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CAN MOLDOVA STAY ON THE ROAD TO EUROPE?

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SUMMARY

In 2013 Russia hit Moldova hard, imposing sanctions on wine exports and fuelling separatist rumblings in Transnistria and Gagauzia. But 2014 will be much worse. Russia wants to undermine the one remaining "success story" of the Eastern Partnership (Georgia being a unique case). It is not clear whether Moldova can rely on Ukraine as a buffer against Russian pressure, which is expected to ratchet up sharply after the Sochi Olympics. Russia wants to change the Moldovan government at the elections due in November 2014, or possibly even sooner; the Moldovan government wants to sign the key EU agreements before then.

Moldova is most fearful of moves against its estimated 300,000 migrant workers in Russia, and of existential escalation of the Transnistrian conflict towards a "civilised divorce". The ruling coalition is fragile, but has so far been able to resist Russian pressure, with the exception of some very opaque business deals. The EU must prepare a menu of measures to help Chisinau resist the likely range of Russian pressures in 2014. The EU must act quickly in the summer of 2014 if the key Agreements are to be signed. Moldova must help itself by being more serious about corruption. The EU should also restrain current Romanian talk about "reunification", which only destabilises the situation in Moldova.

Moldova is considered a success story of the European Union's Eastern Partnership (EaP) initiative. In the four years since a pro-European coalition came to power in 2009, Moldova has become more pluralist and has experienced robust economic growth. The government has introduced reforms and has deepened Moldova's relations with the EU, completing a visa-free action plan and initialling an Association Agreement (AA) with provisions for a Deep and Comprehensive Free Trade Agreement (DCFTA). At the start of 2014, Moldova is one step away from progressing into a more complex, more rewarding phase of relations with the EU. Implementing the association agenda will spur economic growth and will multiply linkages with Moldova's biggest trading partner, the EU. However, Moldova's progress down the European path promises to be one of the main focuses for intrigue in the region in 2014. Armenia and Ukraine have caved in to Russia's coercive diplomacy, which means that the vitality of the EU's eastern neighbourhood policy hinges more than ever on Moldova's success. Russia's diplomatic victories in its own "near abroad" will likely encourage it to increase its pressure on Moldova. And Moldova's fragile governing pro-European coalition faces domestic challenges ahead of parliamentary elections scheduled for November 2014.

Moldova's track record

Almost 70 percent of Moldovans believe the country is heading in the wrong direction, according to opinion polls conducted in November 2013 by the Moldovan research organisation, the Institute for Public Policy. But while other unpopular governments in Eastern Europe have earned their reputations through inaction, the Moldovan government's public opinion problem is partly the downside of unpopular but necessary reforms. When the pro-European coalition came to power in 2009, Moldova's economy was undergoing a sharp downturn: in 2009, GDP declined by 6.5 percent on the previous year. The country was also facing a dangerous budget disequilibrium, with a deficit of 6.3 percent of GDP. As a result of austerity measures under IMF supervision and tighter revenue collection, the budget deficit was cut to 2.1 percent in 2012. The improved macroeconomic situation laid the groundwork for Moldova's economy to lift off. In the past few years, it has registered some of the fastest growth rates in the region: 7.1 percent in 2010, 6.4 percent in 2011, and 8 percent in the first nine months of 2013, after a dip to 0.8 percent in 2012.

Some of the factors behind Moldova's economic recovery were external. Remittance flows, which made up 24 percent of GDP in 2012, continued to sustain domestic consumption. International donors allocated €1.9 billion to Moldova in 2011-2013. But the government deserves credit for attracting funds in exchange for reform and for implementing big infrastructure projects. Parts of the national road system have already been repaired. Feasibility studies and tenders for other projects are almost completed, so more roads and irrigation systems will come on stream in 2014. These projects will create new jobs and help the construction sector – the number of construction sites spiked by 50 percent in 2013. They will also have a lasting impact on the economy. Better roads will shorten the time for moving goods across the country and irrigation systems will improve agricultural performance, especially during dry summers. Exports are growing faster than imports. The government has improved the investment climate and its e-governance strategy has helped to limit bureaucratic hurdles. As a result, Moldova has climbed from 94th place in the World Bank's Ease of Doing Business Index in 2010 to 78th place in 2014.

The improved business climate has attracted more foreign investors, who have encouraged Moldova's gradual re-industrialisation. German automotive component supplier Dräxlmaier first moved to Moldova in 2007 and is now expanding its production of spare parts for cars. Austrian cable maker Gebauer & Griller entered the Moldovan market in 2012, and by the end of 2014, the company will have invested €18 million in its production facilities in the country. After 20 years of independence, Moldova has finally begun to build a gas interconnector with Romania to ease its dependence on gas imports from Russia and help implement the EU's Third Energy Package.

On sectoral reforms, the visa-free action plan with the EU provided the leverage for the government to undertake the most drastic reform of the police in two decades. The institution was reorganised, salaries were increased, and more disciplinary procedures were initiated against police officers accused of misbehaviour. A border police force was formed and the notoriously corrupt traffic police were replaced by police patrols equipped with traffic enforcement cameras. Deaths from traffic accidents dropped by 30 percent in the first five months of 2013. Public trust in the police surged from just 10 percent in 2010 to 31 percent in 2013.

The Ministry of Education has shut down some understaffed, under-attended schools, which had represented a drain on public funds. High school graduation exams have been reformed, by multiplying the number of observers, installing video cameras to supervise pupils, and instituting thorough crosschecks of test papers. The reforms caused outcry among parents, students, and opposition parties, but the shadow networks that used to fix exam results have been significantly disrupted. The number of pass marks achieved in Moldova's high school exams declined by 20 percent in 2013.

The Ministry of Justice increased remuneration, professional evaluation, and disciplinary responsibility for judges. Several judges were demoted or suspended because of disciplinary violations or accusations of corruption. However, much more still needs to be done on justice reform, and stronger political will is needed to implement more thoroughgoing reforms.

The picture would be incomplete without also noting Moldova's failures. The government's disapproval ratings are not only the result of austerity and unpopular reform. The authorities have not been successful in tackling pervasive corruption. Moldova's score in Transparency International's Corruption Perception Index actually dropped one point in 2013. The country's National Anticorruption Center (CNA) has been reformed, and the newly established National Integrity Commission (CNI) has been empowered to investigate conflicts of interest and the income declarations of high public officials. But neither institution has lived up to expectations. CNA officers ignore high-level corruption and even initiate cases to intimidate political opponents. The embryonic CNI is under heavy political pressure. Its budget for 2014 has been reduced, and it seems there is no political will to beef it up. Moldova also wasted time on bogus reform of the General Prosecutor's Office, while the Prosecutor General himself, Valeriu Zubco, was embroiled in political controversy and was removed from office in 2013. Although the new Prosecutor General, Corneliu Gurin, has promised serious reform, powerful actors both inside and outside the institution oppose any real change. A blueprint for reform was presented in 2013, but unless real steps are taken to make progress on its implementation, it may remain only a declaration of intent.

Moldova's investment climate has improved, but foreign investors still complain of harassment from tax authorities and of vested political interests trying to push them out of the market. Even Dräxlmaier, Moldova's top exporter in 2012, has had trouble with the State Fiscal Inspectorate.

Greater deregulation and de-monopolisation would make investors feel more welcome. The government and the National Bank have failed to establish order in the banking sector, an essential mainstay for any market economy. In the last four years, "raider attacks" against financial and bank institutions have increased, while judges involved in sanctioning illegal share ownership transfers have escaped largely unpunished. The European Bank for Reconstruction and Development has appealed to Moldovan authorities to prevent non-transparent share transactions in the country's biggest commercial bank, Moldova-Agroindbank. The state gave up its majority shareholding in the troubled Banca de Economii, a move that raised eyebrows in Moldova and abroad, because the bank was reported to be involved in the Russian money-laundering controversy known as the Magnitsky affair. The CNA refused to investigate or to cooperate with European colleagues on the matter. The true owners of Moldovan banks hide behind shell companies registered overseas. Experts claim that around 70 percent of the banking sector is controlled by Russian investors. Without a drastic overhaul of the sector, international financial institutions, the main source of long-term finance, will limit their cooperation with local commercial banks.

According to international watchdogs, Moldova's mass media is partially free. Current legislation states that one person cannot own more than two national media outlets of different types. However, the government has not introduced amendments to require the full disclosure of ownership of TV channels and radio stations. A new broadcasting code containing these provisions has been drafted, but the bill is in limbo in parliamentary committee, allowing the further over-concentration of mass media outlets in the hands of a few private players intermingled with political interests.

Moldova has failed to improve its legislation on political parties. A bill envisaging state budgetary support for political parties was submitted to parliament in 2013. The legislation was aimed at making party finances more transparent and decoupling parties from powerful, non-transparent sponsors pursuing private agendas. But the very forces that the bill intends to combat are currently preventing the legislation from moving forward.

Internal risks for 2014

Since 2009, Moldova has been governed by a centre-right, pro-EU coalition, but the ruling parties are continually at odds with each other. In March 2013, the coalition of the Liberal Democratic Party, the Democratic Party, and the Liberal Party fell victim to a no-confidence vote, after bitter internal infighting that was successfully exploited by the opposition Communist Party (PCRM). A fragile replacement was restored two months later, made up of the Liberal Democratic Party, the Democratic Party, and the newly formed Liberal Reformists Party, an offshoot of the Liberal Party, which exited the coalition. The reformed coalition swiftly concluded negotiations with the EU on the Association Agreement, but now seeks to sign and ratify the agreement before 2014's parliamentary elections in order to narrow down the PCRM's options, should it manage to reclaim power. The major internal risk for Moldova in 2014 is that the coalition will crumble again, opening the way for early elections and a Communist return to government.

In May 2013, the coalition leaders, former Prime Minister Vlad Filat and former Speaker of Parliament Marian Lupu, took a step back, and were replaced by two well-regarded diplomats, former Foreign Minister Iurie Leanca and former ambassador to Germany Igor Corman. A more detailed coalition document was negotiated and, unlike the previous arrangement, the agreement was made public immediately after it was signed. The coalition has managed to institutionalise weekly dialogue between members of the alliance at several levels. As a result, the coalition parties' leaders have so far been relatively restrained in attacking each other in public, and the two main coalition parties (the Democrats and the Liberal Democrats) have slightly improved their standing in opinion polls. At the same time, the coherence of the governing and legislative process has been enhanced. In November 2013, the ruling coalition organised a public demonstration in support of European integration that brought more than 100,000 people to the main square of Chisinau in the biggest public demonstration in Moldova in two decades. On the back of a strong economic rebound, the government has passed a generous, socially-oriented budget for 2014, with a 19 percent increase in expenditure, 66 percent of which will go on social welfare. This should help to win back the sympathy of electorate.

In spite of their renewed confidence and greater cohesiveness, however, the coalition's resilience will be put to a severe test in 2014. The alliance remains a fragile construction built out of necessity rather than based on trust. The coalition agreement may have put a dent in some personal animosities, but it has not addressed the fundamental conflicts that crippled the alliance in 2013. During the upcoming pre-electoral and electoral period, when stakes are high, rivalry will resurface, all the more so since those politicians currently taking a break from high office, such as Filat and Lupu, are campaigning intensively in the regions. Even though the coalition's basis for cooperation is now better institutionalised, its viability is still too dependent on the often non-transparent agreements reached by coalition leaders. Combined with the lack of serious progress on fighting corruption, this saps the ruling alliance's public credibility and makes the government more vulnerable to the opposition's attacks. Moreover, in 2014, some coalition members might exploit "anti-corruption policy" to change the power equilibrium ahead of the elections, which could easily cause one or more parties to make an early exit from the coalition. The coalition is also split over plans to reform the current proportional representation electoral system.

The coalition is under continuous attack from the opposition. The first threat is the Liberal Party, which left the governing coalition in 2013. It still sees itself as a pro-European force, but it is constantly sniping at the other centre-right parties and their often unpopular reforms (for example, in education), even though these reforms have been positively assessed by foreign donors and EU officials. This can only cannibalise Liberal Democrat voters and aid the rise of the PCRM, which is promising voters political stability and better management instead of the constant brawls that characterise the relationship between liberal parties. The Communist campaign is eclectic and opportunistic. It offers a big dose of geopolitics framed in Manichean terms, as a choice between the EU and the Russia-dominated Eurasian Customs Union, between foreign and "traditional" values, and between statehood and the dissolution of Moldova as a state. At the same time, it wants to convince the pro-European, less educated, and poorly informed rural electorate that the Customs Union is a better way to reach the same European destination.

The PCRM has serious limitations. Its still popular but aging leader, Vladimir Voronin, is at 72 years old physically less fit for an active campaign. In the regions, the Communists face dissatisfaction with the PCRM's strategy and leadership: several mayors and local councillors have defected to the ruling parties. And the party's capacity to mobilise support is in decline – its anti-EU demonstration in Chisinau had a turn-out of only 7,000-8,000 people. Nevertheless, the PCRM polls around 35 percent, making it a political force to be reckoned with. If the ruling coalition falls again as a result of internal conflicts, Communist support could soar. Despite three failed votes of no confidence in the autumn, the PCRM will persist in its efforts to bring down the government early. The Communists are much closer to the Kremlin than they were even one year ago, and they will coordinate their strategy with Russia to put pressure on the government. Russia is apparently dissatisfied by the PCRM's inefficiency, but the Kremlin has no other strong partners to work with, apart from the leaders of Transnistria and Gagauzia.

External risks for 2014

In 2014, Russia will be the source of most of Moldova's external risks. Until recently, Ukraine has helped Moldova to deflect pressure from Russia, but in light of recent events, Ukraine may now be forced to abandon its efforts to resist Russian influence. Over the last four years, Romania has been very supportive of Moldova's European agenda. But Romania too has elections in 2014, which has led to a sudden revival of talk about "reunification", playing into the Communists' hands.

Russia

Promoting Ukraine's further decoupling from the EU and carrying out sectoral integration with Ukraine will keep the Kremlin busy in 2014, but Moldova will also receive a sizeable share of Russia's attention. The elimination of "teacher's pet" would be another symbolic victory for Russia in the region. It could strike a deadly blow to the Eastern Partnership as a whole, by preventing Moldova from signing the Association Agreement, by replacing the government with a centre-left coalition headed by the PCRM, or simply by helping to bring about protracted political conflict. Russia will also seek to provoke overreaction from the Moldovan side (for instance, in Transnistria and Gagauzia), which, besides increasing tensions, could have a negative effect on Moldova's relations with the EU and raise concerns among EU member states about Moldova's readiness to sign the Association Agreement. As one European diplomat warned Moldova: "Do not get provoked, otherwise we will not be able to help you much."

If these short-term objectives are not accomplished, Russia will try to ensure that a weak coalition emerges after the election. A less robust governing alliance might only pay lip service to the Association Agreement and might be more susceptible to backtracking under pressure on key commitments towards the EU. By installing a "slacker government" in Chisinau, Russia will seek to buy more time to achieve its long-term objectives in Moldova.

Russia is prepared to commit both resources and political will to this vision, as evidenced by its recent Christmas gifts to Ukraine ($3 billion, with $12 billion more promised) and to Belarus ($2 billion). Its successes in Armenia and Ukraine have boosted Russia's confidence that it can influence events in its favour in Moldova as well. The Sochi Olympic Games in February 2014, a staggering $51 billion investment in Russia's global image, will be a constraining factor, but only temporarily. When the games are over, Russia will seek to demonstrate how painful Moldova's drive towards the EU could be, using public and private actors to target Moldova's weak points and trigger multiple crises for Moldova's government and economy.

Many Moldovan workers are currently in Sochi. Even though it has other infrastructure projects in train, such as the 2018 FIFA World Cup, the Kremlin will employ different harassment strategies against Russia's 200,000 Moldovan permanent workers as soon as the Olympics end. It will likely also prevent around 100,000 seasonal workers from entering the country. Russia's Federal Migration Service claims that 190,000 Moldovan citizens are already prohibited from entering Russia for violating the conditions of their short-term stay. The Moldovan authorities claim the figure is 19,500, but even if Russia's numbers are inflated, the Kremlin could quite easily turn them into reality. Recently, the State Duma eliminated the legal loophole that allowed Moldovans to sidestep the 90-day limit on visa-free stay in Russia. From January 2014, anyone entitled to visa-free stay in Russia cannot spend more than 90 days in the country in any 180-day period.

If Russia expels Moldovan workers, family budgets will be hit hard and one of the pillars of Moldovan economic growth will be undermined. In 2012, migrant workers sent almost $1.5 billion home, and 65.5 percent of these remittances came from Russia. Although some sectors of the Moldovan economy face labour shortages, the government knows that it cannot rapidly integrate a massive influx of workers into the labour force. The PCRM will say that joining the Russia-backed Customs Union could provide a speedy remedy to these problems.

Russia absorbed close to 30 percent of Moldovan alcohol production in 2012. In September 2013, Russia imposed a ban on imports of wine from Moldova on the pretext of "quality" concerns regarding Moldova's product. Intensive talks with Russian authorities hit the wall in the late autumn, with Russia banking on increasing its influence by doing cumulative damage to the Moldovan economy. According to the Moldovan authorities, the damage could reach as much as $40 million per annum. Russian officials have hinted at a total or partial ban in 2014 on fresh vegetables and fruit. Moldovan exporters of fresh produce are even more dependent on the Russian market – in some instances, up to 90 percent of crops go to Russia. Moldova's agricultural sector employs approximately 28 percent of the country's workforce and generates 12 percent of GDP. A Russian embargo could slow down economic growth and create pockets of popular discontent, strengthening the Communists' anti-government campaign in rural areas. For this reason, the PCRM supported the Russian wine embargo in 2013.

High-level Russian officials have already alluded to the possibility of using the country's energy exports to exert influence. Russia is still Moldova's only source for imported gas. Although the contract between Moldova's Moldovagaz and Russia's Gazprom has been extended until the end of 2014, "technical problems" on the pipeline crossing the breakaway Transnistrian region could be used to explain a temporary suspension of gas deliveries to the Moldovan side of the Nistru. Russia could also threaten not to extend the gas contract into 2015 and could insist on concluding a new agreement that would be contingent on Moldova's withdrawal from the EU's Third Energy Package. Cuciurgan power station, located in Transnistria and run by a subsidiary of Russian energy company Inter RAO UES, accounts for 50 percent of Moldova's electricity consumption (excluding Transnistria). In 2012, when its yearly contract with Moldova expired, the company demanded a higher price for its energy and cut off supply. Inter RAO UES could orchestrate another mini-energy crisis in April 2014, when the current contract expires. Higher energy bills will have a negative impact on Moldovan society and will undermine the competitiveness of energy-intensive Moldovan companies.

Russian officials have also warned Moldova about the need to "consult" people about association with the EU, and have hinted that the country might "lose wagons" on its road to Europe – implying that particular regions might break away. The Transnistrian leadership's calls for a "civilised divorce" reflect the Kremlin's signals to Chisinau. To underline its point, Russia spared Transnistrian companies from the wine ban it imposed on Moldova. Even as Moldova works towards adopting the EU acquis, Transnistria is getting ready to approve amendments that make Russian legislation part of its "legal" framework. Moreover, the Russian GONGO Eurasian Integration has announced infrastructure projects in the region worth $60 million. Their implementation will fuel the kickback economy and should keep the Transnistrian political elite loyal. However, just how far Russia is ready to go on the de jure recognition of Transnistria remains an open question. For two years in a row, the OSCE Ministerial Council (of which Russia is a part) has adopted declarations on the Transnistrian conflict negotiations that confirm the sovereignty and territorial integrity of Moldova. But provocations in Transnistria, especially if they trigger a harsh reaction from Moldova, could encourage Moscow to argue otherwise.

Prodded by the Kremlin, Tiraspol could easily stir up conflict over several issues. The status of the eight Latin-script schools in Transnistria administered by the Moldovan authorities remains a flashpoint. Agreement still has to be reached on access for Moldovan farmers from the Dubasari region to their fields and silos in Transnistria. And in the "security zone" and the city of Tighina/Bender (on the right, Moldovan bank of the river), Transnistrian militia and Moldovan police are still in uneasy cohabitation. Russia and Transnistria will act together to continue the militarisation of the region. In November 2013, Transnistria pledged to withdraw within two weeks the additional military contingent it unilaterally stationed in Tighina, but after two months, nothing has happened. It is rumoured that Transnistria has plans to fortify its "border checkpoints" along the administrative line with Moldova in 2014. Moscow will keep pushing Moldova to accept the modernisation of its armed forces' equipment (for instance, the introduction of armoured personnel carriers). If Moldova refuses, Russia could as a tool of last resort deliver some military cargo via Tiraspol airport, following the refurbishment of its military runway in 2012.

Russia's reference to "wagons", plural, betrays its intentions to scale up its involvement in the autonomous region of Gagauzia. In 2013, Russia provided numerous photo opportunities to Gagauzian leader Mihail Formuzal, and Russia's ambassador promised to be watchful of Gagauzian autonomy in 2014. The Gagauzian local authorities intend to organise a referendum on European integration or accession to Customs Union in February, which will provide an opportunity for Moscow to amplify tensions between Chisinau and the Gagauzian authorities in Comrat. Moldovan courts have declared the referendum illegal, but Comrat vows to organise the plebiscite anyway, setting the stage for political conflict. The major contenders for the role of bashkan (governor) of Gagauzia, to be elected at the end of 2014 or early 2015, will likely play the Russian card in the local elections to boost their chances of victory. The referendum, therefore, provides a once-off opportunity for candidates to prove their Eurasian credentials ahead of the main local political battle. If a referendum is held in Gagauzia, it will give a boost to the Communist campaign for Eurasian integration against the ruling coalition's European orientation.

Ukraine

On key economic and security issues, top Moldovan officials regard Ukraine as Moldova's buffer or "airbag", capable of softening the impact of Russian pressure. Ukrainian suppliers play an important role in Moldova's energy mix. DTEK, owned by Ukrainian oligarch Rinat Akhmetov, covers around 20 percent of Moldova's energy needs. In 2009, in the middle of its gas row with Russia, Ukraine supplied Moldova with natural gas from its own stores. Although Kyiv allowed Moscow to introduce 20 heavy-duty vehicles for Russian troops in Transnistria in 2012, it resisted Russia's requests for transit through its territory because it was concerned that the move did not have the consent of the Moldovan authorities. Kyiv continues to push for the conclusion of the demarcation of the border between Ukraine and Moldova, in spite of Transnistrian attempts to hold up the process. As chair of the OSCE presidency in 2013, Ukraine represented a stabilising force in opposition to Transnistrian and Russian efforts to escalate the conflict.

However, Chisinau is unsure whether and how the "airbag" will function if Kyiv's current drift towards Moscow continues. The Kremlin is fully aware that once Ukraine is dragged into Eurasian integration, Moldova becomes more vulnerable. Before the Vilnius Summit in November 2013, Kyiv and Chisinau agreed that Ukraine could provide gas through the north of Moldova if the Transnistrian segment of pipeline were to be shut down. But it is unclear whether Ukraine will keep this promise in the new climate, after Gazprom agreed to subsidised gas imports to the country in January 2014. The Ukrainian company DTEK often coordinates its pricing strategy in Moldova with Inter RAO UES: the two worked together in 2012 to extract higher prices. In 2014, the Kremlin may push Kyiv to support more aggressive actions in Transnistria. It could demand terrestrial or air transit to its armed forces in Transnistria or enlist Ukraine in a wider campaign to open Russian and Ukrainian consulates in the region. And it may pressure Ukraine to keep a low profile if the situation in the security zone becomes tense.

Romania

Romania has actively lobbied in Brussels since 2009 for more intensive engagement between the EU and Moldova. It has worked to create gas and electricity interconnections with Moldova, co-financing projects with the EU or investing money from its own budgetary resources. Bilaterally and through the EU, Romania has helped the Moldovan government to draft legislation, to train public servants, to tackle floods, and to reform and create public institutions. Romanian advisers within the EU's High Level Advisory Mission helped with major reforms in education, in the police, and in the energy sector. Moldova is the number one recipient of Romanian developmental aid; Romania has recently pledged €20 million for the Moldovan education system. Bucharest has also called for the speedy withdrawal of Russian troops and arms from Transnistria and the replacement of the Russian-led "peacekeeping" mission with international civilian monitors.

However, Romania is facing two turbulent election campaigns in 2014: European Parliament elections will be held in May and presidential elections are set for November. As the campaigns get under way, bickering between the prime minister, the president, and the ruling coalition has increased. This discord has diverted attention from vital energy infrastructure projects. In November 2013, Romania's outgoing president Traian Băsescu declared that the country's next national project should be reunification with Moldova. This statement sparked heated debate and accusations of populism, which rapidly spilled over to Moldova. Although in Romania, 62 percent support reunification with Moldova, only 15 percent of Moldovans support the idea, so Romanian declarations on unification raised alarm in Moldova. Tensions were increased when, in December 2013, Moldova's Constitutional Court overturned Moldova's studiously ambiguous language policy and declared Romanian the official state language. Along with Romania's continuing failure to ratify the 2010 border regime treaty with Moldova, these issues have given the PCRM grounds to gin up fears of Romanian overreach.

Protecting Moldova

Moldova's top officials are reluctant to speak openly about Russia's tactics. Instead, they seek to keep all channels of dialogue with Russia open without giving up on their European priorities. Russian Foreign Minister Sergei Lavrov was invited to visit Chisinau in 2014 as part of this non-confrontational approach, which in the short run aims to win time until the Association Agreement is signed. The EU should support this approach in its bilateral track with Russia. The two EU-Russia summits scheduled for the first half of 2014 offer a good opportunity to raise the issue of Moldova with the Kremlin. The EU should send a strong signal that it will continue watching out for Moldova, and that if Russia brings economic pressure to bear, the EU will show solidarity with Moldova. To make this position clear, high-level visits of EU officials to Chisinau will be of great importance.

The EU should also restrain unhelpful voices within its own camp. Romanian talk of reunification risks opening up a Pandora's box of border challenges throughout the former Soviet Union. Given the potential volatility of Moldovan politics in 2014, the EU should be ready to mediate between the coalition partners and should speed up translation and legal scrubbing so as to cut the preparation period before the signature of the Association Agreement. Romania's offer to help should be taken up so as to fast-forward translation of documents. The signing deadline has already been moved twice, from October to September and then to August 2014. The preparation time could be compressed even further.

Once benchmarks have been met, the EU should deliver on its own promises. Moldova has done what was asked of it, so the EU should lift visa requirements by summer 2014 for Moldovans who hold biometric passports. The European Parliament should vote on the issue before it enters its own electoral season. EU member states should give the green light to a visa waiver programme within the Justice and Home Affairs Council. A positive decision on a visa-free regime would be a gigantic symbolic and practical gesture of support for Moldova. It would provide a real and visible advantage of European integration for ordinary citizens.

To neutralise Russia's energy levers, the EU should support Moldova's energy cooperation with Romania and Ukraine. By April 2014, the Iasi-Ungheni gas pipeline between Romania and Moldova should be on stream. But without a compressor station, it can only transport limited volumes of gas (up to 0.5 billion c/m), and it can supply only the regions of Moldova in its immediate vicinity, Ungheni and Nisporeni. It cannot supply the capital, Chisinau, which is obviously the biggest gas consumer. The EU should, therefore, push for the rapid construction of a compressor station in Iasi so that the interconnector can work at maximum capacity (1.5 billion c/m, equal to Moldova's total annual consumption if Transnistria is excluded). The EU should speed up plans for construction of the Ungheni-Chisinau gas pipeline.

Ukraine does not intend to shut the door on the EU, so Europe can still help to convince Kyiv to stick to its deal with Moldova on emergency gas supply. Moldova is in talks with Romania on electricity supplies for 2014, but Romania can only provide up to 25 percent of the necessary volume, and because of its low transmission capacity, it can reach only some regions of Moldova. Ukrainian energy producers will, therefore, be crucial to prevent a possible energy crisis in the spring. In the medium term, the EU should give financial support for more electricity interconnections to boost transmission capacity between Romania and Moldova.

The EU should make plans to deal with possible Russian trade restrictions, and should consider further liberalisation of the market for Moldovan products (as it did in the case of the Russian wine ban) before the Association Agreement provisionally enters into force. To help Moldova to weather any new Russian economic embargo, the EU should loosen restrictions on Moldova's main exports to the European market: fruit and vegetables, cereals, sugar and honey, sunflower seeds, vegetable oil, and light industrial products such as clothes, accessories, shoes, bags, and furniture.

The EU should also pay close attention to Transnistria and Gagauzia. During the summer of 2013, Moldova's vigilant diplomacy along with EU support forced Russian and Transnistrian leaders to abort further escalation of tensions in the security zone. A similar but upgraded strategy should be employed in 2014. More visits to Transnistria by EU officials and member state diplomats accredited in Chisinau will be needed. The EU should put the Transnistrian conflict on its agenda with Russia. It needs to signal that any aggressive attempts to escalate conflict will have real costs. Such messages are unlikely to result in the long-term settlement of the conflict, but they could at least help to dissuade Russia from "managed destabilisation" in 2014. The Kremlin prefers to take action in the region at times when other players are distracted by more urgent issues. Russia is trying to outmanoeuvre the EU in Transnistria by pumping in more money. But Abkhazia and South Ossetia should serve as reminders that Russian aid can be mismanaged by non-recognised entities in the post-Soviet space.

The EU and Moldova have the upper hand in trade relations with Transnistria, because together they absorb almost 70 percent of Transnistria's exports. The EU should use this advantage to discourage Transnistria from further provocations and nudge it towards participation in the DCFTA. Transnistrian companies that have undergone certification in Chisinau and that comply with EU standards should be allowed to benefit from the provisions of the DCFTA. The application of Autonomous Trade Preferences for companies in Transnistria will expire by the end of 2015, which will give Transnistrian companies even greater incentive to abide by the new regulations.

Last but not least, the EU should step up its efforts to mediate between Chisinau and Comrat and should work to dissuade both sides from taking hasty decisions. The EU has planned a three-year development program in Gagauzia worth €5 million, which gives it leverage to exercise positive influence on the authorities in Comrat.

Even in the face of the wine embargo, the selective expulsion of workers from Russia, the Kremlin's encouragement of separatism, and its threats to cut off energy during winter, 35 percent of Moldovans would vote to join the Customs Union instead of the EU. Russia can still capitalise on what remains of its "soft power" in Moldova: nostalgia for the Soviet Union and its cultural products, the conservative message of the Russian Church, and the Russian-language mass media and GONGOs. This soft power could help Moscow to slow down or even derail implementation of Moldova's European agenda. The EU, therefore, must significantly upgrade its public diplomacy in Moldova, by framing its message in terms of the economic development of what remains a very poor country. The Kremlin often does business based on illusory advantages, such as gas discounts whose value will diminish as Russia increases its domestic gas prices. By way of contrast, the EU should advertise the practical solutions it can provide, such as energy efficiency projects based on biomass that could cut energy bills in winter. Press releases and press conferences with Moldovan officials will only help a little to raise the EU's visibility and win over Eurosceptics in Moldova. The EU should create a map showing all the projects it has sponsored so far in Moldova and should distribute it as widely as possible both in hard copy and electronically. Every trolleybus procured, every road rebuilt, and every hospital renovated with EU money should have large signs indicating the project's sponsor.

The EU's public diplomacy should extend throughout the regions, penetrating rural areas as well as Russian-speaking cities such as Balti and areas populated by national minorities such as Gagauzia and Taraclia. Outreach should not take the form of one-time events, but should be part of a systematic effort to explain to various categories of citizens what the EU has already done and what European integration could mean for Moldova's future. Although 58 percent of Moldovans favour European integration, for many of them it remains only an abstract concept. The civil sector could be of great help in popularising European integration. A more robust public diplomacy could dilute the attractiveness of Russia's appeal to the past, as well as producing a better-informed public, who in the end will smooth the application of the EU's transformative power in Moldova.

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