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Moldova at a Crossroads

Why an Association Agreement with
the EU Matters More than Ever

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Why an Association Agreement with the EU Matters More than Ever

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The Republic of Moldova initialed its association agreement with the EU in November 2013 and plans to sign it this June. In April 2014 it became the first of the Eastern Partnership countries to establish a visa-free regime with the EU. The current government's key strategic priorities remain domestic reforms and its European agenda. But it faces increasing pressure both at home and abroad with only six months left until the next elections. Because so much hangs in the balance, the government remains fully committed to European integration.

Domestic developments

A new government took office in the Republic of Moldova in late May 2013 after a prolonged and difficult series of political crises led to the break-up of the previous coalition government. At that crucial juncture in its history, Moldova's prospects of living up to its designation as a "success story" within the framework of the EU's Eastern Partnership policy were rapidly evaporating. Public trust in the country's pro-European government plummeted to a point where its revival appeared doubtful. The Communist opposition, which had fared well in the polls, demanded new elections and launched a "velvet revolution" to overthrow the government and take Moldova into a Russia-led Customs Union.

In the aftermath of the crisis, the leaders of the pro-European coalition have succeeded in rising above their personal ambitions to lock in Moldova's movement toward the European Union. Despite ever-stronger challenges created by stiff competition between European and Eurasian integration and the significant deterioration of the security situation in the region, the new government has restored political stability to focus on Moldova's key strategic priorities: domestic reforms and its European agenda.

The newfound style of moderation and cooperation among Moldovan leaders has greatly diminished conflicts between coalition parties, although it is not clear to what extent this cooperation will be maintained in the run-up to the elections this November, when coalition parties will increasingly become competitors rather than partners.

The country's improved economic situation has helped, with overall GDP growth registering almost 9 percent last year. Tangible progress was achieved recently in fighting corruption in the justice system. Virtually for the first time in the history of independent Moldova, judges—once a caste that could not be touched—are now sacked and brought to trial for wrongdoing.

Public trust in the current government and its key project, European integration, was partly restored with the resolution of the country's constitutional and coalition crises. Recent opinion polls indicate that a majority of the public has now regained some confidence in the government led by Prime Minister Iurie Leanca. The Communist party, whose support rates towered after the coalition crisis erupted last summer despite the fact that it has no credible development program of its own, has fallen behind pro-European parties in the polls.

Moldova initialed the association agreement with the EU in November 2013 and gained a visa-free regime with the EU in April 2014. It was the first of the Eastern Partnership countries to do so. Although this decision was in part intended to signal political support from the EU, it only became possible after Moldova had fulfilled all criteria and fully and implemented the visa liberalization action plan with the EU in a timely way. The association agreement is slated to be signed in late June.

Heightening tensions

Moldova's choice to firmly pursue a European integration agenda has increased tensions at home and pressure from abroad. The leadership of the separatist Transnistrian region has started to call for a "civilized divorce" from the rest of the country, and tensions with the region have increased over a range of issues. These include the presence of Moldovan police in the city of Bender, which is located on the right bank of the Dniester river but is under de-facto Transnistrian regional control; access of Moldovan farmers to lands under Transnistrian control; and the status and existence of schools in the province that teach Romanian in the Latin alphabet. In February, the leadership of the autonomous region of Gagauzia—leaning heavily toward Russia—organized a "referendum" on Moldova's integration with the Eurasian Union. Russia, meanwhile, banned imports of all Moldovan wine in the autumn. After the Gagauzia "referendum," Russia lifted the ban on wines from that region only. Unofficially, it was hinted that there would be economic repercussions for Moldova if it pursued its European integration agenda. The Communist party openly advocated an overthrow of the pro-European government on the grounds that its plans to sign the association agreement amounted to "high treason."

Domestically, public opinion is largely split on the matter of whether to enter into an association agreement with the EU or join the Customs Union. European integration enjoys more support, but only by a slender margin. At the same time, opinion polls suggest that fundamental support for the EU's development model and European values remains strong. Even the Communist party—whose leader has equated the EU with "Nazi Germany"—has nonetheless hailed the virtues of European integration while arguing that EU integration can best be achieved through Eurasian integration. It is the slow pace of reforms and economic uncertainty—not the European idea as such—that make people hesitant.

Opinion polls also suggest that popular support for the Customs Union, where it exists, boils down to three fundamental factors: a) a desire for cheaper gas prices, b) the fear of conflicts and economic repercussions coming from Russia (encouraged by an aggressive and distorting anti-EU propaganda campaign), and c) the country's lack of a clear EU membership perspective. Opponents of European integration have one particularly powerful argument: While Moldova would be welcome in the Customs Union and the Eurasian Union, the gate to EU membership would remain closed forever.

Geopolitical environment

Within the broader regional context, Moldova has increasingly become a subject of geopolitical competition between Eurasian and European integration. This is not a role it has chosen for itself. A strong and credible EU development model is of existential importance to the country. Without it, Moldova is destined to a future of failure and limbo, prey to changing geopolitical circumstances, caught between Russia and the European Union in a gray zone where each successive government redefines the rules of the game.

The EU's Eastern Partnership was designed at a time when there was no alternative model of integration in Eastern Europe. It responded to Eastern Europe's aspirations rather than being based on the proactive pursuit of the EU's own interests in the region. The offers of the Eastern Partnership have proven ill-equipped to respond to emerging competition from the Russian-led Customs Union. The EU offers largely mid- to long-term benefits (through institution building, reforms, and democratic transformation) but few immediate short-term perks. The Customs Union, on the other hand, promises immediate benefits if it is joined or costs if it is rejected. In the mid and long term, however, it spells deadlock.

The EU's most far-reaching integration offer, the Deep and Comprehensive Free Trade Area (DCFTA), was inevitably bound from the begin-

ning to trigger opposition from Russia. By substantially integrating Eastern European countries into the EU single market, it will move them away from close proximity to Russia's own economic standards and structures, a transformation that puts them on a different development track. As a consequence, not only the economic but also the political links between the EU and Eastern Europe can be expected to develop fast.

While the EU maintains that its Eastern Partnership policy offers a track that is distinct from EU accession, there is no real difference from the Russian perspective between Eastern Partnership and EU enlargement. Here, DCFTA marks the decisive step. To prevent DCFTA from becoming a cause of conflict, the EU and Russia would have had to agree on creating a shared free trade area. But they failed to do so. As a consequence, the question was never *whether* the conflict would escalate, but rather *how far* it would escalate.

At first glance, the resulting tension—which has taken such a tragic turn in Ukraine—is an increasingly geopolitical contest that threatens the security of Eastern Europe. On a deeper level, it is a struggle for the modernization of Eastern Europe, where the current social and economic situations are untenable. As the countries of Eastern Europe lack any alternative model of development, European integration is vital for their long-term survival. If they remain in limbo between East and West, their economic and social situations will further deteriorate and, with it, threaten the stability and security of the region as a whole. Uncertainty about the region's future development lies at the heart of the current crisis. The core problems of the crisis can only be removed when this uncertainty is removed. For the Republic of Moldova, this means that it has no choice but to opt for the EU.

For the overwhelming majority of the political forces in Moldova, the decision to integrate with Europe is not a choice against Russia but a necessary decision to modernize the country. Moldova is and will remain a neutral country; no major

political force in the country has questioned this principle. It is an asset to reassure Russian security interests.

However—and most crucially—any effort to reconcile conflicting interests on the subject of EU integration would require Moldova to draw back from the association agreement. Doing so would be tantamount to sacrificing the country's long-term survival and national interest for a temporary de-escalation of tensions.

The way forward

In the current contest, Moldova faces a steep uphill battle. Several years ago it was run by an authoritarian regime. The country was adrift, with no clear sense of purpose or direction and no understanding of how to tackle its chronic problems. Many of these problems persist, but within three years, Moldova has opened up to the outside world in unprecedented ways. For the first time in Moldova's independent history, the country has chosen a clear development model for itself: the EU model.

Historical challenges are considerable, however. These include corruption, an underdeveloped economy, conflict in the Transnistrian region, and controversies regarding Gagauz autonomy. The Communist party threatens to turn Moldova back. With elections scheduled for November—just five months after the association agreement is signed in June—much hinges on the next few months. If the country's economy and security suffer in the immediate run-up to the elections, pro-European parties could well be hurt. Voters may feel that closer association with the West has brought costs rather than benefits. If pro-European parties lose power this autumn, there is a substantial risk that Moldova could revert to what it was before the EU integration project started: a gray zone caught between West and East run by a semi-authoritarian regime.

What should this mean for the EU's Moldova policy? Other than NATO membership, the West, and in particular the EU, should not seek to compromise the prospect of Moldova's EU integration rather, the EU should rather increase its commitment with respect to the resources it employs and the perspectives it offers. Even if

it is questionable if the membership perspective would be a strong incentive for reforms, it is now the crucial commitment that the EU can articulate to stabilize the region and convince Moldovans that they can confidently look ahead to a brighter future.

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The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the German Council on Foreign Relations.

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