

> Moldova

Florent Parmentier

Under the current governing coalition ('Alliance for European Integration', AEI), Moldova has been portrayed as the 'success story' of the EU's Eastern Partnership (EaP) programme: the country has become both more politically plural and economically successful, with an impressive 8.9 percent GDP growth in 2013. Yet many actors in Moldova – whether in Chisinau, in the autonomous region of Gagauzia or in the separatist entity of Transnistria – appear attracted to Russia's Eurasian Customs Union (ECU) project. In this context, although Moldova's leadership remains committed to closer integration with the EU, Russia has several levers at its disposal in the country.

Whilst the current Moldovan elites prefer European integration to the ECU, this strategic orientation is challenged by both internal and external factors. The key economic structures of Moldova, including trade relations and the need for modernisation, explain the pro-EU inclination of the elites in Chisinau. At the same time, the ECU is appealing for several domestic actors that have been traditionally close to Russia: the main opposition party supports joining the ECU, while the autonomist southern region of Gagauzia organised a referendum on this issue in February 2014. These domestic actors are unlikely to be game-changers, but Transnistria and Russia might be, particularly with the Ukraine crisis having highlighted the political sensitivity of integration projects. While not formally independent from Moldova, Transnistria is supported in substantial measure by Moscow and acts in coordination with the Kremlin. Alongside leveraging its influence in Transnistria, Moscow has resorted to direct pressure (e.g. trade restrictions) to discourage the Moldovan government from engaging in a trade agreement with the EU. The decisions of Moldova's leadership with regard to economic integration have therefore taken a deeply political turn.

MOLDOVA'S ECONOMIC OPTIONS

Key Characteristics of the Moldovan Economy

Moldova is a landlocked country, approximately the size of Belgium, located between Ukraine and Romania. In assessing the potential attractiveness of the ECU regime for Moldova, it is necessary to assess the structural characteristics of its economy and examine the extent to which they tie the country to Russia and other CIS states, in particular labour migration, agriculture and the industrial sector.

First, outward labour migration has had a serious effect on the socio-economic stability of the country since the mid-1990s. It is estimated that around 600,000 - 700,000 Moldovans work abroad temporarily or permanently.¹ As a result, remittances account for a significant share of GDP – about 23 percent in 2011.² The two main destinations for migrants are the CIS countries (around 50 percent go to Russia)

1 Valeriu Mosneaga, "The Labor Migration of Moldovan Population : Trends and Effects", *Socius Working Paper*, n.3, 2007, <http://pascal.iseg.utl.pt/~socius/publicacoes/wp/wp200703.pdf>

2 Alexandru Stratan, Marcel Chistruga, Victoria Clipa, eds., 'Development and side effects of remittances in the CIS countries: the case of Republic of Moldova', *CARIM-East Research Report 2013/25*, <http://www.carim-east.eu/media/CARIM-East-RR-2013-25.pdf>

and Western Europe (where Italy takes more than 25 percent).³ Although the geography of Moldovan labour migration has diversified over the last few years, Russia remains the largest single country for Moldovan workers abroad. This represents a potential source of vulnerability in Chisinau's relations with Moscow, as any Russian decision to expel or restrict Moldovan workers would have a real impact on family budgets and could undermine Moldovan economic growth.

Within Moldova agriculture accounts for 13.1 percent of GDP and 27.5 percent of the workforce, representing a crucial sector for Moldova's economy.⁴ Here too the CIS countries are structurally important: they are the main export destination for Moldovan agricultural products, especially fresh fruit and vegetables. There are few alternatives to address this vulnerability: in an economy noted for its low productivity, Moldovan agriculture is particularly poor, and poverty is far more widespread in the Moldovan countryside than in the cities. Rural development therefore represents a crucial challenge for the Moldovan economy.

The industrial sector, accounting for 19.8 percent of GDP and 13.1 percent of the workforce, is also affected by the CU, although Moscow's direct influence is limited: Russia accounted for only nine percent of FDI (equity capital stock) in Moldova in 2012.⁵ It is nevertheless more present in the Transnistrian region, where Russian investors have taken control of the most important industrial enterprises, including the metallurgical pumps and cement factories in Ribnita, the hydroelectric plant in Cuciurgan and engineering and construction facilities in Bender.⁶

Trade Relations

Yet although Russia and the CIS countries are of clear importance to several key sectors of Moldova's economy, the configuration of its trade relations tends to push Chisinau towards the EU. During the early 1990s, Moldova was considered a leading reformer in the CIS, particularly on issues of trade, which enabled an early accession to the WTO in 2001. These reforms and the subsequent unilateral trade preferences granted by the EU led Moldova to re-orient its exchanges towards European markets. According to the European Commission, the EU is Moldova's largest trading partner with 54 percent of its total trade.⁷

That said, the Moldovan economy has important and established trade links with CIS markets, even if their shares are proportionally in decline: it exports wines and liqueurs, medicines and fruits, and imports gas and oil. Energy stands out as the most sensitive structural dependency: Moldova is entirely reliant on imports of Russian natural gas, and Gazprom owns a 50 percent share of the Moldovagas Company, which holds the monopoly rights to import natural gas. In this regard, a decrease in the price of gas is one of the few efficient 'carrots' that Russia can deliver, given the decreasing influence of its market for Moldovan exporters.

Despite these links to the CIS, the overall configuration of Moldova's trade relations would mitigate against joining the ECU. According to the Moldovan economist Valeriu Prohniitchi, a Moldovan accession to the ECU would likely be associated with a threefold increase in customs duties, and probably lead to a national currency appreciation, implying a rise of production costs and a worsening of Moldovan exports' competitiveness.⁸

³ GDP figures are for 2012, labour force figure are for 2011. 'Frequently Asked Questions – Moldova, Migration, Trafficking', *IOM Moldova*, February 2014, http://www.iom.md/attachments/110_faqiomeng2014.pdf

⁴ For the figures on GDP and workforce, see *CIA World Factbooks*, <https://www.cia.gov/library/publications/the-world-factbook/geos/md.html>

⁵ Ludmila Isacov, Marina Soloviova, Dumitru Nederita, "FDI statistics in the Republic of Moldova: recent data and challenges", *National Bank of Moldova*, 5 March 2013, [http://www.bnm.md/files/index\(3068\).pdf](http://www.bnm.md/files/index(3068).pdf)

⁶ Victor Chirila, "Why a Strategic Partnership between Moldova and Russia Is Not a Realistic Option?", 24 January 2013, http://2013.europa.md/images/dox4download/societatea_civila/2013-01_vchirila_rm-russia_report.pdf

⁷ Website of the European Commission, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/moldova/>

⁸ Valeriu Prohniitchi, 'Strategic Comparison of Moldova's Integration Options: Deep and Comprehensive Economic Integration with the EU versus the Accession to the Russia-Belarus-Kazakhstan Customs Union', Expert Grup, Economic Analysis and Forecast Paper NR 3/2012, 7/6/2012, p.9.

The AEI was formed in the aftermath of the 'April protests' of 2009 (also known as the 'Twitter revolution'), and was swiftly distinguished by its pro-European reformist politics (along with its opposition to the Party of Communists (PCRM)).⁹ Thus the current government, and Moldovan elites more generally, have clearly opted for economic integration with the EU rather than with the ECU. Chisinau is scheduled to sign an Association Agreement (AA) with the EU on the 27th of June of this year.¹⁰

The government's choice stems from its agenda of economic modernisation and the improvement of its business climate. Although economic integration with the EU requires demanding domestic reforms, it serves to instrumentalise the government's preferred policies and is perceived to offer tangible benefits, including in financial terms. By contrast, membership of the ECU comes with neither comparable requirements nor similar rewards.

A major impediment to Moldova's economic development lies in its lack of administrative resources and the weakness of its governance structures. The AA process offers financial and technical assistance towards the approximation of EU standards (*acquis communautaire*), and so is seen by elites as a way for the country to gradually adopt a legal and institutional framework that reflects best practice whilst avoiding the harassment of foreign investors by tax authorities or political and bureaucratic interest groups. The framework of the ECU doesn't require such structural reforms: it is less demanding in terms of in the short run, but also probably less fruitful in the medium term.

Although the AEI has opted for economic modernisation, the task will not be accomplished overnight. Corruption remains a major issue for Chisinau, with Moldova ranking 102nd in the Transparency International Corruption Perception Index of 2013.¹¹ The Global Competitiveness Report 2013-2014 highlights the deficiencies in transport infrastructure: Moldova ranks only 68th for the quality of its rail system, 116th for air transport, 138th for ports and 148th for roads out of 148 countries.¹² Similarly, the Logistic Performance Index Moldova ranks 109th out of 160, sandwiched between Liberia and Bolivia.¹³ In short, Moldova still has a lot of room for improvement in these domains before it reaches EU standards.¹⁴

Overall, the economic rationale for joining the ECU is not clearly substantiated for Moldova: the configuration of its trade relations as well as the modernisation agenda of the current government makes the EU a better fit. Nonetheless, many of the expected benefits from economic integration with the EU will only be realised in the medium to long term. In the meantime, the country faces real difficulties in terms of economic development, infrastructure and the efficiency of its governance. This may present opportunities for a domestic challenge to the European choice of the current government in favour of a short-term rapprochement with the ECU.

9 It is now composed by three ruling parties, sharing a clear pro-EU line: the Liberal Democratic Party (LDP), the Democratic Party (DP), and the Liberal Party (LP). However, because of internal rivalries, a political deadlock occurred, as a very important political crisis lasted from January to June 2013. In this process, Prime Minister Vlad Filat was replaced by his Foreign Minister, Iurie Leanca. Hence, the political balance between them remains fragile. In early 2014, it is probably less the collapse of the coalition than the defection of three or four deputies that threatens the AEI, at a time when it faces Russian pressure. See David Rinnert, 'The Republic of Moldova in the Eastern Partnership. From "Poster Child" to "Problem Child"?', *Friedrich Ebert Stiftung*, August 2013.

10 <http://www.dw.de/eu-to-accelerate-ties-with-georgia-moldova/a-17635281>

11 'Corruption Perception Index 2013', *Transparency International*, 2013, <http://www.transparency.org/cpi2013/results>

12 'The Global Competitiveness Report 2013-2014', *The Global Economic Forum*, http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf

13 'Logistic Performance Index (LPI) Report: The Gap Persists', *World Bank*, 20 March 2014, <http://www.worldbank.org/en/news/press-release/2014/03/20/logistics-performance-index-gap-persists>

14 Nicu Popescu, 'Про вектор перестройки', *Kommersant*, 25 November 2013, <http://www.kommersant.md/node/22928>

DOMESTIC SUPPORT FOR EURASIAN INTEGRATION

Political Opposition

The Moldovan party system is traditionally less polarised on economic issues than on geopolitics: schematically, the right is close to Romania (to the extent of occasionally promoting a union between Moldova and Romania) and largely pro-EU; the left is more generally pro-Russian. Given this context, the competition between the EU's and Russia's regional integration programmes was bound to be internally divisive. The current government remains dedicated to economic integration with the EU, but at the same time, in an attempt to secure popular support for its policies, it has sought to avoid alienating the more pro-Russian segments of society.

Staying true to this tradition of geopolitical polarisation, Moldova's Party of Communists (PCRM), currently the main opposition force, favours joining the ECU. Led by former President Vladimir Voronin, Moldova's largest single party (and the only major one to secure multi-ethnic support) is well organised and electorally efficient: in recent elections, it obtained 49.5 percent in April 2009 (60 deputies), 44.7 percent in July 2009 (48 deputies) and 39.3 percent in November 2010 (42 deputies). The party has a realistic chance of obtaining a majority in the forthcoming election in late 2014.

Yet the PCRM's position on the ECU is not as clear-cut as meets the eye, and should the PCRM win the election, a radical U-turn on the issue of ECU membership and Moldova's foreign policy more broadly is not necessarily to be expected. It should be remembered that the PCRM's geopolitical preferences have changed over time. In 2001 it was elected on a platform of rapprochement with the Russia-Belarus Union; yet by 2005 it had rallied to the banner of pro-European integration, after distancing itself from Moscow in 2003-2004. And whilst the party's programme for the next elections includes a preference for joining the ECU, the party has largely remained equivocal on the subject, including on the issue of whether to hold a referendum on joining the ECU. The call for such a national plebiscite came not from the PCRM but from the Party of Socialists, a small party whose leader is a former member of the PCRM, and in Balti, Moldova's second largest city, the Communist mayor decided not to hold a local referendum on the ECU. The PCRM's ambiguous stance may stem from the fact that public opinion is divided on the topic. According to a poll conducted in November 2013, 43 percent of the Moldovan population are in favour of joining the ECU while 44.7 percent support integration with the EU.¹⁵ Voronin's rhetoric reflects this uncertainty, claiming that CEU membership can pave the way for EU integration – in total contradiction with official European discourses.¹⁶

The Gagauzia Referendum

A referendum on the ECU was organised in Gagauzia, an autonomous region in Southern Moldova that is home to about 160,000 inhabitants (4.4 percent of Moldova's population), who are mainly Orthodox Russian-speakers of Turkish descent. The Autonomous Territorial Unit of Gagauzia (ATUG) negotiated its status in December 1994: it has its own Parliament and its governor, Mikhail Formuzal, is a *ex officio* Minister of Moldova's government.

¹⁵ In a referendum on the accession of Moldova to either the EU or to the CU, 43 percent would vote for the CU and 44.7 percent for the EU in November 2013. 'Barometer of Public Opinion', *Institute for Public Policy*, November 2013.

¹⁶ In his words, 'the EU is a voluntary union, but they exert pressure on the former Soviet countries. Our road to the EU goes only through the Customs Union, which is an effective and verified way. Moldova is not ready for the European Union'. See 'Vladimir Voronin: Our road to EU goes only through Customs Union', *Allmoldova.org*, 26 November 2013, <http://www.allmoldova.com/en/moldova-news/1249057225.html>

In general terms, the Gagauz elites – as well as the population – are more favourable to Russian initiatives than the political elites in Chisinau. For historical and linguistic reasons, the Gagauz are close to Russia culturally and see Russia as a positive player. This is reflected through their desire for greater autonomy within the Republic of Moldova, where they see a close relationship with Russia as a way to maintain a certain degree of autonomy from Chisinau, and in particular to prevent a union with Romania. The local political elites have constantly sought to shield themselves from the influence of the centre, and should Moldova and Romania unite they have secured the legal right to call a local referendum on self-determination.

For the Kremlin, Gagauzia is a lever to influence Moldovan politicians. Yet the Gagauz influence in Chisinau should not be overestimated: they are not very well represented in Parliament, since Moldova's constitution does not allow ethnically-based political parties and the electoral system is formed by one single electoral district.

It was in this context that a referendum on the ECU was organised in Gagauzia on 2 February 2014. Considered illegal by Chisinau, it asked whether Moldova should seek closer ties with the ECU or with the EU. The result saw an overwhelming majority (98 percent of a 70 percent turnout) vote for ECU membership over the EU. This locally initiated referendum constitutes a clear signal in favour of the CU. The questions asked concerned the preferences for European integration, closer ties with Russia or whether Gagauzia should seek independence from Moldova in case of reunification.

In organising the referendum Formuzal appeared to play the Russian card to attract future voters and gain leverage vis-à-vis Chisinau when dealing with the ECU. The Russian ambassador in Moldova Farit Muhametshin had supported the idea of a local referendum, and was funded by Yuri Yakubov, a Russian businessman who claims to have roots in Gagauzia.¹⁷ However, he justified his decision in economic terms: 'I think that for the next 10 years it is in our interest to be in the customs union. I think that would enable us to modernize our economy, secure reliable markets for our goods'¹⁸.

It is indeed true that the Russian Embassy has showed a 'special interest' in Gagauzia as well as in the Taraclia district, an area 65 percent populated by Russian-speaking Bulgarians and geographically close to Gagauzia. Based on the referendum's results, Russian authorities are now in a position to exploit the 'popular will' argument, and can extend it by supporting other local referendums in northern region of Moldova or Transnistria. Oazu Nantoi, a renowned Moldovan expert critical of Moscow, puts it bluntly: 'Gagauz authorities are some faithful executants of Moscow, while the Communist Party is accomplice in the attack on the constitutionality of the Republic of Moldova.'¹⁹

17 Dumitru Minzarari, 'The Gagauz Referendum in Moldova: A Russian Political Weapon?', *Eurasia Daily Monitor*, Vol.11, issue 23, 5 February 2014.

18 Valentina Ursu, Diana Raileanu, 'Concerned About EU Integration, Moldova's Gagauz Region Holds Disputed Referendum', RFE/RL, 2 February 2014, <http://www.rferl.org/content/moldova-gagauzia-eu-referendum/25249087.html>

19 'Overwhelming support for Russia-led Customs Union in illegal referendum in Moldova's Gagauz region', Moldova.org, 3 February 2014, <http://www.moldova.org/overwhelming-support-russia-led-customs-union-illegal-referendum-moldovas-gagauz-region/>

DIRECT PRESSURE: RUSSIA AND TRANSNISTRIA

Transnistrian separatism and the ECU

Much more than the domestic actors presented above, the issue of Transnistrian separatism represents a real constraint on Moldova's foreign policy and a direct lever for Russia. It is likely to be a key variable on the issue of regional integration in particular. Known as '*Pridnestrovskaya Moldavskaya Respublika*' in Russian, Transnistria is located between the left bank of the Dniestr and the eastern Moldovan border with Ukraine, and is home to half a million people. It unilaterally declared its independence from the Republic of Moldova in September 1990, which prompted a small-scale conflict concluded by the ceasefire in July 1992. Transnistria officially remains part of Moldova, a 'frozen conflict' that has not been settled despite a negotiation under the aegis of the Organization for the Security and Cooperation in Europe (OSCE), a failure mainly rooted in Russia's continuing support for Transnistria.

Under the presidency of Igor Smirnov (1991-2011), Transnistria developed a whole set of institutions, including in terms of economic governance: it has created its own legislation, currency and a central bank. Given the very limited size of its domestic markets, the local economy largely relies on remittances and export-oriented industrial plants (which export to both the West and CIS countries and which generate half of the region's GDP).²⁰ It is also heavily dependent economically on direct and indirect subsidies from Russia. One study found that Russia was financing up to 80 percent of the Transnistrian budget, including pensions, food supplies and other *ad hoc* subsidies. Moscow also provides Transnistria with privileged energy prices, which feeds into the local population's positive image of Russia. Transnistria consumes over two-thirds of the gas provided by Gazprom to Moldova.²¹ This energy situation grants Moscow with another kind of lever: since it doesn't legally recognise the independence of the separatist entity, Russia is pressuring Moldova with the burden of Transnistria's energy debt (estimated at around \$3 billion in 2012).²² Beyond the economy, Russia also has a strategic and diplomatic grip over Transnistria. The Fourteenth Russian Army is stationed in the province as peace-keepers, Russia has opened a consulate and Tiraspol has pursued an active 'passportisation policy' (delivering around 150,000 Russian passports).

Given this context, it is no surprise to find that Transnistria has generally aligned with Russia's position on geopolitical matters, and the ECU is no exception. In December 2011, Transnistrian voters chose a new president to replace Igor Smirnov, Yevgeny Shevchuk, who seemed more pragmatic and constructive in his cooperation with Moldova and EU actors. Nonetheless, Transnistria's foreign policy remained unchanged under Shevchuk.²³ Transnistria's Foreign Minister, Nina Shtanski, has explicitly prioritised economic and political integration with the ECU, ruling out any practical possibility of unification with Moldova unless Chisinau joins the ECU as well.²⁴ But since Transnistria is not an internationally recognised state, it cannot currently be a party to international treaties and thus join the ECU independently.²⁵

20 Kamil Calus, 'An aided economy. The characteristics of the Transnistrian economic model', *OSW Commentary*, n.108, 14 May 2013, http://www.osw.waw.pl/sites/default/files/commentary_108.pdf

21 Kamil Calus, *op. cit.*

22 "The Transnistrian issue: Moving beyond the status quo", *European Parliament*, October 2012, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224472/evidence-stefan-woff-the-transnistrian-issue.pdf

23 See Marcin Kosienkowski, *Continuity and Changes in Transnistria's Foreign Policy after the 2011 Presidential Elections* (Lublin, The Catholic University of Lublin Publishing House, 2012).

24 Kamil Calus, 'Expectations and Reality Collide in Tiraspol', *New Eastern Europe*, 9 June 2013, <http://www.neweasterneurope.eu/interviews/755-expectations-and-reality-collide-in-tiraspol>

25 'Transnistria cannot join Russia's Customs Union, analyst', *Moldova.org*, 7 January 2013, <http://www.moldova.org/transnistria-cannot-join-russias-customs-union-analyst-234765-eng/>

After having largely ignored the conflict until 2003, the EU has progressively adopted a policy of supporting Moldova's territorial integrity, notably by introducing sanctions toward separatist leaders. In 2006, the EU set up a civil operation, EUBAM (European Union Border Assistance Mission) in order to combat transnational organised crime, enhance the border management and customs cooperation capacity of Ukraine and Moldova, and force Transnistrian economic actors to register with the authorities in Chisinau.²⁶ Russian policy toward Moldova has continued to vacillate between two options: pushing for the independence of Transnistria, or using it as leverage on Moldovan political actors. This dual diplomacy allows Moscow to maximise its influence in both Chisinau and Tiraspol: so far, neither the Duma nor the Russian Presidency has been prepared to recognise the independence of Transnistria.

Blocking Moldova's EU Accession

Russia's policy towards Moldova is unambiguous: Moscow is determined to include Moldova within its ECU, and has sought to prevent Moldova signing the AA through political, economic and diplomatic means.²⁷ Russia has been using the PCRM, Gagauzia and especially Transnistria, towards that end. In early September 2013, Dmitry Rogozin, Russia's Deputy Prime Minister and Special Representative to Transnistria, a politician known for his nationalist rhetoric, threatened that the signing of an AA would jeopardise the future of Transnistria as a region of Moldova.²⁸ The Ukrainian crisis has signalled the implications of Russia's opposition to Moldova's potential accession. On 17 March 2014, the speaker of the Transnistrian parliament urged Russia to annex his region, and in the following days Rogozin first declared that Transnistria was under 'blockade' by Ukraine,²⁹ before announcing a 'serious and large-format' meeting of all agencies to offer assistance.³⁰

Russia has also been using direct economic pressure to influence Moldova's choice. The Russian authorities imposed a ban on wine imports from Moldova in September 2013, after the Russian consumer-protection agency declared Moldovan wine dangerous for consumption.³¹ The embargo began two months before the Vilnius Summit, which hardly seems to be a coincidence. Beyond wine, and as noted above, another tool to pressure Moldovan leaders is energy. However, whilst it is a strong argument in the short term, Moldova has taken steps to become less dependent on Russia in the medium term: it joined the European Energy Community in May 2010, and has finally begun to build a gas interconnector with Romania to ease its dependence on gas imports from Russia.

Moldova's key vulnerability to Russia probably concerns its migrant workers, given their economic weight. An estimated 170,000 Moldovans work in the Russian Federation, roughly two thirds in the construction sector in Moscow and Saint Petersburg. Obviously, a mass return of its migrants would unavoidably lead to serious economic difficulties, with a sharp increase of unemployment and the loss of remittances; according to Moldova's National Bank, transfers from Russia accounted for 68 percent of total remittances in 2013.³²

26 Florent Parmentier, "The ENP Facing a de facto State. Lessons from the Transnistrian Question", pp.203-216, in Laure Delcour, Elsa Tulmets (eds.), *Pioneer Europe? Testing European Foreign Policy in the Neighbourhood* (Baden-Baden, Nomos, 2008).

27 'Basescu met Timofti in Iasi: Russian Federation won't stop here, suggests Crimea is just an episode of a sequence', *Actmedia*, 20 March 2014, <http://actmedia.eu/daily/basescu-met-timofti-in-iasi-russian-federation-won-t-stop-here-suggests-crimea-is-just-an-episode-of-a-sequence/51195>

28 'Russia threatens Moldova over its EU relations', *Euractiv.com*, 3 September 2013, <http://www.euractiv.com/europes-east/russia-keeps-threatening-neighbo-news-530198>

29 'Russian government to tackle "isolation of Transnistria" on Thursday', *Moldova.org*, 18 March 2014, <http://www.moldova.org/russian-government-tackle-isolation-transnistria-thursday/>

30 Valentina Ursu, Robert Coalson, "Amid Russia – Ukraine Crisis, Moldova's Fault Line Quaver", *RFE/RL*, 20 March 2014, <http://www.rferl.org/content/moldova-russia-ukraine-worries/25304033.html>

31 'Why has Russia banned Moldovan wine?', *The Economist*, 25 November 2013, <http://www.economist.com/blogs/economist-explains/2013/11/economist-explains-18>

32 'Aproape 70% din transferurile din strainatate au provenit din Rusia, în 2013', 24 February 2014, <http://www.trm.md/ro/economic/aproape-70-din-transferurile-din-strainatate-au-provenit-din-rusia-in-2013>

CONCLUSION

While the Moldovan governing elites made a choice for closer relations with the EU and appear to be on the way to signing an Association Agreement in late June, internal and external opposition to this dynamic might jeopardise this outcome.

Any analysis should rely on four basic premises. First, Moldova's future integration with the EU is more dependent on the country's ability to conduct domestic structural reforms than on the 'geopolitical will' of the EU institutions. Second, Russia retains significant leverage over Moldova. Third, the regional context in Ukraine is a very destabilising factor for Chisinau, as it weakens the position of the Moldovan state vis-à-vis Russia. Fourth, Tiraspol might react to the signing of the Association Agreement by unilaterally declaring its independence and asking for recognition by Moscow.

These premises imply four potential scenarios: 'EU integration and territorial disintegration', 'End of the AIE coalition and separatism', 'Cooperative EU integration' and 'Reintegration through CU'.

- *'EU integration and territorial disintegration'*: the 'EaP frontrunner' would effectively trade the signing of the AA for the complete loss of Transnistria.
- *'End of the AIE coalition and separatism'*: the process of European integration is blocked, for instance through the collapse of the incumbent coalition. In the meantime, Transnistria's separatism is encouraged by Moscow.
- *'Cooperative EU integration'*: in a sign of goodwill towards the West, Russia facilitates the reintegration of Transnistria into Moldova – allowing it to retain some influence on the country – while tolerating Moldova's closer association with the EU.
- *'Reintegration within ECU'*: Russia proposes a deal in which it supports reintegration between Moldova and Transnistria (comparable to the 'Kozak memorandum' of 2003) in exchange for Moldova's accession to the ECU.

While the Moldovan authorities are engaged in their bid to sign the AA at the end of June 2014, the question remains how Russia will react, and how it might use the Transnistria lever in particular. The first scenario – 'EU integration and territorial disintegration' – remains the most probable at the time of writing, though the process of disintegration can take many forms, from de jure recognition by Russia to de facto functional integration in the CU. Chisinau will hope to foster regional integration with the EU while preserving a territorial status quo (avoiding a formal recognition of Transnistria); whether it will be able to do so depends on Moscow. ■