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Economist**

## Moldova on the edge

# Small enough to fail

A year after a colossal bank fraud, the country is imploding

Nov 21st 2015 | From the print edition

THE



Economist.com

shenanigans of a tiny group of politicians and businesspeople in Europe's poorest country are never going to make headlines elsewhere. But if they turn their sorely ill-governed state into a failed one, that could change fast. The country is "a ticking time bomb", says Alina Inayeh, the head of the Black Sea Trust, an organisation that promotes regional co-operation. If it blows up, says a minister who asked for anonymity, "people will come on the streets and Russia will capture Moldova."

On October 29th a coalition of so-called “pro-European” parties collapsed after the arrest of Vlad Filat, a former prime minister and party leader. Ilan Shor, a businessman and politician, claimed Mr Filat had extorted \$260m in bribes from him. Mr Filat denied the claim.

Mr Filat is one of the country’s two main warring tycoon-businessmen, but many see his arrest as selective justice. His arch-rival, Vlad Plahotniuc, controls the other main “pro-European” party. “The justice system is practically in the hands of one party and person,” laments the minister. Mr Plahotniuc emphatically denies having anything to do with the arrest.

During the country’s previous general-election campaign last November, Moldova was hit by a bombshell. A leaked report revealed that up to \$1 billion, equivalent to more than one-eighth of the country’s GDP, had been stolen from three banks. It named the 28-year-old Mr Shor, an Israeli-born financier who is one of Moldova’s richest men, as being at the centre of a web of companies connected to the heist. Mr Shor denies any involvement. The government, trying and failing to stave off the banks’ collapse, pumped in money, leaving Moldovans, whose average salary is \$200 a month, to foot the bill. According to the Organised Crime and Corruption Reporting Project, a watchdog, the banks were part of a scheme which, in the seven years up to 2014, laundered \$20 billion of Russian money using a British shell company and a Latvian bank account.

Although nobody has been convicted of any crime, Moldovans are seething with rage that their political leaders did not see fit to police the banking system better. A recent poll found that 79% thought their country was heading in the wrong direction, up from 47% in September 2014. Nearly 70% said that their households were worse off than a year ago. If elections were held now, parties claiming to be “pro-Russian” would win. Analysts are divided on whether they have any ideological convictions, as opposed to campaigning for wherever they see the best returns on their investment in politics. But the same goes for their “pro-European” counterparts.

Maia Sandu, a former education minister with a strong record of cleaning up corruption in schools and a possible future prime minister, says bitterly that hard-pressed professionals made sacrifices to work for tiny public-sector salaries “and then find the rest of the team is stealing a billion dollars”.

Under the leadership of the purportedly pro-European parties, Moldova has inched forward on some fronts. It secured visa-free entry to Europe’s passportless Schengen zone and signed a key integration deal with the European Union in 2013. Now the banking scandal has discredited both the politicians and their cause. Igor Botan, an analyst, says they are “blackmailing” Moldovans. “They say, ‘We are pro-European thieves, but if you don’t like us the pro-Russians will come’.”

The same message has been delivered to Western leaders, but behind closed doors the

Moldovans have been told bluntly that unless they act now to jettison the most prominent of the leaders who have held power while so much was being stolen, there will be no more help from the West. Some Western governments would like Mr Plahotniuc to leave the country.

If he did, he would only be following a well-worn path which is sapping Moldova of its very lifeblood. In 1991 there were 4.3m people in the country. Now, say analysts, there could be fewer than 3m left (including less than 300,000 in Transdniestria, a region controlled by Russian-backed separatists), though official figures are larger. Among the emigrants' main destinations are Russia, Romania and Italy. The proportion of old people and children is growing and the workforce is shrinking.

Wedged between Romania, a member of the EU and NATO, and Ukraine, Moldova cannot be ignored. If a new government came to power and changed the country's Western foreign-policy orientation, a huge strategic prize would have dropped into the lap of Vladimir Putin, delivered to him by "pro-Europeans". That "could undermine the fragile stability of the whole region", says Arseniy Yatsenyuk, the prime minister of Ukraine—another country where pro-Europeans are in danger of being brought down by corruption.

From the print edition: Europe