

Moldova under Lucinschi

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During the Soviet period Moldova was commonly referred to as “sunny Moldova.” Unfortunately, today the country’s economic situation is anything but sunny. Moldova has the ignominious distinction of being one of the three poorest states in Europe. Since declaring independence in 1991, Moldova has had the largest fall in gross domestic product and living standard of any former socialist state in Europe. The GDP is a mere 30 percent of what it was in 1990. The average monthly nominal wage was a pitiful 405 lei (singular leu), or U.S.\$32, as of the middle of 2000. Moldova also has been plagued by myriad political problems as it struggles to make the transition from communism to democracy and a market economy. Although politically the country has made significant progress in establishing functioning democratic institutions, other problems, especially its dire economic situation, are taking their toll on its young democratic political system and have raised concern about Moldova’s existence as an independent state. In this article, I take a brief look at the overwhelming economic, political, and other problems that Moldova faced from the parliamentary elections of March 1998 to those of February 2001, in an effort to understand why Moldova has now turned back to the Communist Party for leadership.

The March 1998 Parliamentary Elections and the Second Ciubuc Government

President Petru Lucinschi’s chances of carrying out important reforms were hindered from the start by the scheduling of parliamentary elections for early 1998. This also relegated Prime Minister Ion Ciubuc’s cabinet to a caretaker role. Immediately after losing to Lucinschi in the December 1996 presidential elections, now former president Mircea Snegur began making plans for a coalition for the upcoming parliamentary elections. In June 1997, he announced the formation of the Democratic Convention of Moldova, styled after the Democratic Convention of Romania. In addition to Snegur’s own party, the Party of Revival and Conciliation, the Democratic Convention included the pan-Romanian Christian Demo-

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cratic Popular Front (CDPF), a direct successor of the Popular Front of Moldova, along with a number of smaller parties. The Democratic Convention's foreign policy stressed closer ties with the West, including NATO membership, and despite its pro-Romanian wing supported Moldovan independence.

Not to be outdone, in September 1997 Lucinschi's supporters formed the Bloc for a Democratic and Prosperous Moldova, taking membership from the pro-Lucinschi Movement for a Democratic and Prosperous Moldova that had been set up in December 1996 under the leadership of Deputy Speaker of Parliament Dumitru Diacov. Like the Democratic Convention, the Bloc included a number of smaller parties. As in the presidential elections of 1996, the Lucinschi forces hoped to capture as much of the political center as possible. Somewhat of a surprise was the return of a strong unreformed Communist Party. Although outlawed from 1991 to 1994, the Communist Party of Moldova still maintained by far the best country-wide political organization, and it was the only political party with any longevity and tradition. The party hoped to capitalize on Moldovans' suffering from the country's severe economic plight and to dominate the left, including Russian-language speakers and other minorities, by combining protest with nostalgia. The Communists sharply attacked Western-style market reforms as the root of the problem while preaching a return to a more command economy and the renationalization of privatized enterprises; they also opposed the privatization plans of the government, full integration into the CIS, and the expansion of NATO.

Increasingly succumbing to populism, the left-dominated Parliament passed a law that "ostensibly guaranteed all Moldovans a subsistence-level income," even though the cost to the state would be twice the annual budget.¹ In an effort to benefit the Bloc, Diacov proposed that Parliament dissolve itself and schedule early elections. But the gambit backfired when the left and right joined forces to remove him as deputy speaker. Several other highly placed Lucinschi supporters were dismissed from their positions as well. Even though Lucinschi had previously criticized Snegur for not being able to work within the constitutional structure, which gives roughly equal power to the prime minister and president, he now began calling for changes that would strengthen the power of the president.

Moldova's bitterly fought political campaigns, marked by numerous personal attacks, have caused some to question the wisdom of having elections for the presidency and Parliament only two years apart, instead of holding them together. As one analyst stated, "Society . . . is tired of incessant elections, and each time a new polarization of opinions has a painful impact on the development of [the] democratic process."² In a television address after the March elections, Ciubuc said that the five months preceding the elections had damaged the country's economy beyond "the blackest expectations." The executive branch of the government had "worked just formally" and "ties with the IMF [International Monetary Fund] and the World Bank were practically disrupted, while foreign investments ceased." The government unjustifiably forgave "huge debts" of many state enterprises and made "populist reductions of tariffs for energy consumption."³

Although the outcome of the 22 March parliamentary elections had been somewhat predicted by the polls, the results were dramatic.⁴ The Communist

Party came out on top with 30 percent of the vote, making it the largest party in the new Parliament, with forty seats. The other surprise was the crushing defeat suffered by the left-of-center Agrarian Democrats, who failed to even clear the 4 percent electoral threshold, resulting in their complete loss of parliamentary seats. Suffering an even worse fate was the Socialist Unity Bloc, which failed to receive even 2 percent of the total vote. Finishing in second place was the moderate-right Democratic Convention, with 19 percent of the vote and twenty-six seats. The pro-Lucinschi Bloc for a Democratic and Prosperous Moldova finished a disappointing third, with 18 percent and twenty-four seats, followed by the Party of Democratic Forces, another successor of the Popular Front of Moldova, with 9 percent and eleven seats in Parliament. Like other former Communist states in Eastern Europe, Moldova suffers from the novelty of a weak, incipient multiparty political system, with the parties themselves coalescing around leading personalities of Moldova's polarized elite.

It was the country's economic plight that finally destroyed the already splintering Agrarian Democrats. Many who had voted for the Agrarian Democrats and the Socialist Unity Bloc in 1994 voted for the Communist Party this time. Some analysts interpreted the strong showing of the Communists as more of a protest vote because of economic hardship.⁵ In any case, the left was further coalescing with the Communist Party and Parliament was becoming more polarized.

Despite being the largest party in Parliament, the Communists were not part of the new Ciubuc government. Eager to take part, Communist Party head Vladimir Voronin said that they were ready to form a coalition government with the Bloc for a Democratic and Prosperous Moldova and the Party of Democratic Forces, but not with the Democratic Convention, and that they were not against private business or a free market per se. Lucinschi was evasive; taking the high ground, he stated that as president he had to stay out of party politics, but also that he could work with each party elected to Parliament, including the Communists, who supported him in the 1996 presidential race.⁶ It was the Democratic Convention that took the offensive and urged a coalition government with the Bloc and the Party of Democratic Forces to prevent the Communists from taking over.⁷ Not wanting to be left out of a new government, the Bloc agreed. Finally, after a month of tense negotiations on the composition of a government, on 21 April an agreement was announced providing for the distribution of ministries according to an algorithmic 2 + 2 + 1 procedure: For every two ministries given to both the Democratic Convention and the Bloc for a Democratic and Prosperous Moldova, the Party of Democratic Forces would receive one. The powerful position of parliamentary speaker went to Bloc leader Dumitru Diacov, which according to previous agreement should have opened the way for a prime minister from the Democratic Convention. Lucinschi, however, was able to outmaneuver the Democratic Convention, which nominated Valentin Dolganiuc, a member of the Christian Democratic Popular Front that supported unification with Romania, to replace the less-controversial incumbent prime minister Ion Ciubuc, who worked well with Lucinschi.

The new center-right coalition government, called the Alliance for Democra-

cy and Reforms, was approved by Parliament on 21 May by a vote of fifty-nine to thirty-six. All of the dissenting votes came from the Communist Party, with Voronin calling the new government the “cabinet of Mircea Snegur.”⁸ The new government seemingly put Lucinschi in a stronger position to deal with the legislature than before and gave his Bloc for a Democratic and Prosperous Moldova the upper hand. But how long the coalition government would last with the country in the midst of a severe economic crisis was questionable from the start. Its leaders had a history of animosity, especially between Lucinschi and Snegur, who was named chairman of the Alliance for Democracy and Reforms. Both are highly ambitious politicians who supposedly had not spoken to each other for two

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years. Moreover, the country had little experience with a coalition government, a major problem in other former communist countries, and the coalition government itself was a coalition of coalitions.

Lucinschi and the new Ciubuc government (about 38 percent of the members were holdovers), having the support of a majority in Parliament,

were now in a stronger position to carry out economic reforms, which Lucinschi declared his “first priority.” Ciubuc ambitiously named the government’s new program “Deepening of Reforms, Reorganization, and Economic Growth.” Among the top priorities Ciubuc listed were “fiscal reform, decentralization and privatization of state property, . . . land reform, . . . reorganization of the energy sector,” creating “favorable conditions for investments,” and promoting exports. Over the next four years, Ciubuc said, his cabinet “plans to reduce the budget deficit” to “2.2 percent” of GDP, increase the annual growth rate to 5 percent, and reduce inflation to “7–9 percent.” Exports “will rise” to “10–12 percent per year, while the trade balance deficit will be reduced 3 fold. In 1999–2001, direct investments are expected to soar to \$100 million.”⁹

In June 1998 an agreement was worked out with Oleh Havrilyshin, deputy director of the IMF, whereby the IMF indicated that it might release its postponed Extended Fund Facility tranche of \$35 million in October if the new government implemented macro-structural reforms. Among the requirements of the IMF were revising the February 1998 budget, which had been based on unrealistic projections; tightening fiscal discipline to reduce the large foreign debt of \$1.3 billion, amounting to more than 60 percent of the GDP; reducing the current-account deficit; and speeding up privatization. Havrilyshin said that implementation of the program would also open the way for the World Bank to resume financing. But in August the financial crisis in Russia erupted, sharply jolting Moldova’s already depressed economy and helping to convince the IMF and the World Bank to delay further tranches until the beginning of 1999.

Toward the end of June the government launched an "anticrisis program" and warned that the economy was "on the brink of bankruptcy." On 16 July a revised 1998 austerity budget was passed that trimmed expenditures by 11 percent. Communist deputies walked out of the Parliament in protest before the vote was taken, calling the new budget "antisocial." To begin privatizing electricity, on 25 June 1998 Parliament approved a "Concept for Privatizing Enterprises in the Energy Sector" that provided for the transformation of five electricity distribution companies and three generating stations into joint-stock companies. On 15 December 1998 Parliament approved a new plan to sell 51 percent of the state-owned telephone monopoly Moldtelecom. An earlier attempted sale in July had fallen through when the Greek telecommunications operator OTE offered only half of what the Moldovan government expected to get for Moldtelecom. The government finally succeeded in selling a majority stock in Ciment, the country's largest cement producer, to LaFarge of France. Overall, however, the government has not had much success in privatizing large firms. On 14 December 1998 Parliament passed an austerity budget for 1999 that met IMF fiscal requirements, and on 11 January 1999 Mark Horton, the IMF representative for Moldova, announced that the postponed \$35 million Extended Fund Facility tranche would be released later in the week.

Moldova's inability to pay Gazprom, the giant Russian natural gas monopoly and the main supplier of Moldova's energy, continued for the rest of 1998. As a result of unpaid bills, on 1 July Gazprom halved Moldova's gas supply and threatened a complete cutoff in August. In September Moldova agreed to transfer to Gazprom \$90 million in government bonds, with an annual interest rate of 7.5 percent, by the end of January 1999. To economize on gas, Moldova was forced to introduce rotating power cuts lasting from twelve to twenty hours a day.¹⁰ Moldova has been reluctant to let Tiraspol, capital of the disputed region of Transnistria, accept responsibility for its share of the debt to Gazprom, which in 1998 amounted to roughly \$310 million, viewing this as a further step in recognizing Transnistria's sovereignty.¹¹

From the start the Alliance for Democracy and Reforms coalition government remained shaky. In July and August 1998, the government was able to weather the storm over the issue of transporting nuclear waste across Moldova from Bulgaria to Russia for reprocessing, as had been proposed by the Bloc for a Democratic and Prosperous Moldova and backed by the Communists. In return, Moldova received a \$50 million transit fee. The other coalition partners, along with environmentalists, opposed the measure, arguing that "such deals always involve huge sums of dirty money." On 4 August, Diacov expressed his "regret" that the intra-alliance agreement had been violated and promised that this would be the "last time" it would happen.

At the beginning of November, as a result of the rapidly deteriorating economic situation triggered by the financial crisis in Russia, it looked as if the resignation of the cabinet was imminent, but in the end only one minister was replaced. Lucinschi threatened to declare a "state of emergency" that would have strengthened presidential powers similar to the Russian system's.¹² At the same

time, the power-frustrated Communists were working overtime trying to topple the new coalition government. In the fall, they twice moved no-confidence motions against the government, the second attempt sending Ciubuc to the hospital suffering from chronic fatigue, and held a one-week boycott of Parliament. They also strongly backed Lucinschi's threat to declare a state of emergency and offered to participate in a new cabinet under Communist control.

Unfortunately for Moldova, the last third of 1998 turned out to be worse than probably anyone could have imagined, as the financial crisis in Russia greatly exacerbated the already severe economic crisis in Moldova. Over 80 percent of Moldova's total exports in the first half of 1998 went to Russia, Ukraine, and Romania, with Russia's share alone amounting to 62 percent. In September, Russian demand for Moldovan products fell off sharply. With the ruble crisis any hope of Moldova's economy bottoming out any time soon abruptly ended. The real GDP dropped from 1.6 in 1997 to -6.5 in 1998. Exports for 1998 plunged 28 percent compared with 1997, while imports fell by 13 percent. This resulted in a trade deficit of more than 24 percent of GDP in 1998.¹³ Industrial production in 1998 fell by 11 percent, the largest drop in the CIS, and agricultural output fell by 7 percent because of a severe drought, in addition to the Russian turmoil.¹⁴ A stable leu had been one of the few bright spots in the Moldovan economy, but the meltdown of the ruble precipitated the plunge of the leu, especially after early November, when dangerously low reserves prevented the National Bank of Moldova from intervening further to support the leu. With 4.78 lei to the dollar at the end of August 1998, by the end of November the rate was almost 10 lei to the dollar. This was followed by a sharp rise in prices, with year-end inflation for 1998 jumping to 18.2 percent from 11.1 percent in 1997.¹⁵

Not surprisingly, in this turbulent economic climate wage and benefit arrears also shot up, going from 363 million lei in January 1998 to 638.2 million lei (\$77 million) in December.¹⁵ This and the overall decline in living standards sparked strikes and demonstrations by trade unions, students, and veterans. Some of the arrears dated back a year or more. To ease the situation Parliament passed a law to pay recipients with food and other goods covering up to 50 percent of what was owed, provided they agreed. One positive outcome was the reduction of the 1998 budget deficit to below 3 percent, but even this was partly because of the government's inability to pay wages and benefits.

The situation over Transnistria remained at a stalemate in 1998, in part a further reminder of Moldova's ongoing and complex ethnic problems. Historically Transnistria has not been a part of Moldova, neither has it been viewed as a traditionally Romanian land. Even more than Moldova proper, from 1792 Transnistria has been an integral part of the Slavic world, with its politics, economics, and cultural life closely tied to those of Russia. With Russians and Ukrainians forming over 50 percent of the population, it has been the Russians who have dominated. In the late 1980s and after, the strongest resistance to the creation of an independent Moldovan state with close ties to, or reunited with, Romania came from Transnistria. Although Moldova's moving closer to Romania sparked widespread fear in Transnistria and acted as a catalyst in separating it from the rest of

Moldova, the actions of the local Russian elites in Transnistria, who feared losing their power and positions in the new Moldova, were even more crucial. Studies have shown that most people in Transnistria identify themselves as citizens of the Soviet Union, although there is a distinct Transnistrian identity developing. Following the brief but bloody civil war in 1992 between Transnistria and Moldova, proper attempts to negotiate the future status of Transnistria have taken center stage, with the latter demanding de facto independence.

In March and again in July meetings were held in Odessa to reach a political settlement of the Transnistria situation, but to no avail. In May 1998 Yeltsin urged both Transnistria and Moldova to “strictly abide” by the May memorandum, which called for the creation of a “common state,” even though both sides interpreted the meaning of a “common state” differently. At the Odessa meeting Russian defense minister Igor Sergeev ruled out any withdrawal of Russian troops from Transnistria until a political settlement between Moldova and Transnistria was reached. In spring 1998 Transnistria held a nonbinding resolution to join the Russo-Belarus union, which 67 percent of the voters supposedly approved. Lucinschi, of course, denounced the resolution, along with Yeltsin and Ukrainian president Leonid Kuchma, but that would not be the end of it. Ironically, just as Transnistria’s new elites have little incentive to jeopardize their well-entrenched positions by reuniting with Moldova, the same can be said of Moldova’s new elites vis-à-vis Romania.

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Politics and Economics after Ciubuc

On 25 January 1999 President Clinton, on receiving the new Moldovan ambassador to the United States, Cezar Ciobanu, described Moldova “as a model” of democracy in Eastern Europe. A week later, on 1 February, Ciubuc suddenly announced his resignation as prime minister and Moldova again found itself in the throes of another crisis. In a press conference Ciubuc said that the main reason he tendered his resignation was because of the “impossibility” to “overcome the crisis in this country” under the present “algorithmic” government.¹⁷ The next day Snegur proposed incumbent deputy prime minister Nicolae Andronic for the office of prime minister. But he could not even gain the approval of the second largest party in his Democratic Convention, the CDPF under Iurie Rosca, and in the process brought to the surface the bitter infighting that had been festering within the alliance coalition.¹⁸ On 5 February Lucinschi nominated Chisinau mayor Serafim Urecheanu as prime minister designate, but Urecheanu fared no better than Andronic. After spending almost two weeks trying to form a cabinet of experts to replace the much-criticized algorithmic scheme of power sharing

among the coalition parties, along with openly supporting Lucinschi's proposals for constitutional reforms to strengthen the power of the president, Urecheanu was forced to withdraw his candidacy for lack of support.

With Urecheanu out of the way, Mircea Snegur again proposed Andronic as prime minister, only to be again sidetracked by the CDPF as its leader, Iurie Rosca, proposed Ion Sturza, the thirty-eight-year-old reform-minded deputy prime minister and economic minister in the second Ciubuc cabinet. Furious, Snegur struck back by announcing that he would support Sturza only if Rosca stepped down as deputy speaker.¹⁹ Considering the bad blood between Lucinschi and Snegur, probably no one was surprised that Lucinschi now named Sturza prime minister designate. Unfortunately, the opera bouffe was not yet over. Shortly before Sturza was to be voted on by Parliament, Rosca announced that the CDPF would vote for him only if they were given two additional seats in the new cabinet, which the other alliance leaders rejected. Consequently, when Parliament voted on 3 March, Sturza received fifty-one of the maximum 101 votes, one vote shy of the fifty-two votes previously declared necessary by the Constitutional Court. All nine CDPF delegates abstained and thirty-seven Communist delegates voted in opposition. After Lucinschi renominated Sturza, on 12 March a second vote was taken; this time Sturza received the necessary fifty-two votes. The crucial vote was that of local civil war hero Ilie Ilascu, a parliamentary deputy who has been sitting in the Tiraspol penitentiary since 1992, who somehow smuggled out a letter voting for Sturza. How this was done—if it actually was done and was not a forgery—still remains a mystery.

The six-week political crisis could not have come at a worse time, as the economy plunged deeper into a severe recession. As a result of the political crisis, the CDPF broke from the Democratic Convention, leaving the latter with only seventeen parliamentary deputies. The fragile alliance coalition government now had only a razor-thin majority in Parliament; it was hardly in a position to continue much-needed reforms in Moldova. And during the crisis the IMF and World Bank put their Extended Fund Facility and Structural Adjustment Loan funding on hold again. Lucinschi's determination to change the country's constitutional makeup from a semipresidential to a presidential republic, reducing Parliament to a consultative role, significantly aggravated the situation. As mentioned, only two years before, during the presidential election of 1996, Lucinschi sharply criticized Snegur for a similar idea!

Eight months later Moldova was rocked by another political crisis. The Sturza government's almost nonexistent parliamentary majority virtually ended during the middle of October when four deputies defected from the Bloc for a Democratic and Prosperous Moldova and joined forces with a deputy from the Democratic Convention to form an independent parliamentary bloc. On 9 November 1999, fifty-eight deputies backed a no-confidence motion against the government. Supporting the motion were the Communist Party, a handful of independent bloc deputies, and the CDPF, which had joined with the opposition. Lucinschi was apparently instrumental in engineering the fall of the government and persuading several MPs to vote with the opposition, in spite of or because of Sturza's mod-

erate economic success. On the eve of the no-confidence vote he publicly blamed the Sturza government for the country's plight, announced to the press that if he were a lawmaker he would cast his vote against the government, and called for a new government that was "less politicized." Sturza's opposition to Lucinschi's efforts to create a strong presidency and his potential to be a strong challenger for Lucinschi in the upcoming presidential election led to his downfall. So much for Lucinschi the reformer.

On 12 November 1999 Lucinschi named Valeriu Bobutac prime minister designate, giving him a mandate to create a government "of professionals no matter what party they belonged to," a tactic that would also allow Lucinschi to place more of his allies in the cabinet. Undoubtedly a government of professionals or experts was now much more attractive for Lucinschi in his bid to strengthen his power after the Constitutional Court on 3 November 1999 rejected his bid to hold a national referendum for a presidential republic. But on 22 November the CDPF, because its new allies would not deliver the cabinet posts desired, stunned Bobutac by voting against his nomination at the last minute, leaving him with only forty-eight votes, four shy of the necessary fifty-two. Lucinschi's next choice for prime minister designate was Vladimir Voronin, head of the Communist Party. Like Bobutac, Voronin called for a government based on "professionalism, not . . . party affiliation," while toning down his past rhetoric about the building of socialism and pledging to continue market reforms and democratic development. Whether Lucinschi believed that Voronin would be confirmed or nominated him to further embarrass Parliament, as has been speculated, is hard to say, but like Bobutac he failed to be confirmed, also receiving only forty-eight votes. Finally, on 16 December, after again threatening to call early elections, Lucinschi nominated the first deputy minister from the last two cabinets, Dumitru Braghis. On 21 December 1999 forty Communists, eight independents, and nine CDPF delegates confirmed Braghis as the new prime minister of a cabinet of experts having no particular party affiliation. Lucinschi finally had a victory in his power struggle with Parliament, although a Pyrrhic one.

In 1999 Moldova's real GNP was -3.4, and industrial production dropped 9 percent. Largely because of the ruble crisis, overall exports plunged 26.9 percent while imports fell by a whopping 44.5 percent. Because of the fall in imports over exports, the trade deficit for 1999 dropped to just 10 percent of GDP, but this would not last.²⁰ Moldova's exports to the European Union jumped to 21.1 percent in 1999, whereas between 1995 and 1998 exports stagnated between 9 and 13 percent.²¹ But this was mainly due to a sharp decline in exports to the CIS rather than any significant penetration of Western markets. Moldova has to do all it can to sharply reduce its overreliance on the CIS, especially Russia, for trade. Since independence, two-thirds of Moldova's export revenue has come from the CIS, with Russia alone accounting for roughly 50 percent. The leu continued to fall, reaching an annual average rate of 10.51 lei to the dollar in 1999. The annual average rate of inflation jumped to 39.3 percent and long-unpaid wage and benefit arrears continued. On 23 June 1999 protesters against wage arrears clashed with police in Chisinau, leaving two people injured and several arrested.

Both the IMF and the World Bank had been pleased with the election of Sturza, which opened the way for further disbursements by both organizations. In May 1999 the IMF announced that it was ready to provide Moldova with a \$70 million credit for 1999 and on 6 August approved a disbursement of another \$35 million of its \$190 million Extended Fund Facility.²² Another \$35 million under the Extended Fund Facility was scheduled to be disbursed in December if the Sturza government had survived, followed by a \$35 million tranche in March 2000 and a potential \$100 million Structural Adjustment Facility program to be distributed over three years.²³ In May 1999 the World Bank finally disbursed its long-delayed second tranche of \$35 million of its \$100 million Structural Adjustment Loan and

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planned to extend an additional \$20 million of the loan by the end of the year.²⁴ In addition, in June the World Bank approved a disbursement of two tranches totaling \$40 million to accelerate privatization, along with \$11.1 million for social protection.²⁵ But the removal of Sturza jeopardized around \$70 million in disbursements from the World

Bank.²⁶ During Sturza’s eight months in office the government’s efforts to tighten monetary policy, accelerate privatization, and promote structural reforms received frequent praise from the IMF and the World Bank. But the Sturza government’s attempt to privatize five wineries and six tobacco fermentation plants through amendments to the 1999 budget finally brought about its fall. Consequently, the IMF and the World Bank again froze much-needed funding. And Moldova has to rely largely on IMF and World Bank for international funding since Moldova’s foreign direct investments are among the lowest of former Communist states in Europe.

Moldova’s perennial problem with Gazprom continued in 1999, with no end in sight. In February 1999, because of Moldova’s chronic nonpayment, Gazprom cut gas supplies by 50 percent. Part of Moldova’s inability to pay is because of its culture of nonpayment. In 1997, for example, Moldovan consumers paid for only 20 percent of the electricity they used. Electricity theft also has become a serious problem in some regions, with as much as 40 percent of the power being siphoned off illicitly. In April another agreement was worked out that allowed Moldova to reduce \$100 million of its debt by delivering food and other goods in lieu of cash. To reduce dependency on Gazprom Moldova began receiving electricity from Ukraine and Romania, but by the end of 1999 both countries had already periodically cut supplies for nonpayment. By the beginning of 2000 Moldova owed around \$27 million to Romania and about \$67 million to Ukraine.²⁷ On 1 November 1999 Gazprom reduced gas supplies by 40 percent, claiming that Moldova only paid 15 percent of its October bill. Five days later

Gazprom resumed full delivery, but on 15 December it temporarily suspended all supplies. As a result of Moldova's inability to pay, most of the population received only a few hours of electricity each day. With privatization, the government should be able to minimize its involvement in the energy business over time.

During 1999 privatization inched along. Sudzucker, a German company, acquired 36 percent of four large sugar plants. Sudzucker also has a 16 percent EU sugar quota, which will increase Moldova's sales in the EU. Alstom and SIIF Energies of France agreed to build and operate a three hundred-megawatt electricity-generating plant near Chisinau, and McDonald's planned to build four new restaurants in Chisinau, where they only had one. McDonald's also planned to invest in agriculture and expected to create 3,500 jobs. Moldtelecom continued looking for a buyer, and Moldova-Tur, the state-owned tour enterprise, was put up for sale.

Unfortunately, the rancorous infighting that caused Ciubuc to resign continued under Sturza, and there was evidence of growing corruption. Shortly after the Sturza government was sworn in, Iurie Rosca accused four members of his cabinet of "corruption and incompetence" and claimed that the prosecutor general's office was "a pit" where "any evidence" of government corruption "is buried."²⁸ Valeriu Matei, leader of the Party of Democratic Forces, was accused of corruption and then sued for insulting General Nicolae Alexe, the head of the government's department for fighting organized crime and corruption. The Chisinau Municipal Tribunal found Matei guilty of insulting Alexe and ordered him to pay the equivalent of one hundred minimum monthly wages. Matei was dismissed as deputy parliamentary chairman by a vote of fifty-nine to four, led by the Communists with the support of the Bloc and CDPF. The Communists' attack on Matei apparently resulted from Matei's denunciation of Communist leader Vladimir Voronin's son for his illicit business activities.²⁹ At the same time, Dumitru Diacov, with the support of his own Bloc for a Democratic and Prosperous Moldova and the Communists, was able to silence accusations in Parliament that he and his brother were involved in "mafioso activities." Both Snegur and Rosca countered by demanding the dismissal of Diacov as parliamentary speaker. In October General Alexe accused Nicolae Andronic of being a member of the Russian mafia. Even Tiraspol chimed in, suggesting that Andronic may have been behind the killing of a police major in Chisinau earlier in the month.

Undoubtedly, all of this benefited Lucinschi's campaign to create a presidential republic. On 23 May 1999 a nonbinding referendum on expanding presidential power proved inconclusive because of low voter turnout. But because over 60 percent of those who voted favored the proposal, Lucinschi claimed that this was a "clear signal" of support to press ahead.³⁰ At a meeting of European justice ministers in Chisinau on 17 June 1999, Lucinschi explained that he wanted to amend Moldova's constitution not "out of personal ambition," but because the present parliamentary system was "inefficient" and enabled politicians to "shun responsibility" for governing the country.³¹ Several weeks later he set up a presidential commission to make recommendations on amending the constitution. On 2 August the commission published its recommendations. Not surprisingly, it

envisaged a “radical growth” of presidential prerogatives and a “drastic reduction” of those of Parliament.³² These activities by Lucinschi further fueled the bitter power struggle between the president and Parliament, with some members, such as Matei and Diacov, accusing him of trying to set up “a dictatorship” and “an authoritarian regime.” To counter Lucinschi, thirty-nine MPs drafted a bill calling for a full-fledged parliamentary system, with the president simply elected by Parliament. To avoid the two-thirds vote of Parliament required for changes to the constitution, Lucinschi hoped to schedule another referendum, but on 3 November 1999 the Constitutional Court ruled that Parliament had the final say in organizing a referendum.³³ A further blow to Lucinschi came during the middle of December when the Venice Commission of the Council of Europe negatively evaluated his plan for a presidential republic, saying that it would run “contrary to European democratic principles.”

In spite of some fleeting optimism, efforts to resolve the stalemate over Transnistria made little headway in 1999. Bilateral meetings between Lucinschi and Transnistrian president Igor Smirnov on 26 January and again on 13 July failed to achieve anything of significance, with Moldova still calling for a unitary state and Transnistria a confederation of two separate republics.³⁴ During the middle of July the Kyiv summit, several times postponed, finally took place, but despite Lucinschi’s optimism about the summit marking “an important step toward a final settlement of the . . . conflict,” both sides remained as far apart as before over the crucial issue of the status of Transnistria. One seemingly promising development began in April when Russia, probably under growing pressure from the EU and Washington, which had been showing interest in Transnistria, agreed to expedite the withdrawal of its enormous stockpiles of armaments from Transnistria. This amounted to approximately 40,000 tons of ammunitions and 30,000 small arms, along with 2,800 soldiers at the time. To facilitate the withdrawal the United States promised Moldova a grant of \$30 million. Preventing armaments from falling into the hands of the Chechens was probably a further reason for Russia’s withdrawal of some equipment from Transnistria.

In a television interview in Tiraspol on 21 June 1999 Smirnov vented his displeasure, accusing Russian leaders of “coarseness” toward the people of Transnistria and describing Russian-Transnistrian relations as no longer based on “sincere friendship.” Transnistria will “defend their interests,” Smirnov said, “even if Russian troop commander Evgeny Yevnevich says Russia has no strategic interest here.”³⁵ In a press interview on 4 August, Transnistrian Supreme Soviet deputy chairman Vladimir Atamanyuk told Infotag that “if Russia attempts to withdraw the military equipment by force, the Transnistrians will foil the attempt by lying on the rail tracks.”³⁶ But by fall 1999 the Russians had only destroyed several tons of armaments and withdrawn some weapons and troops, barely putting a dent in the entire stockpile; they informed the Moldovans that a complete withdrawal could take up to five or six years.

Then at the summit of the Organization for Security and Cooperation in Europe (OSCE) in Istanbul on 18–19 October 1999, the Russians agreed to withdraw all their armaments by the end of 2001 and troops by the end of 2002. Lucin-

schi expressed to the press his “profound satisfaction” with the results, but this was probably for Moldovan domestic consumption with an eye to the upcoming presidential election. Russia had been procrastinating over this issue for five years or more and had made similar promises and failed to keep them for one reason or another. And barely was the ink dry on the Istanbul Agreement when the Russians indicated that the removal of their troops and armaments was conditional on Transnistria’s reaching a political settlement with Moldova. It sounded like Moscow was playing the same old tune.

During the year 2000 much of the attention over Transnistria was focused on Russia’s backtracking on its Istanbul promise of withdrawal. In a letter to Tiraspol at the beginning of January 2000 the Russian Foreign Ministry stated that “the process of withdrawal of the troops and weapons must be accompanied with a political resolution. . . . Thus, the term of withdrawal has a second meaning—the final political resolution of the Dniestr crisis.”³⁷ Yet on several other occasions Russian statesmen said that the Kremlin would honor the Istanbul Agreement. During his two-day visit to Chisinau in June 2000, Russian president Vladimir Putin stated that Moscow would “tend” to withdraw its troops and equipment in accordance with the Istanbul resolution.³⁸ In July Russia presented a four-stage plan of withdrawal to the OSCE but without a timetable, and they continued to press for linking their withdrawal with a political settlement. At the same time, Transnistria continued to assert that the weapons were their property and refused to allow military inspection teams from nations working with the OSCE into the country to assess them, as had been agreed at Istanbul. The Russians, as might have been expected, made no attempt to mediate the inspection stalemate. And while all of the above was going on Russia failed to remove any more troops or equipment.

During his June visit Putin also announced that Russia and Moldova had agreed to set up a commission headed by former Russian prime minister Evgeny Primakov to settle the overall problem. On 6 September a draft agreement of the so-called Primakov Plan was published. In tune with Primakov’s past ideas on Transnistria, it called for the creation of a “common state” made up of “federative and confederative” ideas but weighed heavily toward Transnistria’s goals. Under this draft each side would be allowed to maintain its own constitution, legislative, executive, and judicial bodies, flag, coat of arms, and national anthem. Each would also have its own army, security police, and regular police that would not be able to operate on the other’s territory without their consent. The common state would have jurisdiction over foreign policy, economic policy, and border guards with no internal customs.³⁹

At first both sides strongly denounced the plan, with Chisinau saying it could not agree to the country’s “federalization” and Tiraspol claiming that any rapprochement must be between virtually independent states. Shortly afterward the Russians pointed out that the plan had not been finalized, and Primakov invited former Romanian foreign minister Teodor Melescanu to act as a troubleshooter. As it became clear to the Tiraspol leadership that the Chisinau government was not going to go along with Primakov’s plan, they reversed themselves and now

outwardly supported the plan. Increasingly frustrated over Russia's stalling, the OSCE at its ministerial meeting of fifty-five countries in November 2000 in Vienna tried to pass a joint declaration on the removal of Russian troops and equipment from Transnistria as well as on Russian actions in Chechnya and Georgia. But Russian foreign minister Igor Ivanov was able to block the declaration by refusing to go along with the consensus ruling of the OSCE, even though there was near unanimity among the non-Russian delegates.⁴⁰ Certainly until now the Kremlin has proven itself a master of fancy footwork. By the end of the year it had become abundantly clear that the Istanbul Agreement was just another delaying tactic of the Kremlin, which seems determined to maintain a military presence in the region.

Fortunately, in 2000 the Moldovan economy finally showed moderate economic growth. This was mainly because of Russia's economic recovery from the ruble crisis and the recovery of Moldova's food-processing industry. Moldova's real GDP was 1.9, only the second time since independence that positive growth was recorded. Exports improved slightly to 3.3 percent after two disastrous years, while imports jumped from -44.5 percent in 1999 to 39.6 percent, although this caused the trade deficit to balloon to a record high of over 25 percent of GDP.⁴¹ The slow recovery in 2000 was again a reflection of Moldova's continually stagnant structural reforms, political instability, and a serious drought that plagued agriculture earlier in the year. Average annual inflation fell from 39.3 percent in 1999 to 31.3 percent in 2000, while the leu remained remarkably stable against major currencies. A recent poll by the Romanian Center for Opinion and Market Studies showed that 38 percent of Moldovans would like to leave the country for some time to make money abroad, while 26 percent would like to leave "for good."⁴² About 600,000 Moldovan citizens are said to be working abroad, most illegally.

Moldova continued to be plagued by its dependency on energy from abroad in 2000, although overall gas bill payments were reasonably good. At the end of February, as a warning for falling behind in payments for its 2000 supplies, Gazprom temporarily cut off all supplies to Moldova. In April the Moldovan press reported that Prime Minister Braghis suggested to the Russians the idea of leasing a military base in Transnistria in exchange for free gas supplies.⁴³ This evoked sharp rebukes from opposition political leaders, and Lucinschi insisted that he stood by the exact observance of the constitution, which prohibits foreign troops in Moldova, and the Istanbul Agreement.⁴⁴ In September Braghis went to Moscow again to work out another temporary payment plan. Moldova's overall gas debt to Gazprom by fall 2000 was around \$800 million, with about half owed by Transnistria. Unfortunately, Moldova's culture of nonpayment has continued, but steps are finally being taken to crack down on nonpayers.⁴⁵ In February 2000 Union Fenosa of Spain acquired 100 percent ownership of three of Moldova's five electricity distribution companies for \$25.3 million, with an understanding that it would invest \$67 million in their development over the next five years. Since then, Union Fenosa has been suspending supplies to chronic nonpayers. The gas distributor Moldovagas, which is owned jointly by Gazprom, Moldova,

and Transnistria, also cut off around twelve thousand homes and 350 businesses for nonpayment in August 2000.⁴⁶ Thefts and smuggling in the energy field continue to be a major source of lost revenue for the government.

As expected, government efforts to speed up privatizing large firms met with only limited success in 2000. In addition to the Union Fenosa sale, the government was finally successful in selling 82 percent of its shares in Tirez-Petrol to the German firm Mabanaft after failing to reach an agreement with the Romanians. In July 2000, in spite of strong opposition from the Communists, the government offered to sell cardboard box manufacturer Moldcarton. The slump in the world's technology markets kept the bids for Moldtelecom too low for a sale. The government also tried to sell its 35 percent stake in Moldovagas but was rejected by Parliament, which argued that the state must retain part of the company.⁴⁷

Much more successful than the privatization of industry has been the privatization of agriculture. In 1990 collective farms controlled 60 percent of Moldova's agricultural land,

“The bitter power struggle between the president and Parliament continued throughout 2000 and cost the country dearly in terms of much-needed reforms.”

and state farms another 27 percent. As result of the Constitutional Court's 1996 removal of legislative barriers to reform, the U.S. Agency for International Development-funded Nisporeni-Mayak Project, and the National Land Program, by 2000 nearly all of the agricultural land was privately owned, except for 17 percent that the state retained. Nearly 40 percent of the agricultural land by 2000 consisted of independent peasant farms and household plots accounting for 67 percent of total agricultural production. Unlike the bipolar dual farms system of collective and state farms and the backyard gardens typical of socialist agriculture, “Moldova now has many farms of many sizes, with a variety of crops and ownership structures.”⁴⁸

An unexpected bright spot for the year 2000 was October's passage by Parliament of a bill to privatize the wine and tobacco industries, which had been the primary obstacle to the resumption of financing by the IMF and World Bank. In spring 2000 the government made another attempt to get Parliament to approve the privatizing of wine and tobacco by tying it to a proposal that would have given the government the authority to approve individual privatization projects without going through Parliament. Bragh warned that if the bill were rejected it would result in “a total bankruptcy for Moldova” and that “he might resign.”⁴⁹ Although on 11 April Parliament passed the 2000 budget, which was another condition that the IMF and World Bank made for resuming funding, on 17 April the bill that would have led to the privatization of wine and tobacco suffered a resounding defeat. It was clear beforehand, however, that the chances of the bill's passing were slim, especially since the Communists had made it clear that they were not

going to go along with the bill. Voronin called it “the greatest robbery committed against the state.”⁵⁰ The bill received only sixteen votes, from independent and CDPF delegates, out of the fifty-two needed for passage, with non-Communists arguing that the responsibility for supporting the government lay with the Communists, who simply abstained. Critics claimed that the Communist opposition to privatizing wine and tobacco had less to do with ideology than with close connections between a number of Communist Party deputies and the wine and tobacco enterprises.⁵¹ With the rejection of this key stipulation of the IMF, the rest of their Extended Fund Facility expired on 19 May 2000, and the next \$20 million tranche of a Structural Adjustment Loan from the World Bank continued to be withheld. And on 19 April Moody’s Investment Service downgraded Moldova’s Eurobonds from a B2 to a B3 rating.

On 5 July 2000 the government introduced a new program whereby 51 percent of the wineries and tobacco plants would be sold, with the state retaining 34 percent and the remaining 15 percent going to labor collectives. As usual, the Communist Party vigorously opposed it, but this time the intractable non-Communist opposition was temporarily able to place the interest of the nation above their own turbulent infighting. Finally, on 19 October 2000, Parliament voted fifty-four to thirty-six to privatize all state-owned wine and tobacco enterprises, with only the Communist and several independent deputies voting against it. The final legislation, differing somewhat from the government’s earlier plan, provided for the sale of all state-owned shares, with 20 percent of the shares of the wineries and 9 percent of those of the tobacco enterprises remaining with the employees. With this and the passage on 30 November of an austere 2001 budget that was within IMF and World Bank guidelines, the way was open for both institutions to resume lending. Over the next several weeks the IMF approved a three-year \$142 million loan under its Poverty Reduction and Growth Facility, which provided more conciliatory terms than Moldova had received in the past. The first disbursement of \$12 million arrived in Chisinau before the end of the year. In December the World Bank also released a \$20 million tranche of its Structural Adjustment Loan, along with \$10 million from the Dutch government.

But the bitter power struggle between the president and Parliament, touched off by Lucinschi’s efforts to strengthen the powers of the president, continued unabated throughout 2000 and cost the country dearly in terms of much-needed reforms. As Lucinschi bluntly put it in April in his national television program, *The President’s Hour*, “Our contention for power prevails over everything.”⁵² To discredit Parliament, especially the leaders of the Alliance for Democracy and Reforms, Lucinschi continued to hammer away with the argument that the country’s problems were directly the fault of irresponsible, ambitious politicians and their parties in Parliament. Parliamentary leaders countered with charges that the president was the one responsible for destabilizing the country and urged him to resign. Several projects to reform the constitution were now being hotly debated. In addition to those of Lucinschi and Parliament, another plan envisioned strengthening the power of the government but not the president, while another was being devised by a joint commission consisting of equal representation of the

president, Parliament, and the Council of Europe's Venetian Commission. This last plan envisioned strengthening the powers of the prime minister and the government in line with Western models instead of creating a presidential republic like those found in a number of CIS countries.

Then, on 5 July 2000, as a result of a Communist decision the day before, Parliament passed three amendments to the constitution, making Moldova a parliamentary republic. Under one amendment the president would now be elected by a three-fifths majority vote in Parliament, while another substantially strengthened the power of the government. In a Parliament that had been plagued by disunity, surprisingly ninety out of 101 deputies voted for the changes. This rare show of unity, however, was the result of Parliament's desire to rid itself of Luchinschi rather than a desire to "promote democratic values and parliamentarianism" by changing Moldova's system of government.⁵³ Lucinschi's machinations had finally backfired.

Furious, Lucinschi hit back by claiming that the members of Parliament had acted on "narrow party interests," that their actions were leading to the establishment of "a collective dictatorship," and that they ignored the so-called opinion of the nation in favor of a presidential republic, as based on his inconclusive, nonbinding referendum of 23 May 1999.⁵⁴ Seeing little to lose, on 6 July Lucinschi submitted his proposal for a presidential republic to Parliament. But Parliament simply scheduled discussion on the proposal for six months in the future, the maximum time period legally allowed, by which point a new president was to have been elected, rendering the proposal meaningless. At the same time, Lucinschi called on Parliament to schedule a referendum for 5 November wherein the nation could vote for a presidential or parliamentary republic, but this too was rejected. Refusing to promulgate the constitutional amendments, on 21 July 2000 Parliament passed the amendments a second time with a vote of eighty-four to four. With some members of Parliament calling for Lucinschi's impeachment, on 27 July he was forced by law to sign the amendments.

But the unity among the leaders of Parliament was short-lived, and as 1 December approached, the date set for Parliament to elect a new president, it was politics as usual. The Communists nominated Vladimir Voronin as their candidate, with the centrist parties nominating Pavel Barbatat, the chief justice of the Constitutional Court. The first round of parliamentary voting on 1 December was marred by a Communist gambit that members vote openly rather than secretly, as determined by the electoral commission; besides thirteen votes that were declared invalid, Voronin received fifty votes and Barbatat thirty-five. Since neither candidate received the necessary three-fifths majority (sixty-one of 101 delegates), a second vote was necessary under Parliament's new electoral law. But this vote, on 6 December, was also fruitless; Voronin received fifty-nine votes and Barbatat again thirty-five. According to the new electoral law Parliament now had fifteen days to hold another round of voting. To stop Voronin, who was only two votes shy of victory in the previous election, at the last minute the non-Communist parties and a handful of independent delegates decided to boycott the scheduled voting on 21 December. Although the non-Communist parties achieved their

goal of preventing Voronin from becoming president for lack of a quorum, on 26 December the Constitutional Court ruled that since Parliament had failed to elect a new president within the legal fifteen-day time period, Lucinschi had "the right and duty" to dissolve Parliament and schedule early elections. The Constitutional Court also ruled that Lucinschi's term in office would last until a new president was sworn into office, instead of until 15 January 2001, when his term should have ended. Ironically, new elections might have been avoided, but as one non-Communist deputy candidly admitted about their boycott, "None of us has carefully read the law concerning the procedure of election of the president."⁵⁵

In lieu of a formal conclusion to this article, the results of the 25 February 2001 parliamentary elections will suffice. The Communists won an overwhelming victory, greater than any of the polls had predicted, and this put them in full control of the Parliament and consequently the government as well. In the 101-seat legislature the Communist Party won a commanding seventy-one seats, giving them far more than the sixty-one votes needed to elect a new president and even more than the necessary two-thirds required to alter the constitution. After almost a dozen years of government by coalitions, alliances, factions, and squabbling, often corrupt, highly ambitious politicians, the majority of voters opted for a major housecleaning that resulted in a return to one-party rule. But considering their tragic experience with a market economy and democratically elected governments, who can blame them? The Lucinschi presidency was the final straw. The seemingly inevitable plummeting of the economy and the resulting penurious living standards with little hope for a change were undoubtedly the major catalysts that swayed the people to vote for the Communists. Neither the Democratic Party (former Bloc for a Democratic and Prosperous Moldova), nor the Party of Democratic Forces, nor the Party of Revival and Conciliation, the three dominant groups in the former alliance government, were able to clear the 6 percent hurdle, which completely eliminated them from the new Parliament. Only the Christian Democratic Popular Front, with 8.2 percent of the vote and eleven MPs, and the newly formed Braghis Alliance, with 13.4 percent of the vote and nineteen MPs, survived. Fortunately for the Communists, they were not associated with any of the past governments in the minds of the electorate, even though they were mainly responsible for the Braghis government's coming to power. Unlike the bitter squabbling in the past over electing Moldova's next president, in April 2001 Voronin's selection by Parliament was a foregone conclusion. And where does all of this leave Moldova? Have the Communists earmarked Moldova to be a virtual satellite of Russia? And will the Russians, the old Communist guard, and their descendants become Moldova's new permanent elite, as in the old days? As in the past, Moldova is now at the mercy of new rulers.

NOTES

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4. *Ibid.*, Michael Shafir, "Moldova's Upcoming Parliamentary Elections (Part One),"

RFE/RL Newslines, 19 March 1998; and Shafir, "Moldova's Election (Part Two)," *RFE/RL Newslines*, 20 March 1998.

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13. *EIU, Country Report Moldova*, 1st Quarter (1999): 15; *EIU, Country Profile Moldova (1999–2000)*: 18; indicators exclude Transnistria.

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15. *EIU, Country Profile Moldova (2000)*: 54.

16. *EIU, Country Profile Moldova (1999–2000)*: 14; *EIU, Country Report Moldova*, 1st Quarter (1999): 14.

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18. *Basa-Press*, 2 February 1999.

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21. *EIU, Country Profile Moldova (2000)*: 63.

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23. *EIU, Country Report Moldova*, 1st Quarter (2000): 35; *EIU, Country Report Moldova*, 4th Quarter (1999): 8.

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26. *EIU, Country Report Moldova*, 4th Quarter (1999): 8.

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28. *RFE/RL Newslines*, 22 March 1999.

29. *RFE/RL Newslines*, 13 July 1999.

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32. *RFE/RL Newslines*, 30 July 1999, 4 August 1999.

33. "Constitution Watch: Moldova," *East European Constitutional Review* 9 (winter/spring 2000): 27–28.

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35. *RFE/RL Newslines*, 23 June 1999.

36. *Ibid.*, 6 August 1999.

37. *Basa-Press*, 4 January 2000.

38. *Ibid.*, 19 June 2000.

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40. *RFE/RL Newslines*, 1 December 2000.

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42. *RFE/RL Newslines*, 14 February 2001.

43. *Basa-Press*, 7 April 2000; *RFE/RL Newslines*, 7 April 2000.

44. *Basa-Press*, 10 April 2000.

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