

Russian influence on Moldovan politics during the Putin era (2000-2008)

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Executive Summary

Despite the recent progress in the process of European integration and the increasing presence of the European Union in the country, Moldova is still vulnerable to Russian influence. With Moldova having been ruled by the Communist presidents and the Communist majority in the Parliament since 1991, its relationship with Russia has been constantly nurtured by a common educational and professional background and personal contacts between the leaders of the two countries.

Unlike Ukraine, Moldova does not enjoy the same strategic geographical or geopolitical position. Moldova does not share a border with Russia, being safely located between Ukraine and Romania. Besides, Moldova is directly bordering the EU. Hence, being one of the poorest countries in Europe, Moldova does not have much bargaining power in terms of attractiveness. It enjoys a favourable climate and good farmland but has no major mineral deposits and has to import all its energy supplies from Russia, Ukraine or Romania. Moldovans are also generally receptive to Russian trends and mindset. A fundamental division between the two different interpretations of the ethnic, cultural and historical belonging of Moldova has resulted in a rather weak perception of its national identity. The massive emigration of young Moldovans to the Russian or Western labour markets has caused a situation where, outside the bigger cities, the electorate is mainly comprised of the elderly, for whom European values mean nothing and who are suffering from a severe Soviet-Nostalgia.

Moldova, being the closest country to the EU border with an unresolved territorial dispute (over the breakaway Transnistria region), has recently caught the international community's attention in terms of the potential escalation of violence after the events in Georgia of August 2008. Russia's leadership has warned Moldova for taking hasty steps towards supporting Georgia and offered to effectively re-open the "Kozak memorandum" (called Kozak-plan II), the document first offered by Putin to resolve the Transnistrian conflict back in 2003, which would make Moldova and Transnistria equal partners in a federation and give Transnistria the power of veto in most strategic questions, European integration among them. This kind of settlement would give Russia direct influence over Moldovan internal and foreign politics.

The events in Georgia have opened up another window of opportunity for Russia to gain undivided influence over Moldova's domestic, foreign and security policy orientations, for which they systematically prepared during the Putin presidency.

We would argue that during the years of Putin's presidency, Russian foreign policy towards Moldova has become more systematic and forceful, accompanied as it has been by sanctions and warnings that have often resulted in Moldovan authorities becoming receptive of Russian propaganda and adjusting their own policies to Russian demands. The still relatively cautious interest and support of the international community, most importantly the EU and US, have contributed to the situation where Russia still constitutes one of the most important economic partners and a security guarantor for Moldova.

This study focuses on the period of 2000-2008, the presidency of Vladimir Putin in Russia and the influence and outcomes of his foreign policy towards Moldova. Constituting one part of a larger comparative study, this paper focuses on the areas we consider most vulnerable to

Russian interest, including societal factors such as 'the construction of national identity', 'the role of the media', 'the role of the church', 'the role of the Russian minority', 'domestic politics', 'foreign and security policy' and 'economic policy'. The study is based on articles and reports written by Moldovan and foreign experts and interviews conducted with an OSCE representative, Moldovan foreign policy experts and journalists¹.

The Construction of National Identity

In case of Moldova, the question of national identity can be considered one of its most critical. Political denial of its ethnic and cultural origin and Romanian affinity has brought about some serious identity crises and reform ambivalence within the Moldovan authorities, as well as the population's persistent loyalty to Russia. Since the Moldovan Communist Party leader Vladimir Voronin became President of Moldova and declared good relations with Russia as his main goal of his term of office, the Soviet-era Moldovenist rhetoric has been revitalised and supported by several legal enactments, like the Language Statute and the Concept of National Policy. The artificially constructed identity of Soviet Moldova was successfully adapted to a people who have been left with no other choice than to believe that Russia is their only true ally.

The Role of the Media

The influence of the Russian media on Moldovan society as a whole can hardly be overestimated. According to the last survey conducted by the Eurasia Foundation of Moldova's European Integration², when it comes to confidence in media, the majority of the respondents (67.7%) tend to have confidence in Russian TV channels. Almost half of the public of Moldova receive their information about the EU via Russian channels, which should definitely raise some questions for the Moldovan Government³. The EU presence has increased considerably in Moldova but it gets very little coverage by the Moldovan media. As regards the most popular politicians, in first place is Putin, followed by Medvedev, Voronin and Romanian president Basescu. Therefore, the Kremlin does not have to do anything special to influence Moldovan people because they are already loyal subscribers to the Russian media and any Russian propaganda it carries. Moldovan media space is also dominated by Russia-friendly coverage and supported by the Moldovan Communist Government.

The Role of the Church

The Russian Orthodox Church has historically played an essential role in Russian politics and is considered one of the most influential institutions spreading the word and implementing the politics of Russian Government in countries Russia claims to be its sphere of influence. The Moldovan Orthodox Church, which is subordinated to the Patriarch of Moscow, clearly dominates the other religious denominations in Moldova. Despite that, it seems to keep a relatively low profile and, according to the respondents, does not have too deep an impact on internal Moldovan politics. The importance and role of the Moldovan Orthodox Church has been praised on occasions when relations between Moldova and Russia need to be remedied. Such statements by communist leaders have usually been accompanied by disparaging comments

¹ Interviews were conducted with Arcadie Barbarosie, Igor Botan, Vlad Lupan, Victor Chirila, Liliana Vitu, Vasile Botnaru, Klaus Neukirch, Nicu Popescu

² http://www.eurasia.md/pubs_dt.php?id=4832d719c7526

³ Ibid.

on the Romanian Orthodox Church. Nevertheless, the fact that deserves attention is that the Moldovan Orthodox Church is the most trusted institution in Moldova.

The Role of the Russian Minority

When it comes to the ethnic Russian minority and its role as a potential catalyst of conflict, Moldova is probably of less interest to Moscow than the Baltic States, Georgia or Ukraine. By size, ethnic Russians make up only the second, and rather insignificant, minority group in Moldova. More ethnic Russians live in Chisinau than in the entire breakaway region of Transnistria.

When Moldova became independent in 1991, Moldova's ethnic Russians found the prospect of Moldova's reunification with Romania alarming, because it would alter their status from that of a large and politically powerful force to that of a small and politically powerless minority.

Compared to the Ukrainian or, say, the tiny Jewish minority in Moldova, the Russian minority today is probably the least organised and the least influential. In Transnistria, the ethnic conflict is usually artificially fabricated by the officially neutral Russian 14th Army.

Domestic Politics

The domestic politics of Moldova matured considerably during the period of 2000-2008, very much "thanks" to the decisive steps taken by Putin to harden its grip of Moldova.

The rejection of the so-called Kozak plan or Russia's plan to resolve the Transnistrian conflict in 2003, which turned out to be most unfavourable for Moldovan territorial unity, was answered by Russia with enforced economic and energy sanctions. As a rather positive side-effect, it gave the Western-minded political forces a chance to enter the Governmental coalition after the 2005 elections, and actually changed the Russia-oriented foreign policy course firmly towards European integration.

However, there is no unity among the pro-democracy, pro-Western forces and they have not been successful enough in convincing the electorate. In addition, the Russian-minded forces in Moldova met the trend of westernisation by establishing a counterweight to every democratic and Western-minded party or organisation, and their campaign has been very strong.

In terms of reform, the Europeanization process has been slow, partly because of the Communist Government's ambiguous relationship to Russia in its hope for better relations, high level of corruption and partly because of the rather modest engagement of the EU and US.

Security and Foreign Policy

Historically, Moldova belongs to Russia's sphere of influence and, like other CIS countries, makes up one brick in Russia's buffer wall against NATO. Russia's intention has therefore always been to keep control over these areas and integrate them into its own security network. Moldova's hands are tied. On the one hand, Moldova has committed itself to the European integration process. On the other hand, in addition to the fact that Moldova is deeply dependent on Russian energy, it also has to deal with a "frozen conflict" zone, Transnistria, which is supported politically, economically and militarily by Russia. 80% of the Transnistrian economy is

controlled by Russia. Russia has about 1,500 Russian troops in Transnistria, some 20,000 tons of armament, and peacekeepers. However, compared to Abkhazia and South-Ossetia, Transnistrian conflict is considered less complicated as it is not an ethnic conflict.

Russia is using the unresolved territorial conflict of Transnistria as a bargaining tool. The price for the resolution of the conflict is a federal framework for Transnistria, substantial rights for Transnistrian parliamentarians, recognition of Russian property in Transnistria, special status for the Russian language and commitment to permanent military non-alliance. The Putin-era started and ended with the Kozak memorandum on the table, which still works like a red rag to a bull.

The role of the EU, which although very modest in the 1990s and early 2000s, has been increasing considerably during the past 3-4 years. The EU has understood that most of Moldova's problems derive from the Transnistrian conflict. Moldova has been integrated into several EU policy frameworks within the ENP and several important agreements have been signed. In spite of the overwhelming support of the population to the prospects of the EU membership, the present government's understanding of the need of the democratic reforms is limited. The EU still represents fast economic growth rather than democratic values. However, the tactics of the EU enlargement in terms of conditionality has changed over time and not necessarily in favour of Moldova.

Moldova's security and stability, as well as its territorial integrity, are extremely dependent on Ukraine's success in the integration process into European and Euro-Atlantic structures. Moldova and Ukraine would benefit greatly by cooperating closely and speaking with one voice. It also lies in Ukraine's interests to resolve the Transnistrian conflict. So far, Moldova has chosen to rely on Russia for resolving the conflict.

In hope of reconciliation with Russia after Russia imposed its economic and energy sanctions in 2005-2006, Moldova distanced itself from the economic organisation of GUAM that was set up in order to counterbalance the Russia dominated CIS. This has been a clear indication of Moldova's gradual drift back into Russia's embrace.

Economic policy

The Moldovan Government's mismanagement of economic changes and inability to choose its own reform path in the 1990s resulted in a slow and badly regulated privatisation process.

Weak institutional platform and the lack of political will to implement tough policies resulted in the Moldovan economy being extremely dependent on Russian and CIS markets up to 2004 when the EU markets started to open up for Moldova. Today, the EU is Moldova's most important trading partner.

Moldova is also completely dependent on Russian gas, partly on oil and electricity. Gazprom owns nearly 100% of Moldovagaz's shares, including the local distribution network. Some more direct business interests lie in Transnistrian enterprises, such as military contractors and wine producing factories. Russia's main economic interest in Moldova is to keep it close and dependent, to control infrastructure, communications and banking sector. Russia's economic policy towards the CIS states has in most cases been in the service of political leverage and has not made it easy for Moldova to search for new markets or partners.

Societal factors

One of the interviewees rightly pointed out that the argument about Transnistria being the only tool for Russia to keep the region in its iron grip is not completely true because Russia, first and foremost, needs people and their hearts and minds to keep the region under control. Without doubt, Russia has succeeded in this in the case of Moldova because many people still identify themselves as ex-Soviets in terms of mentality and information space.

The Construction of National Identity

In order to understand the reason behind the failure to restore the feeling of national identity, one has to take a short look back in history. For most of its history, Moldova has been annexed by a succession of regional powers. Initially an independent principality, Moldova was absorbed by the Ottoman Empire in the 15th century. In 1812, the Russians wrested control of the land between the Prut and Dniester rivers, which constitutes most of the territory of today's Republic of Moldova. When the Russian Empire disintegrated in World War I, this part of Moldova joined Romania. A strip of Moldovan land east of the Dniester River remained in Russian, later Soviet, hands. In World War II, the Soviets, under the secret Ribbentrop-Molotov Pact with Nazi Germany, occupied Romania up to the Prut. Moldova was subsequently turned into a Soviet republic.

Though the country's political status fluctuated wildly, its main ethnic group remained more or less constant. This group was considered to be of Romanian origin and to speak the Romanian language. However, the Soviets labelled these people "Moldovan," asserting that they were not ethnically Romanian. Moscow also called their language "Moldovan," not Romanian, and accentuated this false dichotomy by outlawing the use of the Latin alphabet and ordering the use of Cyrillic letters. The authorities fabricated historical justifications for these measures, which were actually designed to cut off the people in Moldova from their kin in Romania and thereby bolster Soviet claims to the territory⁴.

As part of the Soviet Union, Moldova suffered a severe form of Russification. In contrast to other Soviet Republics like the Baltic States, in Moldova there was no political unrest and no significant dissident movement emerged.⁵ People who declared that they spoke Romanian instead of Moldovan or who claimed to be ethnic Romanians, were regarded as anti-communist by local powers and often discriminated against.⁶ In order to remain in power, communists simply refused to accept the historic and linguistic affinities with Romania.

Language is a matter of identity. On 31 August 1989 a new language statute was passed, which declared Moldovan as the state language and Russian as the language of inter-ethnic communication. The Cyrillic alphabet was changed back to the Latin alphabet. However, the

⁴ M. Vahl and M. Emerson, "Moldova and the Transnistrian Conflict", in *Journal of Ethno Politics and Minority Issues in Europe*, 1/2004. <http://www.moldova.md/en/istorie/>

⁵ M. Vahl and M. Emerson, "Moldova and the Transnistrian Conflict", in *Journal of Ethno Politics and Minority Issues in Europe*, 1/2004. <http://www.moldova.md/en/istorie/>

⁶ Similarly to the Russification policy carried out in other Soviet Republics, Russians considered the Romanian/Moldovan language as inferior to the Russian – the language of culture and status. Romanian language was often called "bird language" or "animal language".

status of the Russian language has remained very high⁷. Formally, the different ethnic groups should speak Russian with each-other and Russian is used in the Parliament in parallel with Romanian. Speeches are in both Russian and Romanian. All official documentation and legal acts are in both languages. The Russian language is promoted and, curiously enough, is considered a popular language once again, especially in cities.

In 2003, the Moldovan Parliament adopted "The Concept on National Policy of the Republic of Moldova", which critics have accused of being a revival of the Soviet-style Moldovenist theories. The document states that Moldovans and Romanians are two distinct peoples that speak two similar languages, that Romanians form an ethnic minority in Moldova, and that the Republic of Moldova is the legitimate successor to the Principality.

Moldovan authorities use the Soviet-era rhetoric to this day, especially when relations with Russia seem to have come to a dead end. When Russia imposed an official ban on Moldovan wines in 2006, the Soviet communist rhetoric about Romania was revitalised by the Moldovan Communist Party. Communists did not want Russia to lose interest in resolving the Transnistrian issue and once again declared Romania as dangerous to Moldovan national integrity and mentality⁸. However, according to several analysts, it is no longer relevant to talk about Moldova's reunification with Romania. It was an issue in the beginning of 1990s, but it is now clear that Romania is a different country and a player in a different league. The majority would prefer remaining independent anyway⁹.

The same ambiguity goes for the national monuments. Moldova is still full of Soviet-era monuments. The removal of these statues was an issue in the beginning of 1990s when the statue of Lenin was removed from Chisinau city centre to a museum, but it is not an issue any more. Indeed, some new Lenin statues are actually being placed in the regions today because the ruling Communists want to emphasise that they are not the "children of Gorbachev"¹⁰. The Communists of Moldova celebrate the Victory Day of the Soviet Union, which they still call "*Velikaja Otechestvennaja Voina*" [*the Great Patriotic War*]. The question is to which country the word *otchestvo* [patriotic] actually refers.

The Role of the Media

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⁷ The current government systematically ignores the festivities related to the anniversary of the language statute of the 31st of August at the same time placing flowers in front of Lenin's statue on the 22nd of April, his birthday.

⁸ Rumour has it that from time to time the so called "ethnic cleansing" of pro-Westerners and pro-Romanians is carried out in the Ministries.

⁹ The Christian Democratic People's Party, led by Iurie Rosca, that supports close co-operation with Romania has never won more than 9% of votes in any election.

¹⁰ The Communists see the collapse of the Soviet Union as a failure of Michail Gorbachev's politics.

¹¹ http://www.eurasia.md/pubs_dt.php?id=4832d719c7526

questions for the Moldovan Government.¹² As regards the most popular politicians, in first place is Putin, followed by Medvedev, Voronin and Romanian president Basescu. Therefore, the Kremlin does not have to do anything special to influence Moldovan people because they are already loyal “clients” to the Russian media and any Russian propaganda it carries. Moldovan media space is also dominated by Russia-friendly coverage and supported by the Moldovan Communist Government.

TV is the primary source of information for 80% of the population. Only 15% of the population consumes printed media. National TV and Channel 4, which also has national coverage, are fully controlled by the Communist Party. The Romanian TV channels have relatively little coverage in Moldova, and last year, the Government banned a Romanian TV Channel (TVR). There are no proper Romanian newspapers available in Moldova today.

Moldovan cities and villages are full of Russian speakers and Russian media consumers, which makes it relatively easy for Russia to influence Moldovans’ minds¹³. People follow events happening in Moscow with great interest. Unfortunately, the pro-Russian media is also used as the main “brain-washing instrument”, especially in Transnistria, where it paints the image of the Moldova as the enemy and Russia as the saviour.¹⁴

Russian language media is mainly financed by Russia, as most of these outlets in Moldova are merely Moldovan editions of original Russian titles. There are very pro-government newspapers that declare independence, and pro-Russian newspapers, like “Kommersant”, that have been the main advocate of Russian interests. While criminal proceedings have been started against more liberal newspapers like “Timpul” for promoting ethnic dissention, the newspapers promoting Russian interests are left in peace as a sign of dedication to “democratic principles”.

Ignoring President Voronin’s order not to discuss NATO publically or criticising the government for not receiving NATO high officials in Moldova could have serious consequences for people, who could receive serious reprimands or even lose their jobs up to very recently when NATO’s Secretary General, Jaap de Hoop Scheffer visited Moldova in connection to war in Georgia.

The Role of the Church

The Russian Orthodox Church has historically played an essential role in Russian politics and is considered one of the most influential institutions spreading the propagandistic message and implementing the politics of Russian Government in countries Russia claims to be within its sphere of influence. The Moldovan Orthodox Church, which is subordinated to the Patriarch of Moscow, clearly dominates the other religious denominations in Moldova. Despite that, it seems to keep a relatively low profile and, according to the respondents, does not have too deep an impact on internal Moldovan politics. The importance and role of the Moldovan Orthodox Church has been praised on occasions when relations between Moldova and Russia need to be remedied. Such statements by communist leaders have usually been accompanied by

¹² Ibid.

¹³ Some Radio Stations still announce Moscow time out of force of habit.

¹⁴ Synthesized vision over the Transnistrian issue, 11 September 2008, The Black Sea Trust for Regional Co-operation. Institute for Public Policy.

http://www.ipp.md/files/Publicatii/2008/Summary_11_1_.09.2008_eng.doc

disparaging comments on the Romanian Orthodox Church. Nevertheless, the fact that deserves attention is that the Moldovan Orthodox Church is the most trusted institution in Moldova.

According to the survey conducted by the Eurasia Foundation of Moldova's European Integration, the Moldovan Orthodox Church has the highest credibility as an institution. Approximately 90% of the population nominally belongs to one of the main Orthodox denominations: the Moldovan Orthodox Church (an autonomous diocese of the Russian Orthodox Church and loyal to the Patriarch of Moscow) or the Bessarabian Orthodox Church (affiliated with the Romanian Orthodox Patriarchate in Bucharest).

Officially, the Moldovan Church has 1,194 parishes, while the Bessarabian Church has only 124, which demonstrates the rather modest influence of the Romanian Orthodox Church in Moldova. However, a rather interesting trend has emerged during the last years among the urban people, especially the younger generation to celebrate Christmas on the 25th of December according to the Bessarabian Church calendar.

The Moldovan Communist leaders support the Moldovan Church and President Voronin is on very good terms with the Head of the Russian Orthodox Church. In the elections of 2005, the Orthodox priests advised people to vote for the Communists. When the country's leadership searches for reconciliation with Russia, the Romanian Orthodox Church is automatically demonised as a representative of the occupants of Moldova claiming the Russian Orthodox Church to be the origin of the Moldovan Church.

There can be no doubt that the Moldovan Orthodox Church plays the role of mediator between the political elite and the people, but it is not a very efficient political tool because it cannot openly promote a political agenda. Another interesting phenomenon starting to emerge is the increase in the number of young Orthodox priests in the Moldovan Church who claim to be above politics.

The role of the Russian Minority

When it comes to the ethnic Russian minority and its role as a potential catalyst of conflict, Moldova is probably of less interest to Moscow than the Baltic States, Georgia or Ukraine. Today, Moldovans/Romanians make up 78.2%, Ukrainians 8.4%, Russians 5.8% and the Gagauz 4.4% of the population¹⁵. By size, ethnic Russians make up only the second, and rather insignificant, minority group in Moldova. We cannot talk about an ethnic imbalance in the breakaway region of Transnistria either, the ethnic composition between Moldovans, Russians and Ukrainians breaking down almost equally into 32%, 31% and 29% respectively.

When Moldova became independent in 1991, Moldova's ethnic Russians found the prospect of Moldova's reunification with Romania alarming, because it would alter their status from that of a large and politically powerful force to that of a small and politically powerless minority.

¹⁵ The CIA World Factbook, Nov 2008: <https://www.cia.gov/library/publications/the-world-factbook/geos/md.html>

Compared to the Ukrainian or, say, the tiny Jewish minority in Moldova, the Russian minority today is probably the least organised and the least influential. In Transnistria, the ethnic conflict is usually artificially fabricated by the officially neutral Russian 14th Army.

According to the interviewees, the Moldovan political leadership is co-operative enough, and the role of the Russian minority as a catalyst of conflict does not compare to its same potential in Georgia, Ukraine or the Baltic States. However, the Russian Embassy has recently employed a person to deal with compatriot issues.

Several interviewees made a distinction between politically engaged Russians and intellectual Russians. Politically engaged Russians have clear business interests in either Moldova or Transnistria and so their attempts to influence political decisions are obvious. Artists and writers – the so-called Russian intelligentsia – are usually not involved in political activities because they do not believe that there is really anything to gain, and are unconvinced that Moscow is sincerely trying to develop Russian culture and traditions, believing Russian cultural co-operation to be in the service of political propaganda.

Therefore, the other minorities like Ukrainians or the Gagauz people¹⁶ are manipulated for political purposes into challenging the Moldovan Government. The argument that Ukraine has the same right as Moldova to claim the Transnistrian territory has been presented to Ukrainians, especially in the Transnistrian region. In light of the recent dead-end in the question of Transnistria, there have been speculations that Moscow is trying to establish relations with the leadership of the Gagauz Autonomous Unit to encourage them to take the lead in the assertion of their independence.

Domestic Politics

One could argue that the domestic politics of Moldova matured considerably during the 2000-2008 period, very much so owing to the decisive steps taken by Russia in the beginning of this period to ensure its place as a beacon on the Moldovan political landscape.

The failure of the 2003 “Kozak memorandum” gave the Western-minded political forces a chance to enter the Governmental coalition after the 2005 elections and actually change the country’s Russia-oriented foreign policy course towards European integration. However, the pro-democracy, pro-Western forces are disunited and they have not been successful enough in convincing the electorate. In addition, the Russian-minded forces in Moldova met the trend of westernisation by establishing a counterweight to every democratic and Western-minded Party or organisation, and their influence cannot be underestimated.

In 2000, the political system in Moldova was changed from a semi-presidential to a parliamentary republic, which caused the parliamentary crisis in 2001. The elections were held and the Communists won with an overwhelming constitutional majority in the parliament. Before the elections, during the campaign of 2001, the Communists declared that Moldova

¹⁶ Descendants of Christian Turks

would be a modern socialist country, a European Cuba¹⁷. Hence, Putin's accession to the presidency of Russia coincided with the Communists rise to power in Moldova, and both had a good reason to expect close co-operation.

The Communists' most important election promises were to resolve the Transnistrian issue, to reunite the country and to analyse the possibility of joining Russia and Belarus in a union. They also intended to sign a special partnership treaty with Russia, which they also did in 2001. Economic relations started to boom, and soon almost all of the wine industry had been privatised by Russian enterprises.

Putin and Voronin met frequently during the years of 2001 and 2002, during which time Voronin was ready to build a strong relationship with Russia that would finally lead to the resolution of the Transnistrian conflict. Some analysts argue that Voronin was seeking a place in history as a re-unifier of the country and to ensure his party's continued hold on power.¹⁸

The failure of the Kozak memorandum in 2003 worsened the relations between Moldova and Russia considerably. In 2005, Russia formulated a new policy towards Moldova, blocking the import of agricultural products to the Russian market. In 2006, Russia banned the import of Moldovan wines into the Russian Market and the gas price rose. All this was a message to the Moldovan Government that Russia was not happy with Moldovan politics. The economic sanctions applied to Moldova were seen by the domestic audience as a failed policy driven by the Communist Party, and support for the party decreased.

The last coalition after the 2005 elections, which made the Communists build an alliance with the Christian Democratic People's Party, known for its pro-European and pro-Romanian views, and the Liberal Party Bloc "Democratic Moldova" obliged Voronin to review his administration's foreign policy towards the EU and NATO. The EU welcomed Moldova's initiative and in 2005, Moldova signed the agreement of European Neighbourhood Policy, since which time the EU has been as an observer at the negotiations table concerning Transnistria. In 2006, the Individual Partnership Action Plan was signed with NATO. The European Commission opened its mission in Chisinau and EUBAM established its mission at the border in 2005. This was a clear message to Russia that Moldova had lost confidence in Russia and had taken determined steps towards Europe.

The political fight in today's Moldova is over the 2009 parliamentary elections, which may become an important turning point for both those who want reconciliation with Russia and those who expect a deeper relationship with the EU and the West. The key issue of the domestic political fight as well as of the foreign policy agenda is the status of the breakaway region, Transnistria. The recent attempts by the Moldovan Government to resolve the Transnistrian issue by proposing package deals to Russia have been rejected by Russia deliberately in anticipation of the election results. Nothing will be settled or decided until then. They would prefer to reach an agreement with the Communist Party but the Communists will probably not repeat their previous election success, which means that the way is paved for a broad

¹⁷ According to a Moldovan journalist, it turned out completely vice-versa – Miami of Europe.

¹⁸ V. Socor, "Russia in Moldova: A Counter –example to Georgia?", Eurasia Daily Monitor, The Jamestown Foundation, September 26, 2008 – Vol 5, Issue 185

coalition¹⁹. The most important question for Russia seems to be who is going to implement the agreement. Will the Communists maintain enough power in Chisinau?

The current government is oriented towards European integration but disregarding the ideological gap between the parties, nobody underestimates good contacts with Russia. The question that separates these two groups is rather how far and how deep these contacts should go. In the Moldovan context, good relations with Russia often mean interference in Moldovan internal politics. Some parties are more receptive to Russian influence than others. The socio-political movement "Ravnopravie" is said to be financially supported by Russia.

As a reaction to westernisation, a trend emerged in the Moldovan domestic political landscape about three years ago whereby counterweights were established to every democratic or western-minded party and organisation. Some analysts would call this trend Russia's soft power ambition, referring to ability to get what you want through attraction rather than coercion, and that is cultivated through relations with allies, economic assistance, and cultural exchanges²⁰. Not all the aspects of the so-called soft power politics are evident in case of Moldova, but what concerns regaining influence at the level of society through establishing networks, the trend is obvious.

Only recently, a new pro-Russia movement was created called Novaya [new] Moldova. The party, which is dominated by Moldovan Russians, is against NATO, strong relations with Romania and even the EU. They support Moldova's strong relations with the CIS and the Russia-Belarus Union. One of the founders of this movement is also involved in the newspaper of Komsomolskaya Pravda in Moldova; another is the governor of the Gagauz region. The movement has very strong ties with Russian businesses and in one of their latest statements in June they declared that good relations with Russia are the guarantee for Moldovan identity and security.

There is another non-governmental organisation, "Russia's Friends", which is led by former Prime Minister Vasile Tarlev. Previously a strong supporter of President Voronin and member of the Communist Party, Tarlev has officially resigned from politics. However, in some circles it is feared that he might plan a comeback on his own disengagement from the mainstream Communists and become a potential coalition partner for the Communists²¹.

Moldovan analysts argue that next elections can turn out to be even more difficult for these interest groups who back up Russia's aspirations in Moldova, because the Western orientation seems to be more irreversible today than it has ever been. The right-wing parties have committed themselves to the country's foreign policy goals, like integration with the EU and the withdrawal of Russian troops from Transnistria²². However, the problem that the Western-minded parties have to overcome is their inability to consolidate their position and to create confidence among the voters. They have no credible economic policies to offer and their party

¹⁹ <http://www.e-democracy.md/en/comments/political/200810311/>

²⁰ N. Popescu, CEPS Policy brief No. 115. Oct 2006

http://shop.ceps.eu/BookDetail.php?item_id=1388

²¹ <http://www.e-democracy.md/en/comments/political/200810311/>

²² According to one of the respondents, it is a vicious circle because, at the same time, Russian troops are needed in Transnistria in order to protect some of the local industries.

structures and programmes would need instant modernisation. According to an analyst, the Communist Party is the only party with an economic policy and they are the only ones who have understood the need of internal party reform.

Nevertheless, in light of the recent Russia-Georgia conflict, the question of who the best guarantor the security of Moldova is, Russia or the West, has re-emerged in the domestic political debate. Russia has made it very clear that Moldova should avoid Georgia's mistake of trying to use force in order to gain control over Transnistria and has offered to re-open the consultations on the principles of the Kozak memorandum. After the events in Georgia, Moscow is probably trying to manoeuvre Moldova into a bilateral settlement instead of the earlier agreed 5+2 format²³ and to have that ratified by the West becoming the guarantor of the settlement.²⁴

As a journalist rightly pointed out, Voronin's current situation very much resembles that of Putin about a year ago and Voronin faces the same question: how to step down without leaving the scene? This is his second term as President, and he needs to decide who his successor will be and, most importantly, how to manage the next governmental coalition.

It is argued that it is in Voronin's interest to divide the opposition and to work with these two parties, which he considers most convenient for him. Communists will obviously have less than 51 seats (some sources indicate 36%)²⁵ out of 101 in the next Parliament and will have to co-operate with the Christian Democrats and the Social Democratic Party, which they consider "good partners". The Christian Democrats will probably try to keep Voronin on the anti-Kremlin track, which might delimit the possibilities to co-operate with Medvedev and to resolve Transnistrian conflict. Thus, the future coalition might make the settlement of the Transnistrian conflict extremely difficult and unfavourable for Russia.

According to a journalist, what makes it even more difficult for domestic policy makers is that Voronin's heart seems to belong to Russia and only his rational mentality makes him co-operate with Europe. In a way, Voronin feels cheated by Russia as Putin has expressed his full support of the Transnistrian leader Smirnov, granting him the same status as the legitimate leader of Moldova, Voronin himself.

According to another view, Moldovan leaders are corrupt and authoritarian playing a rather pragmatic game of perpetual manoeuvring between East and West to strengthen their position, rather than fully committing to one or the other. They use the implicit threat of rapprochement with Russia to push for greater integration with the EU²⁶.

Russia's ambiguous behaviour has practically pushed Voronin towards Europe, which at the end of the day is definitely good for the country and for the EU. Voronin has to keep Moldova's interests in mind and he understands that moving towards Russia would not secure any of Moldova's interests today. Nevertheless, his main concern seems to be to establish rapid in fast

²³ The 5+2 format includes Russia, Ukraine, OSCE, the US, the EU, Moldova and Transnistria

²⁴ V. Socor, "Russia in Moldova: A Counter-example to Georgia?", Eurasia Daily Monitor, The Jamestown Foundation, September 26, 2008 – Vol 5, Issue 185

²⁵ <http://www.e-democracy.md/en/comments/political/200810311/>

²⁶ N. Popescu, http://ecfr.eu/content/entry/commentary_the_eus_sovereign_neighbours/

economic growth rather than the democratic values, such as human and minority rights in order to combat poverty.

Security and Foreign Policy

Historically, Moldova belongs to Russia's sphere of influence and, like other CIS countries, makes up one brick in Russia's buffer wall against NATO. Russia's intention has therefore always been to keep control over these areas and integrate them into its own security network. However, this has not been an easy task to fulfil, because states having a strong bargaining position or enjoying the strong support of the West have remained sceptical and cautious. Ukraine and Georgia have committed themselves to seeking NATO membership and have announced their interests in one day joining the EU.

Moldova's hands, on the contrary, are tied. In addition to the fact that Moldova is 100% dependent on Russian energy, it also has to deal with a "frozen conflict" zone, Transnistria, which is supported politically, economically and militarily by Russia. 80% of the Transnistrian economy is controlled by Russia. Russia has about 1,500 Russian troops in Transnistria, some 20,000 tons of armament, and peacekeepers²⁷. However, compared to Abkhazia and South-Ossetia, Transnistrian conflict is considered less complicated as it is not an ethnic conflict. Ethnic Russians comprise a minority in Transnistria, and more ethnic Russians live in Chisinau than in the whole of Transnistria. Russia uses the unresolved territorial conflict of Transnistria as a bargaining tool. The price for the resolution of the conflict is a federal framework for Transnistria, substantial rights for Transnistrian parliamentarians, recognition of Russian property in Transnistria, special status for the Russian language and commitment to permanent military non-alliance. The Putin-era started and ended with the Kozak memorandum on the table, which was like a red rag to a bull.

Transnistrian conflict and relations with Russia

The roots of Transnistria's disputed status lie in its unilateral declaration of independence in 1990. Moldova lost control of the region after the breakup of the Moldovan SSR and the political manoeuvring of the Ukrainian and the subsequent Transnistrian war. The breakaway region is diplomatically recognised only by Abkhazia, South-Ossetia and Nagorno-Karabakh. *De jure*, Transnistria is still considered part of Moldova and is recognized as such by Russia²⁸.

Negotiations between Moldova and Transnistria under the auspices of the OSCE have been in progress since 1997. Proposals to resolve the conflict were made by all parties involved and several meetings were held. The most important of them was the OSCE Summit in Istanbul in 1999, where Russia committed itself to the withdrawal of Russian troops and equipment from Transnistria by the end of 2001 and 2002 respectively, neither of which has yet happened.

The dialogue between Moldova and Transnistria intensified after Putin became president of Russia. After his visit to Moldova in 2000, Putin announced the formation of the State

²⁷ M. Vahl and M. Emerson, "Moldova and the Transnistrian Conflict", in the Journal of Ethno Politics and Minority Issues in Europe, p.12, 1/2004. <http://www.moldova.md/en/istorie/>

²⁸ Disputed Status of Transnistria, http://en.wikipedia.org/wiki/Disputed_status_of_Transnistria

Commission on the Transnistrian Conflict, to be led by Evgeny Primakov, the Russian Foreign Minister at the time²⁹. An equivalent Commission was also set up by Ukraine.

According to some analysts, it is likely that in the beginning of 2001 Voronin did not realise the true nature of the driving forces behind the Transnistrian issue, despite having been provided with enough information and analysis by his staff and independent experts. He sincerely believed that the conflict could be resolved easily, and declared that Chisinau was too nationalistic in its views. During the first term of his presidency, Voronin also had many meetings with Smirnov, his counterpart in Transnistria. Many agreements were signed and Voronin even promised to compensate the war reparations in Transnistria.

After a relatively promising start to a constructive relationship, Smirnov took a step too far and issued a decree establishing Transnistrian national passports and foreign passports, which clearly indicated an attempt to gain international recognition of the Transnistrian state.

Some analysts have pointed out that it was only then that Voronin started to realise the actual intentions behind the conflict and refused to meet Smirnov for further discussions. Voronin's optimism started to fade when he realised that without the help of Russia he had no chance influencing the Transnistrian leader Igor Smirnov.

Voronin tried to resolve the conflict in light of 9/11 terrorist attacks in New York after armaments had been smuggled through Transnistria. Again, Voronin found himself rebuffed when Putin declared that the Transnistrian regime was not a criminal or terrorist one.

In 2002 at the NATO Summit in Prague, Voronin invited the European Institutions and Euro-Atlantic Institutions to be more active in solving the Transnistrian problem but their involvement remained modest.

Kyiv's proposal for a federation submitted in 2002 was elaborated and followed by a "surprise memorandum" by Russia called the "Kozak memorandum", authored by Dmitri Kozak, a senior staffer in Putin's administration. The memorandum proposed an asymmetrical federation, which would basically give the Transnistrian minority the potential veto in a two-chamber Parliament on all essential issues, including Moldova's European integration.³⁰

This was also the reason why the Western countries strongly advised Voronin not to sign the memorandum when they became aware of its content

It has been argued that during the negotiations on the Kozak memorandum, Voronin obviously played a double game, working with the OSCE on the one side and with Putin on the other. Russia interpreted Voronin's last minute refusal to sign as a result of interference from the Western countries and as a failure of its foreign policy.

It has also been suggested that this was the breaking point in relations between Russia and Moldova. Up to the point when Russia became aware of Moldovan behaviour and ambitions

²⁹ M. Vahl and M. Emerson, "Moldova and the Transnistrian Conflict", in the Journal of Ethno Politics and Minority Issues in Europe, p.12, 1/2004. <http://www.moldova.md/en/istorie/>

³⁰ Ibid.

concerning European integration, it saw Moldova as a good partner, compared to Ukraine, Georgia and Belarus. Later on, Russia entered into the process of reflection, which resulted in a new policy towards Moldova.

The prospects of resolving the conflict decreased and relations with Russia were put on hold. The Russian embargo on Moldovan agricultural products and the gas price hike contributed to Transnistria's transformation into a more a fertile ground for the rise of criminal economic networks. Smuggling chicken from Ukraine to Russia via Transnistria was much more lucrative than smuggling armaments.

Moldovan rhetoric towards Russia changed as well. In December 2004 when visiting Latvia, Moldovan Foreign Minister Andrei Stratan gave an interview in which he claimed that "1500 Russian troops in Transnistria is a military occupation". This profoundly upset Russia, and Stratan was forced to admit that the statement was misunderstood by the journalists; however, everybody knew what was going on. Even Voronin himself made similar declarations saying that Transnistria was occupied by Russia.

The war of rhetoric lasted for some time, but because of vague support and the very low activity of international actors in resolving Transnistrian problem. Voronin was again forced to turn to Russia to resolve the conflict.

In 2005, presidents Yuchenko and Voronin reached an agreement asking the EU to assist in a border-monitoring mission. In the framework of the European Neighbourhood Policy, trilateral co-operation between Chisinau, Kyiv and Brussels resulted in an EUBAM mission on the Ukrainian-Moldovan border in 2005. According to the Transnistrian government, but also the Russian government, this was considered a blockade against Transnistrian transit. Russia answered with a wine embargo and interruption of communications. Analysts argue that the wine embargo definitely had an impact on the Moldovan economy, but not as devastating an impact as expected because considerable quantities of Moldovan wine were produced in Russia anyway, and the Moldovan wine industry was owned to a large extent by Russian capital.

A draft law on the status of the Transnistrian autonomy was prepared and adopted by the Moldovan Parliament in 2005. Nevertheless, Transnistrian leaders have so far not accepted autonomy status within the territory of Moldova.

There are grounds to believe that the Moldovan authorities have been receptive to Moscow's messages since Russia's 2006 embargo on Moldovan agricultural products and wine³¹. The last package deal proposed to Russia by Moldova in 2006 was very generous, offering again legal autonomy to Transnistria, substantial rights to Transnistrian parliamentarians, recognition of Russian property in Transnistria, special status to the Russian language and commitment to permanent military non-alliance. Moldova has to meet some Russian terms, except accepting a

³¹ I. Botan: ADEPT: Political Commentaries:
<http://www.e-democracy.md/en/comments/political/200806151/index.shtml?print>

Russian military presence in the reunified Moldova.³² Despite its efforts, Moldova is no closer to conflict resolution. One journalist has rightly said that as long as the main question of why Russia should be interested in resolving the conflict remains unanswered, there is no hope of progress. Transnistria seems to be quite happy with its total dependence on Russia and its debts to Russia, which are estimated to amount to approximately 2 billion US dollars, and which keep them integrated into the Russian economy.

Neither Putin nor Medvedev has officially responded to the package deal yet. Nevertheless, they have been sending messages to Moldova indicating their interests, which aim higher than autonomy for Transnistria, preferring a federal framework. In addition to the neutrality clause in the Constitution, Russia also requires Moldova to pursue international recognition of its neutrality by signing an official document. So far, the US and EU have refused to ratify such a document.

In 2008, the new National Security Concept was signed, which stated that neutrality will remain the basis of Moldovan security. Russia's response has been positive but it is unlikely to be enough.

EU

The most active international institution in the region since the middle of 1990s has been the OSCE. Vahl and Emerson argue that the limited violence relative to other conflicts led the EU to regard the Transnistrian conflict as a good example of conflict management for other post-Soviet crises³³. The role of the EU in Moldova was highly marginal in 1990s. The Partnership and Co-operation Agreement (PCA) was signed in 1994 but only came into effect in 1998. The scope of co-operation was mainly limited to economic provisions, and commitments were vague. The EU has never considered Moldova a potential EU candidate and the wording of the declarations is even more restrictive than in the case of Ukraine³⁴.

Non-economic issues like justice and home affairs started to emerge on the EU-Moldova agenda in connection with the evolution of the European Neighbourhood Policy (ENP) and the EU enlargement process of 2002-2003. Moldova signed the Moldova-EU Action Plan in 2005 in Brussels within the frameworks of the ENP. Concerns over the illegal smuggling of goods and transnational crime in the Transnistrian region have increased the EU's interest in closer co-operation with Moldova. It has been acknowledged that Moldova's difficult economic and political situation is a result of the underserved Transnistrian conflict³⁵. After all, Transnistria is the closest unresolved conflict to the EU and it might harm Moldovan statehood, threaten the security situation of Romania and Ukraine and complicate EU-Russia relations concurrently.³⁶

³² N. Popescu, 2008: The EU should re-engage with Moldova's 'frozen conflict', <http://euobserver.com/9/26661?print=1>

³³ M. Vahl and M. Emerson, "Moldova and the Transnistrian Conflict", in *Journal of Ethno Politics and Minority Issues in Europe*, p.18, 1/2004.

³⁴ *Ibid*, p 19

³⁵ *Ibid* p 20

³⁶ N. Popescu, 2008: The EU should re-engage with Moldova's 'frozen conflict', <http://euobserver.com/9/26661?print=1>

Moldova expects a great deal from the EU, especially now, and especially as regards help resolving the Transnistrian conflict and transforming the biased Russian peacekeeping mission in Transnistria.³⁷ The visa-facilitation agreement and trade liberalisation offered to Moldova by the EU are of utmost importance and the bilateral trade between the EU and Moldova has shown an increasing trend in the last 5 years. But all the progress may not have much value in ordinary Moldovans' eyes if Russia decides to come and rescue its compatriots in Tiraspol, where they claim they would have no protection under the rule of Moldova.

The EU's role in resolving the Transnistrian conflict cannot be underestimated but the EU has been hesitant to become more involved in Moldova, partly because Moldova has not showed enough progress in implementing the reforms. The EU conditionality on its Eastern neighbours has increased and this upsets Moldova. Some analysts argue that the EU is simply unable to decide where Europe ends. The EU-Moldova PCA expired in July 2008 and the EU made it clear to Moldova that the substance of a renewed agreement will depend on Moldova's implementation of democratic reforms³⁸, and the next democratic and fair Parliamentary elections would be a good start. Some analysts pointed out that another precondition of deeper European integration would be re-establishing good relations with Romania. It should be understood in Chisinau that EU membership goes through Romania, as a common language helps to transfer knowledge. Romania can help Moldova to implement *acqui communautaire* or other institutional capacities.

According to several interviewees, Russia wants to stop NATO expansion to the East, which is why they will not abandon Transnistria. Through Transnistria they have leverage to influence Moldovan politics towards NATO but less so towards the EU. Concerning the EU there is political consensus on this issue as well as public support. 77% of the population would support EU integration. Even in Transnistria, people are for EU integration. The EU has opened up its markets for some Moldovan goods and direct economic benefits are observable. Good contacts with Moscow are a goal but ideally, its partners should be the EU and US.

However, Russia has recently warned Moldova even for EU integration, stating that the EU is not merely an economic and political union, but also a potential political-military block, and that Moldova's goal to integrate into the EU would therefore contradict its neutrality.³⁹

Ukraine

Russia's common policy towards the former Soviet Republics like Ukraine, Belarus, Moldova and Georgia is to keep them close and influence them either by deeper integration or through sanctions.

However, these countries have not succeeded in speaking with one voice. In 2005-2006, when Moldova's relations with Russia turned complicated, Moldova tried to be more active in GUAM. Within this framework, the countries involved managed to reach some common understanding

³⁷ Ibid.

³⁸ Unfortunately, the rhetoric of Voronin often contradicts his actions. In the beginning of June 2008, twenty youngsters were arrested for spreading their vision of reformist messages via different mass media web-sites. The motive for arrests was that they were endangering the state. All the people arrested were students.

³⁹ V. Socor, "Russia in Moldova: A Counter –example to Georgia?", Eurasia Daily Monitor, The Jamestown Foundation, September 26, 2008 – Vol 5, Issue 185

of frozen conflicts in the UN and at OSCE meetings. Well co-ordinated messages were sent to Russia to influence its position but this success remained temporary. The EUBAM mission was another successful example of Moldovan-Ukrainian co-operation, but further initiatives have been difficult to launch.

According to Moldovan analysts, the Russian approach to Moldova does not differ much from that towards Belarus, Ukraine or Georgia. It is an attitude rather than a policy, but it was used more systematically in achieving the goals after Putin became president.

Several analysts have also pointed out that the role of Ukraine in resolving the Transnistrian conflict is as essential as that of Russia. First of all, it lies just as much in Ukraine's interest to resolve the problem. One should not forget that 1/3 of the Transnistrian population consists of Ukrainians, who might have a considerable political impact in the region when managed wisely. In parallel with Russian and Moldovan business interests, sufficient Ukrainian business interests can be found in the region.

Ukraine has proposed a Partnership Agreement with Moldova, which would make it possible to formulate a common stance on issues like Transnistria in the EU. So far, the Moldovan Government has underestimated co-operation with Ukraine and leans more towards Russia on this issue.

Moldova's security, stability and territorial integrity are extremely dependent on Ukraine's success in its integration process into the European and Euro-Atlantic structures. Some analysts even say that when Ukraine gets the green light to become a member of NATO, Ukraine might start pursuing a more firm policy towards the Tiraspol regime.⁴⁰ There is some hope that a good information policy from Chisinau and Ukraine together could resolve the conflict even without Moscow.

Ukraine is suffering from internal political turbulence, but at the end of the day, it is an irreversible process and Russia is very much aware of that.

CIS and GUAM

Moldova has been a member of the Commonwealth of Independent States (CIS) since 1991, when the organisation was founded as a successor entity to the USSR.

The CIS is a confederation of states co-ordinating co-operation in the areas of trade, finance, law-making and security. Being a rather loose confederative body in the beginning, it managed to establish a fully fledged free-trade zone in 2005 and at the CIS Summit in Minsk in 2006, Putin proposed to modernise the CIS framework and start co-ordinating foreign and security policy.

It has been argued that Moldova's European choice has been accompanied by a more sceptical attitude towards Russia and its dominant role in the CIS. As a counterweight to Russia, a group

⁴⁰ Synthesized vision over the Transnistrian issue, 11 September 2008, The Black Sea Trust for Regional Co-operation. Institute for Public Policy.
http://www.ipp.md/files/Publicatii/2008/Summary_11_1_.09.2008_eng.doc

of CIS countries, Moldova among them, founded a regional organisation called GUAM in 1997⁴¹, which was formalized during a meeting in Yalta in 2001 with the signing of the GUAM Charter. The idea was to co-operate on issues of democratic values, stable developments, security and European Integration.

A very successful GUAM meeting was held in Moldova in 2005, after which a common front on several issues was formed and addressed at a CIS meeting in Moscow, such as the Russian embargo on Moldovan and Georgian agricultural products and the issue of “frozen conflicts”.

Russia’s proposal at the 2006 CIS meeting to co-ordinate foreign and security policy as a price for settling the Transnistrian conflict made it very difficult for Moldova to find a politically sensible way out. Ukraine and Kazakhstan rejected the proposal and the modernisation of the CIS was postponed until 2007. Nevertheless, a rejection was not a solution for Moldova. Russia supported the Transnistrian referendum of independence in 2006, which made Moldovan Authorities extra cautious and Moldova reopened negotiations with Russia. After presenting the six point plan to settle the Transnistrian conflict, Moldova gradually started to distance itself from GUAM. It was argued that Voronin expressed his loyalty to Russia by not attending two sequent GUAM meetings⁴². In his public statements, Voronin accused GUAM of aiming to be a rival of the CIS and of not meeting the economic expectations of Moldova. Voronin wanted to please Putin once again and Moldova became a weak link in GUAM, which did not help to unite voices. Moldovan authorities also revised the draft National Security Concept in 2007 and removed any references that might irritate Russia, including GUAM. The document put a grave emphasis on Moldovan neutrality, giving a proof that its security policy has been adjusted to Russia’s wishes⁴³.

The Moldovan foreign policy analysts who we interviewed believe that the Moldovan leadership will probably continue sending out contradictory messages to both organisations until the time comes when Moldova obtains a government that sees co-operation rather than opposition as a key to its balancing act between the East and the West. A more critical view of what Russia really has to offer as a partner should be considered in Chisinau. According to one respondent, Russians has had two ideological missions during its history – Russian Orthodoxism and Communist ideology. Communism failed, leaving the country today without a mission, owing to its lack of strong institutions.

Influence on Economic Policy

Despite its good climate and fertile soil, Moldova does not enjoy a favourable geographical position. The country has always lacked natural resources and relied on agriculture.

The first ten years of independence can best be described as a time of economic ambivalence, during which the Moldovan Government simply failed to implement economic change and choose its own reform path. The privatisation process was slow and badly regulated owing to the lack of institutional capacity but also the lack of political will to implement tough policies. Bad

⁴¹ Founding members of GUAM were Georgia, Ukraine, Azerbaijan and Moldova. GUAM was later joined by Uzbekistan and became known as GUUAM. After Uzbekistan withdrew from the organisation the name GUAM was restored.

⁴² I. Botan: ADEPT Commentaries:

<http://www.e-democracy.md/en/comments/political/200806151/index.shtml?print>

⁴³ Ibid.

governance and high levels of corruption are the main causes of the weakness of Moldova's institutions⁴⁴.

Being heavily dependent on Russian and CIS markets in 1990s, Moldova suffered severely from the devaluation of the Russian rouble in 1998. The stabilisation of the Russian economy after a currency crisis also brought about stabilisation to Moldova, and since 2001 economic growth has been stable.⁴⁵

According to Vlad Spănu, the Executive Director of the Moldova Foundation in Washington, Moldova, unlike its neighbours, has not always managed to use its proximity to EU markets to its advantage. Neither has it successfully succeeded in searching for new markets outside the former Soviet Union. Thus, Moldova remains heavily dependent on the CIS market, mainly Russia and Ukraine, for its agriculture-dominated exports and gas imports.⁴⁶ The Russian ban on Moldovan agricultural products in 2005 and on wine in 2006 cut off natural gas deliveries to Ukraine and Moldova and subsequently doubled the price of gas to Moldova.

Although, not as devastating as expected, the sanctions left a substantial negative impact on the Moldovan economy but also prompted the Moldovan government to start more serious partnership talks with European Union, which would open up European markets. The bilateral trade between the EU and Moldova has increased since 2004 and the EU has been the most important trading partner for Moldova, especially since Romania joined the EU. Today, more than 50% of Moldovan trade is oriented to the EU. During the period of 2006-2007, even Transnistrian exports to the EU grew by 59% compared to 30% to Russia. In 2007, Moldova signed the Central European Free Trade Agreement.

However, Moldova continues to be subject to Russian economic pressure and has, so far, done little to diversify its fuel imports. Central Asia, Caucasus and the Gulf would be alternative oil and gas sources if it were not for the strong political and business interests of Moldova's decision-makers in running things in the old way.

Moldovagaz has gradually been taken over by the Russian energy giant Gazprom, which today owns nearly 100% of Moldovagaz, including the local distribution network. Converting gas debts into shares has been one of the Gazprom tactics.

The dependency on single source of energy and the related risks were first discussed during the GUAM consultations in 1997, but the topic received little attention. It has been argued that the 1998 energy crisis did not teach Moldova much, and all that the Government did was to hope that Russian markets would open up again, without considering other opportunities.

After the last cut-off in 2006, the discussion on the diversification of energy sources was revived again. A commission was set up and led by the president's adviser Marc Tkaciuk. The

⁴⁴ V. Spănu: Why is Moldova Poor and Economically Volatile?
<http://foundation.moldova.org/publications/eng/78/>

⁴⁵ www.worldbank.org.md ; www.state.gov/r/pa/ei/bgn/5357.htm

⁴⁶ V. Spănu: Why is Moldova Poor and Economically Volatile?
<http://foundation.moldova.org/publications/eng/78/>

commission's main task was to find alternatives, and discussions were started with Turkmenistan. After a while the debate disappeared again and returned only when Gazprom bought up almost the whole of Moldovagaz. The situation has been further complicated by the fact that even if alternative sources of gas were found, the distribution would go through Gazprom anyway.

In November 2008, first negotiation rounds were successfully held in Vienna with Ukraine and the Republic of Moldova concerning their accession to the Energy Community Treaty. Both countries demonstrated their strong willingness to join the Energy Community, to prepare for the implementation of the related EU legislation and to pursue the necessary reforms of their energy markets. This is a very important step taken towards the diversification of energy sources but it is obviously also going to prepare for a conflict about Gazprom's ownership of Moldovagaz.

Keeping in mind that gas for Moldova means mostly electricity; some analysts have proposed to diversify away from gas instead of diversifying the sources of gas as electricity can be produced from other sources.

Dependence on gas, oil and electricity imports from one main supplier have for a long time increased the volatility of Moldova's economy: "The natural gas price for Moldova is also used for political leverage. The more obedient a country is towards Russia, the better its chances of getting an advantageous price and facing fewer trade barriers to its exports. Thus, using economic leverage, Russia is able to keep Moldova in its sphere of influence and prevent the country adopting a pro-Western orientation in its foreign policy. While the EU and NATO are moving their borders further east, Moldova will not be included in the enlargement process anytime soon. Under pressure from Moscow, the government in Chisinau almost abandoned GUAM, a regional grouping that aims to enhance economic cooperation through the development of a Europe-Caucasus-Asia transport corridor."⁴⁷

Thus, Russia's main economic interest in Moldova is to keep it close and dependent, to control the infrastructure and strategic communications and banking. Some more direct business interests lie in the Transnistrian enterprises, such as military contractors and wine producing factories. After Russia lifted its wine embargo in 2006, the first factories to be given permission to export wine were owned by Russians who also had property in Transnistria (i.e. "Russia's friends")⁴⁸.

Because of the Moldovan government's indecisiveness in critical moments, the country has lost much of its credibility in the eyes of foreign investors. Several analysts have pointed out that unless Moldova takes a firm turn to the West, implements sound reforms, and manages to engage continuing interest of the EU and US in its political and security concerns, the country is more likely to become a second Kaliningrad (or Belarus as other authors claim⁴⁹), dominated by Russian interests.

⁴⁷ V. Spănu: Why is Moldova Poor and Economically Volatile?

<http://foundation.moldova.org/publications/eng/78/>

⁴⁸ Russia's friends on the website – <http://ava.md/material/828.html>

⁴⁹ N. Popescu, 2008: The EU should re-engage with Moldova's 'frozen conflict',

<http://euobserver.com/9/26661?print=1>

List of interviews

Most of the interviews were conducted in June, 2008. Some later updates have been provided by e-mail and phone.

Arcadie Barbarosie: Executive Director, Institute of Public Policy, Chisinau;

Victor Chirila: Programme Director, Association for Foreign Policy, Chisinau;

Vlad Lupan: Freelancing Policy Analyst, Chisinau;

Vasile Botnaru: Chisinau Bureau Chief, Radio Europa Libera, Chisinau

Igor Botan: Executive Director, Association for Participatory Democracy, Chisinau;

Klaus Neukirch: Deputy Head of Mission, OSCE Mission to Moldova;

Liliana Vitu: Program Officer, International Republican Institute;

Nicu Popescu: Policy Fellow, European Council of Foreign Relations