



THE 12TH EDITION OF THE INTERNATIONAL CONFERENCE
EUROPEAN INTEGRATION
REALITIES AND PERSPECTIVES

**Policies on Combating Corruption, Economic Stabilization and Association
of Moldova to the EU: Theoretical Aspects, Problems, Solutions**

Gheorghe Rusu¹, Tudor Robu², Donciu Anatol³, Donciu Alexandr⁴, Gangan Serghei⁵

Abstract: Elaborate a strategic approach and actions of balanced development combined with fight against corruption and economic frauds. These problems in the literature are studied mostly separately. Economists analyze practical deviations of the economic development policies from the requirements and principles of the modern and up-to-date economic theories and propose appropriate recommendations. In the article, a research of the interactions and close linkages between type of development (balanced or imbalanced) of the economic system and particularities of corruption is done, influence of these processes and occurrences one on another and vice versa are emphasized and recommendations for enhancing these linkages and interactions are proposed. Article proposes a new Strategy that combines the solutions of balanced economic development combined with increasing the quality of supervision and counteracting corruption. The analysis provided by the article will be useful for university students and researchers in performing their studies on corruption issues and the dynamics of the economic processes. Efficient fight against corruption in the process of radical change of the financial policy will create conditions for development, stabilization and economic association to the EU.

Keywords: money laundering; economic balances and imbalances; geopolitical threat

1. Introduction

Theoretical and practical basis of the strategies and policies of social-economic development and prevention of economic frauds during transition and association of Moldova to the EU is the concept of pseudo-fight against corruption and pseudo-balance of economy. These concepts include: maintaining a contradictory direction of development and integration to two unions, diametrically opposed in terms of democratization model and creation of the free mixed market economy, namely European one in combination with Eurasian, development of the market structure that is primarily monopolist, distortion of the social-economic and juridical relations, constraining economic, press and social freedom, decreasing small forms of property and management, restricting information and free access to the market, monopolization of the institutional relations and oligarchization of the economic, political and informational circuit, development of economic system based on stimulation

¹ PhD in Economic Sciences, University Professor, Moldova State University, Republic of Moldova, Address: 60 Alexei Mateevici Str., Chişinău 2009, Republic of Moldova, Corresponding author: rusu.48@mail.ru.

² PhD in Economic Sciences, Moldova State University, Republic of Moldova, Address: 60 Alexei Mateevici Str., Chişinău 2009, Republic of Moldova, E-mail: tudor.robu@gmail.com.

³ PhD in Economics, State University of Moldova, Republic of Moldova, Address: 60 Alexei Mateevici Str., Chişinău 2009, Republic of Moldova, E-mail: donciua@yahoo.com.

⁴ Post-graduate, State University of Moldova, Republic of Moldova, Address: 60 Alexei Mateevici Str., Chişinău 2009, Republic of Moldova, E-mail: donciua@yahoo.com.

⁵ Post-graduate, State University of Moldova, Republic of Moldova, Address: 60 Alexei Mateevici Str., Chişinău 2009, Republic of Moldova, E-mail: donciua@yahoo.com.

of demand and final consumption fueled by remittances. These trends have considerably enlarged the volume of shadow economic and social relationships, that are not regulated by state, increased the destructive role of the direct state intervention in the business activity and implemented corruption mechanisms through inefficient redistribution of the GDP, through bribery of human resources of the family, small and medium business, theft of the capital through “raider” attacks, damaged private economic interest and production, exchange, redistribution and consumption relations in the activity of economic agents.

The above-mentioned problems that Moldova is currently facing, determine the timeliness of implementation of the new Strategy on social-economic stabilization on the basis of prevention, counteracting corruption, economic frauds, money laundering crimes and EU association. In order to recover the situation on balanced and sustainable economic development, fight against corruption and maintain the European vector, political will is necessary, as well as urgent and radical measures from all the structures and local authorities. At the same time, real monitoring of these processes by the EU is necessary and creation of Moldavian-European structures of coordination and supervision.

2. Basic Content

The development of a Strategy on social-economic stabilization thorough combating corruption according to the European standards under the conditions of the overall fraud of the social-economic system will be difficult as it entails adjustment and prediction of economic imbalanced caused by the corrupt oligarchic system, so as to create conditions for removal of this system. Only in this case we can speak about the possibilities of creating macroeconomic stability, separation of power branches in state and balance of these branches. Elimination of social and economic imbalances and disproportions caused by overall corruption is very complex and takes a lot of time, as economic frauds affect at a large scale the most sensitive and important elements of the economic system, including the real economic sector, entrepreneurship, small and medium enterprises, individual and family enterprise systems. The problem worsens, as it is very difficult to eliminate economic imbalances and corruption, because these occurrences, due to the overall poverty, have a permanent nature and are reproduced in the political, legal, social-economic, structural and credit-monetary relations between business and all state structures at all levels, being a social danger that threatens national interest and state security. Corruption, massive frauds in economy, expansion of money-laundering in all force structures, justice, media, legal and executive domains - all these represent the base and political, financial and legal mechanism of oligarchy to capture, control and maintain state institutions in their claws.

Development of the Strategy on political and economic stabilization through the fight against corruption and European integration needs highlighting and addressing the most serious problems and obstacles that stand in the way of development and association. Identification of the necessary solution to overcome these problems requires professional analysis and implementation of the principles and modern and up-to-date economic theories and values of international law for real separation of power branches in state. Practical implementation of the requirements of general theory and model of economic balance, different specific types of balance, including: balance of the monetary market, production factors market, goods market, labor market, etc. **will exclude administrative voluntarism in business and will reduce the base of corruption and economic frauds.**

The strategy on economic stabilization and fight against corruption will be based on the principles of neoclassic and neoconservative synthesis and models of general balance of J. Keynes and K. Arrow, monetary model of M. Fridman and S. Fiser, models of balance of Walras-Wald and Arrow-Debreu-

McKenzi and on the current „new macro-economy” and predictions of Buchanan, etc.

At the same time, development of the Strategy will be based on the law theory, international and EU institutional and legal framework on combating corruption and money laundering. In the Strategy on combating corruption, renovation and association to the EU, it is necessary to highlight and implement components of these theories, principles of the institutional framework, such as recommendations of the UN Conference adopted on 20.11.1988 at Vienna against illicit traffic in narcotic drugs and psychotropic substances; Strasbourg Convention of 08.11.1990, Convention on organized transnational crime in Palermo, December 2000; Decision no. 91/308 of 10.06.1991 of the European Economic Council; Directive 2001/97/CE of the European Parliament and the Council of 4.12.2001.

Special consideration will be given in the process of development of the Strategy on principles and recommendation related to fight against corruption of the Organization FATF (Financial action task force on money laundering) established in Paris in 1989 at the G7 Summit.

In the new Strategy on combating corruption, renovation and association, it is necessary to emphasize and implement the objectives of IMF, that include exchange of information, promoting standards and policies of prevention and combating economic frauds. Through the Financial Sector Assessment Program (FSAP) and IMF Offshore Financial Centers Program, it is necessary to perform a complete reevaluation of the viability and vulnerability of the financial sector and jurisdictions on the issue of combating money laundering in Moldova. In addition, for the development of the Strategy, it is necessary to use technical assistance of IMF and World Bank to balance the financial system and consolidate the legal framework in terms of regulation and financial supervision in combating money laundering.

In the process of Strategy development, it is important to take into account balance measures of the economic-financial system, accepting principles, such as: multiplicity of balances and problems of balance, exclusion of the restrictive assumptions, strategic interaction between agents, game theory, etc. and limits established by the supervision Committee in Basel for financial policy, budgetary deficit, international standards in supervision.

Policies on economy and fight against corruption of the new Strategy will take into account particularities and nature of the present economic-financial imbalance and will undertake measures of prevention of money laundering in the process of enhancing the ratio between the aggregated supply and demand, between national produce and monetary mass, between the amount of currency and needed amount of foreign exchange reserves of the state. The new Strategy will enhance the quality of financial supervision and counteracting economic-financial frauds and speculations in the process of revaluation of Moldovan Leu (it is necessary to sanctions illegal gains from the speculative operations in the process of Leu depreciation), gradually increasing its purchasing power, supporting production and extending the real sector, reducing inflation, and consequently, reducing the price for local consumer goods.

Implementation of the medium and long term Strategy envisages establishment of a Committee on combating corruption, economic and financial stabilization with mandates of supervision of macroeconomic balance, control and evaluation of the budgetary and banking system, monitoring of transparency in auctions and privatization, economic and financial transactions, supervision and enhancement of the structural reforms' quality, etc. The Committee on Combating Corruption and Economic Stabilization (CCCES) will have responsibilities of monitoring, coordination and adjustment of macroeconomic development. The structure and functions of the Committee are shown in the scheme 1. This Committee can be created based on reformation of the Center on Combating

Economic Crimes and Corruption (CCECC) that is specialized in supervision and counteracting of economic-fiscal crimes and corruption. The functions of the Committee are much larger and imply monitoring and correction of macroeconomic imbalances, implementation of measure on combating, revision and reporting of orientation and counteractions on combating corruption, promotion and implementation of the international standards for combating economic frauds.

Fast and asynchronous changes of the structure and function of the national and European economies, lack of synchrony in Moldavian-European relations, will create barriers in the process of fighting against economic frauds, timely avoidance of imbalances and association, that needs increasing quality of supervision and responsibilities of the Committee on prevention and coordination of corruption in the processes of integration. During transition period in Moldova, the performance of the CCECC was insufficient, as this Center has not functioned as a politically independent body for supervision of stability and combating corruption in economic, financial and social domain with real control responsibilities. Subordination of the CCECC to the Government has led to the growth of corruption of the governing party headed by former prime minister that currently is convicted. As a result of the inefficiency of the fight against corruption, monopolization of the economic and financial circuit boosted, that led to consolidation of oligarchy that had borrowed and stolen a billion of euro from the NBM, changing the procedure of forming and execution of the budget to allocate the funds to those regions where ruling parties were in power. In this view, oligarchy cancelled the law on establishment of Counties and return to rayon party structure and their illegal financing. A series of orders were adopted to the benefit of governing clans that led to the deepening of macroeconomic and local market instability. Corruption became „legal” as a result from monopolization of economic circuit and several domains and services, and concentration of all payments, utilities, taxes, pensions, government loans, grants through the Economy Bank of Moldova, putting in this way other banks in unequal conditions in terms of fair competition.

The absence of an independent Committee on combating corruption and stabilization, supervision and prevention of imbalances caused by ruling political clans, have led to increase on the level of corruption, economic frauds and money laundering in monopolist system, expansion of corruption in oligarchic clans and its penetration in all structures and levels of the state. These negative processes have undermined state security, deepened social-economic, political and institutional disproportions, caused disorder, an overall chaos and mistrust in society regarding the future, differentiated the society in pauperism and wealthy corrupt oligarchy, pushing the country in „ravine” and economic potential in „coma” and maximally tensioned the contradictions between oligarchic clans and civil society, compromised European direction of development, divided society in terms of geopolitical orientation between East and West. All these deepened even more tensions between political parties, that instead of joining efforts to abolish monopoly and corrupt oligarchy and escape state from captivity, advocate, for example the Socialists headed by the President of the state, for cancelling the Association Agreement and joining euro-Asian union, liberals – for rejoining Romania, and the governing oligarchic clans manipulate with these forces, speculating with the direction of development, miming reforms monitored by EU. Not least, during this period, institutional instability increases, economic interests, social-economic, property, management relations are more and more distorted, migration increases massively and all these generate and multiply macroeconomic imbalance and instability of the financial market, production factors, capital, consumer goods, potential of domestic economy is irreversibly constrained.

Committee shall fight against: crimes in the process of forming cartels; fraudulent practices and abuses committed by the international companies, fraudulent attainment of national or international funds;

crimes in the IT domain and creation of fake companies; frauds related to creditors; offences against consumers; unfair competition; fiscal, stock exchange and banking crimes, crimes related to currency exchange and environmental damage. While executing this and other functions, committee will take into account barriers and complications that will appear in promotion of liberal policies that imply development of private property, based on free competition on the market, supply policies, non-involvement in private economic activity., supporting free initiative: guiding or balancing policies, based on actual demands, involving indirect state intervention and focusing on global demand. Situation became more complicated because the Committee will address the above-mentioned problems in confrontation with monopolist and oligarchic system.

Implementation of the concepts of supervision, prevention and counteracting economic frauds, overcoming disproportions, balanced development in the conditions of the national economy with open markets and increasing competition, intensifying the process of bringing the social-economic system closer to the EU, the Committee will take into consideration exogenous factors, problems that EU is facing and will coordinate and adjoin its actions with the EU Committee on the Prevention of Money Laundering and Terrorist Financing of 2006, including management of the issues on regulation, collection of information from the national systems of the EU, supervision of the issues related to combating economic frauds, adjustment of national actions on combating crimes to the EU economy standards and to the EU level of values.

3. Results

New strategy of supervision and combating corruption, stabilization and association on medium and long term is going to be implemented under a very threatening risk – especially when economic situation undergoes serious constraint because of the monopolism and national oligarchy and harsh constraints imposed by IMF. When considering that oligarchy will not cease in the fight against corruption and abolishment of corrupt system will be almost impossible without coordination and direct involvement of Committee on the Prevention of Money Laundering and Terrorist Financing (CPMLTF) of the EU Commission. The need of involvement of CPMLTF in fight against corruption in Moldova comes from the fact that national corruption and money-laundering process has acquired an international character.

The problem of fight against corruption became more complicated because of the fact that oligarchy will use new methods of defrauding economy caused by rough requirements imposed to country by IMF. This means, financial, monetary and budgetary limits imposed by IMF, including limiting total cash deficit of the net assets of the NBM, minimal level of net international reserves of NBM. At the same time, IMF limited the Government of Moldova in contracting or guaranteeing non-concessional external debts, capped accumulations of arrears to the external payments and monetary base. Another threatening risk in combating corruption is increasing resistance of oligarchy because of the diminishing area of frauds caused by IMF limitations of the internal expenses to payroll funds, level of social expenses, budgetary deficit and level of inflation. Fighting corruption in these extremely tough conditions and long-term compliance to the requirements of the IMF Memorandum will create real conditions for promotion of radical and efficient reforms and will increase the amount of investment resources for renovation of priorities and accession to the EU.

Efficient fight against corruption in the process of radical change of the financial policy, reduction of the tax rate and interest rate and growth of the volume of finances in economy, stimulation of investments, radical reform of the business environment and the institutional one and their

improvement through abolishment of oligarchism and strict limitation of monopolism – all these will create conditions for development, stabilization and economic association to the EU.

Expected result of the recommendations proposed in the medium and long term Strategy are to combat corruption, dismantle oligarchic system, reduce and limit functions of monopolism and maintain flexible balance of the IE-LM model, IMF envisaged indicators and implementation of the Association Agreement to the EU.

4. Conclusions

Implementation in 2000-2016 of the pseudo-combating corruption policies and pseudo-stabilization of economy policies, based on the principles developed and promoted by the modern economic theories and ignoring the requirements of the international and European legal and institutional framework, led to monopolization and oligarchization of the social-economic system, capture of the state institutions, multiplication of total instability, constraint of the economic potential, that is in „coma” state, pauperization of population, distortion of economic interest and property relations, penetration of corruption in all structures and economic relations, total economic defrauding and massive money laundering.

Real fight against corruption and balanced development of the social-economic system needs development and implementation of new Strategy on combating corruption, social-economic stabilization **and association to the EU.**

Efficient and comprehensive implementation of the Strategy on combating corruption, balanced economic development and association, envisages establishment of the Committee on Combating Corruption and Economic Stabilization (CCCES) with functions of supervision, prevention and combating of corruption, adjustment of social-economic imbalances, with responsibilities of control and assessment of economic, financial and banking system stability, that would serve as a program to overcome oligarchism, to limit monopolism and the period of social-economic instability. Not least, CCCES is responsible for control, prevention and fight against suspicious economic and financial transactions, monitoring of Moldavian-European economic balances.

CCCES should be politically independent and established by a direct vote of the civil society, having immunity, with responsibilities similar to Constitutional Court. Structure and functions of Committee on stabilization, control, supervision and forecast of imbalances could be created through reformation of existing CCECC on the principles and model of the EU Committee on the Prevention of Money Laundering and Terrorist Financing.

Reforming state functions and structure, abolishment of the oligarchy and escaping state institutions from capture, the shift to a mixed free market economy, strict limitation of monopolist activity, in all its forms, and creation of stimulating and stable business and institutional environment necessary for free market economy and development of private property, including through diffusion and action, overcoming disproportions and social-economic stabilization – all these will create conditions for real development and EU integration.

We would like to propose Conference Board to address European Commission to support our recommendation on establishment, under the auspices and supervision of the EU Committee on the Prevention of Money Laundering and Terrorist Financing, of a Committee on Combating Corruption and Economic Stabilization in Moldova with mandates, responsibilities and functions described in the article.

5. References

IMF Memorandum with Republic of Moldova 2016.

Walras, L. (2004). *Elements of Theoretical Economics: Or the Theory of Social Wealth*. Cambridge University Press, p. 483.

Keynes, J.M. (2009). *General theory on employment, interest and money*. Bucharest: Ed. Publica.

National Development Strategy of Moldova 2020, http://particip.gov.md/public/files/strategia/Moldova_2020_ROM.pdf.

EU-Moldova Association Agreement 2014, <http://gov.md/en/advanced-page-type/documente-utile>.

International and EU legal and institutional framework.