacco excises by Moldova up to the European level would be an important step against smuggling in cigarettes wt the eastern border of EU.

Week of Moldova-EU dialogue in Chisinau

During October 17-20, Chisinau hosted meetings in the framework of the political dialogue between Moldova and EU.

Two missions deployed by the European Commission visited Chisinau during October 17-20 and assessed the implementation of the [Action Plan on Visa Liberalisation](#) (APVL), in order to decide on Moldova's passage to the second APVL implementation round. The missions inspected the fulfilment of requirements of the Bloc 3 concerning the "Public order and security. Protection of personal data" (which includes actions against organised crime, trafficking in human beings and drugs, protection of personal data, combat of corruption and economic crimes, judicial cooperation and law enforcement) and Bloc 4 on „External relations and fundamental rights". The last bloc includes regulations on protection of rights of minorities and free move in Moldova, and indicates the adoption of the controversial antidiscrimination law as the No. 1 condition. The results of assessment will be released till the end of 2011, as part of the second progress report.

The Moldova-EU Cooperation Committee held the 12th meeting on **October 18**, with the Moldovan side reporting achievements in honouring commitments in front of EU.

According to a [press release](#) by the Ministry of Foreign Affairs and European Integration, the parties discussed the implementation of the Moldova-EU Action Plan, political dialogue, social-economic reforms, and development, cooperation in the area of justice and interior affairs. The delegations indicated prospects of opening negotiations on a Deep and Comprehensive Free Trade Area and Association Agreement, particularly in areas of transportation, energy, information society, environment and people-to-people contacts.

The 8th round of negotiations on the Association Agreement between Moldova and EU took place on **October 19**. The sides continued negotiations on formulations from the preamble, objectives and institutional, general and final regulations concerning the chapter “Justice, freedom and security”. They finished the negotiations on general principles and discussed preparations to open negotiations on building a Deep and Comprehensive Free Trade Area. A special issue raised by the Moldovan side was the participation of Moldova in EU programmes and agencies and ways to extend it.

An informal meeting of the Moldova-EU Dialogue on human rights took place on October 19 and discussed the situation relating to the law enforcement reform, adoption of the antidiscrimination law, respect for social and economic rights, and fulfilment of the 2011 recommendations of the U.N. Committee on Economic, Social and Cultural Rights in terms of torture, functioning of the National Anti-Torture Mechanism and investigation of the April 2009 events. It also discussed U.N. recommendations on Moldova included into the October 12, 2011 Periodical Universal Review.

Note by ADEPT: Mr. Dirk Schuebel, head of the EU Delegation to Moldova, has stated in an interview that Moldova will not progress in visa liberalisation talks, if it does not pass an antidiscrimination law, a condition to be fulfilled at the first stage of visa liberalisation negotiations – the adoption of such a law. In the same context, European Parliament President Jerzy Buzek has told a meeting with Moldova’s interim President Marian Lupu in Brussels that any progress in negotiating an Association Agreement, a Deep and Comprehensive Free Trade Area and a liberalised visa regime between Moldova and EU will depend on finality of the political crisis in Moldova, but Europeans expect Moldova to be a successful model within the Eastern Partnership.

Moldova initials agreement on Moldova’s joining to the European Common Aviation Area

Chisinau hosted on October 26 the 3rd round of negotiations concerning the agreement on Moldova’s joining to the European Common Aviation Area (ECAA), which ended with the signing of the memorandum of consultations between the parties involved and the initialling of the agreement. The agreement signing procedures will be completed in February-March 2012, after EU member states will give a green light and afterwards the EU Council will decide its signing and enforcement. The initialled draft agreement was not published yet, but the [similar agreement](#) signed between Georgia and EU on December 2, 2010 allows conclusions that Moldova pledges to adjust the national legislation to European standards and to adopt the EU regulations on security, safety and management of air traffic, protection of consumers, to remove monopoly in area of air services, and to ensure a free competition in this sector. Therefore, Moldova will have to combat the current discrimination against European transporters and stop advantaging the Air Moldova Company in terms of prices of tickets, number of flights and destinations. EU will give a 10-year term to Moldova to implement all regulations of the agreement. EU will assess the progress two years after the signing of the agreement. A joint commission made of representatives of EU and Moldova will be in charge with the efficient management and implementation of the agreement.

Sitting of governmental commission for European integration

The governmental commission for European integration convened in a sitting on October 27 to discuss hot issues relating to the Moldova-EU political dialogue such as the joining

to the European Common Aviation Area, the national plan on implementation of the Action Plan on Visa Liberalisation, as well as actions to be carried out with the purpose to open negotiations on a Deep and Comprehensive Free Trade Area with EU.

According to the [governmental press service](#), commission members underlined key actions to be taken shortly. In particular, Moldova is expected to focus on key areas related to sanitary and phyto-sanitary aspects, normative framework on standardisation, quality infrastructure, competition policies, and financial-banking sector. In the context, it was noted the importance of implementing actions stipulated by the food security strategy for 2011-2015 approved under Government Decision No. 747 of October 3, 2011. As for negotiations on Deep and Comprehensive Free Trade Area, Moldovan authorities are due to submit the 3rd quarterly progress report to the European Commission by October 30.

Note by ADEPT: The Government maintains the practice of organising sittings of the governmental commission for European integration behind closed doors, without the participation of civil society which is not represented in the commission. Official communications released by the governmental press service are the only source of information in this respect.

2. Bilateral cooperation

3rd meeting on Moldova-EU Visa Dialogue

Republic of Moldova – Ukraine

On October 5, the [Supreme Rada of Ukraine](#) adopted the law concerning the ratification of the protocol between Governments of the two countries on modification of the agreement on recognition of rights and regulation of property relations, signed in August 1994. According to the agreement, the parties recognise the property rights to enterprises and other assets controlled by union-republican ministries in the former Soviet Union, as of December 1, 1990. The law will facilitate solutions to problems relating to Ukraine's ownership on the Dnestrovsk-based hydropower down-comer and Moldova's property on the granite quarry Pervomaysk and gravel and sand quarry in Chernautsy.

Republic of Moldova – China

Minister for Foreign Affairs and European Integration Iurie Leanca was on a working visit to China on October 11-14 to give an impulse to commercial-economic relations and attract Chinese investments in Moldova. While on visit, the Moldovan foreign minister had meetings with his Chinese counterpart Yang Jiechi, Deputy Premier Li Keqiang, and Chinese businessmen. According to a [communication by MFAEI](#), the sides discussed possibilities to promote projects in common-interest areas such as energy, development of road infrastructure, agriculture, telecommunications, and IT, as well as ways to promote Moldovan wines in China and attract Chinese investments in Moldova. The Chinese Government pledged to keep providing Moldova with technical assistance and to increase the number of scholarships for young Moldovans.

Republic of Moldova – Belarus

The Moldovan-Belorussian intergovernmental commission for commercial-economic cooperation held a [sitting](#) in Chisinau on October 13. The agenda included 16 issues such as attraction and mutual promotion of investments, extension of exports of bottled Moldovan wines and cognacs to Belarus, industrial cooperation. The sides signed 7 bilateral agreements after the sitting: 1) the intergovernmental agreement on reciprocal emplacement of diplomatic missions; 2) the cooperation agreement between the interethnic relations office of Moldova and the Belorussian authority for religion and nationalities; 3) the cooperation protocol between the Moldovan Export Promotion and Investment Attraction Organisation (MEPO) and the similar organisation of Belarus, the

national marketing and price conjuncture centre; 4) the cooperation programme between the Youth Ministries; 5) the agreement between the Chisinau City Hall and the trolley manufacturer SA «Белкоммунмаш»; 6) the cooperation protocol between the Chisinau City Hall and the Minsk executive committee; 7) the agreement between the "Agrofermoteh" Company and the Smorgon-based motor aggregate manufacturer concerning supplies for joint assemblage of modified Belarus tractors for orchards and vineyards.

3. Multilateral cooperation

Republic of Moldova – Council of Europe (CoE)

PACE session

A delegation from the Moldovan Parliament made of Deputies Valeriu Ghiletschi (PLDM), Igor Corman (PDM), Valeriu Munteanu (PL), Grigore Petrenco (PCRM) and Liliana Palihovici (PLDM) attended the autumn session of the Parliamentary Assembly of the Council of Europe (PACE) during October 3-6. The agenda included issues related to the impact of the Lisbon Treaty on the Council of Europe, cooperation between CoE and Arabian emerging democracies (Palestine was awarded the status of democratic partner), children's rights, abuses in keeping state secret and national security. As well, participants discussed the political situation in Balkans, Armenia, Belarus and Ukraine. PCRM Deputy Grigore Petrenco informed PACE President Mevlut Cavuşoglu during the session in connection with the PCRM position regarding the election of president and resolution of political crisis in Moldova, accusing the ruling alliance of blocking PCRM solutions to the crisis.

In the same period, the speaker of the Parliament, Moldova's interim President Marian Lupu visited the Council of Europe and met there the CoE Secretary-General, PACE President, head of the European Court of Human Rights, head of the Congress of Local and Regional Authorities of CoE, and head of the Venice Commission. The political situation in Moldova, cooperation between Moldova and CoE, the end of the CoE monitoring on Moldova, and the passage to the post-monitoring stage, prospects of settling the constitutional problem, and reformation of justice were key topics that Marian Lupu approached during meetings with European officials.

ECHR decisions

The European Court of Human Rights (ECHR) pronounced judgements on following [applications](#) in October: *Fomin vs. Moldova*, *Gorobet vs. Moldova and Rassohin vs. Moldova*. It indicated violation of Article 6 (1) of ECHR (right to a fair trial) for applications *Fomin vs. Moldova* and *Rassohin vs. Moldova*, and violation of Articles 3 and 5 (1) of ECHR (prohibition of inhuman and degrading treatments and legality of detention) in the case *Gorobet vs. Moldova*. Overall, the Moldovan Government will have to pay 25,674 Euros to the applicants as damages.

Republic of Moldova – U.N.

The Working Group on the Universal Periodic Review made of 47 members of the U.N. Human Rights Council assessed the human rights in Moldova on October 12. Deputy Minister of Justice Vladimir Grosu led the Moldovan 7-member delegation. Moldova was assessed on the basis of the [national report](#) submitted by Moldovan Government, a compilation of reports by specialised U.N. institutions prepared by the Office of the U.N. High Commissioner for Human Rights (OHCHR), as well as a summary prepared by OHCHR, which included information provided by local nongovernmental organisations. During the review sitting, the Moldovan delegation presented the report and latest developments related to the registration of the Islamic League and opening of public

consultations on the antidiscrimination law, which were not included in the report. At the end of the presentation, 37 states released questions, comments and recommendations on human rights in Moldova, especially relating to torture, impunity for torture, trafficking in human beings, domestic violence, and rights of persons with physical, mental and intellectual disabilities, freedom of media, discrimination, and respect for human rights in the Transnistrian region. Moldova gave green light to [107 out of 122 recommendations](#), pledging to meet them before the next review in 2015.

Republic of Moldova - CIS

Sankt-Petersburg hosted on October 18 a sitting of the CIS council of premiers, attended by Prime Minister Vlad Filat. The agenda included issues relating to commercial and economic cooperation in CIS area, which turned into the signing of some agreements. The agreement concerning the free trade area between CIS member states which comes to replace the 1994 agreement is regarded as the No.1 accord. The new agreement is based on norms and regulations of the World Trade Organisation (WTO) and aims to reduce the number of products liable to import customs fees and to fix up the effective taxes, to simplify the legal framework on commercial-economic relations of CIS member states by cancelling some bilateral and multilateral documents which regulate the free trade exchange in the CIS area. Moldova signed the agreement concerned along with other CIS members. The sitting signed 28 acts, including the agreement concerning basic currency regulation and control principles in CIS area, the decision concerning the concept on strategic railway transport development in the Commonwealth until 2020, a series of documents on cooperation in the area of food security, migration policies, and social development.

Note by ADEPT: By signing the agreement on the free trade area between CIS member states, Moldova could improve its relations with the Russian Federation, which were deteriorated by the Baghirov case.

V. COMMENTS

Phoenix Bird and Watermelon

By Igor Botan

1. Bound of „raider assault”

On October 13 Premier Vlad Filat presented a report to the Parliament regarding “the assaults on share houses of many banks” in Moldova. According to the report, “the raider assault” on the banking system was combated due to prompt actions of the Government, assisted by administrations of banks, shareholders, and representatives of some international institutions. In contrast, according to the report, a number of state institutions manifested either non-professionalism or complicity with assaulters. In consequence, the premier demanded the resignation of Prosecutor-General Valeriu Zubco; Gheorghe Mihai, head of the Information and Security Service (SIS); and Mihail Cibotaru, head of the National Commission of Financial Market (CNPF). The premier insisted on withdrawal of state institutions from “algorithmic political influence and their rendering to citizens,” so that to increase requirements and prevent in future phenomena like that reported.

The last remark is the key of understanding of recent political developments in Moldova, invoking the fact that the algorithmic distribution of leading offices in state institutions was the key condition to build the Alliance for European Integration (AIE). After presenting the report concerned, the premier admitted that the algorithmic distribution was a fatal mistake, which subordinated state institutions to group interests and turned them into “levers” to meet these interests. The Parliament made a decision based on premier’s report, which assesses the unsatisfactory activity of the three institutions concerned; seeks the dismissal of the SIS director; instructs the head of the Parliament to fill up the procedure of dismissal of the Prosecutor-General and CNPF head within one week; instructs the premier to report reshuffles in his cabinet within two weeks.

The decision concerned was adopted by 69 deputies representing the factions of the Liberal Democratic Party of Moldova (PLDM) led by Premier Vlad Filat, and the opposition Party of Communists of the Republic of Moldova (PCRM). The other two factions representing the AIE, the Democratic Party of Moldova (PDM) and the Liberal Party (PL), turned down the appeal of the prime minister and the parliamentary decision. PL and PDM leaders said that the AIE was actually destroyed and a new alliance was built between PLDM and PCRM, the so-called alliance of “watermelon” which was forecasted long ago. Really, the premier’s appeal was expected since July and became very probable in August, when the report on “raider assault” on banking system was released, an assault which took place two weeks after the premier has addressed citizens and signalled the danger of “mafiotisation” of the Republic of Moldova. According to the premier, the “raider assault” was a proof for his warnings regarding dangers faced by Moldova. Even more, this assault would not have taken place without the criminal involvement of some high-ranking functionaries and reports from *insiders*.

In fact, the truth about the “raider assault” shall be proved, but the premier says that this would be possible just after the dismissal of the dignitaries mentioned above. In consequence, the entire story about the “raider assault” is based on premier’s statements, as well as on a judgment by the Supreme Court of Justice (CSJ) to reinstate the property rights of six European investors from Slovenia and Netherlands on 27.5 percent of shares in Moldova Agroindbank. Indeed, the CSJ decision is the only credible document which attests that the “raider assault” really took place, but it does not identify the assaulters behind offshore firms. As for the rest, premier’s statements that he allegedly knows who is behind the assault, as well as his allusions which are more than transparent and indicates nobody else but popular “jigger” Vlad Plahotniuc, are nothing but part of the public conflict

woken between Premier Vlad Filat and first Deputy Speaker Vlad Plahotniuc last February, less than two weeks after the AIE-2 was built.

2. Rounds of AIE-2 collapse

According to the premier, things inside of AIE-2 were wrongly planned since the establishment of this alliance. Filat indicates the following rounds of the conflict inside of AIE, which led to the current condition:

- The February dispute on activity of state enterprises subordinated to the Ministry of Economy, which was algorithmically given to PDM and publicly defied the authority of the prime minister along with other PDM-ruled ministries. Thus, the functionality of the Government was endangered, as ministers do not respect prescribed and unwritten regulations on activity of a cabinet of ministers, but meet indications of party leaders who delegated them to the executive;
- The March dispute regarding the budget and budgetary-fiscal policy for 2011, accompanied by Premier's threat to tender resignation, if AIE fellows do not support them. The premier indicated then for the first time the presence of a malefic "jigger" who wants to control state institutions;
- Undermining of PLDM positions on the eve of the June local elections, as two personalities, two first deputy chairpersons of PLDM, including one who headed the Ministry of Justice and another one who headed the parliamentary faction of Liberal Democrats left the party in April and May. Vlad Filat blamed the "jigger" for these actions, as the latter pledged to destroy the PLDM by corrupting outstanding members of this party;
- The announcement made by Premier Filat when he addressed citizens and signalled the risk of "mafiotisation" of the country, which he described as more dangerous than the supposed *communisation* realised through an eventual coalition of PLDM and PCRM. That was the moment of action to prepare the so-called resetting of AIE;
- The engagement of Government's political responsibility for a draft law aimed to protect financial institutions and control law institutions (law courts and executors). This engagement aimed to combat eventual "raider assaults" accompanied by public accusations against institutions which were algorithmically given to PDM and PL;
- The dispute related to expectations regarding the September 20 decision of the Constitutional Court (CC) concerning the possibility to avoid the application of Article 78 of Constitution, so that to elect the chief of state under an ad-hoc organic law, with a simple majority, rather than with a qualified majority of 3/5 deputies. PLDM and PCRM said that they would not accept the deflection of the constitutional norm and the CC decision finally awarded victory to PLDM and PCRM, but gave birth to a new serious scandal, which attracted CC into an irremediable politicisation, the least for the near future;
- The October 13 report by Premier Vlad Filat to the Parliament and the demand seeking the dismissal of heads of institutions ruled by PDM and PL through an algorithm, which meant the irreversible collapse of AIE-2.

The rounds of AIE collapse must be invoked in order to understand that the situation has degraded so much that the ambitious reform programme of the Government cannot be implemented anymore. Actions of AIE components both cannot make a synergetic effect and target against alliance members. Thus, the promotion of the justice reform was withdrawn from auspices of the Ministry of Justice, which was algorithmically given for rule to PLDM, being transferred to auspices of interim President Marian Lupu, and this fact raised suspicions of PLDM that the reform will turn into a smoke screen to strengthen the

control of the “jigger” on justice. On the other hand, interim President Marian Lupu publicly disregards premier’s efforts to encourage a dialogue with Transnistrian leaders with the purpose to make them accept official negotiations. As for PL, its actions focussed almost exclusively on modification of Constitution by using a “sleeve joker,” as well as on exclusive competences for Chisinau mayor, its deputy chairman.

3. PLDM tactic and PCRM strategy

The common voting on October 13, 2011 by PCRM and PLDM followed different purposes. PLDM focuses for the time being to weaken the positions of the “jigger” and strengthen its own stances, invoking the need of “rendering state institutions to citizens.” Statements of Premier Vlad Filat aim to blame the “jigger” for all troubles of Moldova. The invocation of the need of providing evidence is reduced to the response that one cannot get authentic evidence from law enforcement institutions controlled by the “jigger”. In consequence, citizens have to believe or not the premier. Thus, the entire political battle would develop in the “public relations” (PR) field. So far, Premier Vlad Filat and his party are winners of this race, as surveys rate the PLDM as the party enjoying the highest confidence of people. On the other hand, PDM and PL hold diverse means to compete in the PR field. In addition, the intrigue of this battle may be maintained by eventual expectations that the Prosecutor-General’s Office could provide surprises related to eventual cases involving persons from premier’s entourage. Anyway, the last argument of PLDM would be related to the broader field of manoeuvre – the possibility of cooperation with PCRM, which is less accessible to PDM and inaccessible to PL.

Although it joined tactical games with PLDM, the strategic goal of PCRM is to regain the rule. PCRM cannot be loser of this game. If AIE partners of PLDM cede to premier’s pressures and accept to reset the alliance, the PCRM would be at least happy to take revenge against “traitors” who retreated into PDM, and this fact is very important to preserve the unity of PCRM which runs the risk to break up. In addition, an eventual reset AIE would have to take the test of presidential elections, which would need the participation of PCRM. Thus, the PCRM would not lose control on developments. On the contrary, an open coalition with PLDM would be harmful, as long as PCRM did not decide yet what to do: to provoke early parliamentary elections or to rule the country as part of a new coalition.

4. Approaching denouement

The denouement of situation could develop in a couple of weeks. Under the October 13 Parliament Decision, it should be clear in one week if the PDM and PL agree to reset the AIE. It will be clear after two weeks what the goal of the premier’s announced governmental reshuffle is. Finally, it will be clear after one month if the chief of state will be elected or the country will have to hold early parliamentary elections.

If PDM and PL do not warm Filat’s initiatives to reset the AIE, PLDM would likely make a coalition with PCRM. PDM leader Marian Lupu has noted that in his quality of speaker of the Parliament he will not meet the recommendation from the October 13 Parliament Decision to start dismissing the Prosecutor-General. That means that the PLDM will have to call on services of PCRM, in order to dismiss the speaker of the Parliament in line with Article 64 of Constitution: the chief of the Parliament **”may be revoked at any moment through a secret vote by the Parliament with a minimum majority of 2/3 votes of all deputies.”**

If such a situation occurs, that would be the “moment of the truth.” First, the myth of the all-powerful “jigger” would be tested. Sixty-eight votes would be needed to eventually dismiss the speaker of the Parliament. PLDM and PCRM have 73 votes together and the intrigue would be reduced to the capacity to “influence” only six ballots during the secret

voting. Second, the eventual failure of the attempt to dismiss the speaker of the Parliament would undermine the positions of PLDM and PCRM, producing discussions about eventual scissions of these parties.

On the other hand, the eventual dismissal of the Parliament speaker would also prove the capacity of an eventual PLDM-PCRM coalition to elect the chief of state. Thus, in order to attenuate accusations of “betrayal”, PLDM would have to propose one more time the resetting of AIE by allowing PDM and PL partners to nominate a candidate for the seat of Parliament speaker.

The strong opposition of PDM and PL against PLDM initiatives to reset AIE would push premier’s party to an undeclared coalition with PCRM, of course with the purpose to overcome the political crisis. The PCRM would have to make a decision: either to provoke early parliamentary elections or to formalise the coalition of “watermelon” on the basis of a new Government with a new governance programme. The PCRM would unlikely accept a long-term coalition with PLDM under auspices of the effective action programme of the Government „European Integration: FREEDOM, DEMOCRACY, WELFARE.”

5. Conclusions

- The activity of AIE in the last half year proved that this political structure is incapable to promote the promised reforms and overcome the institutional crisis faced by Moldova for more than two years;
- There is no more ways to normalise the situation without resetting the AIE on new principles. The failure to reset the AIE would introduce an alternative into agenda – either the PLDM-PCRM coalition would be officialised with all necessary implications, or early parliamentary elections would likely take place on spring 2012;
- Given the disappointment of AIE electors, the eventual early parliamentary elections could bring back the PCRM rule, either alone or in a coalition, most probably with PLDM;
- The eventual demand of premier’s resignation or the attempt to lock the adoption of the 2012 budget by PDM and PL would be interpreted by PLDM as an action aimed to undermine the AIE through revenge, in contrast with premier’s resetting actions;
- PLDM would not be able to avoid accusations of “betrayal” like the “PPCD syndrome” after the “April 4, 2005 treachery”. Perhaps, the PLDM would lose some electors, but not a lot, as the “PPCD syndrome” is typical to the unionist electoral segment;
- If early parliamentary elections take place, the electoral race would likely focus on combating corruption and “mafiotisation”, and PDM and PL would have to resist to the pressing of PLDM. Therefore, the resetting of AIE is not the worst solution for its components. But the reset AIE should become functional and efficient.

Crisis succession and Moldovan banks

By Iurie Gotisan

According to Romanian economist [Daniel Daianu and his European fellows](#), the excess of all kinds of financial innovations in European financial-banking systems and others is particularly to blame for the current crisis. The financial innovation has positive and negative sides. These innovations at individual level are advantageous enough for sure, as for example to pay housekeeping invoices online or to carry out a worthy acquisition without carrying its price in pockets. However, almost all of them have a major cost for the system in general. Even more, the contamination or contagion of ultra modern financial products amplifies the risks in case of globalisation of markets, when all kinds of transactions may be done from any corner of the world. All these deals induce panic between market players and double the existing dangers, including the risk of sovereign debts in many European countries, which finally fall on shoulders of their financial and banking systems.

Many voices have recently signalled a “liquidity crisis” (it is worth to specify that it means here a *surplus of liquidities*). I absolutely agree with this affirmation. But, let’s not advance too far, or our banking market has a surplus of liquidities while local banks do not hurry up to provide credits and to reduce interest rates, as they feel the high risks. For example, [overall assets](#) of the Moldovan banking system are evaluated at over 46 billion lei or about 4 billion dollars, of which almost half are liquid assets of banks. There is an impression that banks save the money, so that one may affirm that interbank markets have got infected, the credit does not function the way it should do, there is a certain fear or even a *crisis of confidence*, a term which is often used by those who monitor the dynamics of financial markets.

The crisis of confidence was born by shortcomings of the new financial system built the last two decades. Financial innovations designed to bring security, to turn a wide range of loans into bonds have spread the risks. These bonds were transposed on account of states, governments and now we have what we have in Europe.

According to professor Daianu, simple statements cannot settle a confidence crisis. Financial markets will somehow overcome the current situation after a long time, but this condition involves a better regulation of markets, recapitalisation of many banks and regular injections of liquidities by central banks. It is supposed that a cheap loan policy will not be reintroduced soon, though central banks reduce reference interests to increase financial means on markets. Or credits for businesses and population will be relatively expensive for a long time on.

How much do local banks suffer after the financial crisis, including after the crisis of sovereign debts in Europe? It seems at the first glance that they do not suffer at all. Local banks which are actually subsidiaries of some European banks develop separately; that means they have an independent policy and do not depend on mother banks.¹ This is the case of *BCR Chisinau*, a subsidiary of the Austrian group *Erste Bank* which portfolio includes the majority stock of BCR from Romania and Moldova; *Mobiasbanca* belongs to the *Societe Generale* group; *EuroCreditBank* has a Greek major capital, but none of them face any problems, accordingly to BNM accounts.

The Moldovan bank market is not anchored on large financial flows, so that it is less affected directly. However, one should not get drunk with cold water. Our neighbours from the other side of the Proute assured that the crisis would not hit them, but many financial institutions in Romania experience its consequences. If the true effects on European

¹ http://eco.md/index.php?option=com_content&view=article&id=2956:cat-sunt-de-expuse-subsidiarele-moldovenitale-bncilor-europene-cu-probleme&catid=99:finane&Itemid=470

countries are not avoided, they will hit the Moldovan economy as well, as they would eventually reduce remittances, exports and finally the consumption. Or most of serious analyses reveal that the solidity of bank groups has a positive effect on financial stability and economic stability in general on a long term.