



**SÜDOSTEUROPA-
GESELLSCHAFT**

in cooperation with the German Federal Foreign Office



Auswärtiges Amt

CONFERENCE REPORT

International Conference

***“Europe and the Transition Process
in the Republic of Moldova”***

Berlin: July, 2 – 3, 2004

Conference venue: Abgeordnetenhaus von Berlin

Conference Committee: Dr. Johanna Deimel / Dr. Wim van Meur

under the direction of: Gernot Erler, MP,
President Southeast Europe Association

Report informal meeting, July 2, 2004

On the eve of the conference, the German Southeast Europe Association (Suedosteuropa-Gesellschaft/SOG) organised an *informal meeting* of interested members of the German Bundestag, including Claudia Nolte, initiator of the joint motion on Moldova in Mai 2004, with conference speakers from Moldovan NGOs, research institutes, civil society and the business community. The discussions centred on (1) the transformation process in Moldova, (2) EU neighbourhood policy and (3) security issues.

Discussions on EU neighbourhood policies and the Action Plan for Moldova focussed on evident deficits in Moldovan capacities to use EU programs and instruments to the full. Moldovan participants repeatedly underlined the symbolic importance of the opening of an EU representation in Chisinau and the negative consequences of EU enlargement that could be addressed through joint visa facilities in Chisinau for EU countries without consulate. There was general agreement that the comprehensiveness and ambitious objectives of the Action Plan constitute a major challenge for the Moldovan government, but also an opportunity to add credence to its European commitment.

The lack of precise benchmarks and continuous monitoring was seen as a deficit of the Action Plan. The idea was brought forward to have a network of experts from Moldovan civil society with the backing of relevant international organisations to provide a continuous monitoring and early warning on the implementation of the Action Plan. Such an endeavour might not only enhance the profile of civil society in Moldova, but also contribute to a consistent policy towards Europe. Raising public awareness in Moldova concerning European standards and ways to meet them was deemed as crucial as closing the information gap between the populace of Moldova and the political elite in Chisinau.

Security issues included the Conventional Forces in Europe treaty (CFE) and the possible role of the EU in improving controls on the Eastern border of Moldova. Typically, the Dniester issue was generally perceived as a negative factor in economic and political transformation. Rather than arguing that a solution to the Dniester secessionism has to precede transformation in Moldova or EU engagement, most participants felt that tangible progress in right-bank Moldova would be the best incentive to break the deadlock between Chisinau and Tiraspol’.

Conference report

The presentations and debates at the conference intentionally focussed on the preconditions, state-of-affairs and future potential of the political and economic transition process in Moldova. Arguably, Moldova has lost valuable time after a promising start in the early 1990s. The evident setbacks may be partly explained, on the one hand, in terms of objective conditions, e.g. the

market loss in the Commonwealth of Independent States (CIS) and in the Russian Federation in particular, the controversies of state and nation building and the Dniester conflict and, on the other hand, partly in subjective terms of transformation management. The current deadlock concerning the Republic of Moldova and the break-away region on the left bank of the Dniester as well as the perspectives for Moldova in the broader processes of Europe's integration were assessed primarily with respect to their potential and actual impact on the transformation process in Moldova.

In the introductory panel the keynote speakers pointed to the growing importance of Moldova in Europe and a corresponding increase of attention for Moldova in recent years. Both are due to (1) the fact that Moldova will become a direct neighbour of the EU-27 with the accession of Romania in 2007; (2) the unresolved Dniester issue as the frozen conflict nearest to Europe; and (3) Moldova being the first country to agree on an Action Plan in the framework of the new European Neighbourhood Policy. The implementation of this European strategy for Moldova as work in progress is, as several speakers underlined, of key importance for Moldova. One may sympathise with Moldova's eagerness to receive more pertinent and unambiguous promises from Brussels, but the key message is that the door to Europe is not closed. Yet, the EU is a community of values rather than a development agency - thus a variety of conditions has to be fulfilled and in this respect Moldova's record is not without serious flaws. The long-standing practical and symbolic value of the German presence in Moldova (embassy and political foundations) contrasts to the still unfulfilled request for an official EU representation in Chisinau to add credence to Europe's commitment and support for the transformation process in Moldova. Several speakers noted and applauded a trend to diversify contacts in Moldova, underlining the need to involve civil-society organisations.

Apart from weaknesses in public administration and political management, common to post-communist transformation processes, political commitment to "Europeanisation" on the part of Moldova has its ambiguities and reservations too. The way Moldova presents itself in a European context is far from perfect and seems to be lacking in political vision and initiative. The Moldovan ambassador to Berlin, however, stated, "reforms and European integration are two sides of the same coin." More than one speaker explicitly deplored the ingrained tendency to expect salvation by external assistance and to criticise the EU's existing programs rather than to use them to the full. Since 2001 Moldova has seen substantial economic growth, but sustainable economic development remains as much a challenge as the reform of the judiciary, poverty reduction and the fight against corruption and human trafficking. External assistance can only be supplementary to indigenous reform efforts. Conversely, it would be a fallacy on the part of the EU to assume that, considering the current preconditions, Moldova can disentangle its political and economic development from the Dniester issue and get the reform process back on track all on its own. Russia's interference in the Dniester issue is reason enough for a more proactive and resolute EU commitment.

Panel I – State and Society in the Transition Process

Speakers and discussants sketched a rather bleak picture of media freedom in Moldova. Political authorities have a wide range of instruments at their disposal to control and use the media, ranging from preferential treatment for state media and restrictive legislation to excessive compensation claims in libel and defamation charges against media outlets or even assaulting investigative journalists. A lack of professionalism and solidarity among journalists further increased political inroads in the media sector. The virtual monopoly of TeleRadio Moldova for nation-wide broadcasting and the political bias of the Broadcasting Coordination Council are particularly serious as TV is the main source of information for most Moldovans. In those cases, however, where international representatives and organisations such as the OSCE or the Council of Europe persistently monitored the situation and actively intervened those jeopardising the freedom and diversity of the press generally backed off, at least temporarily.

The picture of political life in Moldova that emerged was not too promising either. The electoral law (with an unusually high threshold in national elections of 6% for a party and 9% or 12% for alliances of 2 or more parties) and the strong standing of the ruling Communist Party (with well-established local organisations, a conservative rural population, a lack of democratic traditions and significant nostalgia for Soviet times among the electorate) implies that the opposition is fighting an up-hill battle. Typically, in surveys 93% of the population thinks that life was better before independence and 57% prefers a one-party system. Civil society activity could be a counterweight to politics and a way of changing popular attitudes. Yet, for lack of civil-society traditions and domestic resources, civil society in Moldova is largely reduced to internationally funded NGOs, despite the rather liberal framework for civil-society activities. De facto campaigning for next year's elections has already started. Apparently, only the newly created, but heterogeneous Democratic Moldova Block and the Christian Democratic People's Party stand a realistic chance of entering the next parliament. President Voronin's popularity has declined from 70% to 60%, but remains high despite unfulfilled political promises and intra-party divisions.

Arguably, the Soviet legacy has produced an amalgamate of democratic and authoritarian elements in the political system. In combination with an unreformed bureaucracy, the net result is a weak state with a virtual monopoly of the Communist Party in politics, a black economy half the size of the official economy and hundreds of thousands of Moldovans living abroad. There is a strong tendency to pay lip service to reforms – not out of necessity to reform the country, but as a shortcut to Euro-Atlantic integration. As one example, the project of decentralisation and reform of local government was discussed. The project has been on the political agenda for more than a decade. However, the nexus between decentralisation and the issues of Transnistria and Gagausia as well as a lack of local resources and competencies have largely halted the reform process. The 1994 Gagaus autonomy was territorially dispersed, economically disadvantageous and partly inconsistent with the 1994 constitution. Centralist

tendencies persistently obstructed a significant devolution of power and resources and in recent years the tendency to reverse the local-government reforms with the system of *judeti* of the late 1990s has been strong. Evidently, any plan for the federalisation of Moldova has significant implications not only for the sovereignty and territorial integrity of Moldova, but also for local and regional democratisation.

Panel II – Economic Transformation and Poverty Reduction

Since 2000 Moldova has achieved substantial progress in terms of economic growth and export volume. Evidently, the institutional and legal framework for economic development has been created. Nevertheless, the sustainability of growth is doubtful, while the problems related to poverty and migration have only increased. One third to 40% of the population lives below the absolute poverty line. Thus, the high expectations of politicians and the public of a quick and smooth transition have not come true. The consequences have been mass migration of labour and poverty in the countryside. Over the past few years up to 800,000 out of 4.3 million Moldovans have emigrated. Although, economically speaking, labour migration has a number of advantages (remittances, reduction of the labour surplus, new skills), the balance sheet is negative. The remittances are extremely high in relation to the overall size of the economy. (Last year's remittances of est. 800m USD outdo total exports of the past five years and foreign direct investment [FDI] of the entire transition period). As the remittances are used consumptively rather than productively, poverty and social inequality have not been reduced. Thus, poverty reduction strategies exist largely on paper only, and yet economic *and* social development will be decisive for Moldova's progress in European integration.

The heavy burden of Soviet legacies and the current domestic and regional framework is obvious, ranging from the communists' virtual political monopoly and rampant corruption to the lack of local resources and economic out-migration. One speaker, however, made a determined effort to find some competitive advantages, no matter how temporary and partial, from the current situation. At least some migrants do return with new (business) experiences and financial resources to start their own enterprise in Moldova. Due to the lack of major economic resources, Moldova has been spared the Ukrainian and Russian experience of state capture by oligarchs. Whereas the tense relations between Moldova and international financial institutions (IFIs) tend to scare off potential strategic investors, audacious investors may come to the conclusion that some of Moldova's assets are currently under-valued. From an economic point of view, improved access to the EU market for Moldovan goods is far more important than any debate on a future perspective of EU membership. Nevertheless, the lack of an independent judiciary and an investor-friendly legal framework as well as serious deficits in the rule of law all factor into the key transition problems: weak statehood and economic stagnation.

A fundamental debate on the pros and cons of out-migration constituted the *leitmotiv* of the discussion. Some drew attention to the inflow of business expertise and resources with the return of migrants, whereas others pointed to the horrendous social costs of (illegal) migration and human trafficking. As far as the related issue of migrant remittances was concerned, more of a consensus existed. Experts and participants agreed that remittances *could* be a valuable asset in the transformation process. In the Moldovan case, however, most remittances (hundred of millions of USD annually) are largely used consumptively and most of it bypasses government taxation and can thus not be instrumental to policies of economic development. A modest and incremental liberalisation of EU visa and migration policy towards Moldova was generally recommended. One Moldovan participant noted that the EU as a “community of values” obviously nevertheless tends to offer facilitated visa and trade regimes on the basis of strategic interest (e.g. with Russia) rather than normative European conditionality. Otherwise, it would be hard to explain, why Moldova has not been offered the same facilitated regimes, which might have a positive impact on stability and transformation: “trade liberalisation is cheaper than peacekeeping,” one participant remarked, while noting that the focus of Justice and Home Affairs in EU assistance and conditionality is largely self-serving and may be at odds with reasonable local policy priorities. Whether current excessive out-migration is a natural consequence of (rural) overpopulation or a reaction to man-made economic despair remained a matter of dispute.

In sum, as one participant concluded, there seems to be an unhealthy consensus of politics and public in Moldova concerning the current state of affairs. The attitude towards most of the dilemmas identified in the first two panels is one of resignation and muddling through – contrasting to the collective mobilisation characteristic of East Central Europe in the early 1990s. After bad experiences in the 1990s and reform frustration, for a majority of the populace and the political elite the avoidance of political and economic changes seems to have become a fateful consensus.

Panel III – Bilateral and Regional Political and Economic Relations

A comparison of Ukraine and Moldova reveals a wide range of similar problems - difficulties in post-communist state and society building; a recent combination of economic growth and mass poverty; illegal migration and human trafficking; and EU integration as a foreign-policy priority despite the status of “new neighbour.” Yet, cooperation is marred by Ukraine’s ambitions to become a strategic partner and a regional power. As a result, the lack of trust between political elites in Chisinau and Kiev has prevented more intensive cooperation. The 2001 border agreement was perceived as “overbearing” by the Moldovan side and border demarcation is hampered by Ukraine’s refusal to take a strong stance in the Dniester conflict. The existence of a Ukrainian minority in Moldova and vested business interests in the Dniester Republic have given Tiraspol’ an influential lobby in Kiev. Ukraine’s policy vis-à-vis Moldova

remains ambivalent, even in reaction to the Kozak memorandum. Thus, a chance is lost to speak with one voice on issues of Europeanisation: visa, migration, fighting organised crime, etc.

Albeit for different reasons, Romanian-Moldova bilateral relations have equally failed to become a mainstay for Moldova’s transformation. The key contentious issue of Moldovan national identity – as part of the Romanian nation with a second Romanian state or an separate nation and state – is unique for the entire (future) outer border of the EU. The identity dilemma adds a special dimension to the general problem of EU accession and the Schengen regime. As the speaker demonstrated, especially since the communists’ return to power in 2001 and a re-orientation towards Russia in foreign and cultural policy, the issue has deadlocked bilateral relations. Romania is as unwilling to accept normal relations, as Moldova is to recognise any special or privileged relationship. Consequently, relations have been tense and were marked by conflicts such as the Bessarabian Church or Romania’s special assistance fund. Despite repeated efforts the legal framework for bilateral relations could not be consolidated. Neither a basic treaty nor a border treaty has been finalised.

In recent years, Moldova has failed to make full use of different (European) schemes for regional cooperation and dialogue such as the Stability Pact, the Southeast Europe Cooperation Process (SEEC) or the US-initiated Southeast Europe Cooperation Initiative (SECI). Despite inefficiencies and overlaps of regional initiatives, their projects do have added value for the countries of the region and are certainly a logical precondition of European integration. Moldova thus missed opportunities (1) to add credence to its interest in regional cooperation, (2) to advocate its bid for joining (Southeast) European integration and (3) to use the resources of the regional initiatives for the sake of Moldova’s transformation process. Others argued that Moldova’s efforts are sincere, even though, for a variety of reasons, concrete results may be less than expected. Despite political declarations of intent and formal agreements, Moldova’s involvement in many a relevant initiative – the regional energy market, the free trade system or the investment compact – has failed to meet international expectations, with the positive exception of Moldova’s presence at the SECI Centre for Combating Organised Crime in Bucharest. Some argued that even without a formal border treaty much more could have been done, given the political will, to enhance control on the Moldovan-Romanian border, which could then have become a positive precedent for the Moldovan-Ukrainian border. Linking the existing frameworks of regional cooperation and Moldova’s role to Moldova’s (Southeast) European ambitions, one speaker’s advice was to start with small steps rather than jumps.

Panel IV and final discussion – Moldova and Europe

All speakers agreed that the EU’s position on Moldova is not fully developed yet. Critiques claimed that Brussels is discriminating against Moldova, has double standards in its conditionality for EU membership and takes into account Russia’s position when dealing with Moldova. In its

current form, the New Neighbourhood Policy (NNP) raises a number of questions. How will the regional approach and the individual differentiation be squared in the NNP framework? Why was the Action Plan developed before a thorough evaluation of the current situation (country report) or an assessment of the Partnership and Cooperation Agreement (PCA) and Tacis existed? Why are other regional initiatives such as the Central European Free Trade Area (CEFTA) and Black Sea Economic Cooperation (BSEC) compatible with EU aspirations, while CIS membership apparently is not? One speaker noted that, given the negative preconditions and current framework of Moldova as a transition country (high dependency on foreign markets and energy resources, the Dniester conflict and a slow reform process), the EU is bound to play an “increasing role, whether it wants it or not.”

From a Moldovan perspective, it often appears as if Brussels is speaking with more than one voice, especially as far as the existence of an EU perspective for Moldova is concerned and Moldova’s ambitions to sign an Stabilisation and Association Agreement in 2007, when Romania joins the EU. Tongue-in-cheek, one speaker commented that not unlike Moldovan politicians, their counterparts also take different positions depending on the audience. Eventually, the critics argued that opening a (long-term) perspective would have a positive effect on reformers and their constituencies in Moldova. Another speaker, however, noted that comparisons to East Central Europe are misleading, as transition was well under way in these cases before EU integration came to the fore. Conversely, the Western Balkans have demonstrated that a much more long-term EU perspective has only a limited effect on policy-making and reform efforts. In many of these cases, the EU has to deal with political elites paying lip service to EU norms and policies, while capitalising on the heightened expectations of the populace. Having problems in dealing with weak states, the EU tends to assume that its counterpart is functioning, responsible, responsive and sincere in its actions. The result is a mismatch – the aspiring countries demanding a more credible perspective to boost reforms and the EU demanding a more capable, more committed and better functioning state as a counterpart for an integration process to start. Evidently, the answer to this dilemma lies in an incremental approach on both sides, offering elements of integration, on the one hand, and exploiting existing instruments to the full, on the other hand.

In defence of the European Union, other speakers underlined that it is after all an organisation of 15, now 25 members states with different perspectives and interests. EU interest and concern for Moldova and the Dniester conflict certainly has increased, but it remains just one of the many issues on the European agenda. Furthermore, a principled and consistent policy requires to some degree regional groups rather than a special treatment for each individual country. Squaring the three tasks– stabilisation, transformation and integration – is a fundamental challenge for the EU, in particularly in the case of Moldova, but also in Ukraine, the Mediterranean or the Balkans. The EU is not yet the strategic actor able to combine these three tasks synergetically.

Recapping the debates from the first conference in Niederpoecking (January 2004¹), the panel also discussed Moldova’s approach to enhance its EU perspective by first becoming part of the EU’s strategy for the Balkans region rather than to be content with the Wider Europe/New Neighbourhood framework the EU offers to former Soviet republics.

Whereas some of the discussion on Moldova’s European perspectives centred on the question “when,” others prioritised the quality of transition, saying that it would be better to be a full-fledged democracy *outside* the EU instead of a state mimicking democracy *within*. As the Moldovan authorities have committed themselves to the objective of EU integration and the implementation of the Action Plan, international organisations and Moldovan civil society have every reason to monitor the process closely, despite the fact that the Action Plan does not offer too many concrete and verifiable benchmarks.

The SOG is committed to continue its Moldova program later this year.

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Report composed by

Dr. Wim van Meurs

Member of the Board of Southeast Europe Association

¹ The reports of the conference are available on our website:
<http://www.suedosteuropa-gesellschaft.com/index.cfm?page=projekte>