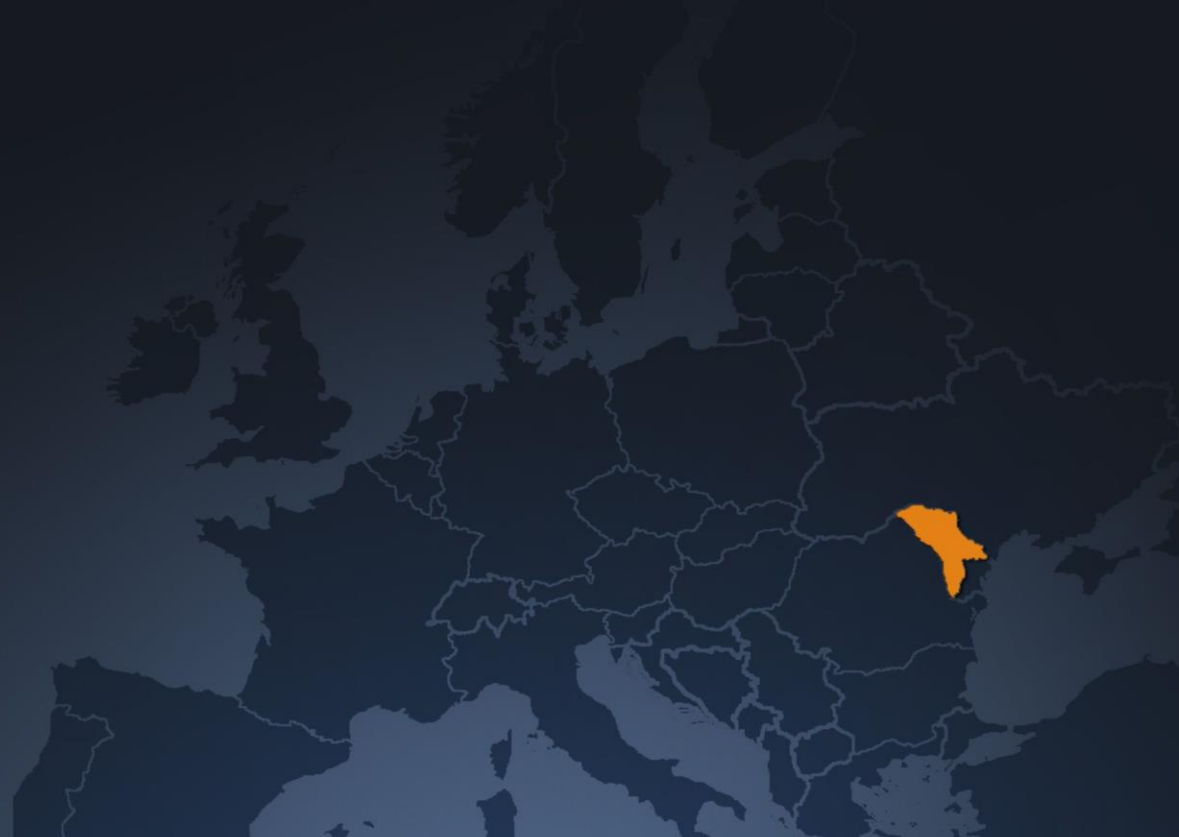


# Keep the Eyes Wide Open: EU in Moldova



## Introduction

At the Vilnius Eastern Partnership Summit in November 2013, Moldova and Georgia initialled Association Agreements (AA)/DCFTAs with the EU. The agreements are expected to be signed by August 2014. However, for the post-soviet states, that are still in many ways projects under construction, “the long 2013” could be agonizingly lengthy period to pass through and unexpected twists down the road to signature cannot be ruled out.

Despite local elections in the spring and possible provocations along the administrative lines with the breakaway regions of Abkhazia and South Ossetia, Georgia is likely to muddle through. Strong popular support for European integration, a recent peaceful transition of power, stable gas deliveries from Azerbaijan, less exposure to the Russian market and a pragmatic stance towards Moscow, are among several factors that strengthen Georgia’s ability to fend off external pressure and to focus on closer association with the EU. **Moldova, on the hand, may face much bigger challenges than Georgia in 2014.**

With a polarized society and fragile power equilibrium, Moldova is more crisis-prone. Thus, a fusion of domestic and external factors could easily destabilize the political situation and derail the signing of the AA. However, the regional stakes in Moldova are higher after Armenia and Ukraine succumbed to Russia’s pressure. **EU’s failure to keep Moldova on the track will probably spell the end for the Eastern Partnership.** While Moldova is inches close to secure visa free regime with EU, Russia’s visa liberalization dialogue with EU made little headway. Thus, there are more reasons for prestige driven Russia which strived to get visa free with EU ahead of its immediate neighbours, to obstruct Moldova.

## **The coalition must survive**

The survival of the ruling pro-European coalition is vital for signing and ratifying the AA before parliamentary elections scheduled for 30<sup>th</sup> November 2014.

Implosion of the ruling alliance would also most certainly lead to early elections which risk bringing back to power the Communist Party (PCRM) which remains the most popular party in the country (35% of support in public polls). PCRM is short of local funds and increasingly reliant on Russian financial assistance. In the event that the Communists win the elections, they will probably revert to a multi-vector foreign policy with strong Eurasian flavour to “payback” Moscow. However, it seems that pro-European coalition learned the right lessons after the spring 2013 political crisis when PCRM played, to some degree of success, the divide-and-rule game. Speculating on personal animosities and divergent economic interests between coalition members, PCRM recruited enough votes in 2013 to bring down the government. However, the Communists failed to prevent recreation of ruling alliance in a slightly changed form. To the date the ruling coalition has demonstrated more resilience in the face of three motions of no confidence submitted by the opposition while also creating working mechanisms to manage conflicting interests and reach consensus before presenting publically the alliance’s position.

With elections looming, members of alliance are pondering which strategy to adopt in order to have the best chance of winning, which could test the coalition’s unity. Some financially potent members of the coalition argue in favour of changing the electoral system from a proportional to mixed one. The logic is that by deploying financial power in single-member districts they could substantially supplement seats won on the party-list basis.

However, there is no agreement inside the coalition on how to proceed. Besides the fact that democratic practice errs not to change electoral rules at least one year ahead of elections, some voices inside coalition argue that there is no time to implement changes in a transparent way (e.g. public debates, consultation with the Venice Commission, etc). There is also concern about adopting a mixed electoral system because it would undermine the consolidation of political parties and the quality of the legislative process. While insisting against changing the

rules of the game during the game, it is in the interest of the EU to prevent these disagreements from escalating into a major crisis. It is essential for the coalition to win the elections without creating a precedent that would undermine the democratic process.

### **This tricky anti-corruption**

There is unanimity within the coalition on the need to tackle corruption, yet political will to implement anti-corruption measures is often weak.

However, some recent developments have been positive including the arrest of two judges on corruption charges and five other removed by Superior Council of Magistracy for low integrity records. Since 2013 anticorruption body launched six criminal investigations against judges. This shows that immunity is not equal to impunity. Judicial reform has advanced in terms of implementation and according to the schedule approved by the Superior Council of Magistracy the professional evaluation of 469 judges began in October. 450 positions of assistant to judge and 50 positions of court managers have been created to assist magistrates in their daily work. A new concept for reforming the prosecutors' office was unveiled in November with legislative amendments scheduled for adoption in spring 2014.

However, generally speaking justice reform and anti-corruption remains a mine field. There is strong opposition from within the system to the prosecutors' office reform. Furthermore a single high level corruption case could unravel the entire edifice of the ruling coalition and trigger early elections. Investigations against high profile politicians based on corruption charges will be perceived by any member of ruling coalition as an attack aimed at weakening the party's position ahead of the elections. This partially explains why anti-corruption prosecutors focus mainly on low and mid level corruption cases and shy away from high level corruption.

***Therefore, the EU will need to walk a fine line between encouraging justice reform and anti-corruption measures and preserving the political stability necessary to sign the AA.***

To reconcile apparently contradictory objectives in the pre-electoral season, the policy option EU could follow is to encourage gently further work on amendments

required for justice reform (some modifications approved in late December) and support existing pockets of reforms (e.g. Ministry of Education, Ministry of Interior), saving the main anti-corruption thrust for post-electoral period.

### **Don't forget Gagauzia**

Gagauzia is an autonomous region of Moldova which has its own executive and legislative structures.

Despite Turkic origins, Gagauz people are overwhelmingly Russian speakers, making them more receptive to messages spread by the Russian mass-media. Since gaining autonomy, its opportunistic political elite have failed to improve living standards. Recently, its leaders have preferred to ride on Eurasian integration slogans while hunting for financial assistance from the EU and Turkey. In 2013 local legislative passed a law that discriminates against LGBT community in the name of “traditional values”, while politicians scrambled to get control on EU funds (€5 million) to be allocated through a 3-years programme for social and infrastructure projects across the region, while the Governor of Gagauzia, Mihail Formuzal, also travelled to Turkey to try to secure more development funds. At the same time, local politicians often act to strengthen Moscow's messages on Moldova. For instance the group calling to join the Russian-led Customs Union and to review Gagauzia's status if Moldova signs the AA has recently swelled. Russia is likely to be in “stand-by mode”, ready to gain a foothold in the event Chisinau finds itself in trouble as it did in the middle of the 2013 spring political crisis when Russian Cossacks, attempted to set up a local paramilitary branch in Gagauzia.

### **An intensification of political conflict in 2014 could generate a dangerous mix.**

The decision to organize a local referendum on whether Moldova should join the EU or CU was declared illegal by court, but Gagauzia carried out its plan. Local authorities as well as Russia are likely to appeal to the results of referendum (overwhelmingly in favour of CU) to put pressure on Chisinau. There are no ready-made solutions to this challenge. It is in the interest of Moldova's government to show restraint and use all channels of dialogue to calm the situation. The EU – as an important donor in Gagauzia – could use its clout to reduce tensions in the region as well as in relations between local and central authorities. The

Commissioner's Fule visit to Chisinau and Comrat in January 2014 is a step in the right direction.

### **From Transnistria, with love**

Transnistria is a breakaway region of Moldova where Russia controls part of local businesses and maintains its military presence without consent of the formal government in Chisinau.

Transnistria's leadership, unlike many in its business community (who rely on exports to EU market), opposes the idea of being governed by EU's trade rules and norms. Tiraspol anticipates that a "sandwich" position would significantly weaken its negotiating position in the 5+2 talks with Moldova. It will also further deepen Transnistria's economy dependence on exports to Moldova proper and European market. Transnistrian leadership values nothing more than its autonomy in relations with Chisinau. Ukraine's decision to suspend its AA with EU was received with much relief in Tiraspol. Transnistrian leader saluted Ukraine's drift towards Russia and expressed hope for new cooperation opportunities with Kyiv. It would seem likely that Tiraspol will take steps to help derail Moldova's association with the EU in 2014 because, contrary to trumped independence claims, Transnistria's leadership would prefer to deal with a Ukraine and Moldova anchored in a grey zone, where it can extract fully advantages derived from its undetermined political status.

It seems that Transnistrian leader, Yevgeny Shevchuk, who won against the pro-Kremlin candidate in 2011 and was apparently refused to have face-to-face with President Putin in Sochi last summer, will now prove his pro-Russian credentials which he no doubt hopes will help him to consolidate power and secure more funds from Moscow. Transnistria has the potential to be a significant spoiler in 2014. A new wave of low-scale provocations within or along the "security zone" is very plausible. Tiraspol's unilateral move to restrict access to Transnistria to representatives of the OSCE Mission in Moldova since November 2013 is a bad omen.

***Apart from blaming Moldova for tensions, controlled provocations in the “security zone” may occur in order to reconfirm Russia’s position on the need to keep a militarized “peacekeeping” mission in area.***

Not least, on Moscow’s advice Tiraspol could shut down partially or totally flows of natural gas to Moldova. Pipeline explosions on Russian territory in 2006 and 2009 which suspended gas deliveries to Georgia and from Turkmenistan respectively serve as a grim reminder for Moldova. At the same time, the Russian-owned Cuciurgan power plant located in Transnistria, which covers 50% of Moldova’s power consumption, could abruptly stop electricity deliveries as it did in 2005. Thus, in 2014 Moldovan government will need to practice cautious diplomacy and alert international partners, EU and US, on any dangerous development in the “security zone”.

***A strong reaction on bilateral level with Russia by the EU will be important to cool tensions. Moldova also could protect itself by working out contingency plans for emergency gas imports from Ukraine via the northern route which does not cross Transnistria as well as electricity imports from Romania through existing transmission capacities.***

### **Is this Russia’s last chance?**

Moldova could slip through Russia’s fingers in 2014. If the AA is signed and ratified by the Moldovan parliament, it will be difficult to undo even if PCRM returns to the helm. Communists could slow down or sabotage implementation of AA, but unlikely to denounce it. Moreover, it would seem likely that after a short Eurasian honeymoon, the PCRM would try to rebalance policy to avoid playing with Russia alone, the very fact which will increase EU’s role and value of AA in such game.

Once activated, the AA will close the doors for Moldovan membership of the CU, as the former will have to eliminate gradually customs tariffs in trade with EU. However, judging by the experience of several Central European states before and even after their accession to the EU, it would seem unlikely that the Kremlin will abort its strategy towards Moldova. As one EU diplomat observed Russia’s leadership’s “reaction is emotional and irrational, but the goals are rational.”

Russia's primary objective is to prevent AA. In case it does not work, its main efforts will focus on creating as many problems as possible on the way towards closer relation with EU. Russia's attempts to force Moldova to give up on the 3rd energy package or push by the Russian Church (which controls the main Moldovan Church) to derail the anti-discrimination law are among few examples from recent past.

In addition to the measures described above, there are more instruments in Russia's toolkit. Unlike Ukraine, Moldova exports more to EU (54%) than to Russia (21%). However, Russia could use sectorial trade bans to stir-up social unrest and embolden PCRM's position.

As one Moldovan official confessed, an apple embargo, (90% go to the Russian market), is a nightmare scenario for government not least because Moldova's main apple producers are concentrated in the north of the country, a region which voted massively for PCRM in 2010. Hence such a measure could set the population against EU association and may seriously impede the ruling coalition in PCRM strongholds. Another tool Russia could employ is restrictive access to the Russian labour market. Moldovan authorities estimate some 300.000 of its citizens work in Russia. Between January and October 2013, 36% of money transfers from abroad were made in Russian Roubles, an increase of more than 10% on 2012. In 2013 Russia began to implement more severe sanctions on Moldovan citizens who broke Russian migration legislation. Instead of applying fines as before, Russian officials increasingly denied Moldovan citizens entry to Russia. Not the least, on discursive level, Russia will keep scary-game speculating about definitive separation of Transnistria from Moldova, to which Russia's Deputy Prime Minister Dmitri Rogozin alluded in 2013.



## Conclusions

Given the numerous and diverse challenges Moldova is faced with, the country requires EU's attention and rapid support to prevent crises or extinguish potential flashpoints.

Unfortunately Moldova or the EU would not be able to dissuade Russia from using economic punitive measures. At the same time, one policy option for both is to work out a plan of measures aimed to diminish their impact as much as possible. It would be wise to apply such a plan even before Russia raises the dirty games to a new level.

While focusing on negotiating the association agenda, it is in the interest of the EU to pay attention to short and mid-term factors which could avert plans to sign AA with Moldova and ultimately implement it. Otherwise, EU's technocratic approach which often overlooks strategic picture could backfire in Moldova.

If Moldova, which is regularly cited as the star pupil of the EaP, is derailed by Russia, thereby following in the footsteps of Ukraine and Armenia, it will probably represent a final nail in the coffin of EU's Eastern neighbourhood policy.

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© CRPE February 2014

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